



**PARKER
MORTGAGE & FINANCE**
Purposeful Finance. Personal Guidance

A practical guide for Australian households

Buying an Investment Property

What to understand before you buy: rental income, ownership costs, finance, risks and your responsibilities as a landlord.



Does the investment fit your life?

This guide is for people considering a residential rental property in Australia. It focuses on investment-specific questions. It does not recommend a property, suburb, ownership structure or investment strategy.

Be clear about your goal

Are you seeking rental income, possible growth in value, or a mix? What is your timeframe, and how much ongoing cash can you contribute? A property can fall in value and may take time and money to sell.

Consider the whole household

Think about your existing mortgage, dependants, income stability and other investments. Owning another property concentrates more of your wealth in the property market; borrowing magnifies gains and losses.

Build a plan for difficult periods

Allow for vacancies, repairs, insurance excesses and higher loan payments. Decide how you will fund these without relying on a quick sale, a future price increase or a tax refund.

Rent is not profit. The advertised rent is the starting point. The costs of owning, operating and financing the property determine what is left, or what you need to contribute.

Use the companion guides

The Real Costs of Buying and Owning a Home covers general purchase costs. Home Loans Explained Simply covers loan terminology. Everyday Budgeting helps test what your household can contribute. This guide adds the rental-property perspective.



Look beyond the sales pitch

- ☐ Compare recent sales and independent information, not just the selling agent's claims.
- ☐ Ask local property managers for a written rental estimate and comparable evidence.
- ☐ Check likely tenant demand, competing rentals and periods without a tenant.
- ☐ Arrange building and pest checks and any relevant specialist inspection.
- ☐ For strata, examine levies, finances, insurance, defects, planned works and special levies.
- ☐ Investigate flood, bushfire and other location risks, and obtain insurance quotes.
- ☐ Check planning restrictions, approvals and whether your proposed use is permitted.
- ☐ If tenanted, have the lease, bond, rent history and landlord obligations reviewed before signing.

Check the property suits a rental use

Consider condition, maintenance demands, layout and access to services. Ask what work is needed before letting and what it will cost. A cheap purchase can still be expensive to hold.

Be cautious about guaranteed rent, pressure to sign quickly or claims that growth is certain. Understand the conditions and who provides a guarantee. Have your conveyancer or solicitor review the contract.



Add the costs that rent must cover

Cost category	Investment-specific questions
Buying and setup	What duty, fees, inspections and initial work apply? Do not assume first-home concessions cover an investment purchase.
Property management	What percentage and dollar fees apply? Check letting, renewal, advertising, inspections and other charges.
Property bills	Allow for rates, owner-paid water charges, insurance and strata levies where relevant.
Maintenance	Plan routine upkeep, unexpected repairs and eventual replacements. Separate cash reserves from tax deductions.
Land tax	Check the property's jurisdiction, land values, other holdings and ownership structure. Thresholds, exemptions and surcharges vary.
Loan payments	Include payments on every loan used for the investment, including borrowing against another property.
Vacancy and unpaid rent	Allow for weeks with no rent and possible collection delays. Insurance does not necessarily cover every loss.
Selling later	Allow for agent, legal and other selling costs and possible tax when assessing your exit plan.

Get written quotes and check whether amounts include GST. A management fee expressed as a percentage is only one part of the possible cost.



Test the cash flow, not just the yield

Fictional annual example only. The amounts are assumptions, not current rent, fee or lending quotes. No tax benefit or capital growth is included.

Assumption / calculation	Amount
Purchase price	\$600,000
Weekly rent	\$600
Gross scheduled annual rent: $\$600 \times 52$	\$31,200
Vacancy allowance: 2 weeks	\$1,200
Expected collected rent: 50 weeks	\$30,000
Management: assumed 8% of collected rent	\$2,400
Other costs / cash reserves: assumed total	\$7,600
Cash available before loan repayments	\$20,000
Total annual loan repayments: assumed	\$32,000
Cash shortfall before tax	\$12,000

Gross rental yield: $\$31,200 \div \$600,000 \times 100 = 5.2\%$. This excludes vacancy, costs, financing and purchase expenses.

Cash contribution: $\$12,000 \div 12 = \$1,000$ per month. Can your household fund this comfortably?

Loan repayments may include principal, which is not generally a rental tax deduction. Cash reserves are not automatically deductible expenses. Cash flow and taxable rental profit or loss are different calculations.



Know what is secured and what can change

An investment loan is assessed separately

Rates, fees and lending criteria may differ from owner-occupier loans. Lenders may use only part of expected rent and include allowances for costs. A rental estimate is not a promise of approval or income.

Using equity still means borrowing

Equity is not free money. If you borrow against your home to fund a deposit, budget for that loan as well as the investment loan. Your home can be at risk if it secures debt you cannot repay.

Ask about the security structure

Which property secures each loan? Are multiple properties linked as security? What would happen if you wanted to sell or refinance one? Ask your broker to explain the flexibility and trade-offs before agreeing.

Repayment type needs a plan

Interest-only payments do not reduce principal during that period; payments may rise later. Fixed rates can bring extra repayment limits and break costs. Refer to Home Loans Explained Simply for the feature details.

Stress-test the example

Four extra weeks without rent at \$600 adds \$2,400 to the annual shortfall before any fee changes. A \$3,000 repair adds another \$3,000 cash need. Test these alongside a higher repayment scenario, not only one at a time.

Decide on a reserve based on your property, debts and household circumstances. Keep it accessible and review it regularly. There is no universal buffer that guarantees you can cover every event.



Get the structure right before signing

Rental income and deductions

Rental income must be reported. Some eligible expenses may be deductible immediately, while others are claimed over time or affect the capital gains calculation. Private use and periods not genuinely available for rent can limit claims.

Interest follows the use of borrowed money

The purpose of the borrowing matters for deductibility, not simply which property secures the loan. Private redraw or mixed-purpose borrowing can require apportionment. Speak with your tax adviser before moving or reusing borrowed funds.

Negative gearing is not a refund of the loss

Broadly, negative gearing occurs when deductible rental expenses, including interest, exceed rental income on a geared property. Any tax benefit depends on your circumstances. It does not turn a cash shortfall into guaranteed profit.

Ownership and selling

Buying alone, jointly, through a company or trust can affect tax, land tax, lending and legal outcomes. Changing ownership later can have costs. Selling an investment property can trigger capital gains tax; ask how the rules apply to you.

Keep evidence from day one

Retain purchase and settlement documents, loan records, invoices, rental statements and evidence of improvements or private use. Ask your tax adviser about the records and retention periods you need.

This guide concerns a standard residential investment purchase. SMSF, commercial, overseas and short-stay investments need separate specialist advice.



Being a landlord is an ongoing job

Understand the local tenancy rules

Your obligations depend on where the property is located. Check current rules for bonds, condition reports, minimum standards, safety, repairs, entry, rent changes and ending a tenancy. Requirements can change.

Choose management deliberately

If using a property manager, review their agreement, fees, communication process, repair authority and reporting. Ask how urgent issues and arrears are handled. Self-management requires time, records and knowledge of the rules.

Check cover carefully

Building, landlord and contents needs differ. Review covered events, exclusions, limits and excesses. Check loss-of-rent and tenant-damage conditions rather than assuming they are included.

Review the actual numbers

Compare collected rent, expenses and loan payments with the plan. Revisit vacancies, reserve levels and upcoming works. Rental cash flow alone does not capture changes in property value, selling costs or tax.

- ☐ I have checked local landlord rules and the existing lease if applicable.
- ☐ I have a management plan, appropriate insurance and an accessible reserve.
- ☐ I know which advisers handle the loan, tax, contract and property questions.

For WA properties, start with [Consumer Protection's landlord guide](#). For other locations, use the relevant state or territory tenancy authority.



Put your assumptions on one page

Print and complete using consistent annual amounts. Keep detailed quotes separately. For a first pass, exclude any assumed tax refund or capital growth.

Your annual cash-flow plan	Amount
A. Weekly rent × 52	\$ _____
B. Expected vacancy / unpaid rent allowance	\$ _____
C. Expected rent collected: A - B	\$ _____
D. Management, letting and other fees	\$ _____
E. Rates, insurance, strata and other bills	\$ _____
F. Maintenance / replacement cash allocation	\$ _____
G. Land tax and other applicable costs	\$ _____
H. All investment-related loan repayments	\$ _____
I. Cash surplus / shortfall: C - D - E - F - G - H	\$ _____
J. Monthly surplus / shortfall: I ÷ 12	\$ _____

My accessible reserve: \$ _____

Higher-rate / lower-rent scenario: _____

Unresolved question: _____

This is a cash-planning worksheet, not a tax return. Avoid double-counting an expense both as a reserve contribution and as a planned payment. Ask your accountant to prepare a separate tax estimate.



Make an informed decision

- ☐ The property and rental assumptions have independent support.
- ☐ I have calculated buying costs and a realistic ongoing shortfall or surplus.
- ☐ I can handle vacancy, repairs and higher repayments.
- ☐ I understand the loan security and risks to my home if used as security.
- ☐ I have obtained appropriate tax and legal advice before committing.

Read this next

Getting Home Loan Ready: organise application information. Home Loans Explained Simply: compare features. The Real Costs of Buying and Owning a Home: plan purchase funds. Everyday Budgeting: test household affordability.

Parker Mortgage & Finance can help with investment loan options and the lending assessment. Your accountant and legal adviser can help with tax, ownership and contract questions.

www.parkermortgageandfinance.com.au

Keep learning

[Moneysmart – Buying an investment property](#)

[Moneysmart – Borrowing to invest](#)

[ATO – Residential rental properties](#)

[ATO – Interest expenses](#)

[ATO – Rental property capital gains](#)

[WA Government – Land tax](#)

Sources checked 2 October 2026. Lender requirements, fees and government rules can change.

General education only. This guide does not consider your individual objectives, financial situation or needs and is not personal financial, tax or legal advice. Examples are illustrative. Seek appropriate advice for your circumstances.