

5 Rules to follow when buying

Buying Australian property for investment and or eventual owner occupation should be easier than some perceive it to be, especially if you're residing in another country and buying from a distance. When looking at buying follow these 5 buying rules.

1. BUDGET AND FINANCE PRE-APPROVAL

This first step is the most essential. There has been a raft of recent changes from Australian Banks that may affect foreign investors, including Aussie expats. Lending percentages and the way banks access your income have been adjusted, and some banks will no longer lend to certain buying structures, or in some cases lend for certain property types and locations.

As a general rule, and subject to your finance application and approval, you will require 20-30% of the end purchase price as your deposit. An additional 5% is required to cover other buying costs including stamp duties, legal and loan establishment fees.

2. PROPERTY SPECIFICATIONS

Buying criteria, being personal requirements versus what future buyers will seek and pay a premium for, will vary for each individual buyer. For some buyers, 'ROI – return on investment' will be important whereas another buyer may focus on location, property type, size, aspect or view.

Define your own attributes, list them out and stick as close to these fundamentals as you can. Remember that eventually when you sell these same buying attributes need to attract your future buyer, who you hope will be prepared to pay that 'premium price' for your home.

Never buy solely on rental guarantee or a fixed percentage return. As a rule of thumb consider these key points.

3. LOCATION SELECTION

Where possible buy in a location you know and like. Selecting a location becomes an even more important decision if you intend to eventually occupy the residence. 'Location, Location, Location', you're best to remember this and apply it where possible to your buying

budget as 'a more convenient lifestyle is much more preferred than not' and this will apply for both future tenants and during your possible future occupation.

The better areas will already have easy access to good lifestyle amenities that are both recreational and essential for daily living, such as shopping, restaurants, public transport, schools and business districts.

Don't be fooled to buy within a 10km radius of a major city, as many suburban areas in Australia have well established amenities and business.

4. SELECT THE BEST TEAM

Positive re-affirmation during the buying process is essential. It can be a long and lonely road when searching and buying a property, one that is filled with the quandary 'should I buy or not' known as 'buyer's remorse'. Here are the people you need to consider

Specialist Property Lawyer or Conveyancer – Select before you

commence your property search. You only get to do your due diligence once, so make sure you obtain good advice protecting you along the way. It is worth paying a premium to get the best advice.

Real Estate Agent or Property Manager - Many forget that agents are not your friend, they work for the seller and they aim to obtain the highest price. So, if you have a friend or relative in the profession you're in a good position to be guided through the process. They will also be able to assist with negotiation and advise you of the agent's mental perspective when they are selling a property. A property manager will be able to provide future and current assessments on rental income and costs you may need to consider prior to buying.

Friends and Family – Use family and friends recent buying experience to benefit yourself, it's invaluable. Seek out their knowledge, learn from their mistakes and use referred professionals they had good experiences with.

5. THINK LONG TERM INVESTMENT

The Australian property market is more a long-term investment market and will be effected by different cycles. There will be periods of growth, flat periods and possible negative returns depending on the property investment type you seek. Therefore, a long-term view is better than searching for a quick buck. The average annual capital return is 7% with gross rental returns varying depending on city and property type from as high as 5% to as low as 3% with net returns being lower than this. (net return on investment – ROI being gross rent minus all annual costs).

If buying as an investor there are tax advantages that are afforded to both foreign investors and Aussie expats. The term 'Negative Gearing' is often referred to and this allows your investment properties income to be offset against your annual expenses, thus creating in most cases a paper loss. This loss can be accumulated and offset against future income or capital gains tax and are unique to buying property in Australia. It is essential to get advice from an experienced Australian property taxation professional before you purchase.

The Australian markets are being stimulated by population growth and the supply of some property types are well below current demand. Key inner suburban areas no longer have a vast supply of land to re-develop, development restrictions apply and the ability to seek development approval is becoming more difficult. All these factors impact property price and price growth. One of the main factors to ensure your success is to buy property with future demand potential.

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