BUY *now!*

We talk the nitty-gritty of property investment with Chris Johnson, CEO of Urban Taskforce Australia

WORDS **BETTINA DEDA**

Not only did residential property prices rise in all Australian capital cities last year, but the Demographia 2017 International Housing Survey has also named Sydney as the second most unaffordable city in the world. House prices in the popular harbour city are now 12.2 times the average household income. So what should investors consider if they plan to stash their cash in property?

We spoke with Chris Johnson, an authority in the property industry and now CEO of the Urban Taskforce Australia (UTA). He is an advocate for urban living and invested in a two-bedroom unit to lease before moving into it with his wife after downsizing from the family home.

Why should people invest in property?

Firstly, there is evidence that property investments increase much faster in value than savings accounts or shares. Secondly, there is a shortfall in what we are building and what the market requires. The UTA estimates that we need 40,000 homes each year in Sydney alone to meet the demand of the potential buyers. There is a strong market for apartments, be they owner-occupied or for rental purposes, as the urban lifestyle appeals to all age groups.

What are the golden rules for property investment?

Buy when the market is low and sell when it's high. If you did buy in the GFC, you most probably increased the value of your investment quite dramatically. I think it is still worthwhile buying now, as the market is strong, especially in Sydney. The property cycles go in 10- to 15-year time spans, so investors should purchase their property with this timeline in mind.

Biggest mistake you can make in property investment?

Buying a property because you like it and not focusing on achieving the best rental yield.

How can investors minimise risks?

Set your goals, decide why you want to invest in property and seek professional advice on financial aspects. Do your market research and educate yourself before buying. First of all, check all the external factors that will influence the value of your property: infrastructure, public transport, schools, hospitals, views and surroundings. How will the area develop in five years? What does the next suburb look like?

Then, there are internal factors, such as body corporate fees, the state of the building and liabilities that might arise after damage, for example. Online sites, such as LookUpStrata, provide useful information for investors and tenants alike.

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What financial security do you need to have in place before you can invest?

First of all, people have to be able to pay the deposit. Then, they will require a bank loan, which depends on their income and assets, not to forget the stamp duty and land tax. Lastly, when you sell, you need to be aware of the Capital Gains tax.

Is buying off the plan a good idea? And, which questions should people ask a property developer before signing a contract?

Buying off the plan has the advantage that you pay your deposit now, but the balance is only due when the apartment is finished. Often, the value of the property increases already in this time span. Apart from the interior design, I would ask (the developer) about the outlook, the sun direction, noise issues, and body corporate fees. Find out if there is a completed apartment that you can inspect.

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Looking ahead

"Our population is growing, and the economy is staying strong. People from all over the world have the confidence to live in Australia. And we belong to the Asian region with strong growth both in population and economy. For countries like India and China, Australia is a great place to invest. If we keep providing more housing options in an urban environment including a highly efficient public transport infrastructure, the future is looking good for investors at home and abroad."