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Ian Hosking Richards' secrets *revealed*

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TRANSIT-ORIENTED DEVELOPMENT: The next big thing?

How to build a $13.5m property portfolio in 10 years – from scratch!

Earning an ordinary wage of $35,000 and with no assets to speak of, Ian Hosking Richards decided it was time to take drastic action. Ten years later, he owns 34 properties – and he has no plans to slow down any time soon. *Sarah Megginson* reports

At 35, Ian Hosking Richards was fed up. He was earning $35,000 a year working in a warehouse, and he realised that – despite 20 years in the workforce already – he had "absolutely nothing to show for it".

"I thought: 'If the second half of my life is anything like the first, I'll be working like a dog for the rest of it – and retire with nothing'," he recalls.

That realisation set off a chain of events and reactions that transformed Ian's life in more ways than he could have imagined.

At the time, he had hoped to buy one or two properties and now, a decade later, he owns a staggering 34. He also drives cars worth over a quarter of a million dollars and lives for several months a year in a 6,000-sq-ft ocean-front penthouse in Malaysia.

"I can afford domestic staff now, and it's so nice to be able to fly over there business class – and not have to scrape around for the cheapest Jetstar fare," he laughs.

So, just how did a $35,000 salary earner evolve into a property investor worth millions?

It started in Brisbane

Ian's first property purchase was funded by a pension payout he received from the UK government.

"I got $22,000 from the UK but my wages were very low, so the bank said I could afford to buy a property up to the value of $160,000," he explains. "A small studio in Sydney was around $130,000, but that wasn't what I wanted.

"I used to go to Brisbane and Melbourne a couple of times a year as part of my job, so I decided that the next time I was in Brisbane I'd see what I could find."

On his next trip there in July 1999, Ian spent a day looking at properties and what was available, and he soon found a brand-new three-bedroom townhouse in the bayside suburb of Wynnum. It was near a train station and – at $154,000 – it was cash-flow positive.

"I'm fairly impulsive so I signed the paperwork straightaway," he says. "It was off the plan and I signed in July. It wasn't going to settle until February 2000."

He went back to Sydney, very excited about his first property purchase, only to be taken by surprise at the negative reaction he got from friends.

"A lot of people told me I was an idiot and I was wasting my money in Queensland – and that property would never boom up there," he says. "But it was renting for $210 per week and I was making money out of it instantly, so I didn't see it as much of a risk." And that's why – 18 months later – he went back to Queensland and did it again.

Adding properties two and three

Ian waited 18 months before he went back to the bank to find out about getting a second loan.

"Based on the growth in the townhouse, the bank said I could afford another one, and so I decided to stick with Queensland and buy another property there," he says. "I found a similar three-bedroom one in Calamvale in Brisbane's south. The developer was in financial difficulty and trying to sell them quickly, so even though they were valued at $178,000, he was prepared to let me have it for $148,000."

Ian had to shop around to find a bank willing to lend against the higher valuation, but eventually he did – and they accepted the $30,000 difference between the purchase price and the valuation as the deposit.

"I had a deposit but I didn't need it, so that allowed me to go for a third property very quickly. By October 2001, I'd bought a two-bedroom, two-bathroom unit in Labrador on the Gold Coast."

Quitting the day job

Two years later, Ian felt the time was right to add to his portfolio again. As his purchases to date were all positively geared, it made sense to keep building his asset base.

"Just after I bought the fourth one, in May 2003, I left my job – I hated it!" he confesses. "At that point, my portfolio was worth just over a million dollars and was going up by around 10% per year – or $100,000. So I thought, if I leave half that capital growth in there and take out the other half to live on, it would replace my income."

After a few months of not working, however, Ian says he "got a bit bored". "I was in that awkward phase where I didn't have to work, but I couldn't afford to do all those things like going away on holidays – or skiing for a month. I still wasn't in a position where I could

Ian's 7 investment principles

1. build relationships
2. use interest-only loans
3. buy new or near-new
4. never, *never* sell!
5. make the most of tax benefits
6. educate yourself
7. have a plan

just go and do lots of exciting things." Meanwhile, he had noticed a shift in the way his friends and family regarded him. "When I got to the stage where I could quit my job, people were suddenly interested in how I did it," he says.

So he began talking to people, and answering questions about how he'd invested, where he had bought and so on. "Then I thought, 'this is stupid!' I realised I could help other people do what I'd done and earn an income from what I love doing – property investing!" he recounts. "So, early in 2004, I spent a couple of months studying to become a qualified real estate agent and then gained a certificate to practise as a mortgage broker. Then, six months later, I studied for a Diploma in Financial Services (Financial Planning)."

With these qualifications and accreditations in place, Ian launched Barnabas Northcote, an investment real estate and finance company. Then he went back to the beginning – by returning to his old workplace and asking his former colleagues if they wanted help to start buying investment properties.

"It started from there," he says. "I was on my own, working from home, and the business took off – and it grew and grew. By July 2007, I was selling a few hundred properties a year and I couldn't do it on my own any more – I had to get staff."

At the time when the company was revamping "there was an opportunity to re-brand – and so we changed the name to Rocket Property Group".

Today, Ian has seven staff at Rocket Property's head office in Sydney, with three agents in Melbourne and 11 freelance agents across the country – who also work full time in other occupations.

From four properties – to 34

Between 2003 and 2009, Ian continued to build his own property portfolio. He has almost lost count, he says, but currently owns "around 34 properties" – most of them settled but some are off the plan and awaiting settlement. He generally buys into the same developments that he recommends to his clients as he believes it's important to have faith in the product. In one street in Townsville, in fact – between Ian, his staff and his clients – they own six or seven houses.

"What has really helped me to build my portfolio so quickly was buying off the plan. I know many people have been burnt doing it that way, but I've made a lot of money," he says.

"I bought some units in Townsville in late 2005," he goes on. "Back then the market was booming and I had a long settlement time. I knew that once a fixed-price contract is over 12 months old, the banks generally lend against end valuation. So at the end, I thought, 'I should be able to borrow 100% plus costs' – and I did!"

Every unit was selling for around $280,000–295,000 and, assuming that in two years' time they would be worth around $350,000 each, Ian calculated that the difference between the contract price and end valuation would cover all the purchasing costs – with something left over.

"I helped about 60 clients buy into these units as well and they were over the moon with the increase in equity too. I eventually bought six there myself. It wasn't a staged development," he says. "They were all selling at the same time – and they all settled in September 2008.

The apartments varied as he bought a mix of one-, two- and three-bedroom configurations. He paid $295,000 for the three-bedroom units, and the end valuation came back at $400,000.

"I borrowed $320,000 at 80%, and I had enough to cover stamp duty and legal fees – and there was $9,000 left over for each unit, which I've used in a line of credit as a buffer," he says. "But with the market as it is at the moment, I wouldn't be recommending that strategy.

"Buying off the plan works best in a buoyant market, when it's easy to pick up some instant equity on completion if you pay a reasonable price to start with and have a long settlement period. The current tight credit conditions also make it a riskier proposition, from a developer's perspective as well as from the purchaser's. For example, a development might not actually make enough pre-sales for the project to go ahead, or the financier might move the goalposts after the marketing campaign launch.

"Many investors who locked into an off-the-plan purchase 12 months ago, when credit was easier to get – although interest rates were much higher – may now find themselves in a position where they no longer qualify for a loan. So I'm happy to give that particular strategy a rest for the moment and concentrate on other strategies that complement current market conditions."

Underperforming property

There's only one property in Ian's portfolio that, he says, "really hasn't performed so well". "But I knew that when I bought it," he adds. "It was a house in Newtown in Sydney.

"I bought it simply because everything I owned was in Queensland and I had nothing anywhere else. I had some cash at one point and I thought, Sydney's

Ian Hosking Richards' property portfolio

No.	Address	State	Type	Purchase price	Purchase date	Est'd value	Weekly Rent
1	Crawford Rd WYNNUM	QLD	3 bed T/H	$154,000	Feb 00	$350,000	$360
2	Benhiam St CALAMVALE	QLD	3 bed T/H	$148,000	Aug 01	$325,000	$360
3	Frank St LABRADOR	QLD	2 bed U	$179,500	Oct 01	$350,000	$330
4	Marine Pde, BIGGERA	QLD	1 bed U	$165,000	May 03	$290,000	$260
5	O'Connell St NEWTOWN	NSW	2 bed H	$590,000	Dec 04	$750,000	$600
6	Bridgewater Dr CONDON	QLD	4 bed H	$245,000	Apr 05	$400,000	$380
7	Bridgewater Dr CONDON	QLD	4 bed H	$247,000	Apr 05	$400,000	$370
8	Bridgewater Dr CONDON	QLD	3 bed H	$261,000	Aug 05	$385,000	$370
9	Oonoonba Rd IDALIA	QLD	3 bed U	$295,000	Dec 05	$410,000	$400
10	Oonoonba Rd IDALIA	QLD	3 bed U	$295,000	Jan 06	$410,000	$400
11	Oonoonba Rd IDALIA	QLD	2 bed U	$279,000	Jan 06	$360,000	$340
12	Oonoonba Rd IDALIA	QLD	2 bed U	$279,000	Feb 06	$360,000	$340
13	Oonoonba Rd IDALIA	QLD	2 bed U	$279,000	Mar 06	$360,000	$340
14	Oonoonba Rd IDALIA	QLD	1 bed U	$279,000	May 06	$290,000	$300
15	Clifton Rd CLIFTON BEACH	QLD	3 bed T/H	$329,000	Apr 07	$329,000	$380
16	Clifton Rd CLIFTON BEACH	QLD	2 bed U	$299,000	Apr 07	$299,000	$320
17	Clifton Rd CLIFTON BEACH	QLD	2 bed U	$295,000	May 07	$295,000	$320
18	Clifton Rd CLIFTON BEACH	QLD	3 bed U	$339,000	May 07	$339,000	$380
19	Bruce Highway CAIRNS	QLD	2 bed U	$268,000	Oct 07	$315,000	$340
20	Bruce Highway CAIRNS	QLD	2 bed U	$268,000	Oct 07	$315,000	$340
21	Clifton Rd CLIFTON BEACH	QLD	2 bed U	$299,000	Dec 07	$299,000	$320
22	Bruce Highway CAIRNS	QLD	1 bed U	$230,000	Dec 07	$250,000	$300
23	Bruce Highway CAIRNS	QLD	2 bed U	$269,000	Feb 08	$310,000	$340
24	Bruce Highway CAIRNS	QLD	2 bed U	$269,000	Feb 08	$310,000	$340
25	Bruce Highway CAIRNS	QLD	2 bed U	$279,000	Feb 08	$279,000	$340
26	Bruce Highway CAIRNS	QLD	2 bed U	$280,000	Feb 08	$315,000	$340
27	Clifton Rd CLIFTON BEACH	QLD	2 bed U	$298,000	Apr 08	$298,000	$320
28	St Crispins St CLIFTON BEACH	QLD	3 bed T/H	$339,000	May 08	$339,000	$380
29	Dalrymple Rd MOUNT LOUISA	QLD	2 bed U	$349,000	May 08	$360,000	$350
30	Bruce Highway CAIRNS	QLD	4 bed H	$460,000	Aug 08	$500,000	$500
31	Bruce Highway CAIRNS	QLD	3 bed T/H	$360,000	Nov 08	$360,000	$400
32	Bruce Highway CAIRNS	QLD	2 bed U	$268,000	Nov 08	$268,000	$340
33	Bruce Highway CAIRNS	QLD	2 bed U	$268,000	Dec 08	$315,000	$340
34	College St SYDNEY	NSW	2 bed U	$1,750,000	Dec 08	$1,950,000	$0
				$11,211,500		$13,485,000	$11,840

such an expensive market to get into – it makes sense to do it now!"

Ian paid $600,000 for "a tiny house" in Newtown in December 2004 – which he says most people would agree was the peak of the market – and the property hasn't really moved much in price since.

"I put $158,000 into it, so if I hadn't got that, I'd have been able to divide it into three deposits and bought three houses in Townsville for $250,000 each," he exclaims, "and they'd be worth over $400,000 now.

"And I would probably have made half-a-million dollars more than I've made so far," he laughs. "But I know eventually it will come good. The rent is skyrocketing, so I'm not too bothered."

"For me, properties are a passion, but it's not the properties themselves, it's what they can do for you," he continues. "I think: 'How much money do I need to live the lifestyle I want? How many properties do I need to support that?' "

To Ian, this also means supporting his love of cars. He currently owns a BMW Long Wheel Base 7 series, worth around $200,000, and he regularly plays with other 'toys' that are considerably more expensive. "I have membership of the P1 Supercar Club – they've got Ferraris, Maseratis, Bentleys… I'm a car nut!"

His advice to other car enthusiasts, property investors, keen travellers – and, in fact, anyone who wants to get ahead in life – is simple: go straight to the source and copy what successful people do.

"I used to talk to highly successful investors who were willing to share their strategies and ask them where they were buying. Then I would buy there, too – because they were doing all the research. It's one of the main things I've learned – that it's important to listen to people who are successful and who are doing what you want to do. And, conversely – don't listen to anyone who hasn't done it."

"Now people come and ask me where to buy, and about the strategies for building a successful portfolio. I speak at many wealth creation seminars too and, as Rocket has grown, I now run my own property seminars so I can share what I have learnt with other people who want to become investors.

"I want to tell people that investing in property is easy," he says. "I'm not particularly intelligent and I don't really have an eye for detail," he says modestly, "but I think a lot of people are surprised to learn that I can take an absolute beginner and, in half a day, give them enough knowledge to enable them to go out and make a reasonably informed purchase decision. I find that too many people are chronic procrastinators – they think too much and over analyse – and end up doing very little. I'm the opposite – I don't think about it much. But I don't have to because I follow a qualifying matrix that's simple but detailed – and it makes the decision for me."

The future – 50 properties by age 50

"My goal is to own 50 properties by the time I'm 50," Ian proclaims. "So, as I only have three years to go – I'd better get busy!"