

Property Focus

Bringing you the latest news, fact and figures from the world of Australian real estate.

Investment properties: filter the good from the average



requires little or no maintenance, and have researched and identified a region or town where you want to buy.

When looking at a specific property, what's the type of criteria you may use to rule a property in or out of your consideration set? Here's a quick summary:

Location, location, location. It's the absolute non-negotiable of buying real estate. Location can refer to what is close by in a positive sense, for example waterfront, shopping and public transport. Location can also refer to what is close by in a negative sense. For example, if the property is on a busy highway, close to an industrial area, or an airport (such as in the classic movie *The Castle*), then the possibility of capital gain and/or strong yield reduces significantly.

Design. When assessing the design of a potential investment property favour functionality and practicality first and foremost. What are the important factors in home design that will encourage long term tenants? Some finishes wear more quickly than others, which will increase maintenance costs. For example, carpeted floors wear more quickly than tiled floors.

Value for money. Relying on capital growth alone to increase the value of an investment property can be hit and miss. It's obvious, but the sure-fire method to make money on investment property is to buy under market value.

Trusting the developer. Particularly with property being sold off-the-plan, the reputation of the developer becomes an important consideration. Before buying, you need to do all in your power to perform a background check on the developer to ensure they are not only reputable, but financially secure. The last think

you want is to invest in a property off-the-plan that is subsequently abandoned or postponed.

Rent-ability. Consider the typical person who is likely to seek a rental property in your property's location. Whether you are buying in a suburb known for its families, its working class, its prestige, or a high number of students, you should seek the type of property that matches the needs of a likely tenant.

Suitability. Considering the likely yield of the property (annual rental income (weekly rental x 52) / property value x 100, is it suitable for rental. If the property will not return a yield above 4%, than it may not be suitable.

Marketability. Ideally, your investment property should remain attractive to the market no matter what the economy is doing. For example, a property in the top 5% price bracket may struggle to attract tenants if the economy slows. Favour properties that will be tenanted no matter what the economy is doing.

Market timing. At any one time in Australia, there will be individual markets going up, going down, and going nowhere. By investing counter-cyclically, for example, buying when others are selling is more likely to lead to a value-for-money deal.

Appeal. In a crowded market place, look for a property that has an X-Factor – something that will set it apart from other similar properties in the same area. This could be anything – from a stylish Balinese hut in the backyard, a fireplace or easy access to a local park.

Some of these factors are easily discovered. Others take serious investigation and due diligence, but the time you take to establish a thorough understanding of the property to inform your decision making will be well worth it.

Leaving decision-making to your “gut feeling” can work in many realms of life, but when it comes to buying investment property, those with a proven strategy are more likely to succeed consistently.

If you are actively in the market for an investment property, you will be met with numerous “opportunities”, but only a few are likely to deliver the growth or return you are seeking.

Successful property investors filter opportunities through a set of predetermined criteria, dividing the suitable from the unsuitable.

While there is no foolproof system, investment property success stories are a product of research and careful consideration rather than chance.

Let's start with the assumption that you are buying a new or near new property which

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Decluttering before selling

Decluttering can make all the difference when selling a home, showing potential buyers space and allowing them to focus on the property, rather than the person.

Follow these tips to help give your home the edge when selling:

- **Keep your home as light as possible.** Light is one of the most important factors when people are considering a new home. If your rooms don't need those old curtains or broken blinds, take them down and put up an inexpensive set of sheer curtains. Where natural light is scarce, use space and light colours to capture as much light as you can. Don't forget to clean your windows!
- **Detailed Cleaning.** A house detailer can make your bathrooms, kitchen and laundry shine. They know all the tricks of the trade and it's a worthwhile investment if your home is in need of a spring clean.
- **Right furniture in the right place.** Make sure you have the right furniture in the right room. A bed in the study, a couch squished into a bedroom or a chest of drawers in the laundry all implies there's limited space in the house. Place your excess furniture in storage while you market your house for sale to show buyers there's plenty of room for their furniture.
- **Maximise your cupboard space.** If you don't need all those winter coats, old suits or ski gear in your cupboard, pack them away and let the cupboards air. Potential purchasers will not notice you have moved these items and a sense of space is on everyone's wish list when purchasing.
- **Update your décor.** Remember to keep the décor in your home non-personal. Buyers want to be able to see themselves in the house, and it can be tricky to use your imagination when your family photos

are staring back at them! Pack away personal items, and consider updating soft furnishings, lamps and artwork with on-trend items – they need not be expensive.

- **Gardens and outdoor areas.** Add some potted colour, hose down paths (using a high pressure hose), clean the exterior of your home and rake or blow fallen leaves. Garden lights for night inspections add mood and highlight areas otherwise not noticed - solar lights are a great option, inexpensive and easy to install.

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Market Facts

Rolling annual change in dwelling values, combined capital cities

Median Prices



Capital Gain

| | Houses | Units | Dwellings |
|------------------------|--------|-------|-----------|
| Past 12 months | 6.6% | 4.7% | 6.4% |
| Annual over five years | 4.4% | 3.8% | 4.3% |
| Annual over ten years | 5.4% | 4.9% | 5.4% |

Source: CoreLogic