Investor guide

Choosing to invest in the property market is a big decision. It involves research, financial planning, and a level of knowledge about market conditions. Before you make the decision to invest, you may want to consult a financial advisor to understand whether this type of investment is right for you.

Reasons for investing

Historically, property investment has been one of the most common ways Australians build wealth. When done successfully, it can be a great way to create passive income, grow wealth and set yourself up for retirement. However, unlike other types of investing, property requires a high entry price so it's important to get it right.

The first step in the property investment journey is to consider why you want to invest. Are you looking to create passive income from a rental? Are you looking for ways to fund your retirement? Do you want a vacation rental that you can rent out, but also spend time at? Are you looking to build wealth over the long term or short term? Is property part of a larger portfolio?

While one of the main motivators for any type of investing is to grow wealth, you should be aware of the costs associated with owning an additional property. Make sure you factor in these costs – property management fees, insurances, mortgage repayments and maintenance costs – before you buy.

Whatever your reason for investing, being clear on your "why" from the beginning will be important when it comes to choosing a property.

Budgeting and finances

When it comes to budgeting for an investment property it's best to reach out to your Flint broker at the start of the process. Having these conversations early on can help you understand your borrowing potential, whether additional repayments are feasible for you right now, and if you can use the equity in your current property.

When purchasing a property, typically a 20 percent deposit is required to avoid Lenders Mortgage Insurance (LMI). However, a Flint broker will help you understand whether this is applicable to you or if you are able to purchase with less of a deposit. Also, depending on how much you have paid off your current loan, and how much it has grown in value, you may be able to use equity to purchase your investment property.

If you're planning to use equity in your current property to purchase an investment, then a home equity loan may be right for you. This loan will act as a second mortgage and allow you to borrow against your home's equity.

You could also opt for an investment property loan. This will typically have higher interest rates or costs, but you may be able to borrow up to 90 percent of the purchase price.

Another option is an interest only loan. This is when you contribute to the interest repayments, but not the principal, for a specified period of time. Chatting to a Flint broker will help you understand the pros and cons of each loan type and which is best suited to you.

Finding your investment property

While it may not be your first rodeo, choosing an investment property requires a different type of research than choosing a home to live in. You'll need to have a good grasp on what suburbs are predicted to experience growth, how much rent you could charge, median house and unit prices for suburbs you are interested in, and what types of properties are suitable as rentals.

Researching homes on a property portal such as view.com.au can be a great place to start. Another good idea is to attend inspections and auctions of similar properties in suburbs that you are interested in to see what they sold for. You can also save properties in your property portal app and track the results.

When it comes to investing, make sure the property you like fits with your overall goals. Be sure to consider questions such as, what type of property is best suited to your goals: house, unit or apartment? Is there a high rental demand in the suburb or town you have chosen? What kind of condition is the property in and will it require maintenance over the years? Does it fit the minimum standards required for a rental? Is the suburb or town highly-sought after and does it have good access to amenities and infrastructure?

Making sure you can answer all of these questions will help you assess whether the property or area is suitable as an investment. Just like purchasing a residential home, you want to ensure your investment suits your intentions and sets you up for success.

Managing an investment property

Unlike purchasing a residential property, the work doesn't end when you sign on the dotted line. If you're intending to rent the property out, you'll need to contact a real estate agency and find a property manager or look into self-managing it. Each option comes with pros and cons so you'll need to consider both carefully.

Whether you're using a property manager or not, you'll need to familiarise yourself with the current rental guidelines and the rights of both landlords and tenants. These rights can vary between states and are subject to change, so make sure you keep up-to-date.