REAL LIFE: $1M+ EQUITY AND COUNTING

your investment
property

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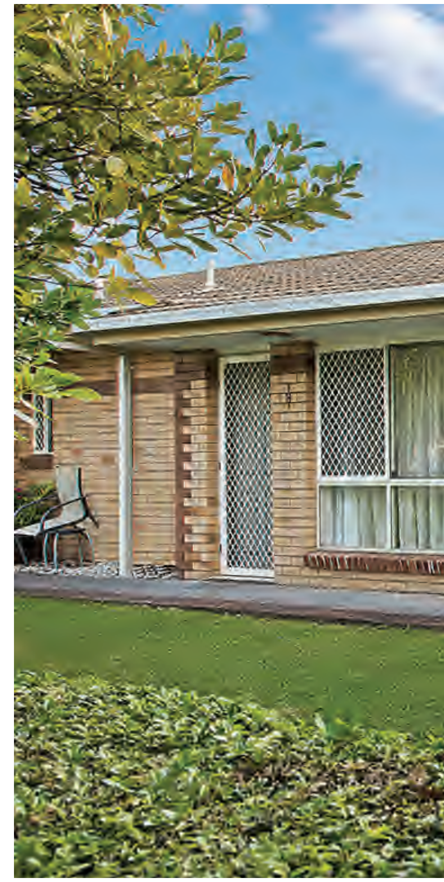
PROPERTIES THAT DELIVER BIG NUMBERS



Investors shouldn't have to bite their nails to the quick worrying about their properties' performance. Stress-free investments are created when you know how to offset risk – and by finding unique opportunities that result in a good night's sleep

WE'VE ALL heard the term 'set and forget'; essentially, you can do this with a property that delivers such great returns across the board that it takes care of itself without concern or assistance. But invariably, popping a large amount of money into any asset – even one as historically well-performing as property – is enough to give anyone more than a few anxious moments.

Taking the stress out of investing is about building a profile of a property that minimises risks and maximises revenue. Essentially, the lower the risk, the lower the speculation – which means lower stress levels too!

Here, we uncover some of the simple strategies you can use to create your own set-and-forget investment; we demonstrate how it's possible, using a real-life example of a market that's delivering above-average returns for below-market prices.

What makes an investment low-stress?

A low-stress investment is one that's in high demand. Demand is key; strong, long-term rental desirability means the property has a lower degree of risk (compared to a house in a mining town, for example) and produces a dependable financial return that upswings with the market.

Historically, capital city suburbs have been the most active and steady performers and are generally a solid bet for long-term demand and capital gain. But what else can you do to create that sought-after set-and-forget asset, especially if a city property is out of your financial reach?

Fortunately, it's not complicated. Regardless of your borrowing power, the following tips will help you narrow your search for properties with stress-busting qualities. Of course, always do your due diligence on the property, street and suburb before you consider buying.

Breathe-easy tip 1: Rental assurance

Associate director Rachel Hutson, from Colliers International Residential, says one way to reduce risk is to look for a property with a proven history of rental stability – but, be wary of

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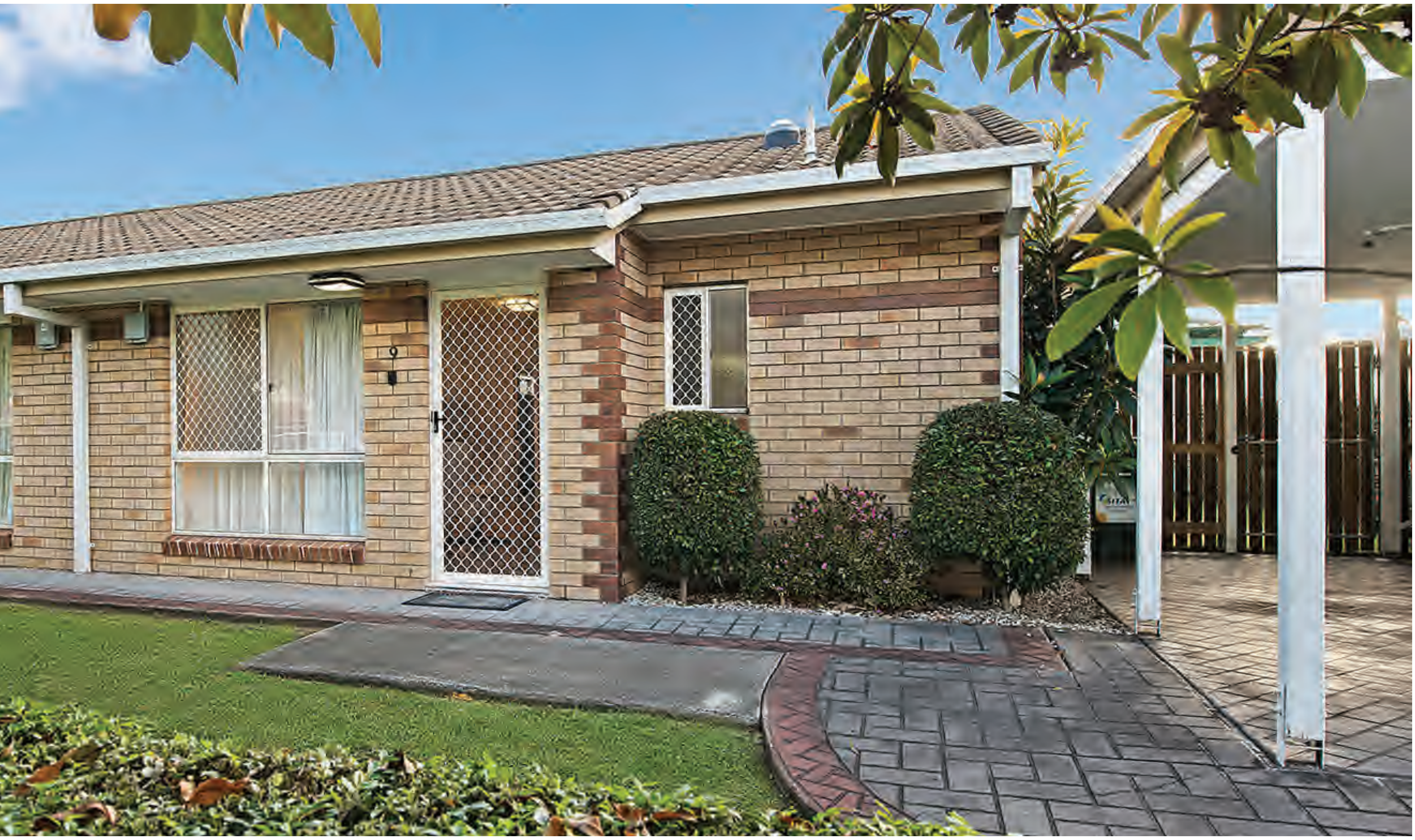

rental guarantees.

"At the moment, a lot of properties are being sold with rent guarantees in place, which feels safe in the short term but is actually very speculative once the guarantee runs out," she explains.

"Buying a property with a renter already in place gives you an idea of a real figure that's being achieved right now and will continue once you buy."

And while you should always check the historical vacancy rate, it's also a good idea to look at the features of the suburb that will continue to draw renters to the area, including retail and educational facilities, jobs and new infrastructure.

Breathe-easy tip 2: Be positive about cash flow

Securing a cash flow positive investment not only ensures your expenses are covered but provides wiggle room for those times when finances become tight.

If a negatively geared financial structure seems like the only viable option – whether you're buying your first or subsequent properties – consider transferring your superannuation funds into a self-managed arrangement and using the cash to supercharge your borrowing power. This strategy is becoming increasingly popular with investors.

You can create a positive cash flow asset by searching for high-yield suburbs, increasing rental income through renovations, or buying under market value.

Breathe-easy tip 3: Find a reliable tenant demographic

If you want to smooth out some worry lines, avoid high-risk tenants. A gaggle of house-sharing university students or a property in a low socio-economic neighbourhood can be a source of ongoing concern and financial expenses.

Do your research on the demographic of renters your property will appeal to before you buy.

THE NUMBERS

Average yield
6%

Vacancy rate
2%

Price point
From $275,000

Median unit price*
$380,000

** For the suburb of Carseldine (source: REA Group, July 2017)*

Breathe-easy tip 4: Buy a bargain

The better the outlay on the property, the more weight is lifted off your shoulders. Not only does a smaller mortgage increase your cash flow but it also means instant capital gains.

Look for deceased estates, mortgagee sales and motivated sellers, and always keep an eye out for sudden and unexpected opportunities, including ones with development prospects.

So where are these stress-free properties?

The answer is simple: everywhere! ➤

The wonderful thing about real estate is that it's an ever-changing landscape of new opportunities. Even the greenest of investors can find them if they have an ear to the ground.

Consider this real-life example. Recently, the ownership of an established estate in Carseldine, 12km north of Brisbane, was transferred from a sole entity to freehold strata-titled properties. The full suite of 143 one- and two-bedroom low-set townhomes are being released in stages, priced from around $275,000; well below the local median unit price of $380,000, according to REA data.

While this is a rare and unique situation, the release of the Carseldine Gardens estate is a great example of the kind of opportunities available to investors: these established properties are in a sought-after middle-ring suburb and have a long-term history of rental occupancy and growth, which significantly reduces speculation about yields and future performance.

As a seasoned sales agent in the Carseldine area, Hutson says the villas have been a surprise opportunity for astute investors.

"These properties address all the typical concerns for investors; they have an affordable price point, they're established properties, which means buyers can purchase subject to finance, and their rental yield is actually higher than the suburb average," Hutson explains.

Historically, Carseldine's average yield is a healthy 5%, according to Sarah Sinclair from Carseldine Gardens' local property management agency, Liberty Senior Living.

"However, we're seeing the average yield at Carseldine Gardens sit above 6%, and the vacancy rate over the last five years has been around 2%," she explains.

The townhomes, which were constructed 16 years ago, were originally marketed to retirees – a demographic that continues to sustain the estate's robust occupancy rates to this day.

"From a tenancy profile perspective, these villas are providing accommodation for an underserviced rental market, particularly in southeast Queensland where the ageing population is a growing demographic – that equals strong ongoing demand," Hutson explains.

She says because of the achievable price point the villas are attracting cautious first-time investors wanting to secure a strong first property to kick off their portfolio, and 'mum and dad' investors who are dipping into their self-managed super funds to bolster their retirement resources.

The vital role of location

It's such an important adage that we say it three times: location, location, location.

Ideally, you want strong local economic factors, population growth, and a healthy balance of supply and demand.

As an added security blanket, investors can look for suburbs that have revitalisation plans in place which will augment property values.

For example, the success of Carseldine Gardens is due to its location as well as the suburb's upcoming infrastructure developments. The suburb is located 20 minutes from the city and close to rail links, shopping centres and a hospital. Revitalisation of the old university campus into a mixed-use, trendy urban village is expected to significantly bump up market interest and demand in the future.

Now, sit back and relax

There are no secrets to choosing a property with plenty of potential and less worry. Risk-averse buyers don't have to sit on the sidelines or lie awake at night; just set a clear path for the type of property you need to buy to stay as low-risk as possible.

"The release of Carseldine Gardens shows that brilliant investments for the risk averse are out there right now," says Hutson.

"These are middle-ring, affordable properties with strong yields, and they're delivering great cash flow for investors week after week." YIP

COULD SMSF END YOUR BORROWING-POWER BLUES?

1. Firstly, ask if an SMSF suits you: are you investment-savvy and do you have adequate super funds to purchase a property?
2. Enlist an SMSF financial advisor to guide you through the process and roll over your superannuation.
3. Draw up an investment strategy statement and obtain loan pre-approval. Check any SMSF-financed property restrictions.
4. Set up a security trust and reach settlement. Among other incentives, you'll only pay 15% tax on rental income.