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## Investment Property – Unit or House?

Investors,

**During our seminar we held this week, one question that arose related to purchasing a stand alone house or a unit.**

There is no right or wrong answer and it will depend on your own circumstances, your cash flow, your equity available, your taxable income and your goals. My view has been that for a starting investor, the goal should be to establish a strong platform of 3 or 4 properties that offer good rent yield and tenancy demand and have consistent capital growth. Once you have that base, you are then in a position to consider other type of properties to diversify.

Units, is boutique blocks of between 4 to 12, in good inner city locations, offers land content, generally lower maintenance compared to a free standing house, is in demand from tenants and is more affordable for both owners and investors.

In a report released on Thursday - **Units to trump houses in terms of investment profits**

While houses have typically outperformed units in terms of capital growth, the future belongs to the unit market, according to Residex.

John Edwards, CEO of Residex explained that on a very long term basis, the growth rate for units is normally some 1% to 1.5 % less than house and land assets. However, the recent data showed the differential rate of growth between the asset classes has narrowed. Last year, the growth in the housing market has been less than the unit market with Sydney units to year end 4.03% versus 0.79% according to Residex.

Edwards also noted that the volume of sales in the unit market is increasing and in fact in Sydney unit sales are higher than house and land sales. Unit growth rates in all capital cities for the last 12 months were higher than for houses and the rate of long term growth in the Sydney market over the last 20 and 10 years on average was the lowest of any Australian capital city.

"During this 10 year period Sydney has experienced supply issues, yet this market did not grow at the same rate as other markets during the period of economic boom. People simply could not afford to bid up the prices of the asset to the same extent as they could in other markets. They have sought out the affordable asset, units. It seems to us that now and in the future, affordability is going to be the main driver of price growth," said Edwards.

"This infers that the unit market is in the best situation and has the most potential for investment profits."

The data has long shown that for the Melbourne market (differing to all other capital cities) that there is little or no difference in growth rates of units and houses. There has been a marked difference in other cities yet this seems to be changing as well.

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Our business is built on referrals provided by clients, so please don't keep us a secret, feel free to forward this e-mail to family and friends interested in their own financial future. Give us a call and book an appointment to see if it makes sense for you.

If you have any questions about any of these topics, give me a call.

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