It's time in the market, not timing

When is the right time to buy property? It's the $64 million question that I am asked almost every day. My reply is … "You should buy as soon as you can afford to – that's if you want to have financial freedom in retirement, rather than simply relying on the pension." The reality is that the longer you wait to enter the market the more expensive it is. The longer it takes to start your property investment, the less time you have to invest in your future.

We all have areas of our lives where we procrastinate and put off until tomorrow what should be done today. For many people, investing in the property market is no exception. Ask anyone in the process of buying property and they will tell you the same thing – "I wish I had invested 10 years ago." If they had invested early they may well have doubled their money.

We tell ourselves things like, 'I'll buy when the market picks up', or 'when interest rates come back down'. In reality this type of mindset usually means that the purchase of the investment property never actually happens. The risk is if you don't invest now, then you will have to pay more later. Many who do delay find that the housing and investment markets have moved out of their reach altogether.

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Deals in downturn

There has been much talk about the downturn of the property market across the country. What is often ignored in these discussions is that there are always good deals to be found if you know where to look. Take the Sydney market for example. It is widely accepted that in general the market has been depressed over the past two years or so. However, if you analyse the inner, middle and outer ring, then take a more detailed look on a suburb-by-suburb basis, you will see that while some areas are still declining there are other areas where there continues to be reasonable growth.

For example, the average growth for a well-selected property over the past 20 years has been over 10%. Now to keep it really simple, if you purchased a $500,000 investment property, without looking to add in compound growth, the property has increased by $1,000 per week on average in value during that time. I don't know about you, but I don't know too many people who are saving $1,000 per week and I can't think of an easier way to save that kind of money. Even if you had to cash flow some interest repayment shortfall for a few years, for example $200 per week, you're still $40,000 in front in the first year and from there on it just gets better.

I recommend that if you have a realistic budget which allows you to pay two per cent above today's interest rates, and you are planning on investing for at least one full property cycle then you shouldn't waste time waiting to invest. If you think real estate is expensive now, just wait another five years to invest; then your statement might actually be more accurate. If you've completed appropriate research and you find a good deal, then don't be afraid to sign on that dotted line.

Don't be one of those people who live their life regretting what they didn't do. Get on with your property investment portfolio. However, if you want to be one of the 90 per cent who retire on less than 50 per cent of their working income then continue to procrastinate. Keep in mind though – to live a comfortable retirement you will actually need as much, if not more, money to live on than you have today. Don't downgrade your life in retirement, prepare for it so that you can enjoy the lifestyle you've become accustomed to with the financial freedom to travel the world. wcm