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THE INVESTOR

YOUR HIDDEN NEST EGG – USABLE EQUITY

Once you have purchased your first investment property, as its' value increases over time, you can start to buy property after property, using equity to expand your wealth for long-term financial security.

Usable equity (different from total equity) is the available money in your investment property that you can access to borrow against.

Financiers and banks will typically lend you 80% of your property's value, less the debt you owe.

For example:

Your investment property is valued at $600,000 with a $200,000 mortgage.

Calculation:

$600,000 property value

$480,000 property value at 80%

$200,000 minus your debt/mortgage

= $280,000 usable equity

With the useable equity, you can invest up to $1,400,000 to purchase additional properties. However, you would keep your property purchase value lower, allowing you to apply a portion of the equity to cover purchase costs, such as legals, building inspections and stamp duty.

Many investors are discovering that property values have increased so much in some areas that they can access enough equity to purchase multiple properties, especially in areas with lower values that can also be cash-flow positive.

Now could be your time to consider growing your property investment portfolio.

OVERCAPITALISATION

THINKING ABOUT SELLING OR IMPROVING YOUR PROPERTY?

Overcapitalisation is when you invest money into property improvements beyond the resale value.

When deciding to carry out improvements on a property, it is important to know and understand the key areas to focus on and where to invest your money to maximise your return on investment (ROI).

If the property is your principal residence, and you do not intend on selling for many years, then the sky is the limit when it comes to improving, decorating, and designing the home to your personal tastes and likes. However, if it is an investment property or you are getting your home ready to sell, you must make wise decisions.

If you overcapitalise on a property, it can lead to financial loss and unnecessary debt.

Imagine you have a modest 3-bedroom suburban property that you want to sell. Like all investors, your focus is to achieve the best possible price, so you decide to upgrade the kitchen and bathrooms with high-end appliances and Caesarstone benchtops, replace the carpets and window coverings with expensive options, paint the walls, install a new air conditioner unit, and invest in extensive landscaping, believing that it will increase your sale price.

Overcapitalising is a common pitfall when renovating a property. Albeit you can avoid this if you conduct research, focus on a budget rather than what you would want in a property, understand the concept of ROI, and remove any emotions attached to the property.

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OVERCAPITALISATION… Continued

Understand the pricing disparity in your area

Pricing disparity is the range of sale prices within a suburb.

For example, if you plan on carrying out $100,000 worth of renovations to a home valued at $700,000, it should make it at least an $800,000 property. If properties in your suburb sell for $550,000 - $700,000, it might not make sense to go over that $700,000 price range.

However, property prices may fluctuate depending on several factors, such as what the $800,000 renovated property offers buyers.

Visit open homes in your area

By visiting open homes, you can note additions to the property, updates, quality of fittings, quality of craftsmanship, and the amount of space. Considering these aspects and looking at property values, including the eventual sale price, will help you determine a home's value and inclusions.

Find out what features attract more buyers or renters

Start talking to real estate agents and find out what is selling and what buyers (or renters) are looking for. You may not be planning on selling your home soon, but it's always good to know buyer preferences to make smart choices when it is time to sell.

Budget wisely

Research the costs of your renovations, make a budget and stick to it as closely as possible. Make sure you factor in any surprise costs that may escalate, such as underlying unknown damage to the property.

Contact our agency

We are here to support, assist, and guide you if you are considering selling.

Feel welcome to contact our agency for an obligation free walk-through inspection of your property, where we will provide feedback on renovations and works needed to achieve the best possible sale outcome.

INTEREST RATES… GET SMART & SAVE

Despite the nerves that can be easily triggered by interest rate fluctuations, there are ways to get smart, save, and get ahead.

Fixed vs. Variable – Should you fix or not? We will leave that decision to you, but here are some suggestions. Don't overlook the each-way bet option by choosing a loan split between fixed and variable or fixed and interest only. This way, when variable rates rise, it will only affect a portion of your loan.

Fortnightly Payments – Interest is calculated on a mortgage daily, and when you pay fortnightly, you make one additional payment in a year, reducing your interest payable. You can also redraw against any advanced payments if you experience financial hardship.

Direct Salary Crediting – The minute you credit your mortgage account with your salary, you will save interest and speed up the time it takes to pay off the loan.

Regular Additional Payments – Increase your monthly payments to reduce your interest. You will save and get ahead if you top up your scheduled payment by just $25 per fortnight.

Use your Credit Card – Taking advantage of your credit card's up to 55-day interest-free feature for your daily expenditures, such as petrol, food, entertainment, etc., is a clever way of reducing your mortgage if you are utilising direct salary crediting. Let the credit card balance grow until the day before the bill is due, then arrange a direct payment from your home loan to avoid any interest payable.

Changes to Rental Laws

Keeping you updated

On 24th October 2024, the NSW Parliament passed major reforms to residential tenancy laws. Some smaller changes have started. Most changes are expected to start in early 2025.

The recent and upcoming changes include:

- **End of a tenancy**, landlord will need a reason to end the lease, evidence must be provided with a termination notice, with penalties payable by landlords who give a reason that is not genuine.
- **Notice periods for fixed term leases**, the amount of notice a renter must have before their lease ends will increase from 30 days to 60 days if the lease is 6 months or less, or 90 days of the lease is more than 6 months.
- **Rent increases**, only can be made once per year for all leases.
- **Keeping pet,** it will be easier for renter to have pets in their home. A renter will be able to apply to keep a pet, with landlord only able to decline for particular reasons. Landlord will need to responds to a pet request within 21 days, if they do not response, the pet will be automatically approved.

For more information and guidance on the changes of rental laws, please click here: new rental laws

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