

DISCOVERING **THE RIGHT PROPERTY** COULD SAVE YOU 10-30%!

A Guide for Home Buyers



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INTRODUCTION

Many home buyers harbour fears about making the wrong decision and wonder how they will know when they have found the *right* house. Similar to those looking to renovate, knowing what makes a good value investment can be difficult to do correctly.

To get you on your way to furthering your property journey, you first need to understand how to correctly research and shortlist properties. Doing so can save you 10-30% on your property purchase! Knowing what makes a good value purchase, can also help you make wise renovation decisions that potential buyers will appreciate.

Purchasing property can mean different things to different individuals. Such as, a couple starting out with a young family may have a different expectation on generating a return on the funds outlaid compared to a person approaching retirement. We help you to de-risk with various time-tested strategies as you navigate property ownership.



LEARNING OBJECTIVES

Knowledge is an integral aspect of property investment. The more you know and understand about property and the real estate market, the better able you are to make good value and great future property purchasing decisions.

We help you to:

- Understand the risks associated with the purchasing or renovating of property,
- Correctly navigate property area and price research, and
- Make property purchasing and renovating decisions with confidence.





MITIGATING RISK

Property purchasers or renovators must constantly be scanning the property environment for risks and taking measures to eliminate – or at the very least minimise – such risks. In order to mitigate risk and achieve success, you must first have the ability to identify the risks associated with your purchase or renovation. There are many suitable strategies available to you to help to mitigate your associated risks, such as:

RESEARCH

Adequate area and price research (see page 4) is the first and in many cases the biggest step to mitigate your risk. Research gives you the tools to understand what the right property is.

DIVERSIFICATION

This strategy involves spreading your capital over the four main asset classes: cash, property, shares and fixed-interest securities. In addition to choosing different property types, diversification can also be achieved by investing in properties across various geographical markets.

LIQUIDITY

This refers to the ability to sell an asset, in relation to the time frame it would take to do so; or in other words, the ease in which it can be done. The longer it takes to dispose of an asset, the lower the level of liquidity. Equally true, the easier it is to dispose of an asset, the higher the level of liquidity. It is essential that you understand your level of liquidity, in order to have buffers in place. Having a buffer – such as emergency funds – can reduce the risk of a forced sale in the event of financial stress.

INSURANCE

There is a range of insurance options available to both property purchasers and property renovators, many of which provide a useful strategy in minimising risks. Your decision as to which insurance policies to take out and the amount of cover depends on your unique circumstances and needs. At the very least, we highly recommend the building itself and any related contents are insured.



PROFESSIONAL ADVICE

Seeking advice from local industry professionals will ensure you have the best potential for success on your home purchase or property investment. The professionals may include: accountants, conveyancers, solicitors, building and pest inspectors, quantity surveyors, property managers and qualified investment advisers. Ensure that you conduct the necessary investigation when selecting each professional, in order to ensure they have the qualifications, accreditations, experience and knowledge to assist you appropriately.

RESEARCH

Doing your research will help ensure you are investing in property with the most opportunity for success. Not only can it help you to make better decisions that provide better future returns, but it can also help alleviate the stress associated with such a big investment.

Research is a paramount strategy for minimising risk. It also provides essential information that can assist in minimising the possibility of buying properties:

- In low (or no) growth areas;
- That do not achieve rental growth;
- With zoning issues;
- With high vacancy rates; and/or
- With poor cash flow.

THE RIGHT LOCATION

A good location will have capital growth potential and will provide you with the best return on your investment. A savvy property buyer will research the best areas with the most capital growth potential, and then concentrate on finding a property in those areas that fit their budget. Current Australian property market data that provides figures on the latest trends is available to you online as well as through development professionals and local real estate agencies.





You need to consider what is located nearby: good schools, public transport links, shopping centres, amenities and access to the CBD. All of these will majorly impact the potential of an area and the properties within it. So too will this impact your renovation decisions, as what you put into your property will depend dramatically on what potential buyers are seeking in that area.

THE RIGHT PRICE

Area research gives you the tools to understand what the right price is for a property so that you don't overspend. By researching sale prices of comparable properties in the area, you can determine the accurate range to spend on your potential property purchase. Spending too much on a property is going to severely affect your return on investment when you sell.

If the area you are researching looks like a great location to invest in, but its success has affected property pricing to a point that it is no longer within your budget, you should consider a suburb adjacent that is better suited or look into a different area altogether. Overspending can seriously harm your chances of success should you have to sell prematurely due to bad cash flow. This is equally true of renovating, if you overspend on your renovations or invest too much in the wrong aspects of your home, when it comes time to sell you can seriously harm your chances of a successful return on investment.

CASE STUDY



SARAH'S STORY

Sarah is a part-time office worker looking to upgrade her home. She has been waiting for the right property. She has put off seeing how much she can borrow on a new mortgage as she was nervous about the difficulty of the process due to her part-time career status. She is stressed about making such a big purchase and worried that she might make the wrong decision. This has led to Sarah waiting over a year to purchase her new home.

CASH FLOW

Sarah has saved \$80k for a deposit. This means that minus expenses and assuming a 20% deposit, she has the potential

to conservatively purchase a home valued at approximately \$375,000 for her and her kids. This leaves little room for renovations, so Sarah needs a home requiring very little upgrades upon purchase.

PREFERABLE LOCATION

Sarah's ideal home is located within easy distance to the local school and community buildings as well as parks and playgrounds. Her family lives within her preferred suburb, and ideally, she would like to purchase a home near them. To fit her and her children, she will need a three-bedroom home.





RESEARCH & RISKS

Upon researching her preferred suburb, Sarah has discovered the homes in that area were priced too high for her current budget. She considered waiting further and saving more, but after speaking with both her accountant and a mortgage broker, she discovered that although she has saved enough for a deposit on a home valued at \$380k, her repayment capability is suitable more to a home valued at \$350k.

Sarah received advice from a trusted local real estate agent that suggested she seek out a surrounding suburb, just outside of her preferred location that was better suited to her budget. Upon researching the area further, Sarah discovered many

well-suited homes for her and her children within her budget. She also learned that the benefit of purchasing a lower value home than she had originally planned, meant she had some remaining cash flow for small upgrades to the new home.

PURCHASING

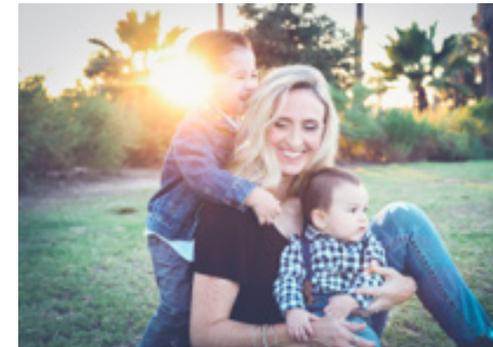
Sarah purchased a three-bedroom, one-bathroom home via auction for \$345,000. She feels very proud of her purchase, as the auction was a distressed sale due to separation. As it was in the suggested surrounding area, she is located only a 20-minute drive from her family. The property required a few small upgrades, which she was able to complete with the cash she saved.

BY SEEKING PROFESSIONAL ADVICE AND DOING HER OWN RESEARCH, SARAH MANAGED TO SAVE 10% OF HER INITIAL SAVINGS!

OUTCOME

Sarah initially planned to spend all of her \$80,000 savings purchasing a home. She actually spent \$69,000 on her deposit, \$3,000 on expenses such as a solicitor and building and pest, \$4,000 on small upgrades to the home and managed to save \$4,000 which she has placed into an emergency fund for any unexpected expenses.

Sarah has a home with enough bedrooms for all of her children, she lives a short 10-minute drive from the local school, she is surrounded by local shops, parks and community areas and lives only a quick 20-minute drive from her family in the neighbouring suburb.





SO WHAT DO I DO NEXT?

This guide has provided information on how to mitigate risk and various strategies that can help make your next home purchase or renovation a success. Some you may never consider or use, but having an awareness and depth of knowledge will enable you to choose a strategy appropriate for you and take the steps towards new home ownership or renovations. This information is designed to help you recognise and shortlist the right property or renovation for you, in order to save you money.

We wish you the best of luck and if you have any questions make sure you jump into our Facebook Group, where we have a community of like-minded people in the same boat. It's a supportive group to help buyers get through the maze of all the hoops they need to jump through and find the right home.

[You can join here](#)

All the best,

James and the mrkts.com.au team

