



A GUIDE TO SUCCESSFUL PROPERTY INVESTMENT

Ready to become a landlord?

Whether this is your first property purchase or adding to your property portfolio, it pays to have a look at this investment guide to ensure you are well prepared.

1. Do your numbers stack up?

- Having a detailed analysis of your financial situation and the type of property you wish to buy are vital first steps to a successful investment.
- What is your credit score?
- How steady is your employment?
- Do you have other loans or bad debt that may impact your application?
- Estimate your loan calculations - Can you afford to contribute to the cost of the loan (aside from the rental income)? Remember holding costs of the property such as ongoing maintenance, repairs, rates and insurances.
- What are the prices of comparable sales in the area?
- What is the estimated rental return on your investment?
- Can you afford the loan repayments should your investment property be vacant for periods of time?

2. Are you in for the long term?

Property investing is generally a long-term wealth accumulation strategy. The longer you can hold a property, the better chance you have to build up equity. Research the market and choose an area primed for capital growth, but of course also consider the rental income for ongoing cash flow management. Making a profit on a property in the short term can be tricky considering the high costs of buying, selling and managing market conditions.

3. Do you have sufficient equity or deposit?

If you don't have sufficient savings to contribute to the deposit and acquisition costs, you may need to consider if you have a good amount of equity in your existing home/property. Utilising this equity to buy an investment property is a popular way for many investors as it does not require a lump sum cash outlay for the deposit.

Keeping in mind your existing home will be used as security for the new loan, you will generally still need a 20% deposit to secure a home loan for an investment property. It is possible to buy with a deposit of less than 20%, but lenders' mortgage insurance may apply as an additional cost.



4. Do you have good advisers on your side?

Find specialists who can help you make the right property investment decision – an accountant, solicitor, finance specialist (us!) and real estate agent.

5. Could you afford it if things change?

Questions you need to consider are: Do you have a 'buffer' in case your circumstances or interest rates change? You may find you can afford an investment property now, but what if you or your partner temporarily lose your income or if your salary doesn't meet the ongoing financial demands of a property?

6. Do you know what type of mortgage and features will suit you?

As an investor, you will be considered by lenders on both your existing income sources and the potential rental income from the property. It is important to choose a lender to match your investment goals who has the right loan and features to suit your circumstances. Some of the considerations include:

- Interest only or principal and interest repayments
- Fixed or variable interest rate, or split between both
- Offset account
- Additional repayments/redraw facility
- Line of credit
- Repayment frequency

7. Is the property a good investment?

Some of the most important factors that influence a tenant's decision include:

- Suburb or area of the property
- Number of bedrooms
- Proximity to schools, shops, cafes, parks etc
- Convenience to public transport and infrastructure

- Off-street parking, carport or garage
- Ample storage
- Internal laundry
- Outdoor space such as yard, courtyard or balcony

8. Is the property appealing to renters?

You have better chances of attracting good and longer-term tenants if you have a well maintained and presented property with key features (above), attractive decors, well-functioning quality fittings and fixtures.

So where to next? We can compare different home loans for investor borrowers available from a wide range of lenders. Contact our office today.

