buyersclub

8 tips to minimise risk and maximise reward

Property Investment

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Having variety within your portfolio

Whether the nature of the property you are investing in is residential, commercial or industrial, it is beneficial to understand that they all have different risks and returns associated with them.

Having a diverse range of properties minimises your risk because you are not relying on one market to sustain your profits.

For example, you may have an issue obtaining a tenant for a residential property due to increased cost of living in the area. However you also have a commercial property in the same area that has a long term tenancy for a legal office which is not impacted by the residential property market.

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Insurance

The biggest risk is the unknown, that's why it is so important to have the correct insurances in place to cover you against any unexpected circumstances.

Some insurances to consider include building and contents, landlords, and life insurance along with income protection.

Not sure where to start your search for the correct insurance? Reach out to us! We have a list of trusted referrals for your consideration.

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Research

This goes without saying, you need to know what you're buying before you can come to the conclusion that it will in fact earn you money.

It is important to look into the area that the property is located in to see if it is a high growth area, calculate the potential rental growth and investigate if there are any major developments taking place in the neighbourhood.

It is not only important to research the area, but the property itself. Ensure that you buy a stable and sound property by having a pest and building inspection. Also obtain any relevant copies of building applications and approvals from Council that may be of concern.

Too much to think about? We can help you do your due diligence on your investment to ensure it is the right fit for you.

Don’t get too emotionally attached

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Remember that this is an investment property, not your forever home. You don’t need to get stuck on superficial features like the kitchen tiles.

Sometimes emotions can overpower and get in the way of you making an informed and level headed decision. This can feel like indecision when purchasing a property, or the pressure you feel at an auction.

In cases like this, you need to have someone on your side to help you see clearly and keep you on track. That is where a trusted buyers agent at Buyers Club steps in!

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Get a fixed-rate

If your mortgage is currently at a variable rate, an increase in interest rates will impact your monthly repayments which can impact your cash flow.

This risk can be managed by signing up for a fixed-rate mortgage loan instead which will not fluctuate with the market.

It is also recommended that you shop around for the best deal with multiple lenders as a lot of them do the occasional promotional offer.

Cash flow

After paying all of the properties expenses such as mortgage repayments and taxes, the amount left over at the end is the investors net income from the property, also known as the cash flow.

In some cases the expenses exceed the amount of rent that was collected which creates a risk of negative cash flow where the investor needs to pay the balance costs payable from another source.

Unless this forms part of your investment strategy, this can be avoided by carrying out efficient due diligence by a professional prior to purchasing the property. They should be able to give you a forecast of the expected cash flow.

Another way to minimise the risk is to ensure that you have sufficient cash flow from other investment ventures to cover any contingencies.

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7 Liquidity

Liquidity in property investment refers to how easily you could sell your property and 'liquify' your asset into cash in the event of financial stress.

A commercial property usually takes quite a long time to sell whereas a residential property can be a bit quicker.

An effective way to minimise this risk is to have buffers on your loan funds that act as a 'backup' reserve for emergencies.

Get help

Even though you can find out just about anything on the internet it is a good idea to engage some professionals to assist you in making the correct decisions when it comes to your investments.

Receiving educated advice from a professional such as your accountant, conveyancers, pest and building inspectors, mortgage brokers, financial advisors and buyers agents, will minimise the risk of you making a bad decision that could have a negative effect on your portfolio.

With the help of Buyers Club you will have our guidance every step of the way to ensure that all of your investment dreams come true.

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Welcome to the Buyers Club.

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