Photography by Lisa Davidson Photography

HADAR ORKIBI'S *rules to investing*

Vicki Holder gains insights from a landlord with experience in all aspects of property investing.

GOOGLE HADAR ORKIBI AND HUNDREDS of web pages appear, most linked to stories and tips on how to invest in property. The consummate trader, he is driven to succeed and always willing to share great advice based on his considerable experience of using diverse strategies.

Since he came to New Zealand from Israel in 2003 aged 26, the highly motivated creative thinker has been involved in just about every possible kind of property related venture.

When he started out, his goal was to generate enough cash flow to live a relaxed lifestyle and to spend more time with his family. He now has a considerable portfolio of 13 residential and commercial properties.

Buy and holds pay every day bills, but trading puts the icing on Orkibi's cake, adding the extra cash required to pay down debt and fund overseas holidays.

"We have family overseas so it's important for us to see the family and for the kids to remember their roots as well."

First steps

His story begins at the age of 19, when Orkibi joined his oldest brother in his jewellery business where he worked as a goldsmith and diamond assessor. It was there he learned how to negotiate. But Israel was a conflicted country during the second intifada – a period of intensified Israeli-Palestinian military violence. After he met his girlfriend Karen (now his wife) while travelling in India, they decided to go to New Zealand, as Karen's sister was already living in the South Island.

While picking grapes and working in the orchards of Central Otago, he began educating himself on all aspects of property. In 2004 he signed up for a seminar run by Olly Newland in Queenstown. "From there, I was hooked."

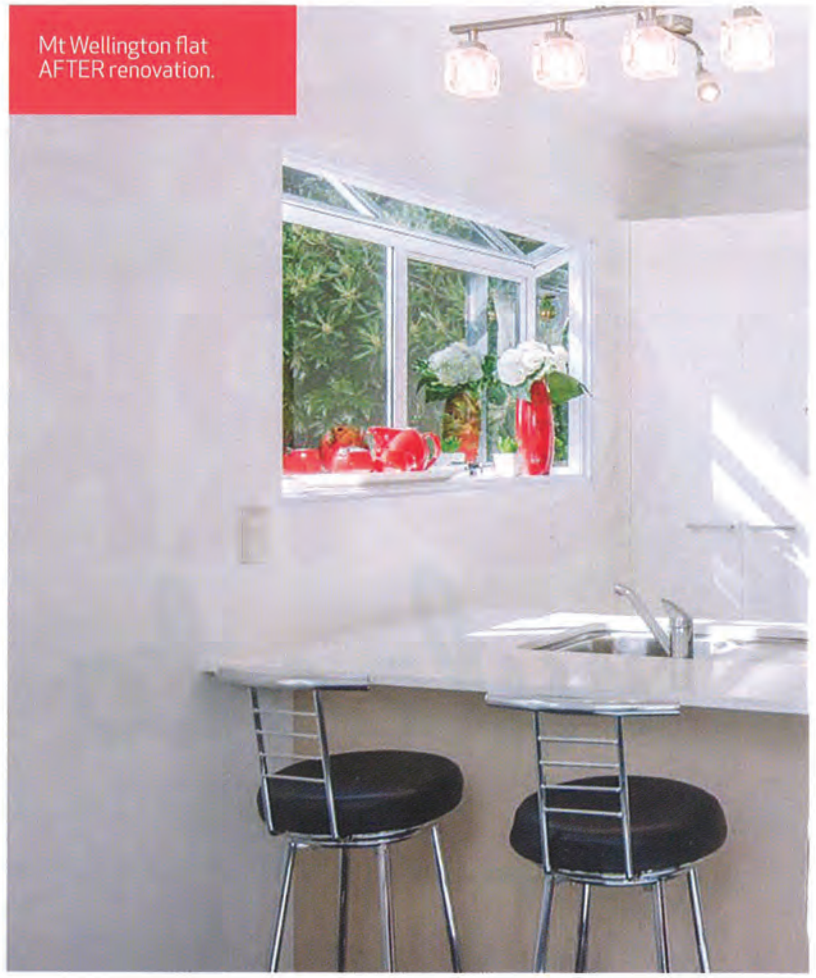
As it was the biggest city in the South Island, he began investing in Christchurch.

He got to know the suburbs, streets and values. Within about three months he had purchased his first investments – two houses in Addington just before the Global Financial Crisis in 2007. "I targeted Addington as it was an inner city suburb with high density zoning and development potential. The second, in Kipling St, was a three-bedroom villa on 1012m2 of high density land with potential to build six townhouses. It was returning a single income gross yield of around 5%."

Valued at $425,000, Orkibi purchased it for $370,000. Today, nine years later, it has gained a modest market value of $570,000, the rent is $465 a week – a gross yield of 6.55%.

"I quickly discovered properties with low yields in an environment of high interest rates (8% to 9%) and no capital growth can slow your investing right down. In the recession, the two houses I bought at a discount were worth just what I paid for them. I was leverage-locked and all I could do was keep trading using a small line of credit."


Mt Wellington flat BEFORE renovation.


Mt Wellington flat AFTER renovation.

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He says, you must recognise when to off-load under-performing assets. "A good deal at the top of the market may be mediocre at the bottom of the market. Make sure you can add value and increase cash-flow to weather the storm."

Trading

Orkibi then began trading investment stock, New Zealand-wide. "I slowly started to pick up some momentum with trading, mainly assigning contracts for fees and doing double settlements."

Double settlements are when an unconditional contract for a property is signed at, say, $100,000 and sold on for $150,000 while settling the purchase. As the trader, he would keep the $50,000 difference before GST and tax.

Assignment, he explains, is when you sign a contract for a property and sell the contract to a third party for a fee, transferring the right to the contract. Both are "no money down deals" and Orkibi felt they were a safe way to trade. While assigning contracts for a fee is common practice in the US and UK, he explains, as the activity became more prevalent in the market it was found to be in breach of real estate legislation.

New tactic

No longer able to do assignments forced Orkibi to start settling deals. In 2009, when he was making more money from trading than working in his day job, he quit and concentrated on investing and trading full-time, adhering to a prescriptive set of rules.

For example, he says he never buys anything without doing proper due diligence. "For renovations, buy well in suburbs where families want to live, add value and sell, usually within three to four months."

For trades that involve cosmetic renovations, Orkibi won't purchase unless he can see potential to make a minimum $50,000 after GST or the opportunity to add 15% value on the cost – depending on the size of the deal.

In 2012 he bought four, two-bedroom flats in Mt Wellington, Auckland, for $870,000 on one title and set about sub-dividing them. He spent $120,000 on the subdivision and afterwards they were valued at $1,340,000 – which added around 30% value. Three years later in 2015, he sold them for $1,891,000 – a gross profit of $900,000.

For long term buy and holds, he says the property must have at least 15% equity upside at purchase with the opportunity to add value. Properties must be located in main centres with good capital growth prospects and tenant demand with a minimum of 7% yield on multiple incomes.

He targets motivated vendors keen to quit – especially properties with multiple incomes or opportunity to add value so he can recycle some of the deposit. And having available funds as a cash buyer or pre-approval is key to acting quickly on deals.

Moving to City of Sails

After the 2011 earthquake in Christchurch, Orkibi sold one of his Christchurch properties and shifted the equity to Auckland. It was the best move he ever made, he says.

Because banks don't like investors relying heavily on trading where income fluctuates, he began moving more into long term buy and holds.

But tightening bank regulations saw funds become harder to get in 2011/12, which is when he teamed up on two joint ventures (JVs)– on Auckland's North Shore and in Mt Eden. He says if you want to do a joint venture, find a partner who has what you lack. "A typical JV investor will be someone with good income or cash in the bank at 3% that doesn't have the time or the knowledge to find deals but wants a better return for their capital.

Establish an agreement from the start to keep the rules clear, he says. "Decide on the profit split that's fair – 50/50 or 65/35; wages can be paid to a party for their involvement and the rest can be split. You also need an exit strategy, for example, buy to sell or buy to let.

"I found the deals, because I had the time. I contributed the cash for a deposit and the renovation while the partner settled the purchase on his own. We drew up the joint venture agreement. When each of the projects were completed eight months later, we split the profits around 50/50 earning more than $90,000 each."

Going commercial

His first venture into commercial property in 2014 was a block of four retail shops and two-bedroom flats in Central Otago. "We ended up buying this property after initially considering buying a business in the block. While doing the

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due diligence on the business, I decided to investigate if the owner would consider selling.

"We agreed on the purchase price that represented a 9% net return. The four shops and the flat were tenanted to long-term tenants. We renegotiated the leases between four to seven years and got rid of one tenant and built a successful pizza and kebab takeaway business that we later sold.

"We paid a deposit of 40% - $310,000 for purchase price of $775,000. It was under rented at $69,000 a year. The upside was scope to increase the rent and value, long secured leases, good cash flow from day one and the ability to add billboard advertising and for redevelopment with a second storey."

Self-education

In all his transactions, Orkibi does considerable research and educates himself before leaping in. He advises others to join their local PIA in the area they want to invest in. "Listen to podcasts. Follow local and national economic trends. Don't be shy to ask questions and seek advice."

He stresses the importance of building trust and relationships with real estate agents. "Remember, if you muck them around, you are off their priority list. List with them when suitable, but remember the agent you buy from may not be the agent you want to sell with," he says.

"Split your loan between a couple of banks and then have loan averaging to make sure that on maturity you are not exposed to higher interest rates all at once."

Today, Orkibi is seeking multi-unit sites in Auckland where he can build and hold for lower debt levels. "I see this strategy as one of the best ways to build a portfolio of cash flow and equity holdings. More commercial holdings are definitely on the horizon. The cash flow is better. The tenants are less demanding. There is no Residential Tenancy Act and the banks consider income from commercial property at its full, 100% for servicing debt.

In total, Orkibi has now done over 100 deals – large and small. He certainly knows his stuff, so if you're stuck and looking for solid information on how to move forward in the property market, just Google his name. You are sure to find a strategy that will work for you. ■