



# Property Acquisition Investor Aged Care Investment Financial Planners Sydney NSW

How to Make your Investment Property Work For You

**How to Make your Investment Property Work For You** Traditional property investment may hinge on the long-term returns it brings in terms of capital growth. But for many Australian investment property owners, the short term returns provided by rental properties are their reason for buying the property. They don't have the time or money to wait for the property value to grow and provide capital gains. But for a rental to be successful, and that rental income to flow, the property has to be operational and occupied as soon as possible, says Matthew Mousa, TLKPartners' financial and property acquisition adviser.

**Why Australians Invest in Property** Investment properties account for more than a quarter (or 2.6 million) of Australian dwellings, and most are individual investments. The owners' reasons for investing in the first place are varied. But the most common one according to close on 80% of 1,000 survey respondents was, "I want to set myself up financially for the future". Other popular responses claimed it was more beneficial than shares, tax benefits, retirement preparation, and negative gearing, in that order. A far smaller 33% cited capital gains as the reason for investment. Yet more than half their owners are claiming losses on their tax returns.

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**Open for Business Immediately** Mousa says that tenants are the lifeblood of property investment, and determine its success or failure. However, many first time investors seemed to be unaware of the urgency to get the property running and occupied. Instead, they are spending too much time (and money) on unnecessary renovations and touch-ups or beautifying the premises in the belief that this is necessary to attract the right tenant.

Instead, Mousa says the most crucial requirement is that the property is available, it's in good condition, and it is clean, safe and functional. Unnecessary extras and frills are unlikely to push up the rent, and may even be a deterrent should potential tenants not feel at home with the style. He says the vacancy rate in the area largely controls the rental rate and advertising spend, and the number of tenants looking for a home.

And the type of tenant a property attracts is mostly governed by its location. Unless a low vacancy rate replaces choice with desperation, tenants will opt for rentals in areas which provide security, ease of access, and convenience. Students will look for a place close to the university, and office workers will want the shortest commute to work. Families, on the other hand, will probably opt for a house close to schools, shopping centres and hospitals.

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**Keeping the Property Working** Post-occupation maintenance of the property is vital, according to Mousa, both for the owner and the tenant. If maintenance is handled correctly and timeously, it can encourage good tenants to stay long-term and provide a stable rental stream, instead of packing their bags and leaving which could result in a break in the income flow until another tenant is found. And proper maintenance will not only keep the property in shape and the tenant happy, but it will prevent its market value from sliding down.

For maintenance to be kept up to date, a capital budget is needed, preferably amounting to about 5% of the annual rental income. This is to cover the costs of small projects like replacing blinds, gutters, smoke alarms and so on, as well as bigger ones that arise less regularly, like a bathroom or kitchen, refurbishment, painting the property, or replacing an appliance like a stove or fridge.

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**Think Long Term** Finding the right tenant, one who pays the rent regularly and on time, who keeps your property clean, and doesn't cause a nuisance, may seem like a dream come true for a property investor. But keeping one is even more important, says Mousa. Making the tenancy work for the owner involves having the right background checks and systems in place when choosing a tenant, so as to protect the rental business and income. Making it work for the tenant calls for the owner to provide them with a comfortable home on a well-maintained property, be consistent and professional, charge a market-related rent with reasonable increases, and attach fair terms and conditions.

"Property investors trust TLK Partners to steer them in the right direction and to assist them in maximising their return on investment," Mousa concludes.

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