

APPENDIX



Australian Property Investor, 2 July 2015, p.46

A CAUTIONARY WORD

Counterpoint

Ben Kingsley, chairperson of the Property Investment Professionals of Australia, likes the idea of property portfolio success, but says those seeking fast equity need to be across the risks.

"In theory the idea of growing equity too fast sounds like a problem we'd all like to have because it indicates that the value of the property has increased, or we've been able to reduce the debt on the property quickly.

"If I think about the ways in which equity can be generated quickly one of the first strategies that comes to mind is renovating to add value. This is an active hands-on strategy that has been popular for many, but it does come with challenges and risks. The biggest risk of all is investing extra funds into a property but getting no equity harvest in return. The other great danger is taking too long and overcapitalising on the property compared to other properties within the area.

"One of my biggest concerns for any investor who is chasing quick returns, which includes trying to grow equity too fast, is the debt risk some of these people take on. They might be encouraged by others or by their desire for get-rich-quick and this leads them to borrowing very aggressively, whereby just one unforeseen event could be the trigger for their whole strategy collapsing in on itself.

"One must understand the basic risk-reward principals of investing. If the rewards are better than average or high, then more often than not so is the risk element."