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EMPIRE BUILDER: CHRIS GRAY REVEALS HOW HE QUIT
HIS DAY JOB THROUGH BUILDING PROPERTY WEALTH



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BUILDING BALANCE

Bold ideas and great ambitions have paid off for **Chris Gray** whose multimillion dollar property empire has made working the 9 to 5 all but a distant memory

If there's one thing most of us dream of, it's early retirement, or at least the ability to do what we want, when we want – complete financial and personal freedom.

For UK-born Sydneysider Chris Gray, shrewd property investment made this dream a reality – and at just 31 years of age.

It all started back in a place called St Albans, about 30 kilometres north of London, when Gray was just 21 years of age.

A young Gray had a small family inheritance windfall of £10,000, with instructions that it could only be used as an investment.

He decided to invest it in a three bedroom property.

"It was a bit like having the first home owner grant now, just enough to get you into the market," he recalls.

Because he was a cash buyer, Gray was able to snap a £100,000 valued property up for just £80,000, technically making him an instant profit.

"I made £20,000 overnight when I was only earning £10,000 a year. I thought, this is pretty amazing."

Around one year later, a similar opportunity arose, and Gray, whose entrepreneurial streak was already developing, approached his dad about striking up a deal.

"I said, look, I bought this one property and made two years' salary overnight. Why don't we do this as a father-son venture?"

Needless to say, Gray managed to convince his father that both he and the property were worthwhile

investments, and he purchased his second property – just over 12 months after his first.

PROPERTY TRUMPS CAREER

Gray immediately recognised the potential property investment offered and continued to purchase properties right throughout his 20s.

By the time he hit 31 he had six properties under his belt, and was so pleased with their return that he began to question the value in continuing his career as an accountant.

"Mathematically I just couldn't justify having a job because it was too much time for not enough income."

So Gray left Deloitte and spent the bulk of his time "playing around" – racing cars, water skiing and essentially, having a pretty good time on the returns from his property portfolio.

GRAY'S STRATEGY

Ask Gray what his financing philosophy is and he's pretty straight: "Take money from anyone that gives it to me!"

Of course, this can prove difficult when you're self-employed – and highly geared.

"As you get more and more debt it gets harder and harder, you need to find mortgage brokers and banks that are used to dealing with property investors," says Gray.

As for his buying strategy, Gray's target properties usually fit in the price range \$500,000 to \$800,000 and lie in blue chip suburbs within five to 15 kilometres of the CBD.



The bulk of Gray's portfolio is in Sydney's Eastern Suburbs.

"I am concentrated in one area but because I buy so much there I've got all the tradies and contacts to get insider deals," he explains.

Gray says that while he has sold a couple of properties, his strategy is very much long term based, to buy and hold.

"Because the transaction costs of getting in and out are so high, even if you don't pay capital gains tax on your own home, you're still spending two to three per cent to sell and five to seven per cent to re-buy, so you're throwing away 10 per cent, which could be a deposit on another property."

He is also a strong proponent of stable, long term performers.

"If you buy the right properties in the right places they'll always be good, as opposed to trying to find the next best thing to double your money. There's maybe a fifty-fifty chance that will happen and if it doesn't, you're money's just going to sit there."

And when it comes to growth versus yield, Gray also prefers capital growth

"The focus I think for high income earners is capital growth, the reason being, you don't pay tax on capital growth until you sell, and ideally, you never sell," he says.

"And you can actually still realise the profits by refinancing and pulling the money out and using it to buy more and more property – or as personal income.

"If you get a yield, typically you've got to pay tax on each dollar of rent return so it's only half as much."

The major downside of capital growth properties however, Gray points out, is their typically inverse relationship to rental yields.

"Typically the rents aren't that high so each property might cost you \$10K or \$20K a year in negative cash flow."

Obviously, Gray says, this is not a strategy for everyone.

Indeed, Gray's portfolio costs him between \$100,000 and \$200,000 a year, depending on interest rates. But looking at the average growth rates of property in Australia, he says this is better than it sounds.

"If you look at percentages, as long as property rises by one or two per cent a year, my portfolio will rise by \$100,000 to \$200,000 a year which is basically cash flow neutral.

"Typically property has risen by seven to 10 per cent a year however," he adds.

Gray's investment strategy is not for the faint hearted and he admits he's endured many a sleepless night.

"For me, over stretching can be dangerous, but it's a forced discipline, because the first thing you always pay is your mortgage or rent."

"Some people think it's risky but I've always been in debt and I've always done whatever it takes. I've worked two or three jobs if needed to make sure I can pay – and I've benefited."

INVESTING IN YOURSELF

One thing Gray is an enormous advocate of is investing in himself and paying for quality advice – he says he spends tens of thousands of dollars on professional advice each year.

"When I was working at Deloitte I spent \$1,200 on a life coach, which I thought was airy-fairy rubbish, but

WORDS OF WISDOM

JUST DO IT

I speak to thousands of people every year, even some of my friends, and they don't own any property, they're always trying to wait for the perfect time but it never comes. I bought my first property for £80,000 – say \$200,000 Australian, and it's now worth £350,000. My friends now have to pay \$700,000-\$800,000 so it's costing them as much as \$600,000 more than me – and I can guarantee none of them have saved \$600,000.

LISTEN TO THE RIGHT PEOPLE

Quite often what makes the news is negative so don't listen to everything you hear. Also, friends and family want you to succeed but they don't want you to lose money, they'd rather you did nothing and plod along safely. Surround yourself with positive people who are making money from property and pay for as much financial advice as you can.

REMEMBER INDEPENDENT VALUATIONS

I've probably seen 5,000 two bedroom apartments in the eastern beaches but every single time I always get an independent valuation to get the real worth of the property.

she got me out of my full time job in 12 months and I got to get my dream Ferrari so it was actually quite cheap."

From there Gray was hooked. He spent \$15,000 on one course and hired mentors at \$500 a pop. He has also joined associations such as the Entrepreneur Organisation – to be surrounded by positive people with fresh ideas.

"I spend this money because I think if I spend \$10,000 I'll probably make \$20,000 or \$30,000 out of it – if not more."

"I'm always looking for new people I can learn from."

OWN PROPERTY, WILL RENT

Although Gray owns millions of dollars' worth of apartments, he and his wife and children actually rent – a unique strategy, to say the least.

"Rather than being in a \$5 million home and paying \$400,000 in interest I pay maybe \$125,000 a year in rent," he explains.

"And if I've got 10 \$500K properties I'm probably getting \$4,000 or \$5,000 a week in rent – and I get to live in fabulous houses."

SHARING HIS SECRETS

It didn't take long for people to start noticing Gray's unique lifestyle. Unsurprisingly, people wanted to live like him.

"People saw that I was doing something. I didn't have a job but I had money and they started asking me to teach them what I was doing," he says.

"People turned to me and they said, we don't want to learn how to do it, you've got all the contacts, you know what to do, whatever you've done for yourself, can you do it for us?"

And so his Empire business was born.

Gray now helps time-poor professionals build their own property portfolios. Some like to get involved whilst others prefer to leave it to the experts – Gray offers both.

"If you're an accountant or whatever, working

in the city, because you're working such long hours, you haven't got any contacts and you're not doing the volume of transactions to build the right relationships," he explains.

"Even though people have to pay me a fee, generally they'll make more money than the fee costs them and so they're happy."

WHAT NOW?

Gray's original investment goal was \$10 million, but he admits he's somewhat addicted to property and unlikely to stop buying any time soon.

"I don't like having cash in my bank account, I feel nervous and unsettled," he laughs. "Unused equity just sitting there."

"I thought I'd be happy with \$10 million but then you think, well I can do more. Even if I can give proceeds to charity, life is just easier with money so I'll keep plodding along."

Gray also intends to reduce the gearing of his portfolio as he gets older.

"I'm roughly 70 per cent geared now and I'll stay that way for the next few years, but hopefully I'll start reducing after that, just to be safer."

As for what's next, Gray is confident opportunities still abound.

"I still think it's a positive time in real estate."

Right now, he's working on a development in the Sydney Eastern Suburb of Coogee, alongside four of his clients, with plans to double a beachside block from 7 units to 14, and 11 car spaces to 22.

"Basically I'm always looking – for me or my clients. I roughly buy one property a week."

And does he ever miss his accounting days? Not a chance.

"You can earn more money from property than you ever can from a salary. And it's passive."

"I work from home and see my kids for half the day at least – a lot of parents only see their kids at seven in the morning, or when they're asleep," he says.

"It's a job with only good bits. There is no real difference between work and play." ■

CHRIS GRAY'S PROPERTY EMPIRE – THE SPECS

TOTAL PORTFOLIO:

\$10m+

TOTAL DEBT:

\$7.5m

LVR:

70–75%

AVERAGE RENT:

4%

NEGATIVE CASH FLOW BEFORE TAX OR DEPRECIATION:

\$100–200K/year

depending on
interest rate

CAPITAL GROWTH NEEDED TO BREAK EVEN BEFORE TAX OR DEPRECIATION:

1–2%

CHEAPEST

PROPERTY PRICE:

\$675,000

MOST EXPENSIVE PROPERTY:

\$1.05m

BIGGEST

VALUED BLOCK:

\$4m

BEST DEAL

TO DATE:

\$1m in 4 months

Block of 5 x 2 bedroom
units in Coogee, NSW
(Eastern Suburbs)

Purchased:

Oct 2007 @ \$1.9m

Renovation:

\$600,000

Total cost:

\$2.5m

March 2008

bank valuation:

\$3.5m

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