



press clip

# Act now to seize the high ground

Property investors are being urged to move in on bargains before they miss the boat, writes Smart Money editor **Jackie Sinnerton**

PROCRASTINATION is preventing many property buyers from making a sound investment, a property expert has warned.

While recent rate cuts and the First Home Owners Grant have boosted the buyer market, many potential investors and homebuyers haven't taken the plunge and made the most of current market conditions, according to Chris Gray, chief executive of property portfolio company Empire.

"Certain parts of Australia may already be nearing the bottom of the property cycle. Whether that's in the next six or 12 months, investors should not leave it too late to enter the property market," he said.

"Many people truly believe that residential property is a safe, solid investment for the future and are keen to invest. But in my experience as a buyer's agent, I've found people tend to wait for 100 per cent perfect conditions before making a decision.

"If they miss that exact point in time, it leads to more excuses. It's called procrastination."

When interest rates were going towards 10 per cent, Mr Gray says many investors reasoned it was too expensive to buy from a cash-flow perspective, as a \$500,000 investment might have cost \$10,000-\$20,000 a year to hold.

"Then the inherent uncertainty of the global financial crisis held people back. In reality, interest rates halved while rents rose, which meant that the same prop-

erty might now only cost \$0-\$10,000 to hold — perfect conditions for investors."

Many investors are now reasoning that first-home buyers might be using their grant to pay inflated prices, so they are waiting until 30 June to see if the grant is extended.

While the current market is driving the perception that now is not a good time to buy, Mr Gray says truly smart investors are using recession-proof strategies to continue building their portfolios.

"Using my own recession-proof strategy, my properties and those of my clients have not dropped a single cent in this market," he says.

Mr Gray's recession-proof strategy for buying property involves:

- Choose property that's attractive to tenants. It should be clean, have good-sized bedrooms, off-street parking, and good positioning away from noise and main roads. You've got to buy something that suits the majority of tenants in that particular area. Factors such as these will ensure your property is attractive to renters and will guarantee your income stream.

- Choose property that will grow in value. If the property is close to a major CBD, beaches, schools, public transport and leisure facilities, it's more likely to grow by more than the average in a good market and is more likely to hold its value in a down market. If you buy around the median price, then more people can afford to rent it and more

people can afford to buy it if you are put into a forced-sale position.

- Buy blue chip. Cheap properties are cheap because they are not in great demand and there's plenty to choose from. It's often worth paying market value for a good property in a top suburb than it is to get a discount for something that no one else really wants. Time in the market is more important than timing the market.

- Create instant equity. Do some quick renovations such as a paint job, re-carpeting, tidying the garden, painting the fence, installing new curtains or blinds, and replacing the kitchen cupboard doors. For every dollar you spend on renovating you should be aiming to get at least \$1-\$2 back in the value of your property.

- Refinance your property to create a buffer. When your property grows in value, refinance to create an emergency buffer zone. This will ensure you can continue to make mortgage repayments even if you lose your job. Don't find yourself in a forced-sale position, as you won't get the best price and it might trigger capital gains taxes and other expenses.

- Re-sign your tenants. Hire a professional property manager to ensure you get reliable tenants and that they pay a good market rent. Consider tying your existing tenant down to a new 12-month agreement. This will help guarantee your rental income.



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**'I've found  
people  
tend to  
wait for  
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conditions  
before  
making a  
decision'**

**– Chris Gray**

