

# DIY lessons produce results

**In 2002 Rob and Kylie Thompson set out on a path of self-education to build a property portfolio so they could give up their day jobs. Six years later their properties are worth close to \$2 million – and the day jobs went way back in 2005.** GEOFF DOIDGE

**ROB** and Kylie were in their mid-20s, renting in Brisbane's north, not far from where Rob worked as a wardsperson at the Royal Children's Hospital.

"Our dream was to live on the Gold Coast and not have to work as employees," says Rob. "We knew that we needed to get into the property market, and the first step was to get out of renting. Affordable Logan City, between Brisbane and the Gold Coast, seemed a logical place to start."

Logan City includes several suburbs (including Logan Central, Loganlea and Kingston) that had started life as predominantly Housing Commission suburbs but, by this time, had begun an urban renewal process.

"The area didn't have a great reputation," says Rob, "but the commission had refurbished many properties, retipping the roofs, reguttering, painting, polishing floorboards and adding carports and fences, ready for sale."

"We were shown five houses in Kingston and told that the \$83,000 price was non-negotiable.

"We picked the best of the five, on a corner block."

The three-bedroom brick-and-fibro home was structurally sound and needed little work done.

"We did some landscaping though," says Kylie. "Rob learned how to pave and put in a garden shed, and I planted it all out using donated cuttings, which I nurtured to full potential."

Rob and Kylie lived there for two years before renting it out for \$240 per week, eventually selling for \$197,000 in 2006.

## CASE STUDY 1: LOGANLEA

Once Rob had his first taste of home ownership, he developed a great interest in the housing market. In the midst of the boom of 2002 to 2003, Rob had his eye on an ex-commission house in Loganlea.

It was a three-bedroom hardiplank home, walking distance to the Airtrain that runs between Brisbane Airport and the Gold Coast, via the city. Also in the vicinity were TAFE

and university campuses, a hospital, schools and shops – all the right infrastructure for a good rental.

"Logan house prices were going up by \$10,000 a week and this property had 21 offers," says Rob. "They were asking \$86,000, so I decided to offer \$11,000 more and secured the deal."

"The place was pretty rundown, with holes in every wall. I guessed the previous tenants had a pool table in the lounge room! It was a great place for us to learn the basics of renovating." And learn they did.

"We didn't have much cash but the library has a wealth of information and it's free. So's the internet," says Rob. "Google 'how to tile' and you get close to 80,000 sites to choose from, and that's how I learned to lay tiles. I'd hardly even picked up a hammer before then."

Rob also talked to tradies working at the hospital and found they were more than happy to share what they knew.

"First we plastered over the holes in the walls and painted throughout. We laid vinyl in the wet areas and polished the floorboards, hiring a sander and using an instructional video from the hire company. There weren't too many mistakes!"

The initial renovation took Rob and Kylie about three months of nights and weekends – they were both working full-time and had a young child by then – and cost about \$4000.

"We got lots of free stuff from friends – even the blinds we got from the hospital when a ward was torn down," Kylie says.

**PORTFOLIO | ROB AND KYLIE THOMPSON'S PORTFOLIO**

DESCRIPTION	DATE OF PURCH	PURCHASE PRICE*	RENO COSTS	TOTAL COSTS*	ORIGINAL LOAN	SOLD	SALE PRICE/ CURRENT VALUE	CAPITAL/ EQUITY GAIN**	RENT PW AT SALE/ CURRENT	CURRENT/ LATEST YIELD
Kingston 3br PPOR1	Jul-02	\$83,000	\$4,000	\$87,000	\$78,850	2006	\$197,000	126%	\$240	14.3%
Loganlea 3br	Feb-03	\$97,000	\$12,000	\$109,000	\$97,000		\$320,000	194%	\$300	14.3%
Logan Central 4br PPOR2	Jun-04	\$199,000	\$5,200	\$204,200	\$199,000		\$320,000	57%	\$320	8.1%
Kingston 3br	Jan-05	\$178,000	\$1,400	\$179,400	\$178,000		\$295,000	64%	\$290	8.4%
Logan Central 3br PPOR3	Nov-05	\$152,000	\$21,772	\$173,772	\$152,000		\$300,000	73%	\$320	9.6%
Palm Beach 2br unit JV 1/2 share	Sep-06	\$265,000	\$3,200	\$268,200	\$265,000		\$350,000	30%	\$270	5.2%
Surfers Paradise 2br unit PPOR4 JV 1/2 share	Sep-06	\$250,000	\$26,000	\$276,000	\$250,000	2008	\$350,000	27%	\$300	5.7%
Camp Hill 3br JV 1/3 share	Jul-07	\$360,000	\$34,767	\$394,767	\$295,000		\$515,000	30%	\$450	5.9%
Camp Hill 2br JV 1/3 share	Aug-07	\$440,000	\$12,664	\$452,664	\$360,800	2008	\$535,000	18%	\$0	0.0%
Broadbeach 3br unit current PPOR	Mar-08	\$410,000		\$410,000	\$331,000		\$410,000	0%	\$0	0.0%
<b>Total</b>		<b>\$2,434,000</b>	<b>\$121,003</b>	<b>\$2,555,003</b>	<b>\$2,206,650</b>		<b>\$3,592,000</b>	<b>41%</b>	<b>\$2,490</b>	<b>5.1%</b>
* excluding purchase costs				Excluding sold properties						
** as percentage of total cost				\$1,739,339	\$1,517,000		\$2,510,000	44%	\$1,950	5.8%
Current/latest yield=rent/total cost				LVR	60.4%					
PPOR = principal place of residence				Rob and Kylie's share only, excluding sold properties						
LVR = loan-to-value ratio (loan/current value)				\$1,342,061	\$1,187,833		\$1,991,667	48%	\$1,515	5.9%
				LVR	59.6%					

"We didn't mind so much then that it was vacant for all this time, as it was a learning experience, but we were pleased to get tenants in," says Rob. "Before we bought, the place would've earned about \$110 per week but with the reno we were able to ask \$195."

That's an increase in rental yield from 5.9 per cent to 10.6 per cent, which made it cash flow positive. Later they had the roof restored and painted, added a carport and painted the exterior, all for \$8000. Now the

rent is \$300 per week, a healthy 14.3 per cent yield, putting money back in their pockets.

"We've never had any problem getting tenants," says Kylie, who does most of the property management. "This area has lots of young families and we like to do the right thing by them. Having rented ourselves, we know what it's like from their perspective."

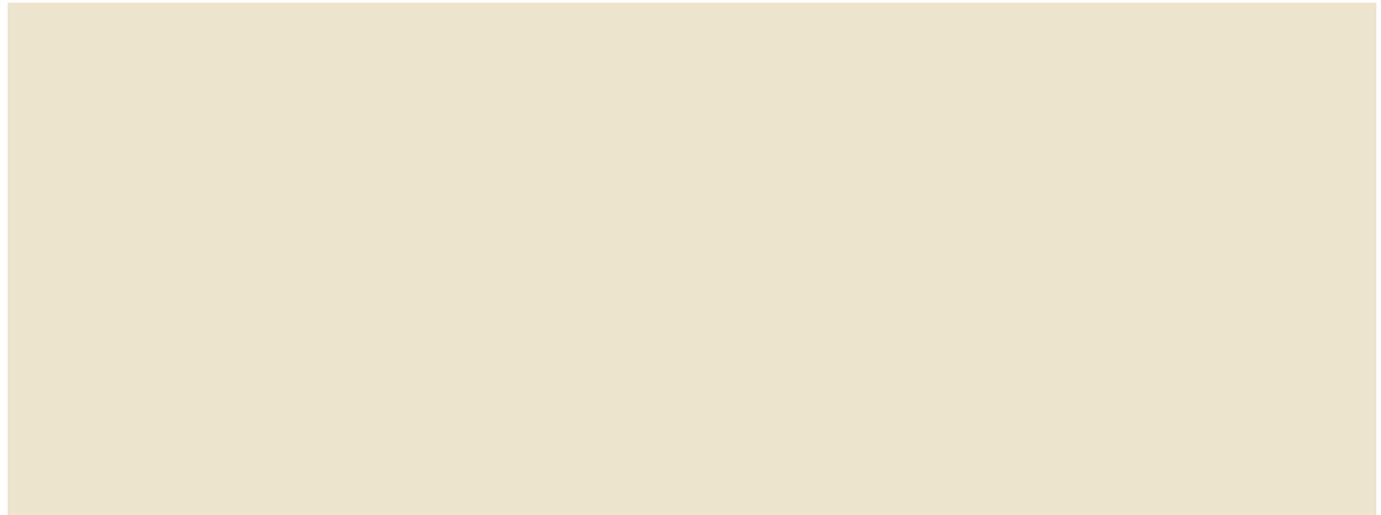
"I wouldn't recommend self-management to everyone," adds Rob, "but we like to be in control and we're proactive. If something

needs repair, we fix it; if a tenant's late with the rent, we let them know that's not acceptable. Your tenants play a very big part in your success as an investor."

The Loganlea property is now worth \$320,000, a 194 per cent equity gain on their total outlay of \$109,000. Not bad going for beginners!

**MOVING HOME**

In 2004 Rob and Kylie were again looking for



## IN THE HOTSEAT

### Why did you get started?

**Rob:** I wanted my family to live life on the Gold Coast, to not have to work for others and afford the luxuries I enjoy, like going to nice restaurants and collecting art.

**Kylie:** Ditto. We started off with affordable properties and took one step at a time to build up our portfolio. We knew we could manage the properties ourselves, because we'd rented for many years and it seemed like it would be easy.

### What was your greatest fear?

**Rob:** To not achieve the goals I set for myself and, initially, leaving a secure job and having everyone tell me I was making a big mistake.

**Kylie:** Letting go of what I thought I should be doing, working in a job to pay the bills.

### What was your greatest mistake?

**Rob:** I've now learned to concentrate more on what I do best and not try to do everything myself, especially in a renovation. I've learned the value of time and to use more leverage. My forte is sourcing and negotiating good property deals and organising tradespeople. I now only concentrate on the things that deliver big results.

**Kylie:** We painted the Loganlea property a pale blue inside, which looks fresh, but we only use white now because it suits everyone's furnishings.

### What do you want to achieve?

**Rob:** Over the next few years I'll be working on developing live-in accommodation for the disabled on the Gold Coast that has a resort feel.

**Kylie:** Having multiple incomes from investments so we can keep investing and have time for our family.

### How would you describe your strategy?

**Rob:** Buy tired properties for close to land value in areas that will show continued solid growth, renovate, revalue and rent.

**Kylie:** Buy and hold where possible.

### Any memorable experiences?

**Rob:** Quarterly inspections can be surprising. On one occasion the tenant's three-year-old daughter whispered to me several times: "They don't clean the toilet, they don't clean the toilet." At the same property, a different tenant's small child told me she had a pet rat but couldn't find

it – the lease had a no-pet clause.

**Kylie:** Two 20-year-old females renting together for the first time phoned me to say the new rangehood wasn't working. I asked them if they'd pulled it out, I didn't hear back, so I assume they worked it out.

### What's your best money-making tip?

**Rob:** Most people think that good negotiation is about how well you can talk but I've found being a good listener is just as important. Always aim for win-win outcomes and your deals will be successful.

**Kylie:** When doing a big renovation yourself, finish one thing before you start the next, even if you've had enough of it.

### Any other tips for investors?

**Rob:** Invest time in your own personal development – success has a lot to do with mindset. Libraries have many great books on the subject.

**Kylie:** If you're holding the property, try not to cut corners if you want your renovation to last. Your tenants will stay longer, look after the property and accept rent increases easier if it's a nice place to live and is properly maintained. I like to give my tenants beer and chocolates every Christmas. I tell them I appreciate them paying rent on time and looking after the property.

### What would you do differently?

**Rob:** Nothing. As long as you learn from the bad, you won't make the same mistakes in the future. Persistence is the key to achieving anything.

**Kylie:** Not securitise properties together.

### How has your life changed since you began your property investment?

**Rob:** Remarkably, my life is now filled with excitement and a sense of achievement.

**Kylie:** I've stopped working in childcare. I have more time to look after my health, spend more time with my family. Property investing and managing them doesn't feel like a job, as I enjoy it so much and the rewards are all ours.

### How do you picture yourself in five years?

**Rob:** Enjoying time with my family on the Gold Coast and continuing investing in property.

**Kylie:** Still investing in property but on a larger scale. Contributing more to community groups and still loving life.

an investment property and had seen a few rundown houses in the area asking around \$170,000, when they came across a high-set four-bedroom home in Logan Central.

"I didn't even get out of the car when Rob went in to have a look," says Kylie. "It just looked way out of our price range. It was a nice part of the suburb and all the houses in the street were quite smart."

The asking price was \$209,000 and Rob offered in the low \$190,000s. They clinched it for \$199,000.

"We got a 100 per cent loan, cross-collateralised against the other properties, with only \$100 down," says Rob. "We were with just one lender then, a building society, but now our properties are standalone, spread across three lenders."

Even though the place had been renovated, Rob reckons it had been done on the cheap and needed more work. So they decided to live there while they did the reno this time, realising this would save them thousands in stamp duty for the purchase.

"First we pulled up some carpet and the newly installed floating floorboards," says Rob, "to find – would you believe it – perfectly good floorboards that just needed a polish. We gave the floating boards to a neighbour."

Again Rob did much of the work himself, installing a shower and discovering the tongue-and-groove floorboards in the bathroom were all rotten.

"I found a guy in Coorparoo who specialises in the old building materials, which were all different measurements to today's, and I was able to pick them up for a dollar a metre."

They also installed a vanity and toilet, tiled the wet areas and painted throughout – including all the old kitchen cupboards. New chrome handles and a stainless-steel oven completed the kitchen fitout.

"People thought it was a totally new custom kitchen," says Kylie.

In total Rob and Kylie spent just \$5200 on the reno and lived there for just under two years before moving again. It rents now for \$320 per week, an 8.1 per cent yield, and is valued at \$320,000, giving them a 57 per cent gain in equity.

## NEXT INVESTMENT

By January 2005, the search was on for another investment property, this time one that wouldn't need much work and could be rented out immediately. They found a three-bedroom house in Kingston that fitted the bill.

"By that stage the market had plateaued so we were able to negotiate a good deal," says Rob. "They were asking \$195,000 and I offered \$175,000. They agreed at \$178,000."

The place had been freshly painted and

## CASE STUDIES

	CASE STUDY 1	CASE STUDY 2	CASE STUDY 3	
DESCRIPTION	LOGANLEA 3BR	LOGAN CENTRAL 3BR	CAMP HILL 3B JV	1/3 SHARE
Purchased	Feb-03	Nov-05	Jul-07	
Purchase price	\$97,000	\$152,000	\$360,000	\$120,000
Renovation costs	\$12,000	\$21,772	\$34,767	\$11,589
<b>Total costs</b>	<b>\$109,000</b>	<b>\$173,772</b>	<b>\$394,767</b>	<b>\$131,589</b>
Rent pw at purchase	\$110	\$120	\$275	\$92
Yield at purchase	5.9%	4.1%	4.0%	4.0%
Rent pw current	\$300	\$320	\$450	\$150
Current yield	14.3%	9.6%	5.9%	5.9%
Current value	\$320,000	\$300,000	\$515,000	\$171,667
Equity gain	\$211,000	\$126,228	\$120,233	\$40,078
Gain as percentage of cost	194%	73%	30%	30%
<b>Notes:</b> Yield at purchase=rent/purchase price; Current yield=rent/total cost; Equity gain=current value-total cost				

renovated to a basic standard, with new carpets, half a new kitchen and new bathroom.

"We spent \$1400 on a new hot water system and kitchen plumbing, and rebuilt a rock retaining wall that was coming loose. We keep all our properties safe for tenants and their children."

The property's currently rented for \$290 per week, an 8.4 per cent yield, and is valued at \$295,000, a 64 per cent increase in equity.

### CASE STUDY 2: LOGAN CENTRAL

By November that year Rob and Kylie were again shopping for property in the area.

"I'd just given up my job," says Rob, "having realised that I had to give it my all to succeed. Even though I used to finish work at 2.30pm, that was still too late to snap up the deals. I put out the trumpet call to agents in the area to contact me first, that I was a serious player."

One agent called saying he'd just listed a property that was perfect for them.

"And it was a perfect diamond in the rough. I knew it would be snapped up," says Rob. "So now I was the first one there. The vendor, who was in Melbourne, wanted a price in the high \$100,000s. I offered \$150,000 and said she had a half hour to think about it. The agent got on the phone while I waited, and the vendor took all of a minute to counter-offer with \$155,000. I agreed to \$152,000."

This was a new style for Rob. He'd read so much on negotiating and valuing, his self-confidence was high and he was excited rather than nervous. And he was willing to walk away from the deal if necessary. He'd worked out how to generate capital without the market moving, by buying at the right price in the first place.

Now it was time to get stuck into polishing up that rough diamond and he recruited the help of Kylie's brother Paul.

"He's always been there to help when we've needed it," says Rob, "and this time there was heaps to do and we needed to keep the costs down."

First up they primed, rust-treated and sealed the roof, installing the new guttering that the previous owner had already bought – cost, around \$250. Then they painted the exterior and rebuilt the front and rear decks for about \$6000.

In the meantime they brought in tree removalists to take out some large problem trees and grind down the stumps for \$2000. Kylie's father, Bruce, spent much time following up to dig out errant roots, landscape and lay turf.

"We refurbished the kitchen, using sandstone-look tiles, painting the cupboards with laminate paint and replacing the handles, which cost about \$100 and lots of elbow grease," says Rob.

Next task was the bathroom, which they completely gutted, creating a separate bath and shower, installing new combination taps, a new vanity and tiles left over from another house.

"We did keep the original bath and hand-painted new enamel, which only cost \$80, and it looks pretty good. All up the bathroom cost \$3000."

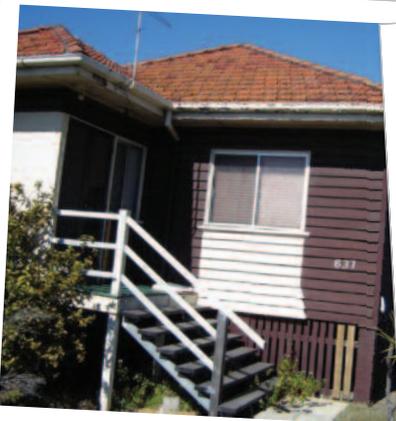
They painted throughout and polished the hardwood floors upstairs for \$500. A new hot water system and air-conditioner cost another \$2700. Light fittings, power points and switches were \$1000. They used eco-blinds to replace the old curtains – cost \$600. Downstairs they created two utility rooms



*Case study 2: bathroom before*



*Case study 2: bathroom after*



*Case study 3: before*



*Case study 3: after*

next to the double garage for another \$1500 and put in a retractable clothesline for \$200.

For the final touch they installed black diamond security screens to all the doors and windows for \$1500.

"These screens really modernise a place without having to replace older-style window and door frames," says Kylie.

With another couple of thousand in various materials, the whole lot came to \$21,772 and took close to three months to complete.

"I'm a bit of a perfectionist and tried to do everything myself," says Rob. "Recently I discovered the power of leverage and now prefer to use the tradies as they often do a better job, much quicker, and I have more time to enjoy life."

The property now rents for \$320 per week (up from \$120 before they bought), giving a rental yield of 9.6 per cent, and is valued at \$300,000, a 73 per cent equity gain on their total costs.

### **GETTING TO THE GOLDIE**

In September 2006, Rob and Kylie became

joint venture (JV) partners with Rob's parents, Brian and Olivia, in two Gold Coast units, one in Palm Beach costing \$265,000, the other in Surfers Paradise bought for \$250,000.

"They're both two-bedroom units. Palm Beach is in a small block of eight and the Surfers unit a block of twelve," says Rob. "I was looking for high land value, so didn't want to get into a large high-rise."

The Palm Beach unit is just one row back from beachfront houses and has ocean views from the balcony, and the reno was already done, though putting in a new air-conditioner and some general sprucing cost \$3200.

"Tenants here are a little more transient than in Logan – mostly six-month stays," says Kylie. "But we've still had no problems and we get \$270 per week for it."

The Surfers Paradise unit, in an older block 100 m from the beach, took a bit more work, costing \$26,000 for the reno.

"It was actually pretty intensive," says Rob. "Paul and I spent the summer there renovating throughout, including a new bathroom and granite kitchen. It then became our home

for 18 months." Just this year Rob and Kylie sold their half share of the unit back to his parents, and it rents out for \$300 per week.

### **CASE STUDY 3: CAMP HILL JV**

In July 2007, the couple again went into a JV, this time with Brian and Paul. Rob had been doing a bit of research and zeroed in on Camp Hill, a suburb in Brisbane's inner southeast.

"Neighbouring Coorparoo had just had a growth spurt, with lots of renovation and rising values. Camp Hill had to be the next to go," says Rob. "I also found that it's set for a new underground busway that will halve commuting times to the city."

This area is full of beautiful old Queenslanders built in the 1930s. The house Rob was eyeing was one of those, but known as the "ugly brown house on the hill". It was advertised for \$340,000.

"There were so many people at the inspection, first homebuyers and investors. I knew this was a property I wanted. Its position on a major road might have been a drawback for some but I saw the potential for a home-based business."

Rob jumped in, securing the place for his offer of \$360,000.

"We were able to pay a 10 per cent deposit, the largest we'd ever paid, as well as another \$29,000 cash on settlement, and we paid cash for the \$35,000 reno."

Rob, Brian, Paul and Bruce all chipped in, but a planned holiday was looming so Rob delegated some of the work to the tradies.

"But that's okay, because when you've done a few yourself, and know the pitfalls, you know the right questions to ask to make sure they're going about everything the right way, not cutting corners."

There was guttering and roofing to replace, painting throughout (which they did themselves), a bathroom to renovate, not to mention the ornate plaster ceilings and cornices and leadlight features to repair. See the reno costs table on next page for a breakdown.

"It was really more a restoration than renovation," says Rob, "with no expense spared. The lounge and dining room are separated by two leadlight cabinets, joined across the ceiling by a timber feature. Many of the small diamond panes were cracked and it cost \$1200 for a specialist to repair. But it was definitely worth it to retain that 1930s charm."

"The bathroom was a bit of a nightmare, with a 1-metre storage space in the ceiling that reduced the height to 1.8 metres, so we ripped that out and resheeted. We hired a pro to re-enamel the cast-iron tub. He reckoned it looked like it had been in a paddock for 30 years but it came up stunning."

Because of the main-road frontage, they

## RENO COSTS – CAMP HILL 3BR JV

	Item cost	Subtotal
<b>External</b>		
Roof restoration and guttering	\$5,854	
Exterior sanding	\$3,800	
Landscape supplies	\$497	
Fencing	\$1,718	
Skip hire	\$255	\$12,124
<b>Bathroom</b>		
Tiles, glue and grout	\$488	
Tiling, labour	\$545	
Villaboard and fibre cement	\$320	
Cast-iron bath resurfacing	\$495	
Vanities x2	\$580	
Toilet	\$225	
Plumbing (incl. hot water system)	\$3,280	\$5,933
<b>Kitchen</b>		
Oven, cooktop and rangehood	\$950	
Plumbing and gasfitting	\$1,000	\$1,950
<b>Other materials, fixtures and fittings</b>		
Built-in robe and installation	\$900	
Eco blinds and installation	\$450	
Leadlight glass restoration	\$1,200	
Other materials (studs, plaster etc.)	\$1,844	
Paint	\$2,408	
Floor sand and polish	\$2,200	
Electrical contractor	\$1,413	\$10,415
<b>Air-conditioners</b>		
Installation	\$2,550	
Supply	\$1,795	\$4,345
<b>Total</b>		<b>\$34,767</b>

put in split-system air-conditioners in every room so the noise wouldn't be a problem in summer. Outside they paved up to the front stairs and put in turf.

With the reno complete, the team began receiving the accolades from neighbours, who thought they'd done a dream job, and their valuer, who thought they'd spent close to \$100,000.

The valuation six months ago was \$515,000 and Rob thinks it's probably closer to \$600,000 by now. The house is currently tenanted for \$450 per week, 5.9 per cent yield, by Rob and Kylie's accountant, who is enjoying the main road exposure.

While the reno was still going on, Rob was

approached by the owner of another Queenslander just around the corner.

"She needed to sell in order to build her dream home on an acreage. It was a beautiful place. Her mother had owned it for 30 years before her, so she was very attached to it."

Rob, Brian and Paul agreed to purchase it as another JV for \$440,000 with a six-month settlement period and a \$2000 deposit. They gave it a quick reno after settlement, for \$12,664, using contractors for most of the work, and sold it within two months for \$535,000.

### HOME AT LAST: BROADBEACH

By March this year, Rob and Kylie finally found their spot on the Gold Coast to really call home, in beachside Broadbeach, for \$410,000.

"It's the only three-bedroom unit in a block of five, so the underlying land value is enormous," says Rob. "In future we'll concentrate on small blocks only and try to buy the whole block. We're thinking about catering for international students, supplying everything, right down to the food."

### THE UPSHOT

Value of the entire portfolio to date, including JVs, is just over \$2.5 million, and Rob and Kylie's share just under \$2 million, resulting in an equity gain of 48 per cent overall. They have rental income of \$1515 a week, producing a yield of 8.5 per cent on their investment properties, and an average yield of 5.9 per cent including their own home.

While the interest payments on their loans eat up the rental income, Rob and Kylie use their equity to fund any shortfall, as well as their living expenses, refinancing their properties up to 82 per cent loan-to-value ratio and using low-doc equity loans. These loans might not be around for much longer, but for now the strategy's working.

"Even in the current market I find the big banks are still willing to lend against property," says Rob.

This really is a satisfying DIY success story of a young couple giving it a shot. And they've actually achieved what they set out to do in just six years. **api**

*For the Reno Kings report, "14 ways to cut loan costs and save money", send a blank email to [apig93@renos.com.au](mailto:apig93@renos.com.au)*

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### API CONNECT

*Do you have a question for Rob and Kylie? Email it to [forum@apimagazine.com.au](mailto:forum@apimagazine.com.au) and we'll do our best to publish the answer in a future issue of API.*