Beginner's Guide to

Property Investing

How to build a property portfolio you can retire on, in the 21st century

By Jeff Ong

DrWealth

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Why I wrote this (and why you're likely to succeed)

Thank you for downloading and reading this book. I'm glad to say that based on our statistics, you are already in the minority who are motivated to actually take the effort to learn about property investing, the right way.

Good on you!

I co-wrote this book with the Dr Wealth team to help serious, aspiring property investors gain a strong foundation and understanding of the current state of property investing, before they put their money in.

You see, the times are very different today.

When I bought my first investment property in Singapore over a decade ago, it was still possible for haphazard property investors to make a positive return either by flipping the property or waiting for an en-bloc.

Fast forward today, investors who attempt to make a fortune by flipping properties or en-bloc in Singapore would likely be disappointed by the actual returns, if they even bothered to calculate their actual cost.

In the chapters to come, I attempt to give you the fundamentals of property investing to succeed in today's world. These are lessons derived from my personal journey as a property investor, I hope they will guide you away from common (and painful) mistakes as well as help you attain your financial goals earlier.

First up, a quick self-introduction, I’m Jeff.

I've been serving clients in the financial industry for over 23 years, and have been building my personal portfolio for longer. At the personal portfolio consists of 50% financial assets (such as stocks, ETFs, unit trusts and options) and 50% properties.

I started building my property portfolio with Singapore properties in the 2000s and diversified into UK after 2012. Today, my properties assets are spread across Singapore (40%), UK (50%) and Australia (10%).

Properties give me consistent cashflow and allow me to generate capital gains through the use of safe leverage and positive cashflow. The returns range between 15 – 50% per year and the portfolio is growing consistently as I aim to make at least three acquisitions a year. You can read more about my story here.

Okay, that’s enough about myself, let’s get to why you’re here!

3 reasons why Property Investors are a different breed

Property investors are a special breed of investor.

After interacting with fellow property investors over the years, I've noticed that we are characterised by these distinct characteristics:

1. We know what we want,

2. We are willing to play the long game, and most importantly,

3. We get things done.

Because our stakes are higher, we know the rewards are even higher, if we do it right.

1) We know what we want

Most of us would have experience in investing in liquid asset classes like stocks. However, we know that the actual returns from stocks would never be able to beat that of property investing.

The bigger your stock portfolio gets, the tougher it is to seek out and capture outsized returns.

Most stock investors would seat back and accept that as reality. But not us, we are different. We have seen success cases of folks who could constantly grow their money at a higher rate of return with properties.

In my case, I was inspired by my aunt and uncle in UK who built a sizeable property portfolio, and are now reaping the rewards of their efforts. **Imagine being able to sell off a property once every 5 years after you've retired and just live off the liquidation of your property portfolio for the rest of your life.**

You can probably employ a similar strategy with stocks, but the volatility of stocks is way higher.

2) We are willing to play the long game

We are a patient bunch. Aspiring property investors know that it is not longer possible for us to retire just by buying 1 or 2 properties and waiting for their value to grow. Inflation, economic pressure and so many other factors could easily ruin our retirement plans if we were to rely on just 2 properties.

Instead, we are willing to play the long game. Most property investors aim to own at least 8 properties in 10 years (I share how in the next chapter on the BRRRR strategy).

Likewise, I started with a similar goal. After 12+ years in the game, I've amassed a portfolio of 14 properties. But I don't plan to stop yet, I aim to make at least 3 acquisitions a year.

3) We get things done

Reality seldom plays out according to plan. Most people dream of having a property portfolio that will fund their retirement in comfort. But few ever get round to actually building their portfolio.

You and I are different.

The fact that you're reading this ebook already suggests that you are willing to take action and actually work towards owning a property portfolio.

That said, I'll admit that the journey may not be a smooth one.

Nobody could predict the advent of Covid back in 2018. And I didn't even have the skill set to expand my property portfolio remotely in 2019. But we have to evolve and find better ways to keep growing.

And I'm glad to say that my team and I had managed to do so. We had made at least two property acquisition during the Covid period and are scouting for more opportunities while you're reading this.

The journey may be tough, but I hope the next few chapters will save you from the major pitfalls that had set my progress back by a few years. I hope you don't have to go through them.

The BRRRR Strategy

The BRRRR strategy is a proven framework that's been employed by many individuals around the world for decades.

The most famous successful use case of the BRRRR strategy has got to be Fergus and Judith Wilson. No kidding, they are so famous they even have a Wikipedia page!

And they are not your typical property investing 'gurus' with fancy yachts or Lamborghinis, they were just your average math teachers who practiced the BRRRR strategy religiously and ended up with 1,000 properties in their portfolio.

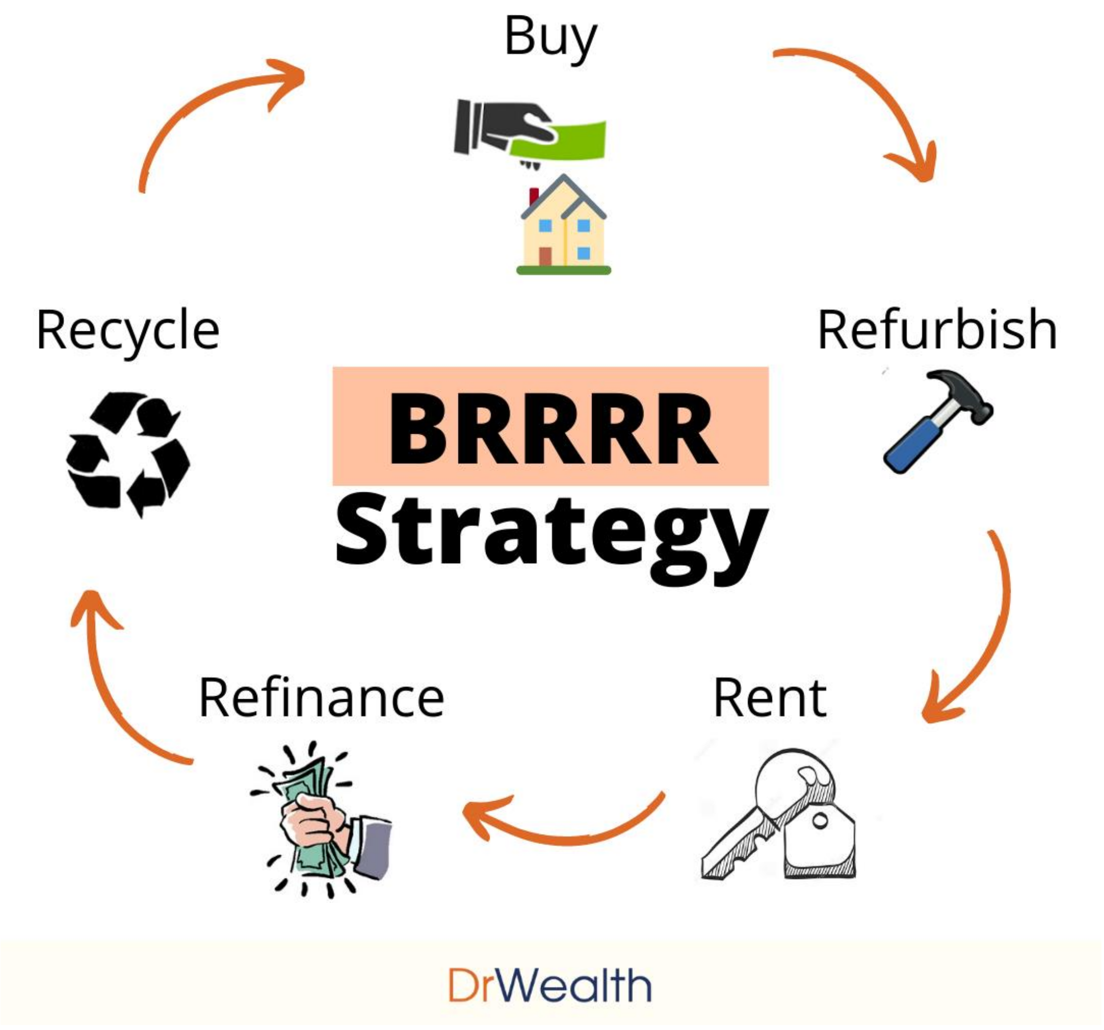
Today, many others have followed in their footsteps. And I have noticed that the younger generation are starting to pick up the BRRRR strategy – especially those who prefer to freelance and travel while they work (at least during pre-Covid days).

Good news, you too can apply the BRRRR strategy.

What is the BRRRR Strategy?

BRRRR is the acronym for: Buy, Refurbish, Rent, Refinance, Recycle.

Therein, lies the entire playbook that successful property investors have been relying on. Here's how it works in a nutshell:



The concept is elegant and simple.

You purchase an undervalued property, refurbish it to increase its valuation and rent it out for cashflow that helps to finance your loans. When the valuation of the property rises sufficiently, you can refinance the property to fund your next investment property.

But the devil lies in the details.

And here are the key lessons I've picked up when I was executing the BRRRR property investing strategy.

i) BUY

The most common mistake here that many aspiring property investors make at this step is to buy brand new properties.

I advocate the principle that our profits are locked in the moment you buy, not when you sell. Hence, you should be looking for properties that are undervalued and give you the opportunity to increase its valuation. In many cases, these are old properties.

I share the many differences (and advantages) of investing in old vs new properties in this video.

ii) Refurbish

This is the step where you add value to the property you'd purchased. There are many things you can do to increase the value of a property, but these are limited to the laws of the country you invest in.

I have properties in Singapore, Australia and UK and have found that UK gives me and my team the most flexibility at this stage. We can employ a myriad of refurbishing options to maximise our returns, some of these include:

- Splitting bigger houses into two (or more) flats,
- Extending the back of the house,
- Creating more rooms,
- Renovating the kitchens, toilets, shared spaces,
- Etc.

This step should be well-planned and all refurbishment costs should be included into your investment costs.

iii) Rent

Now that your house is spruced up, its time to generate some cashflow. Ideally, your rental income should cover your monthly loan repayment and more.

At this stage, you could choose to work with a trusted agent to help you source for tenants, maintain and manage the property and also keep the tenants happy. Or, if you have the bandwidth, you could manage it on your own.

If you're doing it on your own, you should first profile your ideal tenants.

Personally, I prefer renting to white-collared workers as they are less likely to lose their job and usually get promotions and faster pay increments. Also, areas with rental properties that appeal to this group tend to fetch a better resale price.

Of course, there are also landlords who prefer renting to blue-collared workers, as this group tend to be more senior and generally have a good stable income.

Background checks on the tenants help you to determine if a tenant is reliable. This is to reduce the chances of rental disputes and eviction.

In any case, make sure you have direct contact with your tenants for better, faster communication.

How to estimate rents?

Next, there's the question of how much to charge. Here are two ways to estimate rents:

1 - Check websites that list rental units

2 - Call an agent

You should get a quotation from an agent by calling them twice - first time as a landlord, second time as someone looking to rent. A good starting point is somewhere in between those two figures.

iv) Refinance

You'll need to deal with loans when you're investing in property. There are two common ways to raise capital as a property investor:

1 - Joint Ventures

If you are thinking of a joint venture with more than one person, it is often better to put it under a limited company as it protects you against death, bankruptcy and disputes between partners.

2 - Find a suitable mortgage broker

You'll need someone with the expertise and can help you:

- manage your mortgage as a foreign investor
- manage your loans under a limited company
- understand how to run deals and get loans for you.

v) Recycle

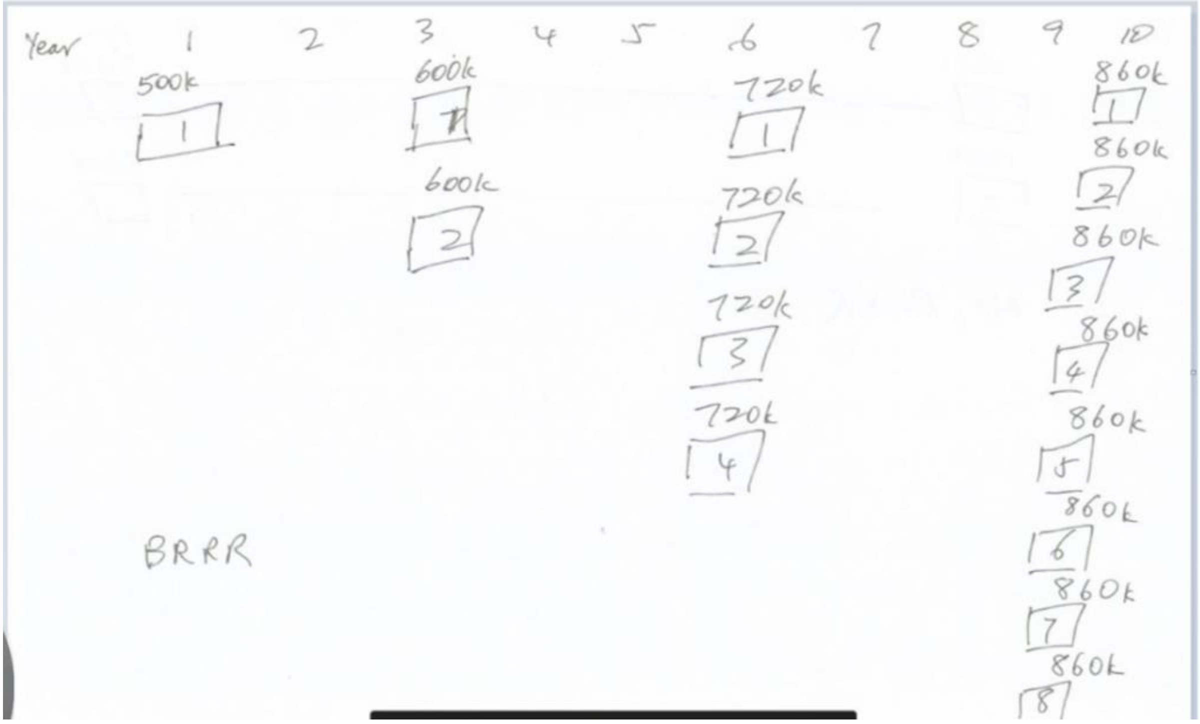
Rinse and repeat the process!

P.S. I share more details about how I apply the BRRRR strategy IRL, and other considerations I make at each step here.

The True Power of the BRRRR strategy

If you haven't noticed it by now, the BRRRR strategy allows you to access the power of compounding to grow your property portfolio.

As you repeat the process, you can acquire more properties along the way using the value from your existing property portfolio:



If executed well, you could own at least 8 properties, at the end of 10 years.

Thereafter, you could either continued repeating the BRRRR strategy and continue to grow your portfolio, or choose to cash out by selling your properties over time.

Why Singapore (and most Asian) property investors should not invest in their home countries?

Now, the BRRRR strategy is great, but there are caveats.

It only works if these 2 criteria are met:

- Ability to clock capital gains of 5% or more and,
- Rental yields that are at least 3% points higher than the mortgage interest

And that is why Singapore isn't the most ideal country for property investing. In Singapore, if you buy properties with over 65% LTV, chances are you will end up with negative cashflow which is unsustainable.

I started building my property portfolio in Singapore about a decade ago, and have found that I no longer had an advantage here after watching the government implement several rounds of cooling measures.

Through my journey, I had experienced or spoken to investors with experience investing in countries like Australia, Malaysia, Thailand, Vietnam and many more. Till date, we agree that UK still offers some of the best conditions for property investing, even if you're a foreigner.

What's next for you?

I hope this book has given you the foundation of property investing.

After over a decade of property investing, I have picked up many lessons. Too many to list in this book. However, I attempt to share more at my live webinar. Drop by with your questions, I hope to see you there!

About

DrWealth

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