

WENDY PRIESTLY PMC PRESIDENT AND AUSTRALIA'S MOST SUCCESSFUL FEMALE INVESTOR



Building wealth through property – a long-term view

HOW DOES IT HAPPEN? HERE ARE SOME EXAMPLES FROM MY PERSONAL PORTFOLIO.

In 1998 my late husband John and I looked at building additional wealth resources for retirement from property. We had some compulsory superannuation and wanted an alternative – property was our selection.

The only reason we decided to build a property portfolio was the resulting capital growth that would be achieved. We had seen our parents and their friends retire on less money per week than when they were working and we did not want this for ourselves. We had a desire to travel and wanted to be able to fund other activities in our retirement. Working hard was not the solution.

Since finding the support of the Property Club in 1997 and settling our first purchase in May 1998, we accumulated 23 club properties. Coupled with our home and two investment properties purchased previously, we had a diverse property portfolio spread across property types and four state locations, with a value of approximately \$14 million.

As we built up our property portfolio over the past 20 years, we experienced many ups and downs in the values of our properties, but over the longer timeframe the movement was always up. We had set our sights on seeing our various properties double in 10 or so years.

As is the farmer's lot, there are some years with over-abundant crops and others with hardly any crop where your crop values/wealth may go backwards. However, over the longer term, just like the macadamia tree farmer that waits patiently for 10 or so years before the crop is commercially productive, our properties have doubled in around this timeframe.

Here are a few examples from our portfolio to illustrate our experience:

Some properties have doubled in two to

three years – but then what?

For example, one of our WA properties at Wattle Grove in Perth, purchased in 2004 for \$255,000, took just under three years to double in value. The market then flattened out a bit, then went down 20 per cent in 2008-2009. However, from 2011 to 2014, this 20 per cent has been recovered and the property is now valued at approximately \$585,000 on an agent's comparison. A good result of 115 per cent for 10 years' growth.

Growth indicators in Perth suggest property growth is closely linked to resources growth. There are strong growth years and slow or backwards growth years. This comes as no surprise because property growth does not take the straight line of growing at 7.2 per cent per annum every single year; it has fits and starts.

For real property investors, the results come after the longer term – 10-plus years, it may vary, but my experience is that it will come with well-located property over the longer term.

Some of the properties have had much slower growth or remained at constant values for a few years after purchase, although over a 10-plus-year period, their values have doubled. These properties have been slow to start but have then raced ahead of the average growth rate for a few years. Our Acacia Ridge property illustrates buying in before the growth spurt.

Our two-bedroom townhouse at Acacia Ridge was purchased in 2002 for \$126,000 at the right end of the street in a forgotten suburb. It was not until 2004-2005 that Brisbane City Council identified the area as a bulk storage and transport hub for employment and distribution. The area then

underwent an urban renewal with young families moving to cheaper homes they could renovate and gain value from.

Properties in our development then started to grow at a much greater rate and our townhouse had outstripped the doubling in 10 years. However, since 2012-2013 it has grown at a much slower rate, which should be expected. With a new development now completed beside ours and growth rates rising again in Brisbane and surrounds, new spurts of capital growth in the area are being expected. A great result at 108 per cent for 10 years' growth.

On a few occasions we have seen some of our property values fall dramatically due to reasons outside of the general property movement. While values are generally set by comparable sales in normal situations, from time to time sales of similar properties can fluctuate due to extraordinary events that are outside of the property trend.

Our property at Paddington in Brisbane, purchased in 1998 for \$183,000, was such a case. As part of the body corporate we were aware there was a problem with the tiling adhesive to the outdoor patios. An incorrect mixture had been used by the original tiler that was unsuitable for Brisbane's climate, and this caused the tiles to explode on the balconies, which, of course, did not make for happy tenants.

Club owners approached the Club for assistance and were guided on how to make a claim through the Queensland Building Services Authority (QBSA). It took a few months, but the tiles were re-laid by the original builder.

Other non-Club owners did not wish to take the QBSA path; they were unhappy



Wattle Grove



Acacia Ridge



Paddington

with the property and wanted to just sell. Within 12 months we had two owners sell – the first for \$156,000 and the second for \$165,000. These were the new selling prices for the units in the development. We could not refinance nor seek equity growth. It was not that the property had really gone down in value, but instead external factors regarding property repairs that led to other owners selling their units at desperate prices. This lowered the value of all the units in the block for some years.

As time passed, this property has doubled in the 10-year timeframe – 146 per cent growth of value over the 16 years. But it has been growing at slower rates these last few years, as have the general Brisbane values. With growth rates expected again to climb in Brisbane during 2014-2015, more value will come to this property.

Finally, I would like to consider a more recent purchase of a NSW property at Warriewood on Sydney's northern beaches in 2006 for \$780,000. Its value growth had been very slow to nil for the first few years of ownership, as NSW weathered the credit crunch in 2008-2011. In 2013, its value dropped back to its original purchase price. However, with recovery in NSW and general easing of housing finance, its growth spurt has commenced with market valuation in early 2014 as \$1.2 million. With ongoing scarcity of available properties in the suburb, growth of its value has been advised to be even greater and to be achieving a doubling of values in 10 or so years.

For the informed property investors, variations in values are par for the course – you just have to allow time to pass for values to deliver the capital growth outcomes. ◀



Warriewood

PMC TRAVEL

CLUB TRAVEL EVENTS for 2014-16

PMC 10th Anniversary International Workshop – Oct 2014 (*Space still available*)

This year celebrates the 10th Anniversary of the PMC International Workshop event. All PMC members can join us in Siem Reap, Cambodia. Members will have an amazing opportunity to enhance their knowledge for their investment property portfolios, network with other like-minded people in the city with the fabulous world heritage Angkor Wat Temple.

PMC European White Christmas and New Year – 2014-15

This trip has certainly been on many PMC members' list for some years. Maybe this year is the year to take a most memorable trip to celebrate Christmas and see in the New Year in a European white winter. The itinerary will include the famous Christmas markets in Vienna, the Swiss villages, or perhaps drink some wine and eat some traditional Christmas food in Stockholm or a visit to Santa Land!

PMC Ski Japan – January 2015 (*one week touring/one week skiing*)

To all the PMC ski enthusiasts who have always dreamt of skiing the powder-laden ski slopes in Japan, it is going to happen! PMC members and their families/friends are invited to enjoy this wonderful opportunity experience of skiing on some of the best snow slopes in the world in Niseko Japan. For those family members who don't ski, rest assured there are other options for you.

PMC Turkey, Gallipoli and the Ottomans – June 2015 (*8 spaces still available*)

Experience Gallipoli and explore Turkey, taking in its amazing sights. The anniversary celebration for Anzac day was always going to be a huge event and inundated by thousands of people. We have decided to still offer PMC members the opportunity of travelling to and exploring a large area of Turkey at a later time without the hassle of crowds. The group will still visit Gallipoli for a private remembrance.

PMC Turkey to Piraeus Silverseas Cruise – June 2015

Discover the beauty of the Greek Islands aboard the Silver Spirit from Silverseas. Indulge yourself for seven nights aboard this amazing ship. Everything is included – all you need to do is relax and soak it all up. Take the opportunity as the ship stops in ports to explore the islands of Santorini, Rhodes and Mykonos, and the enjoy the Greek culture. Space is held exclusively for PMC members.

PMC Scenic River Cruise – 3-17 August 2015 (*Great discounts available*)

This is a scenic river cruise for PMC members and friends for 2015. If you are interested in having a totally relaxing holiday for 15 days while enjoying European cities and river scenery, cuisine and experiences, then this is for you. This Budapest to Amsterdam trip has a group allocation of space reserved exclusively for PMC.

PMC Tranz Siberian Express – July 2016

Undoubtedly the world's greatest train journey, connecting east and west Russia over the Urals. We currently have 11 members on the list. Travel from Vladastock to Moscow and spend 18 days travelling through some of the most remote areas of Russia.

For more information please contact:

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