

## What you need to know before you buy to rent

CONSUMER COLUMN



The Real Estate  
Institute of  
Queensland Ltd

Phone (07) 3249 7347  
Fax (07) 3249 6211  
[www.reiq.com.au](http://www.reiq.com.au)

For buyers looking to start or expand their investment portfolio, the decision-making processes are vastly different than buying a home to live in.

And according to the Real Estate Institute of Queensland (REIQ), the current economic conditions mean investors need to be extra careful in how they choose and manage investment property.

### *Looking for the perfect investment property*

Most successful property investors buy in areas they know, close to where they live. Buying a rental property has a checklist that is mandatory rather than optional and most people look for houses or units that are:

- Well constructed;
- Median priced;
- In a good location; and
- In a major urban area that has good long term employment and growth prospects.

### *Investment fundamentals*

A buy-to-rent strategy will focus on meeting essential investment criteria including:

- Has the location performed well over the long term?
- What are the normal rental returns in this area?
- Is the property condition such that repairs and maintenance will impact significantly on rental yield?
- Are there any parking disadvantages that would discourage renters?

Investors also need to have a keen awareness of the interest rate environment, including how higher rates might affect expected net return and the potential market for their property should they wish to sell.

Most investors also choose to borrow on a fixed-term and interest-only basis. This gives them more certainty on interest rate costs.

### *Tax matters*

Savvy investors know that a well-considered maintenance strategy (such as cleaning carpets and keeping landscaping tidy) can be effective in achieving optimal rents and reducing tax. Depreciation also works in your favour when you own an investment property. Investors should consult a tax advisor to find out the tax pros and cons of investing in rental property.

### *Managing the property*

An investor's aim should be maximum their return and protect the value of the asset into the future.

Managing a property takes time and expertise if it is to be done properly. A property manager can identify suitable tenants, check references, and ensure that documentation is in order in relation to leases, rental bonds and payments.

They will also take care of ongoing communication with tenants, conduct inspections and coordinate maintenance of your property.

REIQ accredited agencies complete compulsory compliance and professional development training and have access to all the latest legislative and property market updates.

### *Capital growth*

When it comes to donning the investor's hat, capital growth continues to be the fundamental goal for most residential property investors. Home buyers all want their patch of land, but it is land value, not land size, that drives capital growth.

And if you don't know where to buy, follow the prevalent demographic trends and buy where demands exceeds supply.

To find out if your property manager is from a REIQ accredited agency, go to [www.reiq.com.au](http://www.reiq.com.au).



The Real Estate  
Institute of  
Queensland Ltd

Phone (07) 3249 7347  
Fax (07) 3249 6211  
[www.reiq.com.au](http://www.reiq.com.au)