Property & Equipment Finance

IDEAL MORTGAGE Co.

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Investing in Property - New Versus Old

Let's look at the basic differences.

	OLD	**Buy Land & Build**
Value 400K	Closer to city centre	Outer suburbs
Stamp Duty	On full purchase price – dearer	On land value only - cheaper
Mortgage Costs	No real difference	No real difference
Interest Costs	Same interest rate	Same rate however will incur extra interest during construction which is tax deductable
Depreciation	May be nothing – depends on age of construction. Best deductions are in the first 5 years	Main build cost written off over 40 years with fixtures and fittings written off in first 5 years
Maintenance costs	Can be quite high due to age of the property	Virtually none in the first 5 years due to builders guarantee
Rental say $350	Older properties generally have higher tenancy changes	Tend to keep tenants longer due to good repair of property
Weekly outlay based upon same level of borrowing	After allowing for rent and lesser tax deductions owner may have to put in $150 to $200 per week	After allowing for rent and far better tax deductions owner may only have to put in $50 to $75 per week

It is important to remember that every body earns different levels of income and are on different tax scales. Also a couple buying an investment property together may not purchase it on a 50 / 50 basis to ensure they receive the maximum tax benefit.

When you buy an investment property, the decision should be based upon a financial / business basis and not on emotions.

I recommend that you talk to a finance broker who is a property specialist. They will prepare a property investment analysis for you to show what this proposed investment property will cost you per week. You will also be given an indication of the tax benefits that will apply. You then can take this report to your accountant for perusal before you commit to the purchase.

Older properties are generally closer to the city centre and more services which make them easier to rent and they may have better capital growth

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