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by Ben Kingsley

Top five tips for buying well in 2016

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Restrictions on bank lending are having an impact on the market, as is continued speculation of a property market bubble, so property buyers need to be astute in 2016.

Buying a property is one of the biggest purchases most people are likely to make and many still view property as the key vehicle for their retirement savings nest-egg. For savvy investors who do their due diligence and seek advice from professionals, property continues to present a sound investment choice.

In spite of APRA's clampdown on investor lending, investment loans remain affordable on an historic basis, so opportunities are there for the taking.

Property investors need to be guided by sound information to make the best decisions possible in a complex borrowing and investment environment.

Here are five ways to navigate the 2016 property market.

Buying a property in 2016 requires a thoughtful approach from investors. Photo: James Alcock

1. Do your research

Doing your homework and some thorough research is more important than ever when looking for an investment property.

Although Sydney and Melbourne are extremely hot, the Australian property market is made up of many markets and smarter investments can be made in different cities.

Borderless investors who are prepared to look beyond their home state will definitely be the theme in the Sydney market.

The key to becoming borderless is research.

To ensure a smart buy in any market, research extensively before making any property investment decision. Independent information from online property portals can give you a good idea of the investment performance outlook in these areas, such as average rents, property value and demographics.

2. Don't be afraid to drive a hard bargain

The property finance arena and lending landscape have changed over the past few months.

As property is one of the highest-value transactions you can make, you should shop around to find the most attractive and suitable loan.

Rate comparison services can help you find the best loan deal. Better still, work with a savvy mortgage broker, who can be invaluable in securing appropriate finance, especially when some banks have tightened up their lending policies.

A professional mortgage broker will do the research and explain the options.

Don't be afraid to ask hard questions and to ask for a discount. You may be surprised to find that many lenders are willing to give you a discount to get your business.

3. Be creative

In hot markets, smarter investors are always looking for ways to outsmart the competition.

"Rentvesting" (where you rent while buying an investment property) has become a popular way for young people and some first timers to beat affordability issues. With this approach, you can still live in a more expensive location, where the cost of renting is less than paying an owner-occupier mortgage. Then you can invest in another more affordable location, where you'll get help paying off your loan in the form of rental payments by your tenant.

The benefit of rentvesting is that you have at least one foot in the property door, so your money is working harder for you. And in the meantime, you can still live where you want to.

If you have a family member or a close friend who is also keen to crack the property market, you may want to consider co-purchasing. Co-ownership can be a powerful way to beat affordability constraints too, but make sure you set up a formal agreement between parties so everyone goes into the investment with their eyes wide open.

4. Be strategic

Investing in property should always be considered a long-term investment, unless you are looking to speculate, which we would recommend against. Consider every property purchase as another important step in your financial journey and select property based on how it will add to your overall wealth and retirement plans.

We recommend investors conduct an annual review of their property investment portfolios, as part of an overall long-term investment strategy.

Property is not transactional – it is a high-cost, long-term investment strategy. You need also to make sure that you can afford to service your mortgage repayment over the long term.

5. Seek professional advice

Property investing, unlike other asset classes such as shares, is not recognised as a financial product by ASIC, and remains without any regulatory framework. Unfortunately this offers unscrupulous operators and spruikers the chance to make significant financial gains and tempts many to put self-interest ahead of their clients' best interests.

To avoid becoming a victim to any unscrupulous operators, you need to seek professional advice from someone with formal property investment qualifications.

Ben Kingsley is the chief executive of buyer's agency and advisory Empower Wealth and chairman of the Property Investment Professionals of Australia

http://www.domain.com.au/news/top-five-tips-for-buying-well-in-2016-20160103-glnijr/