

Case Study One

Ex- government rental becomes Tim's equity goldmine

Tim and Kate Munk Case Study - 2011

Most property investors have heard that buying in your own backyard has its advantages.

For one, you know the area intimately and have a much better opportunity to learn the ins and outs when it comes to generating income from a residential dwelling – who is your target market when it comes to finding a tenant? What types of resale value can you expect from the area? What type of capital growth has the suburb delivered over the long term?

Yes, buying close to home certainly has its advantages and makes the all important research that goes into a successful property investment a lot easier.

Trilogy Funding client Tim Munk, has taken the idea of buying in your own backyard quite literally, recently acquiring an ex-government property directly behind his family home in the Canberra suburb of Spence. It is Tim and his wife's third addition to their growing portfolio, including their principle place of residence and an investment in Queensland's Deception Bay.



About the Client

TIM & KATE MUNK

Tim and Kate Munk live in Canberra and are a couple with a young family. Tim works in the IT industry and Kate works part-time as a public servant.

They started investing in property in 2008 and bought an investment property before they purchased their own home to live in. This is an indication of how passionate they are about property investing.

They have a diverse property portfolio across a number of states.

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"Our strategy has been to buy, renovate and hold," says Tim. "But we might start looking at simple buy and holds because we now have a 2 year old, so it was a bit of a struggle finding time to renovate this property."



The couple prefers negatively geared investments and agree with the "general consensus" in property circles, "that when you buy a negatively geared property the capital's going to go up a lot quicker than a positively geared property," according to Tim. "So that's what we aim for."

Tim says they saw the property go up for government auction in May this year and were confident that it would sell at a bargain basement price due to the state of disrepair it was most likely left in by the former tenants.

"I went to the auction on a Tuesday – obviously being a government auction they have to hold them during the day so there are people in the offices if they need to make a call. There was only one other bidder who I ended up getting to know later because she lives two doors down from the property. She was renting at the time and wanted to buy her own home, but didn't have her finances in place so she wasn't aggressively bidding."

At the fall of the hammer, Tim managed to snaffle the 3 bedroom house for \$355,000; a good \$50,000 below market value in his estimates.

They quickly proceeded to replace the old kitchen, bathroom, toilet and laundry wall and taking part of this space to make the bathroom facilities less claustrophobic and more family friendly.

"The kitchen and living area were also divided by a wall which was knocked down to create one large open space for a combined kitchen, living and dining area," says Tim. With all of that plus new carpets, paint and drapery, as well as landscaping, a bit of electrical work and new plumbing, the total cost came to somewhere between \$25,000 and \$30,000."



Upon completion, the couple had the property re-valued and found they have generated an extra \$80,000 within three months, when the house was determined to be worth \$435,000.

"We're expecting about \$50,000 worth of net equity from the banks when we refinance after all the costs and fees are accounted for. Not bad for three months," says Tim.



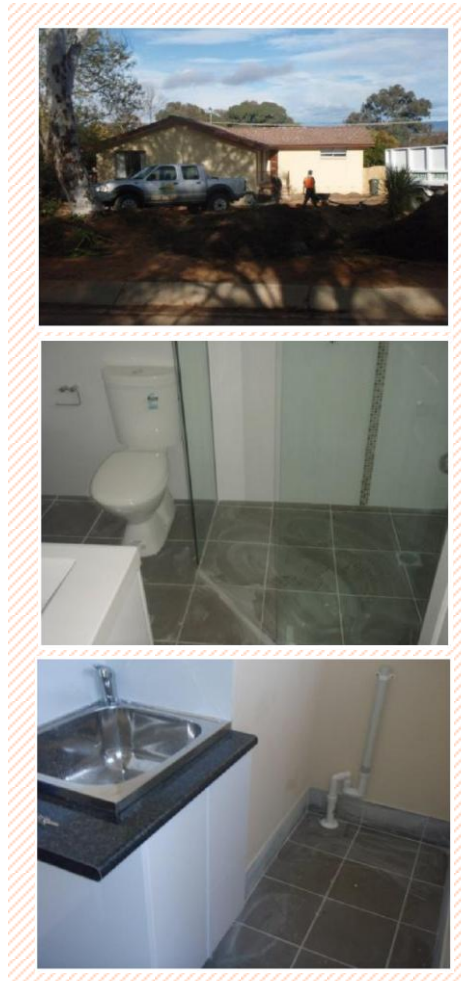
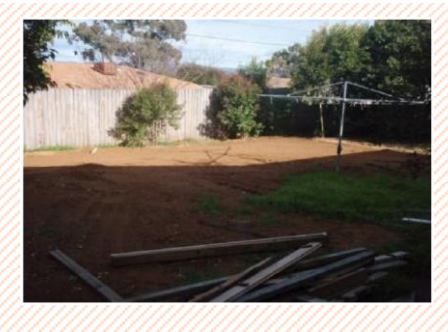
When it comes to future investment plans, Tim says his brother's philosophy plays an influencing role in how many properties the couple hope to acquire for their portfolio.

"He's an avid property investor as well and his theory is; zero properties = bad; some property = good; lots of property – great!. We're aiming to get as many properties as we can, as quickly as we can without gearing so negatively that we lose control of cashflow!" says Tim.

"This particular property fits in to that idea nicely, as it's quickly boosted the opportunity to continue purchasing more houses by manufacturing a good chunk of equity from the renovations we did."

According to Tim, the refurbished home will be tenanted for \$430 per week – a marked improvement on the \$350 per week it was achieving as a government rental.

This is the type of strategy that can truly pay dividends in a quieter market such as the one we are currently experiencing. When things head south and capital growth all but dries up, generating your own through cosmetic refurbishments is an excellent option, as Tim and his wife have clearly demonstrated. Just another example of how you can always make sure the cup is half full when it comes to bricks and mortar!



Here's what Tim has to say about dealing with Trilogy Funding:

"We've thrown more curve balls at them than you can possibly imagine. Yet, the entire team at Trilogy always leave us astounded at the ease in which they weave their magic. They never fail to deliver professional, courteous and friendly service every time. Absolute specialists in every way."

The only role that Trilogy played in this purchase was organising the finance, Trilogy doesn't sell property. We asked Tim & Kate if we could do a small case study on them because their story was a good one to tell.