R&W | Maroubra 8347 5000

Property Management **News**

MAY 2020

CAPITAL GAIN OR CASH FLOW – WHICH GOAL IS BEST FOR YOU?

There are two main objectives for property investors – cash flow and capital gain. While it's quite realistic to set out to achieve both of these goals, the two should at least be considered separately and prioritised before making your move.

Capital Gain

There are two different types of capital growth; capital gain is the profit an investor makes after selling the property, and capital value growth is an increase in the value of the property while you still own it.

Capital gain is the profit an investor makes after deducting the purchase costs and any costs associated with selling the property; this amount is taxable. Capital value growth can occur if you have improved the property with renovations or as historically happens, the value of your property increases due to wider or suburb specific property trends. If you don't sell your property you will not have to pay taxes on your capital growth.
Australian property has historically doubled in value every seven to 12 years, which may not be as dynamic as some other investments, but it is generally considered one of the safest.

Cash flow

Cash flow is effectively what is left in an investors wallet once all ongoing costs are deducted from the rent. In simple terms, cash flow is gross rental income less property expenses, less loan repayments, plus any tax benefits. If you wish to generate ongoing rental income, then having a cash flow objective may be the best option.

While you may need to dip into your own cash reserves in the early stages to repay the mortgage on the property (negative gearing) there are tax benefits associated with this. However, as rentals continue to rise there may be a point where your property may become cash positive (positive gearing) – delivering a steadily increasing monthly reserve. These extra funds can be channelled back into the property to drive down the principal debt or spent on other purposes.

THERE MAY BE A POINT WHERE YOUR PROPERTY MAY BECOME CASH POSITIVE

Claiming tax deprecation to reduce your taxable income can also assist your cash flow. You could be eligible for thousands of dollars in depreciation deductions, just ask your accountant.

What is the best option for you?

Remember, when working out what investment is best to you consider your long-term goals before you buy and finance your investment. Some properties may offer better opportunities for capital gains while others may command higher rental values over the years.

It's also important to discuss your funding options with your financial advisor and accountant. Different loans and repayment structures will suit different strategies so it's vital to find the right product and strategy that meets your needs.

We are excited to inform you that commencing Saturday 9 May 2020 the government has lifted the restrictions in relation to vacant property opens for rentals and sales, however certain covid-19 distancing are still required.

This will allow more traffic of interested parties to inspect open homes. However the market rentals and sales are still effected due to Covid-19.

Hendra Wijaya
Principal

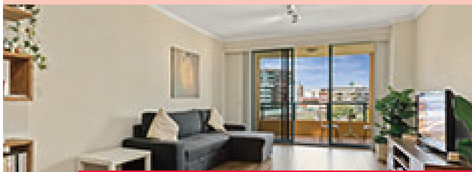
RECENT RENTALS

84/116 Maroubra Rd, Maroubra
2 beds 2 baths 1 parking $650 pw

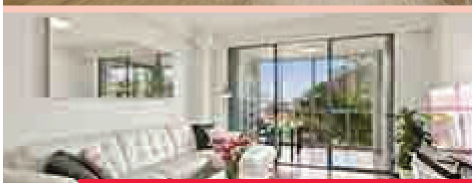
407/1 Bruce Bennetts Pl, Maroubra
2 beds 2 baths 1 parking $600 pw

21/274 Anzac Parade, Kensington
1 bed 1 bath 1 parking $370 pw

RECENT SALES

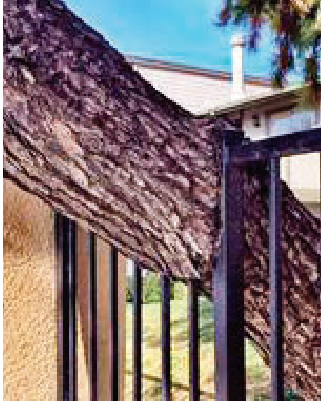


**39/79-87 Boyce Rd, Maroubra
2 Bedrooms, 2 Bathrooms, 1 Parking
PROUDLY SOLD for $970,000.00**



**119/116-132 Maroubra Rd, Maroubra
2 Bedrooms, 2 Bathrooms, 1 Parking
PROUDLY SOLD for $980,000.00**

894 Anzac Parade, Maroubra NSW 2035
info@rwmaroubra.com.au | **www.rwmaroubra.com.au**



Tree disputes – who is responsible for what?

Neighbourhood disputes are hard enough to deal with at the best of times but when your property is tenanted it makes it a little more difficult as the information is often second or third hand.

Tree disputes can vary from minor issues such as a tree/branch overhanging your garden and needing pruning to large branches falling on your property and causing major damage.

Generally speaking, you are entitled to cut/prune/remove any branches that are growing over your property but remember that you then have to clean up the ensuing mess. Addressing the issue with your neighbours first is advisable as they may have no idea that the tree/branch is causing so much concern or damage to your property and are often happy to deal with the matter themselves.

However, if a tree branch falls from the neighbouring property into your garden and damages your fence and your garden, then unfortunately most insurance companies view this as accidental and you will be financially responsible for the damage to your garden and the cost of the removal of the tree/branch.

TREE DISPUTES CAN VARY FROM MINOR ISSUES SUCH AS A TREE/BRANCH OVERHANGING YOUR GARDEN

WHAT NOT TO DO WHEN INVESTING IN PROPERTY

According to Michael Yardney, author, property investor and wealth creator, there are eight "sure fire" ways of losing money in the property market, particularly in today's economic climate. He believes that both investors and potential investors are being bombarded with get rich stories and they are losing sight of what an investment really means.

So let's look at his top eight ways to lose money as an investor:

Purchasing off-the-plan one of the biggest hurdles is finance. Loans are generally only current for three months and so securing a formal "pre-approval" for an off-the-plan purchase is often impossible. Coupled with this is the uncertainty of completion dates and you have a recipe for disaster.

House and land packages these tend to be available in new or outer suburbs where there is less disposable income/less demand and a smaller choice of diverse tenants. The land is also worth less than half the purchase price.

Buying, renovating and selling once stamp duty, buying and selling fees and tax are taken into account this is not a very attractive proposition in the short term. However, it is an excellent long term strategy.

Positive cash-flow properties not an easy way to become wealthy.

Options making a profit from property without ever owning it.

Rent guarantees the rent is guaranteed by the seller/developer for a certain period of time. These guarantees are actually built into the purchase price so what really happens is that the seller/developer gets the money upfront from you for the rent that you will be paid over the next few years.

Regional properties generally capital cities outperform regional areas and city properties tend to have a higher rental growth and more tenants vying for the same property (although this is not always the case, with some regional areas actually outperforming their city counterparts).

Investing in mining towns – what goes up has to come down and when the mining boom slows down it will be very difficult to find a buyer for that great investment you once had.