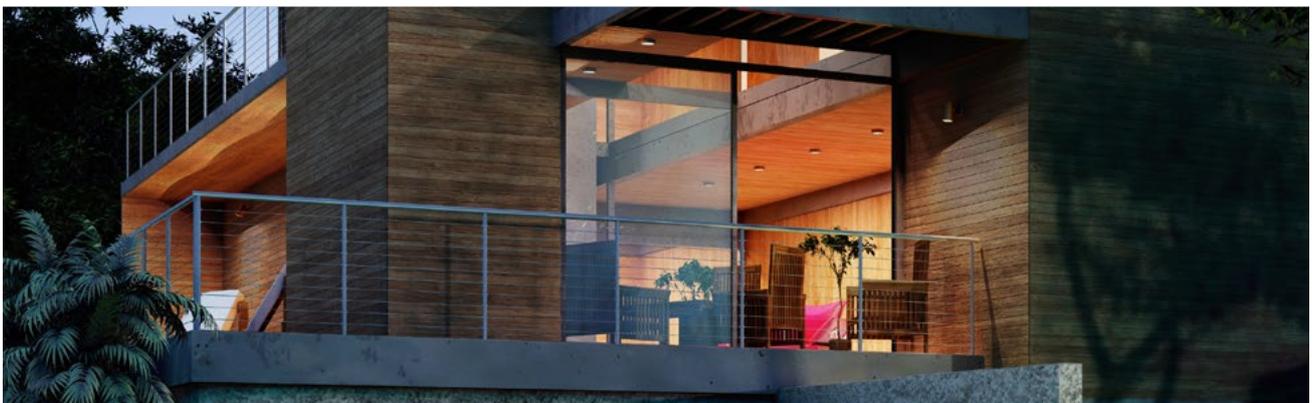


# THE HIGH PERFORMANCE PROPERTY SELECTION CHECKLIST

How to Find Properties with High Tenant Appeal and  
Solid Medium- and Long-Term Capital Growth Potential



**Disclaimer:**

Providence Property Group Pty Ltd does not provide financial, accounting or legal advice on investments. All interested parties must rely on their own research before making any investment decision and should seek advice from a qualified financial planner or similar professional. Past performance of asset classes is not indicative of future performance.

The information contained within this document has been compiled from various sources to provide a general overview of Providence's services, products and the property investment landscape. Providence Property Group Pty Ltd will not accept responsibility for inaccurate information provided from external sources or third parties.

## LOOK INSIDE TO DISCOVER...

- ✔ **The truth** about property as an investment vehicle (this real comparison between cash, property and shares may surprise you)
- ✔ **How to get \$500,000 value** out of a \$125,000 investment (this key lesson in leverage could mean the difference between enjoying a ‘steak’ or a ‘sausage’ lifestyle in retirement)
- ✔ **A proven 3-phase approach** to property research (and the order in which to apply it)
- ✔ **Why many investors risk losing** \$2 million or more over the life of their investment (and how you can be sure you keep this money in your pocket)
- ✔ **24 of the most important factors** that affect property prices (use this as a guide to know when prices will rise and when they will fall)
- ✔ Things that happen overseas don’t really affect property prices in Australia, right? **Wrong.** (See page 6 for the trends you need to keep an eye on)

Don’t have time for all this research? No problem. [Sign up](#) for our complementary webinar “The Best Places to Look for Investment Properties in 2016” and find out where all the best properties are right now.

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### PROPERTY RESEARCH REPORT

powered by Providence Property

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# WELCOME...

And thanks for requesting a copy of *The High Performance Property Selection Checklist*.

Whether you are in your 20s and just starting your career... settling down and raising a family in your 30s and 40s... or in your 50s and looking towards retirement (perhaps even concerned about retirement) property is a proven investment vehicle that can help you achieve a lifestyle of independence and opportunity. And you can get started with as little as \$50,000 – often available through the equity in your family home. Or as many savvy investors are doing, if you have a combined superannuation balance of \$200,000 or more, you can start a Self-Managed Superannuation Fund and access this money to invest in property.

But it's not quite as simple as talking with your local Real Estate Agent or visiting the closest new home Display Centre and signing a contract. Building a profitable property portfolio...

## **BEGINS WITH RESEARCH**

We are strong advocates for responsible and informed investing and our whole approach to property investment is based on the bedrock of research. The powerful property selection system you are about to discover is...

## **THE CORNERSTONE OF OUR RESEARCH PROCESS**

It is respected by more than 217 Accountants, Financial Planners and Mortgage Brokers who regularly refer clients to the Providence Property Group. And it has been used successfully to help hundreds of clients build a profitable portfolio of multiple properties including Brendon and Sally Browning from Brisbane who said...

*"We engaged Providence to find an investment property with good growth prospects and low holding costs. On their recommendation we purchased an off-the-plan 2 bedroom, 2 bathroom apartment. Now, two years later, we*

*obtained a market appraisal from two separate local agents. To my delight they both came back with values of \$80,000 and \$95,000 more than our initial purchase price. We could not be happier with the service and professionalism shown by Providence. They made the whole purchasing experience enjoyable and saved us a great deal of time.”*

And Gabriel Jacobs from Sydney who said...

*“Providence prepared a shortlist of properties with both positive and negative comments. This included statistical information and comparable sales data to help me make an informed decision. They sourced a three-bedroom house in Sydney’s western suburbs which fitted my capital growth and cash flow requirements and helped me to negotiate the lowest possible price, favourable contract terms and helped me secure a good tenant. They provided a comprehensive service at every level and were very professional.”*

We are glad to share our research process with you today. And we look forward to helping you reach your financial and lifestyle goals through property investing.

Sincerely

Lynton Stevenson and Simon Harris  
Directors

# PROPERTY IS A POPULAR AUSTRALIAN INVESTMENT

And for good reason. According to an analysis of RP Data, in 30 years to 2010, Australian house prices increased at the average annual rate of 8.4%. Naturally there have been periods where growth rates have exceeded the average. And periods where the market has underperformed. But on average...

## PROPERTY PRICES HAVE DOUBLED EVERY 8.5 YEARS

But that's not the only reason property is such a popular (and effective) investment vehicle.

Property is more stable and less volatile than shares. This was particularly notable during the Global Financial Crisis when, in many cases, property prices remained solid as share prices tumbled.

Property prices will continue to rise as population growth and rising incomes ensure demand for housing outstrips supply.

And most importantly, property can give you...

## MORE LEVERAGE THAN OTHER INVESTMENT VEHICLES

With a small initial investment as little as 10-20%, you can own an investment property and enjoy the compounding growth of the total value of the asset. As you can see in the example below, this can give you up to 8 times the return of a bank term deposit. Let's look at the figures more closely.

Imagine you invested \$125,000 in a bank term deposit for 10 years. At an interest rate of 5.11% your investment would more than double to become \$205,755.

Now imagine you invested your \$125,000 in a \$500,000 property instead. At a growth rate of just 5%, your initial investment would grow by almost 3 and a half times to \$414,447 in equity. As you can see by the table below, you can enjoy the compound benefits of \$500,000 from an investment of just \$125,000.

Average Annual Compound Growth of EQUITY in a \$500,000 property. \$100,000 deposit, plus 5%* establishment costs, \$125,000 initial investment equity	10 year compound growth value of equity in asset	20 year compound growth value of equity in asset
Property at 5% annual growth	\$ 414,447	\$ 926,649
Property at 6% annual growth	\$ 495,424	\$ 1,203,568
Property at 8% annual growth	\$ 679,462	\$ 1,930,479
Property at 10% annual growth	\$ 896,871	\$ 2,963,750
<b>Term deposit</b> \$125,000 at 5.11%** return	\$ 205,755	\$ 338,681

\* Establishment costs include stamp duty, legal fees and bank fees

\*\* Source: RBA – average monthly term deposit interest rate June 2003 - June 2013

The above table uses gross figures and does not take into account taxes and other costs

And as you can also see from the table, a higher growth rate of 10% will mean you...

## EARN MORE THAN TWICE AS MUCH MONEY

On a \$500,000 property this can add up to more than \$400,000 over 10 years... and more than \$2 million over 20 years. So you can easily see the benefits of investing in property. But it's important to also understand...

## NOT ALL PROPERTY IS CREATED EQUAL

While history gives us a solid overview of Australian property performance, it does not guarantee all properties will perform in this way in the future. Some properties will no doubt perform better. Others will not perform nearly as well. The key is knowing...

## HOW TO FIND THE RIGHT PROPERTIES AT THE RIGHT TIME

Buying the wrong property can literally cost you millions of dollars over the long term in the form of foregone profits. That's why research is so important. Not just a casual analysis of house prices – you need an in-depth understanding of where the market is at (all around the country) and what 'drivers' are likely to affect prices in the future.

There are 3 broad research phases to consider...

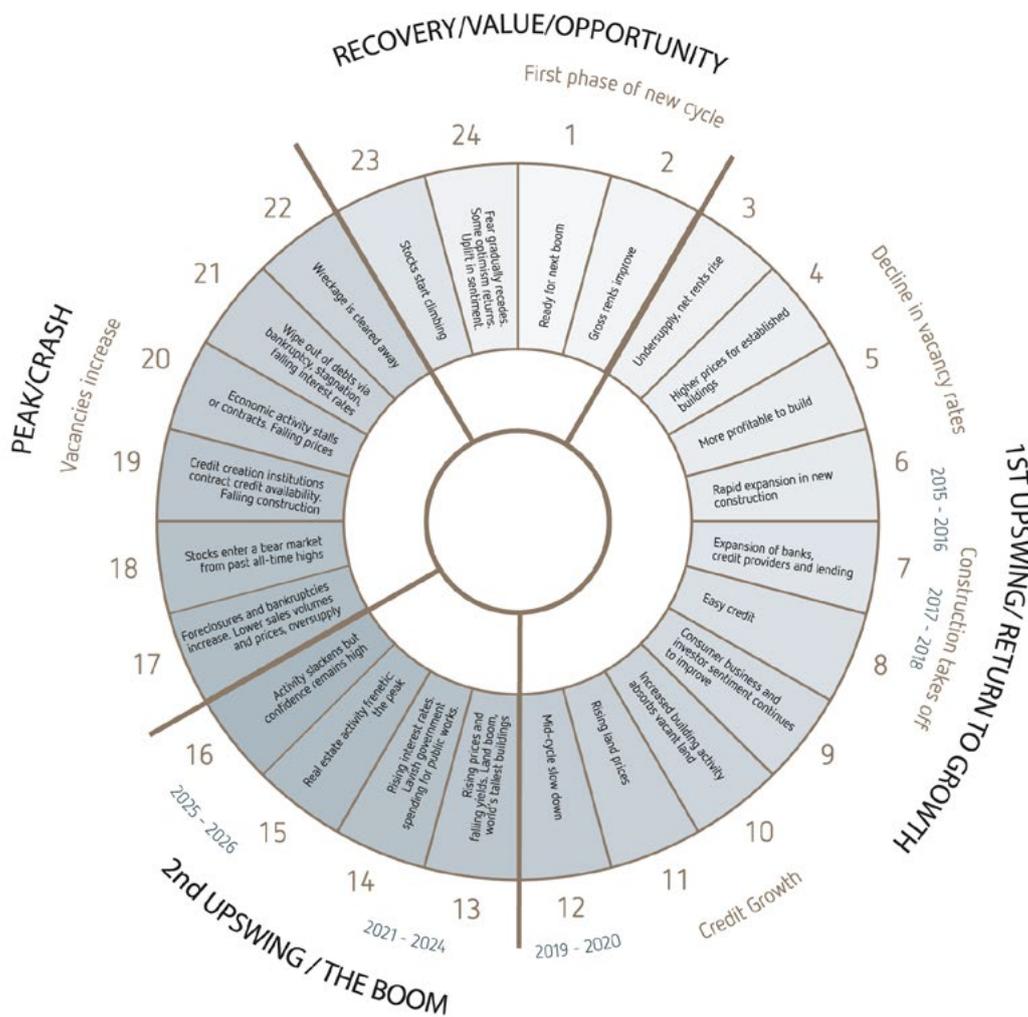
- Macro Research
- Micro Research
- Property Research

# MACRO-LEVEL FACTORS

The term 'Macro' refers to 'large-scale' or 'overall'. It's like a satellite picture that takes in all the elements. In the macro research phase we begin by looking at...

## THE PROPERTY CYCLE

Like seasons in the weather, property prices move in cycles. A complete cycle usually takes around 18 years (give or take 3 years). The wheel below shows the 24 factors we consider when analysing property cycles.



Residential activity recovers first, then commercial.  
 Stages 1 to 16 - up  
 Stages 17 to 24 - down

© Providence Property Group Pty Ltd 2011-2014



It's vital to understand where things are in the property cycle before you invest. For example, during the Peak Phase (the top of the market) you are likely to pay top dollar for a property. During the Value / Opportunity Phase (the bottom of the market) you are more likely to get a bargain.

Buying at the bottom of the market or as the market just begins to swing upwards allows you to get an immediate equity lift from the market. This is important when your goal is to grow a portfolio of multiple properties.

As well as analysing the property cycle, we examine...

## GLOBAL AND NATIONAL THEMES AND TRENDS

Changes in long-term demand for certain commodities, skilled labour, the manufacture of certain goods and a range of other factors can affect house prices. We look at offshore and domestic data to determine if any of these factors are likely to have an impact on specific geographic regions. This involves collating data about both public (government) and private (enterprise) planning.

And finally, we analyse other important macro factors including...

- ✓ Supply and demand
- ✓ Population, immigration and state flows
- ✓ Existing and new investment in public / private infrastructure and amenities
- ✓ Economics including economic growth, interest rates, employment, inflation, business and consumer sentiment, household income and debt affordability and investor activity
- ✓ Demographic changes
- ✓ Yield variation

Once we collate this data we begin to narrow in on details that are more...

# MICRO-LEVEL FACTORS

Macro refers to 'large scale' or 'overall', Micro refers to 'small' or 'tightly focused'. Although it's important to start with a 'big picture' view, it's vital to zoom in and take a closer look at local factors that affect house prices. This is where we start to look at regions and even suburbs. Just as in the Macro analysis, the first consideration in the Micro analysis is...

## THE PROPERTY CYCLE

Using the weather analogy again, although macro weather factors may suggest fine conditions nationally, it is possible (in fact probable) that it will be raining somewhere in the country.

The same is true with property prices. Although a macro analysis may suggest Australia is in the Peak Phase of the Property Cycle, it is possible to 'snag a bargain' in certain regional locations where the Property Cycle may be in a more favourable Value / Opportunity Phase. Once a location is identified as being at the bottom of the market or the start of an upswing with positive potential for investing, there are many other factors to consider including...

- ✔ Capital growth by suburb
- ✔ Surrounding suburbs / ripple effect
- ✔ Proximity to transport
- ✔ Key local infrastructure, schools, hospitals and other facilities
- ✔ Local employment generators
- ✔ Suburb population growth
- ✔ Demographics including income profiles
- ✔ Socio-economic factors
- ✔ Local supply and demand including potential for oversupply, vacancy rates and owner-occupier percentages
- ✔ Council zoning and regulations
- ✔ Yield

When this all looks positive, we turn your attention to each individual...

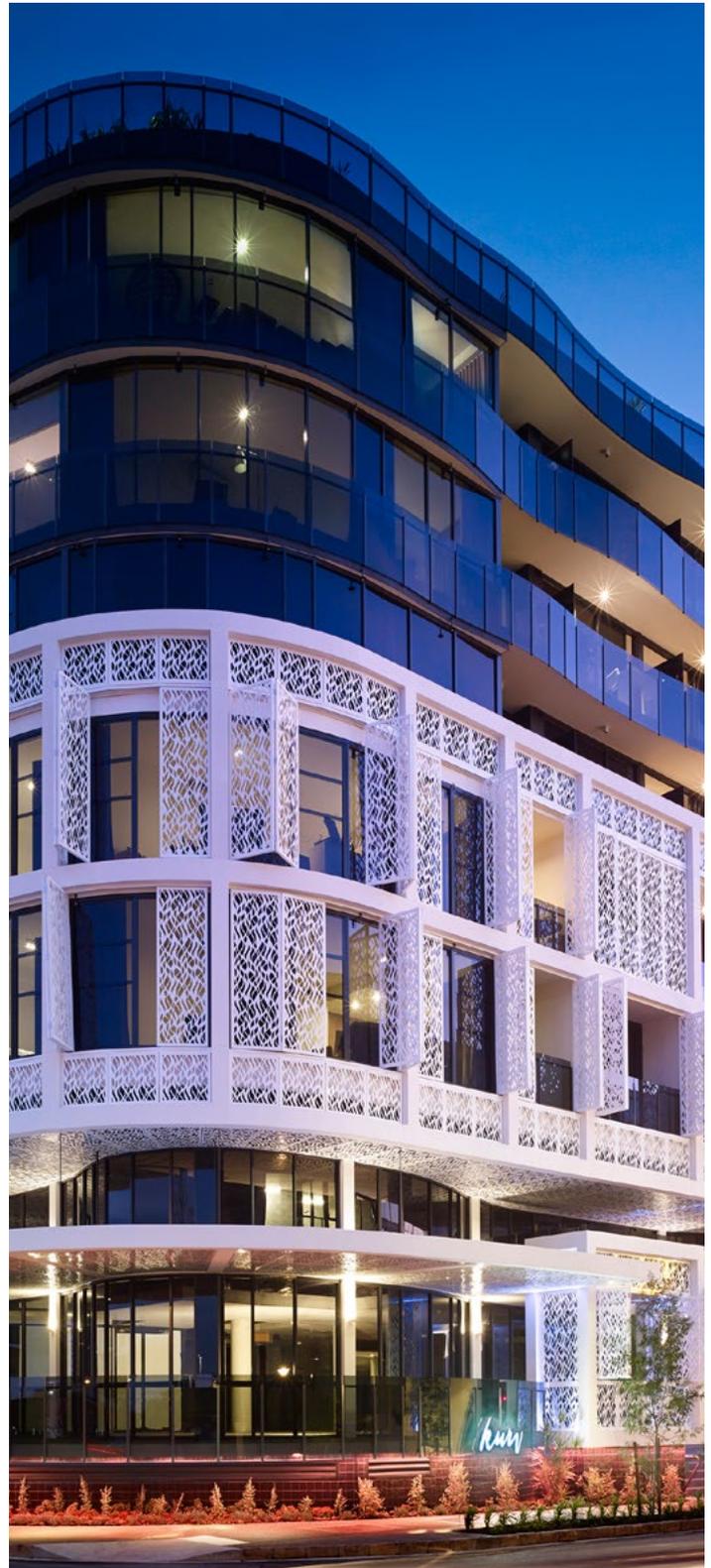


# PROPERTY LEVEL FACTORS

Once again, using the weather analogy, different weather conditions can be localised. For example, have you ever experienced a sun-shower where it is raining on one side of the street but dry just across the road? It's the same with property.

Just because a suburb shows positive potential for investing doesn't mean that every house in every street is worth buying. We consider many factors including...

- ✔ Hazards – flood and fire risk
- ✔ Re-sale factors (broad market and owner-occupier appeal)
- ✔ Property design / aesthetics and practicality
- ✔ Developer / Builder
  - Quality Assurance
  - Reliability
  - Proven track record
  - Experience
  - Delivery
- ✔ Property amenities – gardens, gym, pool, lifts, etc.
- ✔ Tenant appeal
- ✔ Levies, rates, strata, maintenance and holding costs
- ✔ Gross and net yield
- ✔ Cash flow
- ✔ Managing agent
- ✔ Value validation through comparable sales and mortgage valuation
- ✔ Contract and terms



### DON'T HAVE TIME FOR ALL THIS?

It's often said that in order to find 1 truly high-performing property you need to analyse at least 100 properties. Who has time for that? But it's critical due diligence. Warren Buffet wisely said...

*"Risk comes from not knowing what you're doing."*

And knowing what you are doing begins with research.

This checklist outlines the steps we take in finding properties with high tenant appeal and solid medium- and long-term capital growth potential. But if you don't have the time to check off every single item, you may like to watch our latest...

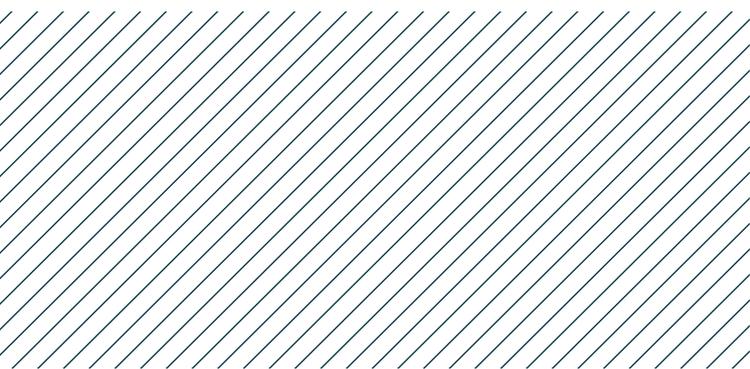
### **FREE WEBINAR:** "The Best Places to Look for Investment Properties in 2016"

I'd like to give you access to this information so you don't have to carry out the hundreds of hours of research yourself. And so you can be sure the data has been analysed by a team of experienced researchers.

To gain access to the latest FREE webinar that gives you carefully considered investment options, go to [PropertyResearchReport.com.au/webinar](http://PropertyResearchReport.com.au/webinar) now.

Thanks again for requesting *The High Performance Property Selection Checklist*. I hope you have found it helpful. If you'd like my personal help in helping you on your property investment journey so you can enjoy a life of independence and opportunity in retirement, get in touch by calling (02) 8021 2917 or book a convenient time to speak by phone here: [booknow.so/PropertyRoadmap](http://booknow.so/PropertyRoadmap)

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