Live proud.

BUYING YOUR FIRST INVESTMENT PROPERTY

FRASERS PROPERTY
BUYER GUIDE

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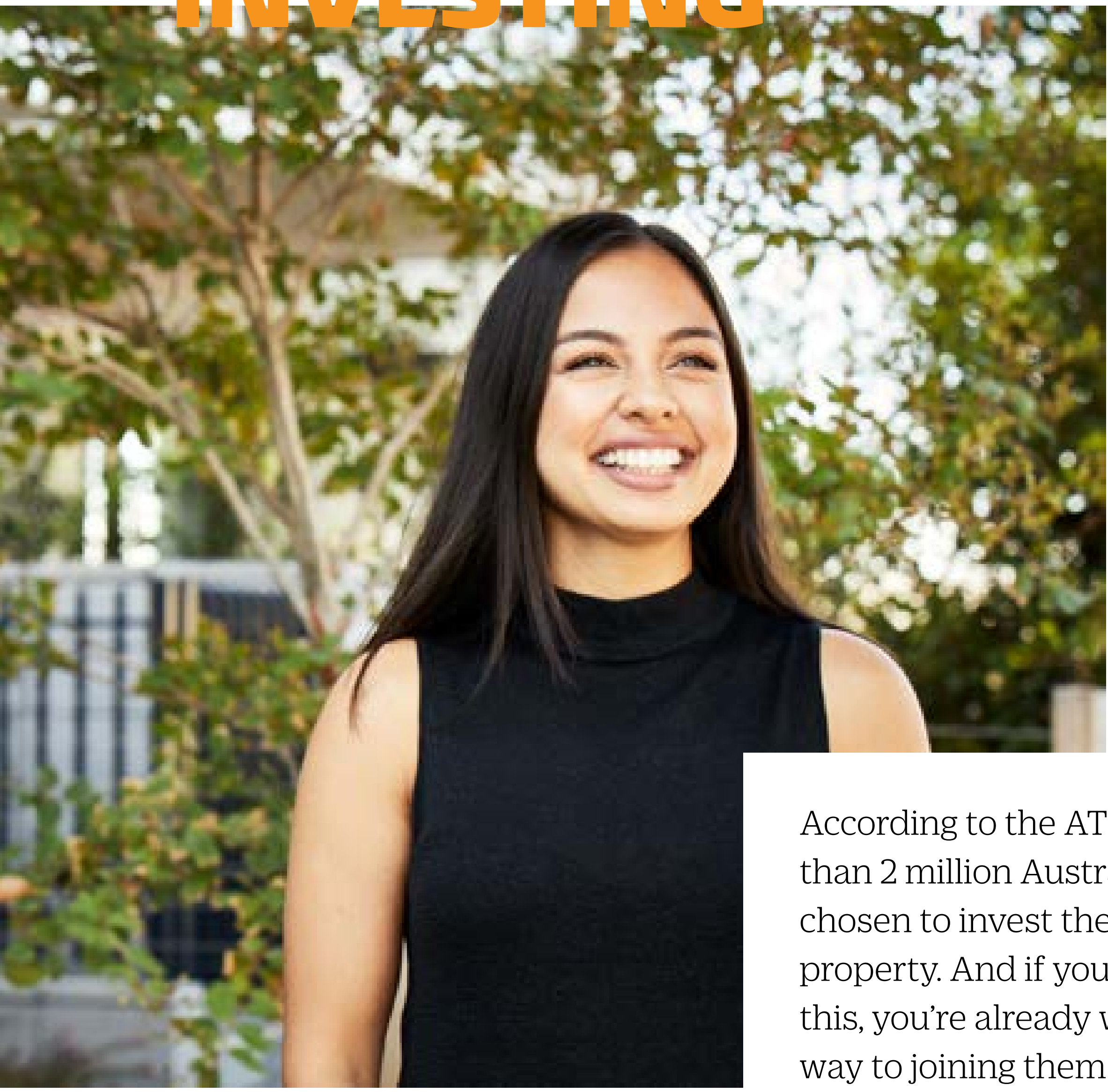
YOUR GUIDE TO FIRST-TIME INVESTING



Ruksanah, Ed.Square, NSW

According to the ATO, more than 2 million Australians have chosen to invest their money in property. And if you're reading this, you're already well on your way to joining them.

This guide will take you through the basics of property investing, from what to look for in a potential investment to making the most of your finance opportunities.

CHOOSING THE RIGHT PROPERTY

LOCATION AND GROWTH

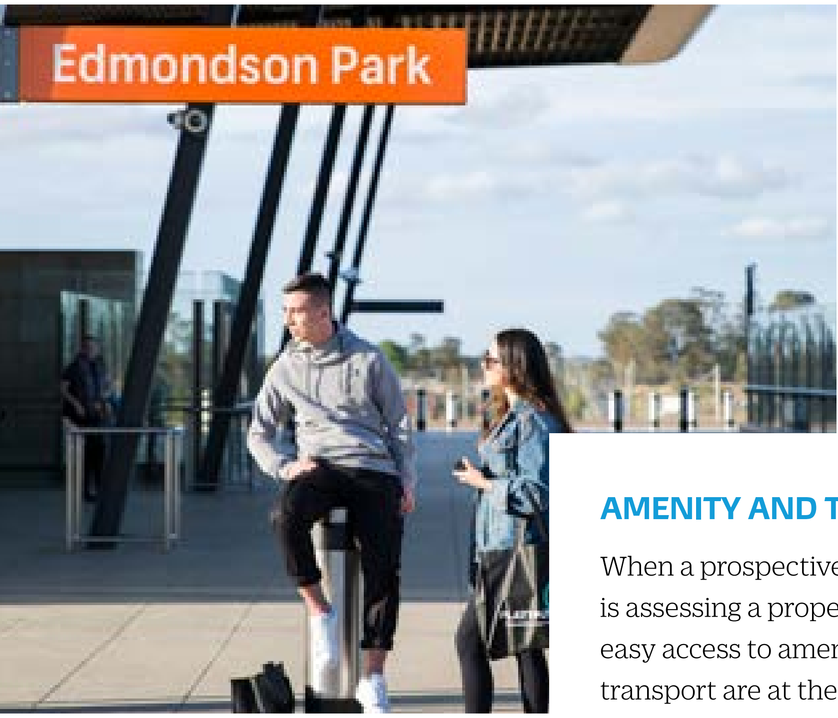
When it comes to investing, the location of a property is often more important than the property itself. The worst house on the best street will likely produce larger capital gains in the long run than the best house on the worst street, even if short-term rental yields are more modest.

Spend some time researching the growth areas in your city. Be on the lookout for areas where population is trending upwards and there is significant investment into local infrastructure.

Browse real estate listings for rental properties in the area and attend some inspections if you can. This will give you a good idea of the supply and demand in the market and a first-hand look at the type of prospective tenant you could be dealing with.

Many first-time investors feel more comfortable investing in areas they know well or have lived in themselves. And while it's important to have a good understanding of the area you're investing in, playing it too close to home could see you overlook an incredible opportunity for growth on the other side of town. So, make sure you keep your search wide.

Angel, Discovery Point, NSW

Ed.Square, NSW

AMENITY AND TRANSPORT

When a prospective tenant is assessing a property, easy access to amenity and transport are at the top of their wish list. These are the aspects of location that will make the property liveable and encourage longer term tenancies.

Look for a property that is well connected to the CBD and surrounding amenities via public transport, ideally with a train station or bus stop within walking distance.

It should be easy for tenants to reach essential services like cafes, doctors, supermarkets, gyms and parks either on foot or within a short drive. Depending on the type of property and its location, you may also need to consider proximity to childcare and schools.

TRUST YOUR JUDGEMENT

When it comes to evaluating the property itself, remember that many of the things you would look for in a home to live in will also be attractive features for potential tenants. It doesn't have to be your dream home but try to imagine yourself living there.

Shopping with a tenant mentality will help you to identify often overlooked issues like inadequate storage, lack of light, and strange layouts.

CHOOSING THE RIGHT PROPERTY

RENTAL YIELD VS CAPITAL APPRECIATION – WHICH ONE IS RIGHT FOR YOU?

Typically, an investment property is purchased with the goal of either capital growth or rental yield.

Capital growth, or capital appreciation, refers to the increase in the value of the property based on changes in the market. Significant capital growth typically takes a number of years to build and is a longer-term approach to property investment. After a certain period of time when the home has increased in value significantly, the investor will either sell the property or use the equity they have built within the asset to refinance and reinvest in further opportunities.

Rental yield is another term for returns, which are received through the rent your tenants pay on the investment property. To calculate your net rental yield, you will need to calculate all of the ongoing costs of the investment—property management, mortgage payments, repairs, council rates—and compare these with the rental income you will receive from the property.

Deciding whether to focus on long term capital gains or short-term rental yield depends on your financial position and goals. It's always a good idea to sit down with a financial advisor to discuss your investment strategy.

CALCULATING NET RENTAL YIELD

AN EXAMPLE:

You receive $30,000 each year in rent. It costs you $10,000 in property-related expenses per annum, and the property is valued at $500,000.

The net rental yield equation is: (Annual rent minus annual property costs) divided by property value x 100

ie:

$$\frac{\$30,000 - \$10,000}{\$500,000} \times 100 = 4\%$$

CHOOSING THE RIGHT DEVELOPER

Discovery Point, NSW

There are countless property developers operating in Australia and it can difficult to determine which one is right for you. Some focus on stand-alone apartment buildings, while others deliver entire communities with homes, parks and amenities.

It's so important to do your research before buying with any developer. Start by taking a look at their existing projects. Do they have a track record of completing them on time? Do you like the style of the homes? Were there any issues with quality? If you can, try to find someone in your network who has purchased with the developer and chat to them about their experience.

It's also a good idea to visit the display centres of any developers you're considering. Chatting to a consultant in-person can help you get a feel for the type of developer you're dealing with, as well as important information about the company's history and approach to community building.

INVESTING ESSENTIALS

Burwood Brickworks, VIC

If you've never invested in property before, there are some key terms and concepts you'll need to be familiar with.

EQUITY

Equity is the difference between what you owe on a property and its market value. Normally equity grows as you pay back a loan - effectively it's the part you 'own'. And it might be something you can access to buy another property without having to save a deposit again.

DEPRECIATION

If you're using a property as an income-generating asset (i.e. rent from tenants) you can claim a depreciation deduction on that asset against the income you've earned. When it comes to what and how much you can claim, it all depends on how old the property is or how much improvement you've done to it. Brand new properties can be depreciated for a full forty years, which tends to make them attractive for investors.

It's a good idea to talk to a quantity surveyor to understand exactly what you can depreciate on your property. They can produce depreciation schedules that will help make your claim easier at tax time.

NEGATIVE GEARING

This is when you borrow money to buy an investment property and the income from that investment is less than what it cost you to generate it. Costs can include interest on the loan and expenses required to keep the property in good working order.

So, is this a bad thing? Not if you expect to offset your losses with a capital gain as the property's value increases over time. And in the meantime, your investment loss reduces your taxable income and therefore the amount of tax you need to pay.

Artist impression indicative only

RENTVESTING

Rentvesting is a popular option for first home buyers who can't quite afford to buy in their ideal suburb just yet. Put simply, buyers rent a home in the suburb where they want to live and buy in a suburb where they can afford, renting that property to a tenant.

For some, this is the compromise that allows them to live the life they want while using spare funds to build equity in their investment property. However, there are a number of tax implications to this arrangement that you should understand, so it's best to sit down with a financial advisor before buying.

STRATA

If you choose to buy an apartment or townhome, you'll need to be familiar with Strata. This model of property ownership allows for individual ownership of part of a property (your apartment or townhome), combined with the shared ownership of common areas like foyers and gardens through an owner's corporation or body corporate.

All owners in the scheme are required to pay levies. Levies are usually charged quarterly and sometimes on an annual basis and go towards the administration and upkeep of the scheme and any required works, scheduled or emergency.

PROPERTY MANAGEMENT

Many investors choose to employ the services of a property management company to deal directly with tenants and take care of essential tasks like finding a tenant, rent collection, handling maintenance and repairs, and ensuring all paperwork is in order.

Property managers can save you a great deal of time and stress, but they are an extra expense and quality of service can vary considerably, so it's important to do your research.

ESTABLISHED VS NEW PROPERTY

Whether to invest in a new or established property is a topic of great debate amongst investors and industry insiders. Both property types have unique advantages and disadvantages and it's important to take the time to think through which option is right for your current financial position and your goals.

Older homes hold renovation potential, which can be a great way to add significant value in a relatively short period of time. Depending on where you want to invest, they can sometimes be more affordable than new properties, and there will be historical sales data showing how the value of the house has changed over time.

On the other hand, older properties can require much more maintenance than new ones and may attract lower rental yield if in poor condition. In many cities there is also greater demand for established properties among owner occupiers, creating competition and driving prices skyward.

New homes are often perceived as higher quality and as such can attract greater tenant interest while also requiring less maintenance. Buying a new home also allows you to take advantage of depreciation benefits and government incentives that apply to off-the-plan homes.

On the flip side, there might be little opportunity to add value to the property post-purchase, so it can take longer to achieve capital gains. If purchasing a home off-the-plan, there's also some risk involved in buying based only on plans and renders, especially if the developer is not well-known.

Fairwater, NSW

FINANCE AND INSURANCE

ACCESSING EQUITY IN A HOME

If you already own your own home, you can use it/the equity you've built in that property to finance your investment.

For example, if your home is worth $400,000 and you still owe $220,000, your equity is $180,000. Banks won't let you loan against all that equity though; depending on the general picture of your financial circumstances, they'll lend up to 80% of that equity for investment purposes. That's $144,000 worth of security you can borrow against to fund your next purchase.

To access your useable equity, you'll need to refinance your existing mortgage to free up some funds. You can then use the equity to put down the deposit on your new property and secure a home equity loan. How much equity you can use will vary between lenders, so it's a good idea to sit down with a home loan specialist and talk through your options.

LANDLORD INSURANCE

While not compulsory, it's a good idea to take out a landlord insurance policy to protect you against a variety of risks. Policies vary but will typically cover you in the event of:

- Theft or burglary by tenants or other parties
- Malicious damage or vandalism by tenants
- Loss of rent
- Legal expenses required to evict a tenant

LEASING YOUR PROPERTY

^ *Kristy, Berwick Waters, VIC*

FINDING A TENANT

Finding the right tenant for your property is one of the most important steps in your investment journey. A reliable long-term tenant is a huge asset for any landlord, where a poor tenant can be a major source of stress and in some cases, financial loss.

Spend some time thinking about what your ideal tenant looks like. Will they stay in the property for six months or two years? Are they a couple, friends, family with children? Do they have any pets?

PROPERTY MANAGEMENT

If you choose to enlist the services of a property management company, they'll take care of this process and present you with recommended tenants for your final approval. If not, you can use popular sites like Domain and Realestate.com.au to list your property and self-evaluate tenant applications.

Throughout the life of your property you will need to manage rental agreements, tenant changeover, rent collection, maintenance and repairs and a host of tax and legal requirements. While it's possible to do this yourself with extensive education, a property management service can take care of all these elements for a reasonable monthly fee.

FRASERS PROPERTY MANAGEMENT

Frasers Property Management operates Australia wide, managing a variety of property types for a range of clients within Frasers Property's residential communities and the wider Australian community.

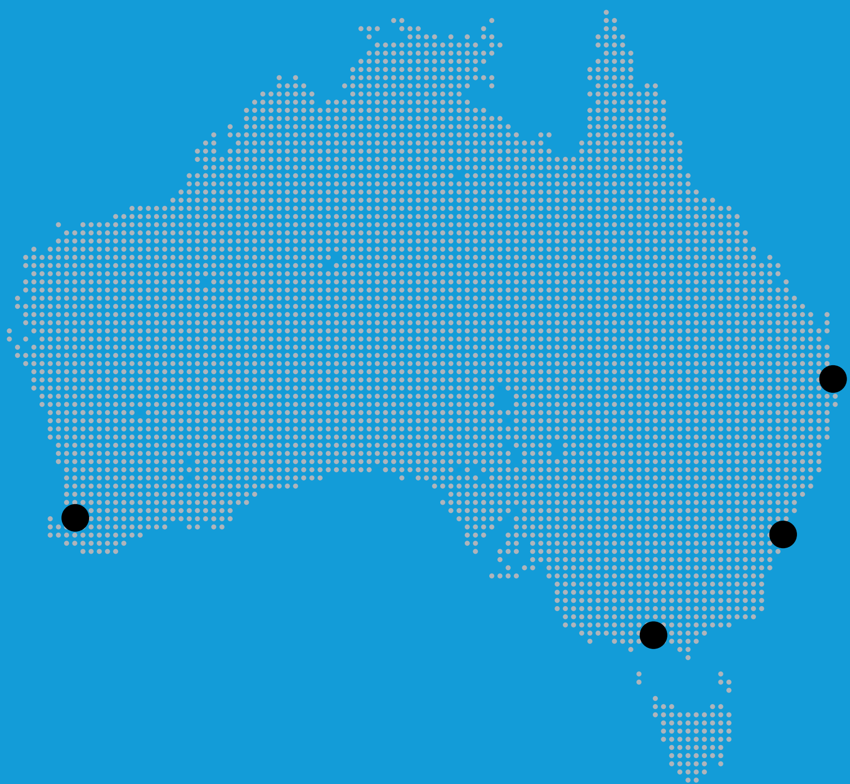
If you're thinking of becoming an investor, the specialist staff at Frasers Property Management can take care of every aspect once you've found the right property. From finding the right tenants, preparing all lease documentation and negotiating rental agreements, to helping streamline your paperwork and tax requirements, our specialists are here to help, so you don't have to worry.

To find out more, visit **faserspropertymanagement.com.au** or call **13 10 25.**

> First established
2012

> Operating
Across Australia

> Over
2,100 properties managed



WHY FRASERS PROPERTY?

Ben, Ed.Square, NSW

At Frasers Property, we believe that the homes we build are more than bricks and mortar.

After almost a century of creating homes and places for hundreds of thousands of Australians, experience tells us that what matters the most is the simple joy of living in a place you're proud to call home.

All over the country, from Sydney's iconic Central Park to Melbourne's Burwood Brickworks, to the coastal living of Port Coogee in Perth and riverside lifestyle of Brisbane's Hamilton Reach, our communities have been contributing to the fabric of Australia's towns and cities since 1924.

CUSTOMER CARE AND REWARDS

From the moment you purchase a home with Frasers Property Australia, you'll gain access to a dedicated customer care team who will guide you through every step of the purchase process to ensure that your property journey is as smooth and worry free as possible.

Available via phone or the MyProsperity property portal and app, our care team are on hand to assist with every and any enquiry throughout the life of your home.

In addition to personalised care, your purchase also unlocks a host of exclusive rewards in order to help support you now and well into the future.

Receive Sapphire membership to Fraser World for one year and take a further 15% off best available rates at participating hotels.

Receive $2,000* every time someone you refer purchases a property from us.

Enjoy an enviable range of benefits from our partner brands, including furniture packages, financial consultations and more.

Receive priority notification about new residential projects and get the chance to purchase prior to public release.

Receive a 2-3%* purchase reward on future purchases with us.

Share selected benefits with family members, for life. No strings attached.

Visit **frasersproperty.com.au/prosperity**

*Terms and conditions apply. Visit **www.frasersproperty.com.au/prosperity/terms**

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