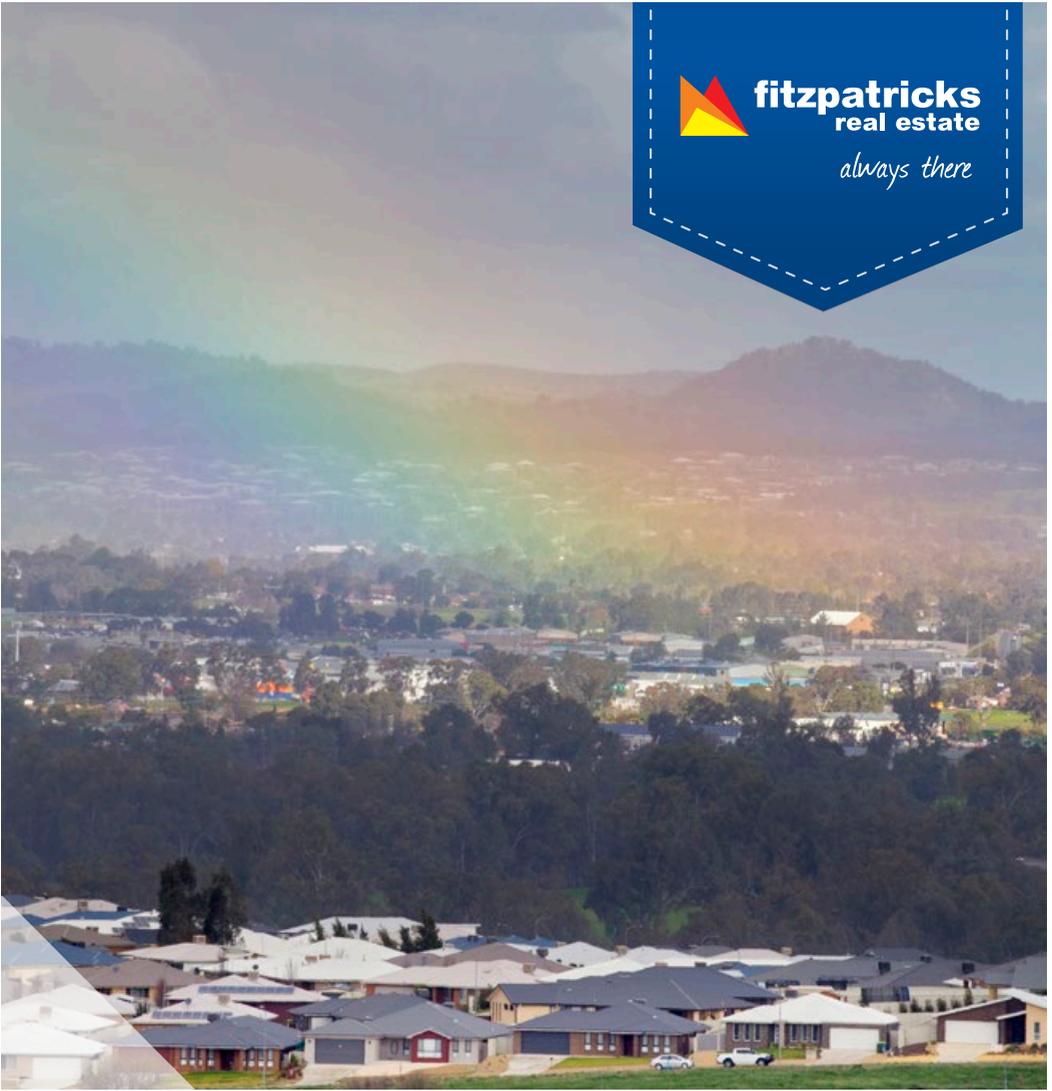




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# INVESTING: RESIDENTIAL PROPERTY

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## ► QUESTIONS TO ASK FROM “A TO Z”

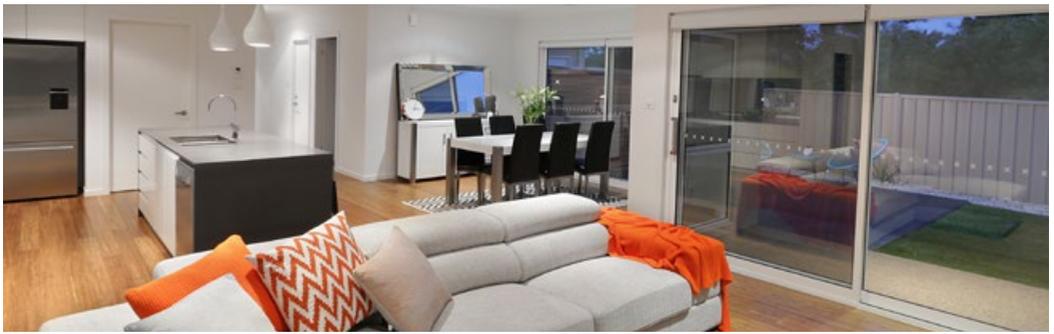
### **Yourself**

- a) Why am I choosing to invest in property?
- b) Do I want to own this investment property for at least 10 years? (the longer the holding, the less risk involved)
- c) Will I be able to look at the investment financially and not emotionally?
- d) Do I want to buy a house on single title?
- e) Do I want to buy a unit with a body corporate? Am I comfortable with how body corporate/ strata title work?

### **Your Accountant**

- f) Will it be tax effective for me?
- g) What can I claim as a tax deduction?
- h) What tax implications are there I should consider? (Capital gains tax, stamp duty)
- i) Will I be negatively or positively gearing? (And what does that mean?)
- j) Should I buy a new property with depreciation benefits?
- k) Does my rent have to cover my interest? Can I afford to contribute some cash myself?





## Your Bank

- l) How do I access the equity in my own home?
- m) Does my rent have to cover my interest? Can I afford to contribute some cash myself? (Yes same question as above)
- n) What is my borrowing capacity and can I borrow 80% of the purchase price? (This means you have access to 20% in either cash or equity and avoids mortgage insurance in most instances) – can I afford this? Do I consider borrowing \$100%?
- o) What will a change in the economic climate mean for me if things turn for the worse? Can I cope with rising interest rates?
- p) What mortgage options are out there for investing in property?
- q) Can I and should I borrow “interest only”? (Ask for the benefits of doing this)
- r) Can I use a Deposit Bond/Guarantee instead of cash deposit on purchase?

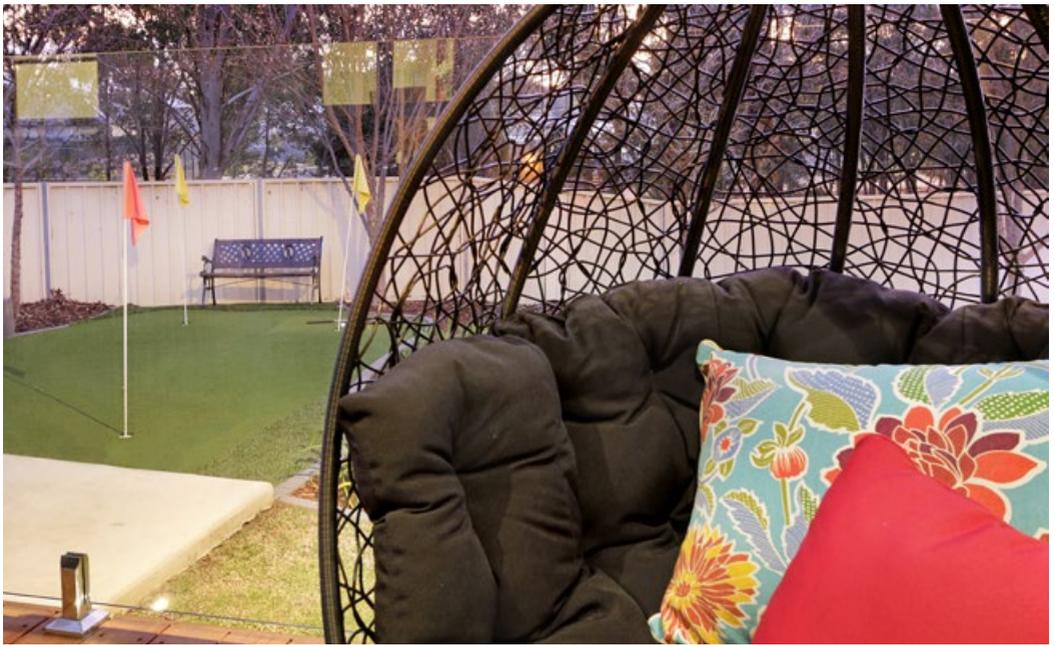
## The Agent

- s) What is the likely rent or past rental history?
- t) What is the vacancy rate like in this area? For this property? And in Wagga Wagga?
- u) What is the best time to look for tenants?
- v) How long has this property been on the market?
- w) Is there anything I should know about the property or the area that is not mentioned in the advertising material?
- x) What are the rates per annum? What if any, are the strata fees payable?
- y) Is a lease in place and how long would the tenants be willing to stay on? Is the rent they are paying market value?
- z) How professional is the Property Management team?



## ▶ FOLLOW THESE RULES

- 1 Understand supply and demand in the area you are purchasing.
- 2 Understand what tenants look for in a property to rent.
  - thoroughly clean and fresh accommodation, eg new paint and carpets
  - heating and cooling
  - low maintenance surrounds
  - good security and safe environment
  - appliances in working order
  - decent car accommodation
  - good, private space
  - close proximity to amenities
  - value for money
- 3 Look for good infrastructure in the suburb you are looking to buy in. Are there schools, shops, public transport and recreational facilities?
- 4 Has there been a trend of capital growth in the past compared with other local suburbs?



- 5 Look at as many similar properties as possible and look for good value not an emotional attachment.
- 6 Work out your rental return based on 52 weeks p.a. (or if wanting to factor in a vacancy allowance, 48 weeks just in case). Rental return as a percentage is your gross yield and is calculated as follows;  
Rent per week x 52 weeks in year / purchase price x 100  
Eg. \$250 per week x 52 = \$13,000 / \$220,000 x 100 = 5.9% gross return.
- 7 Listen to advice from family and friends but remember it's your money not theirs.
- 8 Seek independent advice from professionals
- 9 Always get a pest and building inspection carried out by licensed and qualified tradespeople.
- 10 Understand your legal rights and responsibilities as a buyer and landlord.

#### **Some Reading Material**

**“Investing in Residential Property” – Peter Waxman (Wrightbooks)**  
**“The Road to Wealth” – Paul Clitheroe (Viking)**



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**02 6921 1555**

[sales@fitzpatricks.com.au](mailto:sales@fitzpatricks.com.au)

138 baylis street wagga wagga

**[fitzpatricks.com.au](http://fitzpatricks.com.au)**

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