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WEALTH IN HIS SIGHTS

He's into double figures with his portfolio already, and this investor's only 30 years old. We chat to a man of many roles who always has one eye firmly on cash flow. **ANGELA YOUNG**

Having migrated to Australia from Hong Kong at the tender age of four, Simon Loo grew up in the Hills area of Sydney with, in his own words, a "conservative, average upbringing". He's currently saving up money for not only his investing but his upcoming nuptials, too – by the time this magazine hits the shelves, Simon will have married his fiancée.

He describes himself as rather impatient and, though he struggled a little with his studies in both school and university, he's always been ambitious. The root of his desire to invest, however, is a mystery.

"My interest for property remains unexplained," he says, "but growing up, I never understood the nine-to-five culture and disliked it when I eventually became a part of it, so I was subconsciously looking for a way out.

"I luckily came into contact with an incredible sales manager in my second job who enforced the value of being consistently outside your comfort zone and finding real drivers in life to achieve goals."

This propelled his growth, he explains, and sparked a more aggressive accumulation strategy.

Self-education has also been a prominent feature of Simon's journey: "All the while, I've always been reading property strategy books, followed people who found success in property, and used online resources religiously. I also spent countless weekends driving around to open inspections in various areas and found myself enjoying the research/due diligence process as much as finding property deals… so that definitely helps."

ROUND NUMBERS

It's a passion that's seen Simon accrue an impressive 11 properties for his portfolio so far, despite having only just hit his third decade.

Back in the beginning, he admits he wasn't too sure of what he was doing and might have let his heart rule his head.

"My first purchase involved a lot of emotional decisions, and the lessons learned from that have quickly forced me to focus more on the numbers only," he says. He admits he does still have a tendency to "fall in love" when choosing an investment property… but now it's only with the numbers!

"All my investment purchases have been based purely on numbers – and most have been sight unseen," he says. "This is actually an advantage of purchasing interstate, as I would

WESLEY LLOYD-REGAN

probably have knocked back some of my purchases if I saw them with my emotional eyes.

"It does take some experience and knowledge to do this successfully and it's largely dependent on the type of relationships you build with people who can be trusted to be your eyes and ears in your chosen areas. Nowadays I travel interstate to maintain those relationships, rather than viewing specific properties I can potentially purchase."

So, interstate's clearly not a worry for this investor?

"Most of my purchases have been bought interstate, sight unseen – often at auction," he says.

"In doing this, it's imperative to have the right team on the ground for you in your chosen areas, including real estate agents, property managers, tradies, conveyancers, brokers, building and pest contacts, etc. to make sure you're not purchasing a dud and that it's properly maintained afterwards. Purchasing interstate also enables you to make decisions based on numbers only and takes away a lot of emotional factors that may influence you to make poor investment decisions. Being away from the stress and emotions of purchasing property has worked well for me."

THE NUMBERS | SIMON LOO

Location	Property description	Purchase date	Property price $	Weekly rent	Current value $	Equity in property
West Ryde, Sydney, NSW	2-bed unit	September 2010	$369,000	$480	$670,000	$301,000
Blacktown, Sydney, NSW	670 sqm, 3-bed house + 2-bed self contained granny flat	August 2011	$377,000	$770	$875,000	$375,000
Woodridge, Logan, Qld	3-bed villa	July 2012	$155,000	$275	$220,000	$65,000
Loganlea, Logan, Qld	1,000sqm 4-bed house	August 2012	$233,000	$360	$365,000	$132,000
Woody Point, Redcliffe, Qld	2-bed unit, 1 street from water + waterviews	May 2013	$185,000	$280	$275,000	$90,000
Berrinba, Logan, Qld	3-bed house on 610sqm	September 2013	$230,000	$355	$350,000	$120,000
Beenleigh, Logan, Qld	3-bed house on 640sqm	September 2013	$228,000	$320	$295,000	$67,000
Crestmead, Logan, Qld	3-bed house on 600 sqm	December 2013	$230,000	$340	$290,000	$60,000
Eagleby, Logan, Qld	6-bed house on 730sqm	April 2015	$327,000	$500	$390,000	$63,000
Eagleby, Logan, Qld	3-bed house on 511sqm	July 2015	$241,000	$330	$280,000	$39,000
Crestmead, Logan	3-bed house on 650sqm	August 2015	$226,000	$330	$280,000	$54,000
TOTALS			$2,801,000	$4,340	$4,290,000	$1,366,000


The six-bedder at Eagleby


Three-bed house in Crestmead

STRONG MIND SET

Simon certainly has his strategies and systems well planned, from his idea of the perfect property to criteria for everything from location to style of dwelling.

His ideal investment, he reveals, would be a place bought for under market value, seven-plus per cent gross rental yield, ready to rent on day one and with the potential to add value through renovation or development in the future.

When it comes to factors that help him determine where to invest, his criteria fits the mould of the most seasoned of investors: "Capital cities, strong rental demand, strong rental yields, ability to buy under market value, opportunity for suburb growth and/or planned economic/infrastructure development and a market that's recently bottomed out or is just starting on the growth phase."

Preferring to buy in working-class areas within capital cities, he says "the rental yields not only provide you with cash flow but enable you to grow a large portfolio much quicker as you meet servicing criteria with banks".

"I also find rental demand is stronger and more diverse in these areas, as well as the potential for more 'ugly ducklings' becoming swans," he says.

While he doesn't tend to stick solely to one style of residence, he does have a preference.

"Whether a property's a unit, house, townhouse, villa, acreage, etc., it must make sense financially and work into your personal strategy," he says. "That said, I subconsciously lean towards houses because, ultimately, land will always be worth more when capital gains come into play and provide more options for value adding.

"Regardless of the type of property," he adds, "I always look for below market value and positively geared properties so I know they'll look after themselves and I can leverage off them for further purchases."

Further purchases are certainly on the horizon for Simon, and there are no plans to stop accruing. In five years' time, he says, he sees himself with a haul of 25-plus properties worth $8 million as well as development projects on the go (about three). Ten years, he believes, will see him fully ensconced in developing large-scale projects within capital cities.

Asked about when he plans to retire, his answer is simply: "Retirement? What retirement?

"Financial independence is already possible with my current situation if I wanted to support a modest lifestyle via an average income, and if I had no intention to further my career," he says.

"It was never a particular moment where fireworks went off and streamers fell from the sky, but a gradual realisation that I can probably retire.

"While the feeling of having that choice is great, the hard work, lessons learnt and contacts I've built up over the years have evolved my goals over time and now I'm excitedly working towards the next chapter.

"If I'm not busy adding properties or renovating my portfolio, I'll also be searching for development sites in 2016 to begin that phase of my journey.

"In saying that, my day job will likely go in the near future, purely due to the fact it will start holding me back from growing my property ventures."

Day jobs are something else Simon's accumulated over the years. Starting out with part-time/retail jobs during high school and university, venturing into business development roles after graduation.

"I did well in sales, was tight with my savings and pumped most of it into property," he explains, adding that, overall, his salary range over the past 10 years has only been around the Australian average.

"I've had a number of jobs over the years and my income has always been average, so for anyone starting out with an average job, don't let your income limit what you can achieve financially!"

Now, demand from fellow investors has persuaded Simon to follow a whole new course – as a buyers' agent.

While he prefers a buy and hold policy, he's not completely immoveable on this.

"I wouldn't hesitate to renovate and sell underperforming properties or at peak of markets if funds could be put towards further growth," he says. "I only buy properties that are below market value and are positively geared, so it can start working for itself on day one and I have the choice to release equity immediately."

Using separate variable, interest-only loans, he's kept up a good relationship with his brokers over the years.

HOW DOES HE DO IT?

Key to Simon Loo's property investing philosophy is buying products under market value, but how exactly does he go about that?

"For me, buying below market value starts with knowing your targeted areas extremely well," he explains, "including sales history, current market cycle, clearance rates, stock coming on market, the type of property that's selling, the types that aren't, good and bad areas, etc. So you have a good idea of what each property's worth.

"Then it's the tricky part of identifying properties that are selling for a price you know is below what the market's willing to pay. It's rare you'll find these deals trawling realestate.com.au etc., particularly in a rising market, so it's a matter of networking and building credibility with all the agents in the area. Position yourself so they present you with these distressed properties, often before they hit the market (this is much easier said than done!)

"Properties can include bank mortgagees, divorce court orders, any circumstance where the vendor needs a quick, no-fuss sale and little to no competition. As a buyer, it's also necessary to be able to make a quick decision and put offers down with favourable conditions almost immediately."

"Finance and serviceability is the key to building a property portfolio and it's important to use lenders in the order of their serviceability calculators," he says. "In saying that, finding the right broker who knows the ins and outs of each bank's serviceability calculators and knows your goals, your strategy, and your buying patterns, is key.

"For example, when I started, Westpac was the best to use and when I became too rent-reliant with them, CBA would be the next best choice… when I hit a wall with them, AMP or Mac Bank would be the next in line and so forth.

"Bank policies and calculators change constantly, and in light of the recent APRA changes, finding the right broker's more important than ever," he says, adding: "Westpac's no longer an investor-friendly bank."

Simon's whole portfolio is positively geared, a strategy he's firm on.

"Each property's looking after itself after all costs and puts some money in my pocket, which has not only allowed me to leverage up and grow a much higher value portfolio as I meet bank serviceability criteria, but I'm not spending my income from my day job/business on holding costs 'hoping' that capital gains will make it all worthwhile.

"Rental vacancies are also manageable because if one or two become vacant temporarily, I have several other positively geared properties looking after the temporary loss of rent.

"It's also allowed me to grow a much higher value portfolio as it means I can access more equity and it doesn't affect my income and lifestyle.

> "I'm a firm believer that you can have both high capital growth and high rental yields at the same time."

"To me, negative gearing not only inhibits growth but is a terrible way to save a few tax dollars when a property is costing you real dollars every week to look after."

He also doesn't believe in the "one or another" view some investors hold about returns: "I'm a firm believer that you can have both high capital growth and high rental yields at the same time, but it's all relative.

"We've all just witnessed a traditionally high yielding and what was considered a low capital growth area – Western Sydney – experience tremendous growth.

"If we look at growth as a percentage, properties in Western Sydney that were worth, say, $300,000 have jumped 100 per cent to $600,000 within a matter of years. Although some inner-Sydney suburbs have experienced similar growth, most haven't experienced anywhere near that level of growth in the same time frame (e.g. from $1 million to $2 million).

"So, if you had 10 $300,000 properties in Western Sydney ($3 million), giving you seven per cent rental yields (not costing you anything to hold) doubling in value to $6 million, would that be more valuable than holding, say, three inner-Sydney properties worth $2 million in total at four to five per cent yields, costing you a bucket-load to hold every week due to poor cash flow, that can only gain 60 per cent or so in that timeframe?"

The Sydney market is the reason behind one of Simon's biggest regrets: not buying more there five years ago.

"That and listening to the wrong people," he says. "In the beginning, I was naturally turning to the advice and acceptance of the people close to me, who all happened to be 'experts' in property investment.

"It's incredibly important to take advice only from those who've had a lot of experience with property investing, or from those who've achieved what you want to.

"Five years ago, most people thought you were crazy buying properties in suburbs like Mount Druitt. Now those same people are buying the same properties at double the value claiming what a great investment it'll be!"

Simon's suggestions
Tap or click the button or visit scan.me/z97c8p2 to read this investor's top tips on savvy investing.

Other mistakes, he believes, include not starting earlier in life and not being aggressive enough.

"Time is your friend in the Australian property market, and the earlier you start, the more you'll gain in the long term, even if there are downfalls in the short term.

"Although I've bought a few [properties], I probably could've had a larger portfolio in more markets if I was a little less conservative.

"When the market was slow a few years back and agents were begging me to take properties off their books, I naturally became very weary and was picky with my purchases.

PROPERTY MANAGERS

On page 68 of this issue, we ask the important question, are property managers worth their fees? Simon Loo thinks so...

"I've had my fair share of incompetent property managers, which ultimately cost me thousands along the way due to their mismanagement," he says.

"Not only [is it] a burden financially, but also emotionally as you spend your days (and nights) worrying about vacancies, rental arrears, maintenance issues, getting ripped off, etc. Management fees should be the least of your concerns as a competent property manager will make and save you a lot more money in the long term.

"The difference between five per cent and eight per cent is a small price to pay in comparison. This is even more important if you own property interstate, as you rely almost entirely on your property manager to ensure everything is running smoothly."

Simon adds that they're also "invaluable" at times of vacancy, "ensuring your property is maintained properly and attractive to quality tenants".

"Looking back at some of the properties I knocked back, which have made great gains, is a constant reminder to take action, stick to your goals and remain emotionless!"

BEST AND WORST

Within his current portfolio, Simon's most pleased with the three-bedroom house in Blacktown.

"Blacktown's been the best so far, mostly due to unprecedented capital growth experienced over the past few years. Aside from that, it was one I sourced specifically for the purpose of building a granny flat, which I also coordinated from start to finish. That's resulted in great cash flow."

Less pleasing was his experience with his first Queensland purchase, a three-bedroom villa in Woodridge.

"On paper [it] had nine per cent gross yield," he says. "I turned a blind eye to the exorbitant body corporate fees (which ate up a lot of the nine per cent), and it's experienced limited capital growth since.

"It has been relatively stress-free and a set-and-forget property, but overall it's performed the least financially."

Due to land tax issues, Simon's properties have been bought with a mixture of trust structures as well as in his own name.

"I do use various trust structures to purchase properties to negate land tax thresholds but… there's a balancing act between the advantages and disadvantages of using trusts offsetting the amount of land tax you need to pay.

"The cost of setting up/maintaining a trust isn't cheap, and sometimes it may be worth getting hit with a bit of land tax instead of putting a property in a trust.

"Trusts can also have certain limitations, with negative gearing for example. Consulting an experienced accountant is crucial before making these types of decisions."

Focusing on the future, Simon is feeling confident: "I keep a close eye on rental markets and ensure I maintain a good cash flow position through gradual rent increases." API