



Getting the biggest ROI on an investment property

When purchasing an investment property, there are a number of factors that could increase or reduce your potential return on investment.

When considering a property for investment purposes, the most important question to ask is 'will it be attractive to tenants?'. Beginning with the end in mind is a great way to start your search. "Young families and couples are the ones that drive capital growth and so a location that is within a reasonable distance to schools, entertainment, transport, and an employment hub is one to look out for," says Harry Pontikis from Chocolate Money. Other ideal factors are a low vacancy rate and relatively high rental yield.

Although location plays a major role, it's by no means the only defining factor. "There is a mistruth a lot of people subscribe to when selling investment properties, which is to disregard the quality because you don't have to live in it," "You have to buy a homeowner quality property, because someone has to live in it," Harry says. "And when buying an investment property, you have to have an exit strategy, which will generally involve selling to homeowners as well as investors."

To get the most value, you need to think about the demographic of renters who are likely to be living in the area. "You have to match the property with the area," says Harry Pontikis. "If you put a good quality, decent sized, one-bedroom apartment in the inner city, it could be a great investment, however if you put it 30km out, it wouldn't garner as much interest."



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Purchasing an oversupplied type of property (like studio or one-bedroom apartments in the CBD) rarely is a good news story. There is no scarcity, no land value increases and only the devaluation of the building as it becomes older each year.

When investing in any kind of property, be wary of danger signs. One of the biggest mistakes Australians make is not knowing what their cash flow is. Bad cash flow is worse than paying too much for the property. It is vital to know how much your chosen property is going to cost after tax, every week after you settle. There's no point in buying a top-quality property if it's going to send you broke.

When looking to purchase an investment property, ensure the expert you are dealing with is actually an expert. "Everyone has an opinion on property but your Chocolate broker will be able to connect you with trusted professionals in their own network. You always have to be wary of somebody who tells you that their way is the only way to invest," Only buying for cash flow is flawed, only buying for capital growth is flawed too. You have to buy property that's going to work for you. Buying an investment property for the wonderful negative gearing benefits it provides you has its own issues for you to consider. i.e. you are investing in a property because of its ability to lose you money...

A tried and tested rule on investing is to focus on how you purchase the property – not what you sell it for. That's because the purchase price is a known fact whereas the sale price is based on a hope and a dream that the market will be behaving in a way which suits you at that point in time.