The 2019 Property Investment Guide For South-East Queensland

7 Expert Tips To Get Started With Your Next Investment Property in 2019

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ABOUT PRL SOLUTIONS

PRL Solutions is a leading South-East Queensland property investment company based on the Gold Coast in Australia.

We are quite unique and very different to anyone else in the property investment industry.

We only deal with award-winning developers, lenders & builders to ensure we are delivering the absolute best investment options for everyday investors like you.

And we can have you fully invested in your next investment property within 4-6 weeks by working closely with our award-winning partners.

This process can take up to 6-8 months normally without the relationships we have built over the years, putting you in an extremely competitive position from the get-go.

We liaise the entire property investment process for you by:

- ✓ Establishing your eligibility with a free financial health check
- ✓ Introducing you the most competitive lenders
- ✓ Searching all South-East Queensland suburbs to find your best fit
- ✓ Researching you the right block of land
- ✓ Finding you the right builders for your new house
- ✓ Finding the best property managers for your investment after completion
- ✓ Finding the tenants to immediately generate cash flow from your property

We essentially connect you with everyone required to successfully secure your investment property.

You can leverage our award-winning partnerships and relationships all with our end-to-end premium service.

This is a tried, tested and proven quality process, with an emphasis on QUALITY.

We do not work with anyone throughout the property investment process that we would not use for our own investments or for our own family's investments.

So, you can be assured you're working with the best, because you're working with PRL Solutions, the leader in South-East Queensland investment properties.

So, take advantage of the opportunity and take the first step today by calling one of our friendly property investment experts directly on 1300 159 804.

To Your Success,

The PRL Solutions Team

#1 - LOCATION! LOCATION! LOCATION!

Researching your investment area and desired investment location is one of the most important steps to ensure you make the right investment decision long-term. So, why is location so important? Well, like any investment the price and value of the investment comes down to supply vs demand. The most sought-after areas are usually locations where people, couples and families want to live long-term. People want to live where the community infrastructure is established, comprehensive & well-thought out for all facets of the average person's lifestyle. This includes:

- ➢ Proximity to Schools & Universities
- ➢ Shopping Centers
- ➢ Public Transport
- ➢ Public Amenities
- ➢ Entertainment Venues
- ➢ Employment Opportunities
- ➢ Plus, many more…

So, considering how established a particular area is, will directly affect the relative demand of that area also. For example, if there is a shortage of land or a huge demand for properties, this is usually when a particular area will go up in value. Why? Well, because now there is more demand in these areas than the overall supply and this means that potential investors might be willing to pay more to invest in these areas or families will be interested in bidding a higher price to secure a long-term place to live.

As an example: In Upper Coomera, South-East Queensland the median house price was 365k during 2012, now moving into 2019 this median house price has increased to 485k. That's a 6-year growth rate of over 33%. Why? Because of the demand for this particular suburb which included huge developments of new shopping centers, schools and public transport. All of these developments were planned in advance so any savvy investor with some basic research of the Upper Coomera area could have taken advantage of this capital growth by conducting this research themselves or speaking to a property specialist.

People want to be as close as possible to the things they need whether that be work, transport or going shopping even taken the kids to school. Being located near a Central Business District (CBD) or the beach for example is always huge factor influencing the capital growth of these desired areas and usually creates a shortage. These properties do tend to cost more to buy upfront but usually have more capital growth long term.

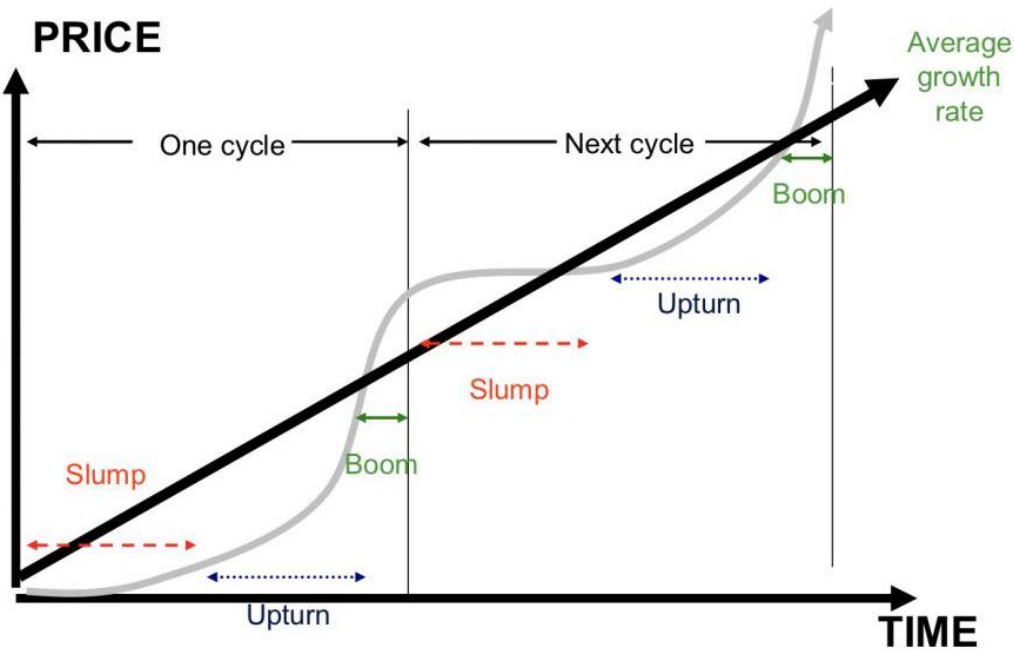
All these factors play an important part in choosing the right location for your investment property. It is always a good idea to look for the key fundamentals around your desired investment property location when trying to find the right investment or home. Now with that said, you need to make sure the desired location fits your budget (borrowing capacity) and if you are finding it difficult to find the right location for your budget the easiest way to get to your desired end result is to speak with one of our friendly property specialists at PRL Solutions.

PRL Solutions has built strong relationships with award-winning developers and established South-East Queensland builders and has exclusive access to a wide range of high-demand and affordable property investment locations. With full turnkey house & land packages and options, you can feel comfortable and confident we will help you one step closer to the right property for you after a quick call. You can call our property specialists anytime on 1300 159 804, these calls are no-obligation and confidential so take advantage today.

#2 – Timing The Market

It might sound obvious to buy at the bottom of the market and sell at the top however, it can be easier said than done. The market over time will always have fluctuations, economic cycles and economic uncertainty but how do you know when prices are at the bottom? The first step is to understand the historical price data of the particular area you are interested in investing in. By seeing the trends & charts of the historical price data you will have a more informed view of where exactly in the market cycle that area is currently at.

Typical Property Cycle



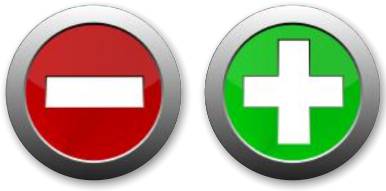
In this example of property cycles, the thick black line shows how ***"on average"*** property values increase over time, because well-located capital city properties tend to increase slowly but steadily in value. But the curved grey line shows that at times the value of properties in a region remains flat for a number of years (or even drops in value) – this is the slump stage of the property cycle and is considered by professionals as an optimal period of time to start search for further investments.

Keep in mind that an investment property does not need to be at its lowest price historically to be considered a good investment. At PRL Solutions we know that it is very important to understand these buying cycles in the property market for different locations and our job is to facilitate the ease of accessing important information that is available for different suburbs and locations to make your investment decision as easy and stress free as possible. You as an investor you can utilise our exclusive suburb-specific research provided through our award-winning partners to make sure you are well-informed about the circumstances surrounding investing in property at the right time.

Keep in mind that when an investment property is at a high price in a particular area there is a chance it could have room to go even higher can and still be considered a good investment. As a general rule of thumb almost every region will have high growth for a period of time and then move into a slump phase as demand slows down. This property cycle pattern is fairly unavoidable in most regions. So, if a region has recently gone through a boom time, or is going through a boom right now, there is a chance that a consolidation period is potentially close to following in the not so distant future.

The market will always fluctuate in cycles however, like every investment asset it's all about researching different regions and options that give you an informed decision as an investor about the pros and cons of certain areas of investment. Remember if you follow the key fundamentals of buying investment properties in the right location, with the right surrounding infrastructure such as schools, shopping centers, public transport, employment opportunities etc. then you will tend to find that over a long-term the area if it is high-demand will experience growth regardless of the timing. Of course the goal is to get the timing perfect as well which could potentially lead to more growth & equity in your investment. The encouragement from professionals is to not get caught up waiting for the perfect time, as there might never be a perfect time to invest, it just needs to be the right time for you.

#3 - Positively Geared or Negatively Geared?



Negative gearing, positive gearing and neutral gearing; you hear these phrases often, but many people don’t really understand what the terms actually mean. Put simply negative gearing means an investment asset incurs greater expenses than the income it generates, while positive gearing indicates the investments income is greater than its related expenses. Neutral gearing is of course when expenses and income are equal. If an investment asset is negatively geared an investor can reduce his or her taxable income by the amount of the losses incurred while holding the asset. The types of expenses that can be claimed to reduce income and thus taxable income must be specifically related to the acquisition and maintenance of an income producing asset. For property investors the main deductions are typically loan interest, depreciation, council rates, managing agent fees, maintenance and strata fees if applicable.

An example of positive gearing is if you purchase an investment for $500,000 and you have $500,000 saved and you use those monies to buy it outright and you rent the property out for let's say potentially $600 a week then essentially you now have a passive income of $31200 per annum.

In another example, you could buy a house for $500,000 and this time you borrow a small loan of let's say 50% ($250,000). This is your deposit and you are now owing $250,000 on the mortgage. Now let's say you are renting it out for $600 per week which is $31200 per annum but you have interest repayments for the loan of $300 a week which is $15,600 per annum. This would be considered still positively geared because your rental income outweighs the mortgage repayments that are owing. In this example you would be positive $15,600 per annum and as a concept that's how simple it is. Another factor of being positively geared is that it is considered as income and you will be taxed on those earnings so you won't get as much of a tax incentive from the investment.

As you can imagine the reason why most people can't start off with a positively geared investment is because of the upfront capital requirements. Now negative gearing works when the cost of owning a rental property outweighs the income it generates each year. This creates a taxable loss, which can normally be offset against other income including your wage or salary, to provide tax savings. An example of negative gearing is let's say you have mortgage repayments and expenses of $30,000 per annum and the rental income from the investment is $25,000 per annum. Then in this instant there would be a taxable loss of $5,000. Now you can use that loss to reduce your tax payable on your income. Now if you know about this fact in advance that your property investment will record a loss over the financial year than you can apply to the tax office to reduce the amount of tax taken out of your salary this is called PAYG withholding variation which can provide a boost to your personal cash flow.

These are the basic ideas to consider with negative & positive gearing and you can chat with your mortgage broker or tax advisor about how these strategies can be used in your investment strategy. You can also have a chat with one of our friendly property specialists to discuss your thoughts & we can refer you through to our award-winning partners that will ensure the right strategy and support to get the most out of your investment.

#4 - LOAN OPTIONS AND LMI (LENDERS MORTGAGE INSURANCE)

Speak to a mortgage broker or one of our trusted mortgage broker partners about your options and get an understanding about LMI and how it works. For property investors, LMI allows you to have higher borrowing ratios, giving you the opportunity to maximise negative gearing benefits. But, if you do have access to a deposit of 20% or more, you won't need LMI.

So, which is the better option for you? To put more cash into your investment and avoid the insurance or put down a smaller deposit, take the mandatory insurance and keep some cash for another investment? Interest only (IO) or Principle and Interest (P&I) loans are very different products. Interest rates and the loan type will impact your cash flow and it's important to understand before any investment decisions are made.

Mortgage Broker VS Banks

Going to a large bank and getting a loan is a good option if you have an established relationship with your bank because it's simple. Issue is you are limited to the type of products, loan types and interest rates available at that particular bank.

A mortgage broker on the other hand, can customize your loan and tailor the loan to your circumstances and has access to many different lenders such as small banks, large banks, credit unions, and other banking facilities than can then compare the best suited interest rate and long-term solution for you. Getting a variety of different options through a mortgage broker is usually the best choice as you can make an informed decision as an investor with multiple quotes and options to explore.

PRL Solutions has access to over 40 different lenders through our trusted partners and mortgage brokers. Take advantage of a free mortgage fact-finding session to find out the best way to go about this in your situation now 1300 159 804 our team will be able to help.

#5 – USING EXISTING EQUITY OR CASH

Leveraging out of your existing property and taking a line of credit out using your equity to purchase an investment property can be one of the smarter ways to get into the property investment market. You do not require a cash deposit as you are using your existing home as security as a deposit for the investment. The biggest benefit is obviously not having to use any cash or savings at hand. The potential downside of using your existing home as security for an investment is if for some reason you are unable to pay back the investment and could lead to putting the existing property at potential risk.

On the other hand, we all heard the old school saying that cash is king and yes if you do have cash for your deposit it is also a great way to get in to the market. Now the more cash you have potentially the better loan interest rate you may be able to secure however, the best way to go about this is talk with your mortgage broker, financial advisor or you can talk with one of our friendly experts about your options.

#6 - NEW VS OLD AND RENOVATIONS

New properties have the advantage of being eligible for depreciation tax relief. They are also much more desirable for tenants and require less maintenance and potentially a higher rental yield. It is advisable to opt for working with builders that adhere to the highest quality assurance standards with their building materials as they will save you a lot of pain and heartache long-term by not needing to consistently repair the investment property. At PRL Solutions we only work with the highest quality and award-winning builders to ensure that maintenance is kept to an absolute minimum with new house & land packages.

Existing properties can also be a good option as long as you are prepared to manage potential pitfalls of repairs and maintenance. Make sure you calculate a healthy repairs and maintenance budget into your annual income projections to ensure you are not running into any unexpected costs. It is advisable to overestimate this budget to accommodate for potential large repairs you may not be expecting with an older dwelling. In the case that you do not utilise the entire repairs and maintenance budget then you will have extra income to account for which is a good thing.

If you have plenty of spare time, good vision and good cash flow renovations can be a great way to improve a property investment. This option requires a lot of manual labor, hard work and experience however, with the right guidance and experience you can experience quite high returns on investment with a renovation. Make sure you talk to your broker about your renovation plans as it is generally harder to secure a loan to renovate investment properties than it is to renovate your own home.

#7 - LONG TERM PLANNING & MINDSET

Investing in property is not a get rich quick scheme. You can't rely on property prices rising as soon as you've bought! As a rule of thumb, the longer you can afford to keep an investment property in your investment portfolio and build up equity the better. Always think long term with your investment property over a time horizon of at least 20 years. If you adopt this long-term mindset then you will be able to sleep easy at night knowing that the property market goes through property cycles as discussed in TIP #2. By being well researched in the correct location, by timing the market correctly and by implementing the right strategy whether that be positive gearing, negative gearing, implementing LMI or maybe even renovating an investment property, you can be sure that your setting yourself up for the best chance of success with your property investment decision.

Property has proven time and time again to not only be a reliable investment vehicle but also the primary investment vehicle for all humans alike. As you can see by this guide there are plenty of factors to consider when choosing your next investment property. Also keep in mind that this guide is only a small introduction to getting started with property investing. After years of working with our award-winning partners across Australia we can safely say that there is no solution to winning at property investment that doesn't involve the help of trusted partners along the way. It takes many different types of specialists from all different facets of the property investment industry, from mortgage brokers, legal advisors, premium builders, trusted brokers and property advisors plus many others to ensure you can secure a successful property investment solution. Feel free to contact our team to learn more about our partners, our services and how we can help you on your journey in property investing.

Call Us Now: 1300 159 804