

PRONNEWS

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HOW TO CHOOSE YOUR FIRST HOME

You have looked at the dream homes with swimming pools, separate studies and sweeping views but now that it's time to buy a home of your own, how do you find a place that's suitable?

Here is some helpful advice to open the door for first home buyers:

- **Stay within budget**

How much can you afford to spend and borrow? What will the bank lend you, and what will your monthly repayments be? With these questions answered, you will have a realistic starting point to hunt down your new home.

Once your budget is established, you can rule out properties that are out of your reach. You'll avoid the frustration of getting excited over your dream place, only to realise it is well outside what you can afford.

If you're ready to buy a home, you should have an idea of your household budget and know how much you can commit to a mortgage each month. Then you can visit a mortgage broker to find out how much this will allow you to borrow.

- **Be flexible**

You will probably have to compromise to find your first home.

For example, your decision may come down to the dream home vs the dream location. The most desirable areas are always more expensive, so you can expect to lose a lot of added extras. Give yourself some flexibility and you might find your perfect home is only two or three suburbs over. There could also be an area that suits your needs that you are yet to discover and explore, so keep an open mind.

Flexibility may also involve purchasing a townhouse or apartment instead of a freestanding home. If you buy strategically and the property increases in value, you'll be able to sell it and have more money to put towards your ideal place.

- **Look for potential**

Your first home is unlikely to be your perfect home. If you buy a home with potential, you can fix it up over time and make it more suitable, or you can renovate to sell.

Make the most of this strategy by searching for properties in areas where prices are tipped to rise. A renovation project will add value as well as improving your living standards.

- **Be realistic**

Don't bite off more than you can chew. Keep aware of your repayments and how long it will be before you pay off your mortgage. Falling behind on mortgage repayments will make life difficult and it's not a situation you want to find yourself in.

The same goes for renovations. Don't buy a fixer-upper that can barely be lived in if you don't have the funds, the expertise or the time to work on it.

- **Balance head and heart**

You have to keep your heart happy while still using your head. It's easy to make an impulsive purchase when you buy your first home. Buying with only your heart can (ironically) end in heartbreak.

Use your head when you buy. Get a building inspection before you confirm your offer so you know you are getting a quality building, not just a great looking one.

- **Get help**

The final tip for first home buyers is to get personalised advice. Find a quality real estate agent, tell them your budget and your hopes, then listen to what they have to say. You may find they already have the perfect place on their books.

With a little groundwork and the right people on your team, you'll find a way into a highly suitable first home.

Need help finding a home that fits your budget? Contact your local Professionals real estate team.



WHAT'S HAPPENING WITH PROPERTY SO FAR IN 2022?

The property market in Australia has been tumultuous lately, and it looks like the trend of unpredictability will continue.

Over the last two years, we have seen surprising price jumps, interest rates at all-time lows and homes selling in record times. So what will the rest of 2022 bring?

It's not easy to say for sure but the following factors will influence demand, prices and the selling/buying experience:

The return of the travellers and students

Travellers, immigrants, and international students are now returning to Australia. With an influx of international visitors, the rental market is expected to face greater demand.

International arrivals will be looking for rental properties in great numbers, so now is the perfect time to invest in a smaller property. Find a quality property that is close to hospitals, entertainment venues and universities, and you should have no problem finding tenants.

Renovating is a challenge in 2022

Because of record-low interest rates and high property prices, many Australians have been taking out loans to renovate their properties instead of selling to upsize.

This has put the building and supplies industries under a lot of pressure. And the rise in demand is coupled with global shortages in labour, shipping and availability of materials. As a result, many projects have been delayed.

If you need a larger place, it may be a better option to buy a new home than to try to renovate. At least this way, you can upgrade without worrying about supplies and contractor availability.

Price fluctuations

The pandemic has made property prices harder to predict than ever.

Many forecasters believe that house prices will grow much more slowly in 2022 than last year. Some pundits even expect prices to start falling in 2023 and 2024.

The very early months of this year saw prices climbing but it's hard to know what will happen next. It really comes down to the demand in your specific area, so keep in touch with your local real estate agent to hear the latest updates.

Interest rates

Interest rates are at record lows but the Reserve Bank is warning people to prepare for a hike. If you're a homeowner or you're planning to buy, factor a higher rate into your budget. You'll be grateful for the breathing room when the change does come.

On this subject, now may be a good time to consider refinancing and fixing at least part of your mortgage.

Is now the time to buy?

This is the question that real estate agents hear time and time again. The very short-term answer depends on where you want to buy and your personal circumstances. If you need to buy, you need to buy. The best thing you can do is spend time on research, talk to your agents and make sure you pay a fair price.

Property prices have a 'rollercoaster' trajectory in the short term but if you buy well, over time the value of your home is almost guaranteed to go up. This means that yes, 2022 is a great time to buy a house.

Need more help to understand the current property market in your area? Contact us today.



WHAT ARE THE DIFFERENT OPTIONS FOR INVESTING?

Property is considered one of the best options for investing in Australia. If you play a 'long game', you're almost guaranteed to have good returns.

However, there are different ways to invest and some do have potential to bring you faster returns than others.

With the understanding that you need to make a decision based on your own circumstances, here are some of the options for investing in property.

- **Apartment to lease**

Buying and leasing an apartment to tenants is one of the most straightforward ways to get your foot through the property market door. Not only are apartments the most affordable option, but if the building complex has a good body corporate and you use a decent property manager, owning this type of investment can be very hands-off.

The only issues are that growth tends to be slower in apartments, and tenants often move on regularly. Make sure you purchase in an area where there is plenty of demand from students, singles and young couples, and have a good property manager who will make sure your apartment doesn't sit empty.

- **Houses**

Houses make for another decent option for investors. The return will usually be higher with a house, and tenants will generally stay longer. A quality property manager can also help you be hands-off as a landlord, but you can expect to spend more money on upkeep than you would with an apartment.

When you buy a house as an investment, keep track of your spending so you can claim it at tax time. Better yet, work with a property manager who can provide you with a statement at the end of the financial year.

- **Subdivision**

If you can find an older house on a large block, it is often possible to build a second property on it, or to knock down the original home and build two new ones.

You don't quite get two for the price of one. You need to have the budget for a build and council approval (not every council gives the thumbs up for subdivision).

Once the development is complete, you have a few options. You can keep both, rent them out and let them appreciate, live in one and rent the other, sell one or sell both. Your decision will depend on your circumstances and goals.

- **Develop**

Developing is one of the investing options that is better for more experienced players.

It is a smart option if you can snap up a cheap property on a valuable piece of land and get approval from the local council to build multiple residences. Knock down the old house, and you can put in two, three, or more units that will all bring in rental income or profits when you sell.

In the long term, the payoff can be substantial, but you have to be prepared to put in the work and money at the outset. Levelling a property and building new units is costly and complicated so you need to be very well-prepared and have a great team of people to support you.

- **Holiday Homes**

A holiday home is another long term strategy but you may find it works for you.

This investment gives you the best of both worlds because you have a separate home to visit on your days off and you can offset the cost of owning it by leasing it out when you're not there.

The drawback is the challenge of managing guests and dealing with breakages etc. Prices also tend to rise more slowly outside of major cities (although this trend was less evident in some regional hubs during the pandemic).

You have the option to relocate to your holiday home when you retire, sell it to recoup the cash or keep it in the family forever.

Need advice on growing your property portfolio? Contact us today.



WHAT TO DO ABOUT RISING RENTAL PRICES

While the worst of the pandemic seems to be behind us, one of the biggest fallouts is an increase in prices. With supply chains blocked, limited materials available and other world events adding insult to injury, the cost of fuel and food has risen. Everyone needs more money to live with and the result is an almost across-the-board jump in prices.

Unfortunately, the property industry is not immune. While your landlord's mortgage repayments won't change until interest rates rise, the cost of owning and maintaining the property has increased. This may mean you are faced with a change to your weekly rental costs.

Here are some options to keep in mind if you are a tenant and you don't think you can manage a price jump.

Talk with your property manager

The critical step in getting the most out of any rental property is communicating clearly with your property manager. The best property managers put tenants first and will go into bat for you. Without a good relationship with your property manager, you will find it difficult to enjoy the benefits of renting.

Many people believe that the property manager is only working for the landlord but that's not the case. A quality professional wants you to have a good experience so keep in touch with yours on a regular basis.

Review your contract and know the rules

If you live in a self-managed property, you may be hit with a rise in rent that seems unreasonable.

There are rules around how often landlords can raise the rent and how much they can increase it by, especially if you are under a contract.

Check local rental prices to see if a price rise seems fair, and seek advice from your state's tenant's union if you have to.

Ask for an extended contract

As borders reopen and overseas visitors return, competition on the rental market is likely to increase.

If you're looking for a home right now, talk to the property manager about an extended contract. They may be happy to lock in a good price for two years, which will give you more certainty.

You may also have the option to pay in advance, depending on how you earn money. This could be a way to negotiate a lower rent.

Consider relocating

If your contract has ended and rent is becoming unaffordable where you are living, you may have to move to a smaller and more affordable place.

Speak to your property manager and explain the situation. They could potentially direct you towards a more suitable property but you won't know unless you ask. If you have always been a reliable tenant, your property manager will put in a good word for you.

Start preparing

The reality is that your landlord and property manager need you just as much as you need them. Most people are very reasonable and want to reward a quality tenant with a decent, affordable home. However, as we are seeing with almost everything else these days, price increases are sometimes unavoidable.

If your contract is set to expire, speak to your property manager about what to expect. Having time on your side will allow you to prepare for change if it's coming.

Need more advice on renting? Contact us today.



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