SUCCESS FROM A SUITCASE

Investor Walter Nanni reveals how he went from nothing to a $2.95 million property portfolio by finding undervalued properties and buying units in bulk.

WES LONERGAN

Lauren Day

Walter Nanni is one of those people who grabs onto life with both hands and refuses to let go. He's built a property portfolio worth almost $3 million, having just expanded through his self-managed super fund (SMSF). But the 40-year-old started from nothing. And literally nothing at that. He and his family left Argentina in 1980, arriving in Australia as immigrants with just a suitcase and $1000 in cash. It was all they had to start their new lives in Australia and having nothing was the reason Walter was determined to have something and succeed.

"We lived in the Villawood Hostel for a year, now known as the Detention Centre," Walter says.

"Then we went to government housing until we were able to get our own rental accommodation. My dad was a fitter and turner and luckily Australia was looking for skilled migrants. He used to work three jobs at one stage, in order to get ahead. My mum had to go and work in a shirt factory, so I learnt a huge work ethic from an early age and I realised that life was all about getting ahead. I also wanted to always help my family out wherever I could, in order to do my bit."

He's certainly done that and more, building his wealth while also supporting his parents. It's all thanks to property and a dream to take up all the lucky country has to offer.

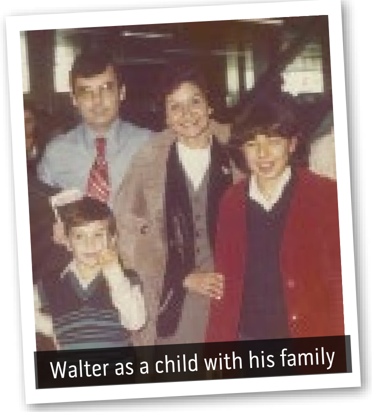
He's bought and sold properties considered dumps by many, looked in areas all along the coast with potential for capital growth and dived into buying entire blocks of units.

"You can't beat a positively geared property, although I'm a skeptic when it comes to buying a property that's already positively geared, as it can sometimes mean that the equity and capital may take forever to build," he says.

"So I buy negatively geared, with my main focus being to buy in an area that will always increase in value. Having said all that, all my properties are currently positively geared, so I'm in a buying mode at the moment."

// STARTING OUT

From an early age, Walter developed a love of real estate, always keeping an eye out for bargains and seeing bricks and mortar as a way to build wealth. He also loved to shop – not necessarily to buy stuff, just to dream about owning nice things one day.



Walter as a child with his family

The Bondi block of units

"I liked to look around, I'd look and look and look," he says.

"The more you look, the better you get at it. I always thought about what it would be like to only own one property and live off superannuation and not be able to enjoy the things I used to when I was working. I always thought no matter what, I could always sell if I got into trouble. I relate it back to my 10 years of training in Kung Fu – the first lesson you learn is 'know where the exit is' just in case!"

Working in Sydney's western suburb of Macquarie Fields, Walter spotted his first property in the area when he was 23 years old, realising it needed work but was undervalued compared to other homes in the street.

> "I believe that owning a heap of properties gives you and your family more options in life to do more of what you want, when you want."

"By this stage my parents owned their own home. I convinced them I had to use their equity so we could go halves in buying a property," Walter says.

"This way I would keep half and they would put half back into their mortgage. Of course, dad was all against this back then. He told me to go jump initially, so mum and I had our work cut out."

But Walter persisted, secretly telling himself, 'this better work or dad will kill me!' He managed to finally convince them and soon he and his parents were going halves in a property. They paid $95,000, with Walter moving in to do some work on it for six months and getting help from some of his tradie mates. Within a year, they revalued and then refinanced the property for $135,000, giving them almost $40,000 in equity.

"This was a heap of money back then. I used my share, $20,000, to buy a real estate business and my parents used the $20,000 to put on their $75,000 mortgage."

The success of Walter's first property and renovation project gave him a desire to buy more property. He repeated the process, buying another villa in Macquarie Fields for $85,000 and refinancing it six months later for $130,000, again going halves in the profit with his parents.

"Luckily for me it worked and we eventually paid off mum and dad's home. They live in a pretty cool place in Coogee now, right on the beach in a modest but really well located two-bedroom art deco unit worth about $650,000, retired and mortgage free."

// WHY RENT MATTERS

After the thrilling success of Walter's first two properties, the budding young investor decided to look further afield. He paid $210,000 for a block of land in Austinmer, just north of Wollongong, and set about planning to build a nice property on the block. But without rent coming in, things quickly became very tough.

"I spent a lot of time and money working out plans for a property and paying for the mortgage myself, maybe it was $2000 a month. This was a lot of money to have to come up with each month and I learnt I would have been better off buying anything else as long as it paid for itself."

Unable to keep up with repayment costs, Walter decided to sell the land, losing some money on building plans. He still made a good profit on the block though, selling it for $312,000, or $100,000 more than what he first paid. Despite the lucky break, which Walter admits was a bit of a fluke, he vowed to never buy a block of land without any sort of potential for rent again.

"I was also running my own business so times were tough. I now focus on income earning properties, not land."

Using the profit from the block of land, Walter and his family bought a house in Narrawalle near Ulladulla on the New South Wales south coast as a joint venture. Walter later bought them out and he and his parents also sold the Macquarie Fields properties, one for $275,000 and the other for $220,000. Walter admits the properties were positively geared and he regretted selling them, but nevertheless, the sale of the two homes gave them fantastic profit, which Walter's parents put into their principal place of residence. Walter reinvested the money and bought a unit by himself in Cronulla, in Sydney's south, focusing on rent, capital growth potential and lifestyle.

"The Cronulla unit overlooks the ocean and I've never had any dramas with renting it out," he says.

"The Narrawalle property has made more than $100,000 in capital growth but I'll never sell it. I might turn it into holiday letting."

// BULK BUYING

Post-GFC the market was slow. Just like a post-Christmas discount and all those shopping sales Walter dreamed about as a child, he saw a slower market as the perfect chance to buy something for a good price. It was also a great time to buy in the blue-chip suburb of Bondi.

"For a long time I was thinking I wanted to accelerate my wealth," Walter explains. "I just wanted to buy something that rented well. I kept looking at shops with residence upstairs but I just didn't like commercial."

He was given some mentoring from other successful investors and armed with new advice and information, Walter decided to look for blocks of units, which are generally cheaper if bought in the one line. The beauty with a block of units is that the rent is still strong but the overall buy-in price is cheaper than strata-titled units. Like any good investment, the search took time and every block Walter found online was out of his price range, at more than $2 million. But patience paid off and Walter watched one particular block sit on the market for about a year and a half, then suddenly drop in price and readvertised to go to auction.

"I literally did all the studies on it. The four units were renting for $450 or $460 each but the building had structural issues. This put a lot of people off."

Walter figured it would cost about $100,000 to underpin it and wasn't too concerned with the cracks in the walls.

"Bondi was all built on sand dunes and with this complex, the drainage was blocked. With that happening the building sunk. But I still recall my mate saying 'how many buildings do you hear that fall down each year? (None.) Me neither, so just buy it'."

Walter and his then-partner purchased the block at auction for $1.76 million. Unbelievably, they didn't even have finance approved when they placed a bid.

"There wasn't enough time but my mortgage broker and I are very close mates after 20 years of knowing each other, so he told me what my limit was to bid on the auction night," he says.

"If I could advise anyone, it would be to have close relationships with great people who know what they're doing as you can't be an expert in everything."

Walter adds similar blocks would have cost about $2 million, so he effectively saved around $150,000, factoring in the underpinning cost.

"The block was funded using both my south coast properties, Cronulla and Narrawallee, making a 20 per cent deposit," Walter says.

Walter's top 5 tips

- Start with the end in mind – how much do you want to retire on? How many properties do you need to achieve that goal? Double it and start buying them, today. Set a goal and strategy and review it each year by setting yearly financial goals for yourself. The rest will fall into place.
- Stop paying off your own mortgage for the next 25 years like most people do and start investing in real estate and look at every property as an investment property. Get your tenants to pay off your mortgage for you instead. You don't need a huge income to do this.
- Live within your means. You don't need as much as you think you do. This changes as you set a few family financial goals. You don't have to deprive yourself from things but do you really need the HSV Commodore or can you drive a normal car and have it paid off? Anything that's depreciating in value shouldn't be financed, only use finance for appreciating assets.
- Study the real estate market. Jump on realestate.com.au or domain.com.au once a week or have a look to see what you can buy/what rents are achieved. Turn the TV off and research, research, research.
- Learn to use the equity you already have in order to slingshot yourself into a great financial position. I'm often amazed at how many people are sitting on a heap of equity but not using it. Tragic.

THE NUMBERS | WALTER NANNI

LOCATION	DESCRIPTION	PURCHASE DATE	PURCHASE PRICE	PURCHASE COSTS	RENOVATION COSTS	CURRENT VALUE	LOAN ON THE PROPERTY	WEEKLY RENT
Narrawallee	House	2004	$180,000	$8,000	$10,000	$300,000	$165,000	$250
Cronulla	Unit	2005	$480,000	$13,000	$1,000	$650,000	$350,000	$520
Bondi	Unit	2011	$440,000	$22,500	$2,000	$500,000	$440,000	$600
Bondi	Unit	2011	$440,000	$22,500	$2,000	$500,000	$440,000	$630
Bondi	Unit	2011	$440,000	$22,500	$2,000	$500,000	$440,000	$600
Bondi	**Unit**	**2011**	**$440,000**	**$22,500**	**$2,000**	**$500,000**	**$440,000**	**PPOR***
TOTAL			$2,420,000	$111,000	$19,000	$2,950,000	$2,275,000	$2,600

*PPOR = principal place of residence

> "Have close relationships with great people who know what they're doing as you can't be an expert in everything"

Since the purchase, Walter and his girlfriend unfortunately parted ways, so Walter is in the process of buying her 25 per cent share out of the deal. At the same time, his sister Gaby is trying to buy in and might take over the 25 per cent share. He's currently living in one of the units and renting the others out, with Gaby as one of the tenants.

They're renting for around $600 each but the way the Sydney market is going, with extremely tight vacancy rates, Walter is about to renovate them one by one, then increase the rent on each of the units up to $700 per week.

"I worked out if I get the rent up to $700 each, I'm living there for free," he says.

Walter is also planning to build a mini palace and again, the land will come free. He's working out how to put a penthouse on top of the block, which would take the footprint of two units below and be 200 square metres in size.

"The builder said it would cost $300,000 to $400,000 to build and I know they're worth $1.5 million. So spending $500,000 to make a million will be more than worth it."

Like the rest of Walter's properties, he'll probably set it up as a standalone loan, on variable interest only, although Walter suspects he might fix soon if there are another one or two interest rate drops.

"I learnt that you should never fix while it's still dropping, better to miss a per cent as it starts to climb again as opposed to missing two per cent as it continues to drop."

// USING SMSF

Walter says a SMSF phenomenon is sweeping over Sydney at the moment, making it extremely difficult for investors to buy unit blocks.

"The secret is out and all of a sudden, prices are being pushed."

Walter believes standard, residential income-producing properties that aren't too expensive or cheap will be the best type of investment over the next few years, as more people search for property they can actually afford rather than high-end properties. He prefers property close to the ocean too and is confident the coastal areas in NSW will bounce back.

In fact, he's so confident, he thinks he has found something perfect to spend his SMSF cash on – a block of units in Forster, on the NSW coast.

"I really wanted another block, in fact I'm addicted to them and would love to own a few more with my friends and family in the future."

However, banks don't like to lend for blocks of units using super, so he might need to settle for a duplex or something with a granny flat instead.

Walter explains whatever he ends up buying through his super fund, it's all part of his plan to perhaps holiday near the coast later in life and buy properties that more or less pay for themselves.

"A lot of people buy a house, pay off as much as they can and don't go out, don't do anything. All they do is pay off a loan. Your 20s and 30s are your fun years, so I like to enjoy life."

Like his other investments, Walter will pay interest only until the rent overtakes the interest payable on the loan.

He believes the biggest mistake investors make is procrastinating.

"When you only have $1000 and a suitcase, you've got nothing to lose so you take a chance," he says.

"I hope to one day buy a Tuscan villa and renovate it and potentially live there for a year or three. It would be a cool thing to tick off the list. I believe that owning a heap of properties gives you and your family more options in life to do more of what you want, when you want." API

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