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5-Point Property Selection Criteria

There are a lot of factors that are important to consider when you're looking at investing in the property market. Here you will find our five-point selection criteria that will help you ensure that you buy the RIGHT property.

All Hudson Members should be aware of these points but remember, your Hudson Financial Adviser is available to answer all of your questions and to help you determine the best opportunities for your situation. (Book your consultation using the red box above.)

1. Timing in Cycle

Purchase property AFTER the growth cycle has commenced.

It makes sense to consider an already growing market. It is noted that the top end, i.e. the more expensive properties / trendy areas, are the first to move in a property boom.

Once the property price rise is noticed, many property commentators and analysts receive a lot of media attention. This is a time when investors are exposed to various forms of 'education' on the topic of property investment.

Each cycle is different, being dependent on the particular economic conditions (eg. inflation, unemployment, interest rates) that are present at that time. Differing geographic areas can have vastly different property price performances, based on local economic and demographic issues.

2. Location

Choosing the right position for your investment property is very important.

There are four key inclusions that the area should possess:

(a) Employment growth - population growth supports property demand, which in turn supports property prices. Areas with high employment growth will always attract population.

(b) Micro economic facilities - parks, cafes, corner shops, bus stops etc. These facilities make the property more attractive and support rental demand. The social changes evident today suggest that many people demand the convenience of local infrastructure.

The micro-economic elements need to be matched to the style of the property and the likely demographic demand sector; for example, trendy area units may require micro-economic facilities that appeal to young professional couples, while houses may require facilities that appeal to families with children.

(c) Macro economic facilities - hospitals, recreation outlets, shopping centres, schools, day care etc.

(d) Access and Egress - the entry and exit routes to an area. It is not advantageous to have a community which is isolated from nearby areas or central locations.

3. Property of the future not of the past

When investing in property, it is beneficial to consider a ten-year window. Appealing to a growing market of the future is essential to ensure demand for the investment property is supported.

The changes in today's demographics suggest several clear growing markets for real estate are emerging. These target markets include:

1. Single parents
2. Young professionals
3. Ageing sector
4. And, in the states that enjoy positive migration (QLD, WA): Nuclear families
1. It is necessary to determine the features of properties that these target groups require. Identifying the groups where demand will be strongest is only half the story, meeting their needs for accommodation is equally as important.
2. Specific needs among these groups include:
 1. Location
 2. Accommodation
 3. Affordability
 4. Security
 5. Low Maintenance
 6. Privacy

4. Price

The price must be right - for the investor AND for the tenant AND for capital growth.

It is very important to remember the most likely long term and relevant underlying demand influencing strong price growth comes from the owner/occupier market.

This market needs to be convinced that your property is better, more attractive, affordable and in the right location. When this occurs, your investment property will rise in value, regardless of investor sentiment.

Consider properties that are priced around the median price for the area, giving the largest possible market for resale. In this way the property will be within reach of the majority of owner/occupiers. Most often, buyers choose an area and then choose a property.

Assuming there has been careful consideration of the area chosen for property investment, the demand for the area will be sound. To ensure your

property has the edge, it needs to be in the median or lower price sector.

When discussing median prices, it is important to consider the analysis on an area by area basis. Very often this process is completed with reference to some 'common knowledge' or through market comment rather than provided by statistics.

5. Age of property - new versus old

The age of the property is an important consideration for investors. Each investment needs to be assessed individually, with consideration of the investor's needs and risk profile.

The final consideration of price is the key to sound investment. There must be adequate room for capital growth and clear evidence of future market demand to support it. This, after all, is the sole investment objective.

There are a number of reasons why new property is recommended to investors:

- New property provides attractive gearing benefits through generous depreciation allowances.
- The maintenance requirements of new property are expected to be significantly lower than older properties.
- New property often has a better rental demand than similar properties that are older.
- New properties often achieve higher rental returns than older properties.

Speak with our **Financial Advisers** on freecall **1800 804 296** about this in more detail, or **make a time online now**.

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