

INVESTOR TIPS

Research narrows down the best bets

Know the area you're considering and what it offers potential tenants, writes **Isobel King**.

Buying the wrong investment property could be one of the most expensive mistakes you'll make, so putting in all the research possible will help ensure a wise investment that rewards handsomely over time. High on your priority list should be areas with good potential for capital growth, existing strong rental returns and excellent infrastructure.

THE BASICS

Talk to any professional who deals in investment property and you will hear the same thing: look for properties close to public transport, schools, cafes, shopping centres and amenities that will appeal to renters. In congested capitals, people don't want to spend their life commuting, so apartments in the inner-city ring – especially in vibrant “cafe lifestyle” areas – or close to outer hubs will have strong rental appeal. Being on a direct city train line is a plus.

To get the most out of your investment, you need to take a long-term view of property – seven to 10 years is recommended.

MARKET RESEARCH

Picking the next big hot spot is what you're ideally after so you can buy competitively and benefit from a



Sniffing around ... Surry Hills residents Scott and Cathy Lawrence plan to buy in Melbourne. Photo: Marco Del Grande

hefty growth spurt. However, we would all be millionaires if we could predict the future. In the absence of a crystal ball, there's market research. Data is now readily available from a variety of sources, allowing you to read up on an area's demographics, recent sales, capital growth, rental yields and planned infrastructure.

Independent property analyst Mark Armstrong recommends the Australian Bureau of Statistics

website (abs.gov.au) as a great source of free information about the demographic trends of an area. “Find out things like whether the population of an area is getting older or younger and the percentage of investors versus owner-occupiers,” says Armstrong, who warns that an area with too many investors can be risky.

“Investors come and go in the market and if there's a mass exodus, you'll suddenly have an oversupply

of property on the market and demand can evaporate overnight.”

BUYING INTERSTATE

Trying to be an expert in your own city is one thing; researching prospects in other states adds another layer of difficulty. Thank goodness for the internet.

Scott Lawrence and his wife, Cathy, live in Sydney's inner-city Surry Hills and have decided to buy an investment property in

Melbourne into which they envisage eventually moving.

“We visit a lot for both work and holidays and really like the city,” Scott says. That has enabled the couple to narrow their search to areas they are both familiar with and can imagine living in, such as the lively district around Brunswick and Carlton, just north of the city – “kind of the Surry Hills of Melbourne”.

They are mainly relying on real estate sites such as domain.com.au to size up prospects within their budget of \$700,000 and they plan to fly down to inspect anything they would seriously consider buying. The fact that they can potentially write off the trips as a tax deduction once they buy is another incentive.

An alternative would be a buyer's agent who is already familiar with the city.

The director of Buyer Solutions Australia, Janet Spencer, says: “It's really not even necessary for an investor to personally see the property they're buying, what with things like Google Maps with Street View, images and videos we take of the property.”

WHEN TO BUY

With markets flat in most capitals but rental yields still climbing in many cities off the back of property shortages and interest rates predicted to fall, the signs are there of a market resurgence. The trouble with waiting is you might miss the boat. The last word comes from Armstrong: “I predict the spring of 2011 will prove a great time to buy; the best time to get into a market is when no one else is buying.”

GOVERNMENT INCENTIVES

Advantages stack up for those who opt to buy off the plan

The rules and incentives differ from state to state but with governments keen to see new homes built, there are some generous advantages to buying off the plan.

In NSW, for example, there's the Home Builders Bonus, which gives buyers stamp-duty exemptions on

purchases of new homes, including off the plan, valued under \$600,000. This ends next July. See osr.nsw.gov.au.

In Melbourne, there are significant stamp-duty savings when buying early in the off-the-plan process. Stamp duty is payable when your property

settles but is calculated at the time of exchange, which could have been two years earlier when the site was still a mound of dirt. The value of the property at that time would be solely its land value. See sro.vic.gov.au.

Queensland has the \$10,000 Building Boost, which applies to

every new investment property you purchase, provided it is less than \$600,000.

The Building Boost grant runs until January 31 next year. See boost.treasury.qld.gov.au.

The Office of State Revenue or the state government treasury in your state can advise on

concessions or available grants. Of course, there's also the First Home Owner Grant, which offers concessions to first home buyers purchasing new properties but it doesn't apply to investors.

For a rundown on the state-by-state offerings, see firsthome.gov.au. Isobel King

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