

# 3 WAYS TO MAKE AND SAVE \$\$\$ IN THE CURRENT MARKET

## 1 Get your finances in order!

There's absolutely no excuse for making silly financial decisions at this point in time. We've all read about the many, many people who financially committed well beyond their means and are now struggling to make ends meet. Don't make this mistake!

I firmly believe – in fact, I've always believed – that you should have a 20% deposit to put down on any property investment purchase. Why? Because then you have some equity in your property and a fallback position if interest rates rise. I call it 'the ability-to-sleep-peacefully-at-night buffer!' If you have equity, then you know that your investment can withstand a bit of market turmoil, and that you and your family can cope with unexpected change such as job loss.

You'll have room to breathe and the ability to refinance should interest rates rise (as they have), so you don't get backed into a corner and forced to sell.

In addition to this, 20% means that you don't have to pay mortgage insurance so you're not simply throwing away money from the outset. To give yourself an added safety net, you should look to the future and make sure you can easily afford to make repayments if interest rates rise 2% above the current rate.

If you're having difficulty saving for a deposit, then it might be time to take a serious look at your financial position and your spending habits. Do you really know where your money is going each week? I recommend keeping a spending diary for a month or two so that you can see exactly where your money is being spent. You may be surprised to see just how much you spend on entertainment and eating out! With petrol prices on the rise, it might be an opportune time to see if your family really needs that second car.

## 2 Be selective in where you're looking to buy

As always, you should be selective when deciding where you're going to buy a home or an investment property. We aren't in a market where it's wise to speculate. Stick to property with a proven track record, that has quality and is well positioned.

Don't buy a property simply because it's cheap or because you can buy it for less than what the current owner paid for it. In today's market there are suburbs where property prices have dropped substantially. Why would you want to buy in areas where property values can fall significantly at the first sign of financial market turmoil and interest rate rises? You should be aiming to buy quality property in a good location so that your asset will hold up well or continue to increase in value in any market.

You also need to make sure that the property meets your current and future needs. If you're buying a home, make sure it caters for your family's lifestyle and is close to schools and work. To make sure you use your time efficiently, it's best to list exactly what you're looking for. Don't waste time running all over the place looking at everything that's on the market. For example, are you after a house, a terrace, a semi or an apartment? Would you like a pool, a view, a garden, a garage?

If you're buying an investment property, decide how long you plan to hold it for and then assess the future potential of a style of property and location to match up to your requirements. For example, it should be close to public transport, have convenient parking and be in proximity to a large number of employment opportunities to make sure you generate an above-average rental income.

If you get it right the first time around, then you won't waste money buying and selling. The costs associated with buying and selling property can quickly add up to 5–10% of a property's value, all because you made an emotional, poorly researched purchase rather than a practical, fact-based investment decision.

## 3 Know what the property is currently worth

There's no way around it – the key to knowing the true value of any property is research, research, research. This is the most important thing you can do. You need to conduct detailed research to work out the market value of the property before you can decide whether you're getting a good deal or not. The best way to save money when negotiating, especially if you're

relatively inexperienced, is by basing your argument on facts and data, not on gut feel or emotion.

I recommend that you select a maximum of three suburbs and see as many properties as you can in preferably a six- to 12-week timeframe, as two or three months is a long time in real estate and prices can move substantially. As a general rule, I'd advise you to inspect at least 100 properties within that timeframe and document all relevant features. It's not hard to inspect a dozen or more a week.

If you're serious about getting a good deal and saving yourself thousands, if not tens of thousands, then you'll be prepared to invest the time. Don't let the selling agent have the upper hand when negotiating the price with you simply because they know the market better than you!

If you don't have time to do the necessary work, you should explore the option of hiring an exclusive buyer's agent to do it for you. Remember, there are no small mistakes in real estate – just expensive lessons!

## The final word

Regardless of the financial climate, there are always good property purchases to be made in Australia. It's not one big real estate market but rather a large number of smaller markets. Even in one major city you can have downturns in some areas while other suburbs only a few kilometres away continue to grow in value. This is why it's essential for you to do your homework, and make sure that you know where and what you should be buying.

If you invest some extra time in the buying process and purchase a quality property then you can establish a good financial position for you and your family. If you buy well, then you'll make your money work for you now and into the future.



Patrick Bright is a real estate author and an exclusive buyer's agent. He has just released his third book in the 'Insider's Guide' series titled 'The Insider's Guide to Saving Thousands at Auction'. It's available in good book stores or you can purchase a copy from Bright's website at: [www.epspropertysearch.com.au](http://www.epspropertysearch.com.au) or by calling 1300 SEARCH