R&W

PROPERTY MANAGEMENT **NEWS**

MAY 2021

Are **budget properties** a smart investment choice?

With the recent growth that occurred in many areas of Australia's property market, a number of potential investors may have been priced out of the best investment areas.

But what if you could find a bargain property somewhere just outside these markets to grow your portfolio? Not only would a budget property potentially increase your chances of securing finance, but you could be left with more money left over to make improvements to the property.

There's a range of other benefits that come with buying a cheaper property beyond affordability of your deposit and servicing your mortgage. For example, the land value of a cheaper property is likely lower than properties in hot locations. This means council and water rates, land taxes and any other ongoing levies would be cheaper than those for more expensive properties.

With a lower purchase price and the potential for you to contribute a proportionally higher deposit for the mortgage than a higher priced property, your rental yield has a better chance of being higher too.

Like any addition to your property portfolio, purchasing a budget property carries its own set of risks. The biggest risk that comes with buying a budget property is its location and the impact this can have on capital gains and rental yield.

As we all know, one of the biggest influences on property prices is the location. In hot markets, properties are typically located in convenient areas with easy access to infrastructure and lifestyle amenities.

If you're considering buying a cheaper investment property, and you're evaluating its location, make sure you analyse the following factors:

— amount of infrastructure such as public transport and quality of the road network

— access to the closest airport

— proximity of the property to sought after school catchments

— percentage of the population in the area who currently rent

— population growth in the area

— access to lifestyle amenities such as shopping centres, cafes and other entertainment.

The other big factor when considering the purchase of a budget property, particularly if they are in a decent location is to complete thorough due diligence on the property itself. This will include a building and pest inspection, and other exercises you want to complete to make sure you're not buying a money pit.

We would like to express our best wishes to all the mothers on Mother's Day that will fall on 9th May 2021.

Happy Mother's Day. May your day be filled with love, blessings and happiness.

Hendra Wijaya
Principal

RECENT RENTALS

516/105 Ross Street, Forest Lodge				
2 Bed	1 Bath	1 Parking		$650 pw
606/1 Bruce Bennett Place, Maroubra				
2 Bed	2 Bath	1 Parking		$550 pw
122/22 Tunbridge Street, Mascot				
2 Bed	1 Bath	1 Parking		$450 pw

RECENT SALES

9/156-158 Maroubra Rd, Maroubra
1 Bed+study, 1 Bath, 2 Parking
Price: Undisclosed

84 Robey St, Maroubra
3 Bed, 2 Bath, 1 Parking
Price: Undisclosed

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

Avoid these common mistakes and **maximise your investment**

There's lots of things to remember when you're a property investor. From interest rate changes to the ups and downs of property prices, it's important you remember a few key things to maximise the value you get from your investment properties.

Not prioritising your debt
There are some types of debt you should pay off as quickly as possible, such as credit card debt. Other types of debt may provide you with a tax deduction, such as loans taken out to repair or improve your investment property. It's wise to pay down any debt that won't contribute to a larger tax return quickly. You can then start paying off tax-deductible debt when you can. Make sure you speak to a financial adviser so they can assess your unique situation and help you decide the best order to pay down your debt.

Forgetting to claim depreciation
A common area where property investors fall short at tax time is maximising their depreciation deductions. When done properly, maximising your depreciation claims can add thousands to your tax return. If you don't have one already, make sure you get a depreciation schedule drawn up for your property to maximise your deductions.

Not increasing rents
Many property investors fall into the trap of no increasing the rental price when renewing a tenant's lease. If you do this, you can end up in a situation where you need to increase your rent by at least $50 to catch up on past stagnant rent prices. When your leases come due for renewal, consider increasing the rent by $10 or $20. These small increases are more palatable to tenants, and your rent will grow in line with market growth.

Leaving your property vacant due to high rent
Just a week of vacancy can undo any of the gains you might have seen through a lofty increase in your rental prices. Be smart about the prices you set for your rental properties and talk to your property manager for their recommendation. You'd rather have a tenant locked in quickly rather than having your property sit vacant and losing money.

Managing your own property
It can be tempting to think you can manage your investment property yourself. However, there are hundreds of little tasks and processes that go into efficiently managing a rental property. Leave the management of your property with a professional so you can focus on your investment strategy.

With so much to think about as a property investor, it can be difficult to see where you may be making some common mistakes. Being mindful of pitfalls, can help you become a better investor and make sure you're always prepared to capitalise on new market opportunities.

JUST 20% OF PROPERTY INVESTORS MAXIMISE THE DEDUCTIONS THEY CAN CLAIM

The **depreciation deductions** that often go unclaimed

Depreciation continues to be one of the most common deductions missed as research suggests that just 20 percent of property investors maximise the deductions they can claim.

On average, an income producing property owner can expect to claim between $5,000 and $10,000 in depreciation deductions in the first financial year alone.

To ensure that depreciation is maximised, it is recommended that investors seek advice and obtain a tax depreciation schedule from a specialist Quantity Surveyor. This will include a detailed site inspection of the property to photograph and note every depreciable asset found in the property.

The Quantity Surveyor will then use their expert knowledge of depreciation and utilise methods such as immediate write-offs and low-value pooling to maximise the deductions that can be claimed for the investment property owner.

All of the deductions a property investor is eligible to claim will be outlined in a comprehensive depreciation schedule in a format that they or their Accountant can easily follow and claim the depreciation benefits when completing their annual income tax return.

FRIENDLY Reminder

Organise a depreciation schedule before June 30.

If the property needs any small repairs, do them now.