



## Matt from Queensland

Hi. My name's Matt Jones. I live in Brisbane, and my big news is that I got married two weeks ago to my beautiful bride Marisa! My friends joke that it was about time because we'd been going out for over six years.

My life as a real estate investor began the moment I picked up the first edition of this book in 2005. I was ready for a change because at the time I was working as a lighting technician in the theatre industry, and I remember getting a payslip where it was recorded that I had worked 40 hours for which I had accrued only three hours of annual leave. I didn't like that calculation and was looking for a way to create income to reduce my need to work. Steve's passive income approach was just what I was looking for.

Today I'm on the road to financial freedom—I know my goal and I'm working hard to achieve it. Aside from my investing (my property portfolio is worth \$1.2 million), I have started an internet marketing business to bring in the dollars I need to continue to buy real estate.

The reason I'm investing is because I want total control over my time. If I have to work then it restricts what I'm able to do, and I want to be free to pursue my dreams without having to front up to work every Monday or beg for four lousy weeks of annual leave each year.

I believe I have something special to offer the world as I get a kick out of supporting and helping others. I'd like to travel overseas and help people in third-world countries. Whether it's building a school, providing micro loans or just digging a well to create clean water—having the time and money to help underprivileged communities is my idea of ultimate success.

I still have some way before I reach my financial goals, but when I look back on what I've achieved I feel excited about what else is possible.

## **MATT'S DEAL**

The property I've chosen to write about is a classic starter deal that made \$45 000 profit in nine months.

The deal came to my attention after setting up an online alert at <realestate.com.au> to be automatically informed when any house sites of 1000 m<sup>2</sup> or more were listed.

One popped up that seemed promising, but when I rang the agent I was informed it was under contract. All was not lost though as I found out the real estate agent was about to get the sales listing for the property next door.

Keen to sign up the deal, I drove to the property, waited outside the house while the sales agent signed up the listing, and then followed her back to her office where I negotiated and submitted my offer there and then. The deal was done 45 minutes after it was listed. The property is shown in figure 25.1.

Figure 25.1: the two-bedroom investment property



The property was a 1012 m<sup>2</sup> block with a two-bedroom house that was built in the 1960s. I was told that it was the old worker's cottage for the main farmhouse next door. It was a little rundown, but a cosmetic reno would bring it up to scratch.

The plan was to buy, subdivide and sell the rear, while renovating, retaining and renting the front property. This was our first subdivision, so my business partner (who was my cousin) and I were learning on the go.

We negotiated early access with a long settlement (70 days) so we could get the renovation and subdivision underway without paying interest. We set to work and completed the reno and had tenanted the property within four weeks of settling.

The subdivision was relatively smooth, but two mistakes we made were:

- ➔ *Miscalculating the council contributions.* I had allowed \$18 000 but the final number was \$39 000. Luckily the budgeted profit was high enough to absorb this cost overrun.
- ➔ *The surveyors put the access easement on the wrong side of the property.* I just assumed they knew what they were doing, but have since learned to closely check everyone's work. It cost \$3000 to fix, plus an extra six weeks in interest as the council re-evaluated the correct plans. Ouch!

There was already a huge three-bay shed on the back block, so we didn't have a problem selling the lot to someone who wanted the extra storage plus enough room to build a new house.

Table 25.1 shows the profit we expected to earn.

Table 25.1: expected profit

Sales price: block		\$260 000
+ Value reno house	+	\$330 000
– Sales costs	–	\$20 000
– Purchase price	–	\$405 000
– Closing costs	–	\$20 000
– Reno and subdivision costs	–	\$70 000
– Holding costs	–	\$13 000
= Expected profit/equity	=	\$62 000

As the project went on we decided to sell both the house and the land to release as much money as possible for future projects. Table 25.2 shows the actual outcome of the investment.

Table 25.2: actual investment outcome

Sales price: block		\$266 000
+ Value reno house	+	\$322 000
– Sales costs	–	\$17 000
– Purchase price	–	\$405 000
– Closing costs	–	\$15 000
– Reno costs	–	\$11 000
– Subdivision costs	–	\$75 000
– Holding costs	–	\$20 000
= Expected profit/equity	=	\$45 000

In hindsight we probably should have built at the back to create a bigger profit rather than just selling the land. However, we wanted the cash back as soon as possible so we could invest in the next project without delay.

Midway through the renovations the house next door came up for sale, and had we been on our game we could have acquired that too and applied the same strategy. Sadly, we missed the opportunity because we could not organise finance quick enough. I was too 'on the tools' to capitalise on what was happening right beside us.

Another lesson came during the selling process of the back block. The market was peaking and we managed to negotiate with a builder to buy the block for \$280 000, \$20 000 more than we budgeted for.

The buyer wanted my assistance to help speed up the approval process with the council by signing paperwork agreeing that he could start building as soon as possible. I thought the agent was managing this and I waited for him to call me, and started to get nervous when I didn't hear anything. Then, a few days before the contract was to become unconditional, the buyer pulled out because he thought we were not assisting him with the approvals. At the same time the market came off the boil and we ended up suffering a few months in additional holding costs and a sales price of \$14 000 less. The lesson is to assume nothing and make sure you manage everything and everyone.

Something I've realised is that you can't be successful without being personally developed; they have to go hand in hand. So property investing is like one big personal development course that keeps me constantly challenged and out of my comfort zone.

## THE FUTURE

The past four years have been my property apprenticeship and, although there is still much to learn, I'm confident and ready to take my investing to the next level.

The next 12 months are really exciting! Aside from adjusting to family life and moving to the Sunshine Coast, I will continue helping investors via the property networking group I've established. Of course, I'll be doing my own property deals too.