

YOUR COMPLETE RESOURCE

# Property Investor Guide

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Everything you need to know about building your property investment portfolio

## INTRODUCTION

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Property investment is one of Australia's most proven wealth-building strategies, combining capital growth, rental income, tax advantages, and the ability to leverage borrowed funds to build a portfolio over time. Like any investment, it requires a clear understanding of the mechanics, risks, and obligations involved — and getting the fundamentals right from the start makes an enormous difference to long-term outcomes.

This guide walks you through every key stage of the investment process: how lenders assess investor applications, loan structuring strategies, the different types of investment properties, tax considerations including negative gearing and depreciation, how to evaluate performance, dealing with property managers, and how your mortgage broker supports you throughout.

A well-informed investor makes better decisions — and our role is to ensure you have every advantage before you commit to a purchase.

## STEPS TO PURCHASING AN INVESTMENT PROPERTY

Purchasing an investment property follows a clear sequence. Investors who plan ahead are far better positioned to move quickly when the right opportunity arises — and to avoid costly structural mistakes along the way.

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### Define Your Investment Strategy

Clarify whether you are targeting capital growth, rental yield, or a balance of both — this will shape the property type, location, and loan structure that suits you. Negative gearing for high-growth assets and positive cash flow strategies have very different financial and tax implications.

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### Assess Your Borrowing Capacity

Lenders assess investors more conservatively than owner-occupiers, applying a 3% serviceability buffer and using only 70–80% of projected rental income. Your existing debts and debt-to-income ratio also factor in — speak with your broker early to understand your realistic ceiling.

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### Speak to a Mortgage Broker & Tax Adviser

Your broker and accountant should work together before you sign anything. Your broker structures the loan for investment purposes; your tax adviser confirms the best ownership structure and tax implications — decisions that are difficult and costly to reverse after exchange.

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### Obtain Pre-Approval

Pre-approval confirms your borrowing capacity and validates that your target property type and postcode meet lender policy. Some property types — small apartments, serviced apartments, student accommodation — have restrictions your broker will identify before you begin searching.

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### Research & Identify the Right Property

Research vacancy rates, median rents, infrastructure pipelines, and population trends before selecting a market. Assess each property on rental yield, depreciation potential, and proximity to demand drivers — transport, employment hubs, universities, and hospitals.

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### Make an Offer or Bid at Auction

For auction purchases, finance approval and legal contract review must be completed before you bid — there is no cooling-off period. Your broker will coordinate with the lender to ensure unconditional approval is achievable within the settlement timeframe.

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### Exchange Contracts & Formal Approval

At exchange you pay your deposit (typically 10%) and your broker progresses to formal approval. Maintain your financial position throughout — avoid new debts or large purchases that could affect your serviceability before settlement.

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### Settlement & Property Management

At settlement, title transfers and loan funds are released. Have landlord insurance active from day one and your property manager ready to advertise if the property is vacant. Your broker ensures all loan documentation is prepared well ahead of your settlement date.

## LOAN STRUCTURING & TAX CONSIDERATIONS

How you structure your investment loan has significant implications for your cash flow and tax position. Getting this right before you sign any contracts is critical — once structured incorrectly, it can be costly and complex to unwind.

### INTEREST-ONLY LOANS

Many investors use **interest-only (IO) loans** to maximise tax deductions and preserve cash flow — because only interest is paid, repayments are lower and the full interest amount is deductible. IO periods are typically 1–5 years and can often be renewed; at expiry the loan reverts to principal and interest. Available up to 80% LVR for investment purposes.

### NEGATIVE GEARING

A property is **negatively geared** when ownership costs (interest, rates, insurance, management fees, depreciation) exceed rental income — the resulting loss is deductible against your other income. **Example:** a \$15,000 annual loss at a 37% marginal rate saves approximately \$5,550 in tax. Most effective for investors in higher tax brackets targeting capital growth.

### DEPRECIATION & TAX DEDUCTIONS

Investors can claim **depreciation** on the building structure (Division 43) and plant and equipment (Division 40) — a non-cash deduction that can significantly reduce taxable income without any out-of-pocket cost. A **quantity surveyor's depreciation schedule** is essential; for new properties annual depreciation can be \$5,000–\$15,000 or more.

### OWNERSHIP STRUCTURE

The **entity in which you hold your investment** — individual, joint tenants, tenants in common, family trust, SMSF, or company — has significant tax, asset protection, and estate planning consequences. Joint ownership as tenants in common can direct losses to the higher earner; trusts offer income flexibility but cannot access negative gearing. **Establish structure before exchange** — changing it afterwards triggers stamp duty and CGT.

### CAPITAL GAINS TAX (CGT)

Profit on the sale of an investment property is subject to **Capital Gains Tax**. Holding the property for more than 12 months entitles you to a 50% CGT discount — only half the gain is added to your taxable income. CGT can be minimised through strategic sale timing, carry-forward losses, or ownership transfers, all of which require advance planning with your accountant.

### CROSS-COLLATERALISATION RISKS

**Cross-collateralisation** links multiple properties as security for one or more loans, giving the lender significant control over your portfolio and complicating future sales, refinancing, and equity access. **Best practice is to keep investment loans separate and standalone.** Your broker can structure lending to preserve portfolio flexibility and maximise your control as you grow.

## RESIDENTIAL INVESTMENT PROPERTIES

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Residential property is the most common entry point for Australian investors, offering broad lender acceptance, a large tenant pool, and well-understood legal frameworks for landlords and tenants.

### Houses & Townhouses

Freestanding houses and townhouses are typically favoured for **capital growth** due to the land component — land appreciates, structures depreciate. They appeal to a wide tenant demographic including families, and vacancy rates in established residential markets are generally low.

Houses typically require higher purchase prices but offer stronger long-term growth potential. Most lenders will finance houses up to 80–90% LVR with standard policy.

### Apartments & Units

Apartments often provide **higher rental yields** relative to purchase price, lower entry costs, and reduced maintenance responsibility compared to houses. However, they carry higher strata levies, limited land content, and potential for oversupply in some markets.

**Lender caution applies** to very small apartments (under 40–50sqm), high-density developments, and certain postcodes with known oversupply. Your broker will confirm lender appetite before you proceed.

### Dual Income & Granny Flat Properties

Properties with dual income potential — such as a house with an approved granny flat — can generate **significantly higher combined rental returns** and improve cash flow. Lenders may use both income streams in serviceability calculations, though policy varies.

Council approval for any secondary dwelling is essential. Unapproved structures present insurance, liability, and resale risks that most lenders will not accept as security.

## COMMERCIAL & SPECIALIST PROPERTIES

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Beyond standard residential investment, some investors pursue commercial properties or specialist residential assets. These offer different risk-return profiles and require specific lending arrangements.

### Commercial Property

Commercial properties — including retail, office, and industrial — typically offer **higher yields and longer lease terms** than residential, often with tenants responsible for outgoings. However, they require a larger deposit (usually 30–40%), carry higher vacancy risk, and are assessed under commercial lending criteria.

Commercial lending is assessed on the property's income and location rather than the borrower's personal income alone. Specialised commercial brokers can assist with these transactions.

### SMSF Property Investment

Investing in property through a **Self-Managed Super Fund (SMSF)** allows you to purchase residential or commercial property with concessional super contributions. Rental income within an SMSF is taxed at just 15%, and gains on assets held for more than 12 months may be taxed at 10% — or zero if the fund is in pension phase.

SMSF lending (Limited Recourse Borrowing Arrangements) is highly specialised. Strict rules govern which properties can be purchased and how the fund must be structured. Always engage an SMSF specialist accountant and a broker experienced in this area.

### Short-Term & Holiday Rental

Platforms like Airbnb and Stayz have created opportunities for **short-term rental income** that can exceed long-term rental returns in high-demand tourist locations. However, lenders typically do not include short-term rental income in serviceability assessments — the loan must be serviceable on traditional rental income assumptions.

Council regulations, strata by-laws, and state legislation increasingly govern short-term rentals. Confirm regulatory compliance before purchasing a property intended for this purpose.

## DEALING WITH REAL ESTATE & PROPERTY MANAGERS

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As an investor, you will deal with two distinct types of agents: **selling agents** (who represent the vendor during the purchase) and **property managers** (who manage your property on your behalf once you own it). Understanding how each operates protects your interests at every stage.

Selling agents are engaged by and act on behalf of the vendor. Their obligation is to achieve the best outcome for the seller. Being an informed, prepared buyer — with pre-approval in place and your due diligence completed — gives you credibility and negotiating power.

The following are important questions to ask when assessing an investment property and engaging a property manager:

- ? What is the current rental income, and how does it compare to independent market appraisals for comparable properties?
- ? What is the current vacancy rate in this suburb, and what is the average days-on-market for rentals?
- ? Is the property currently tenanted? If so, what are the lease terms, bond amount, and the current tenant's payment history?
- ? What are the strata levies and sinking fund balance (if applicable)? Are there any upcoming special levies planned?
- ? What are the council rates, water rates, landlord insurance costs, and estimated maintenance budget per annum?
- ? What is your property management fee, and what does it include? What are the leasing, inspection, and maintenance coordination fees?
- ? How many properties does each property manager in your office oversee, and how quickly do you respond to maintenance requests?
- ? What is your process for tenant screening, and what checks do you conduct on applications?
- ? How do you handle rent arrears, and at what point do you escalate to formal proceedings?

**Choose your property manager carefully.** A poor property manager costs you far more than their fee — through extended vacancy, inadequate tenant screening, delayed maintenance, and poor communication. Seek referrals and interview at least two managers before appointing one.

Review property management agreements carefully before signing. Pay attention to notice periods, fee structures, how maintenance authority limits are set, and whether the agreement is tied to a specific manager or the agency as a whole. Your broker can refer you to reputable property managers in your target market.

## EVALUATING INVESTMENT PERFORMANCE

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### Gross Rental Yield

Gross yield is calculated by dividing annual rental income by the property's purchase price, expressed as a percentage.

**Example:** A property purchased for \$600,000 renting at \$500 per week (\$26,000 per annum) has a gross yield of 4.33%.

Gross yield is a useful comparison tool but does not account for expenses. Higher-yielding properties in regional or outer-suburban markets often have lower growth potential. Inner-city growth markets typically have lower yields.

### Net Rental Yield

Net yield deducts all property expenses — management fees, rates, insurance, maintenance, body corporate — from rental income before calculating the return. This is a more accurate picture of your actual cash return.

**Net yield is typically 1–1.5% lower than gross yield** once all costs are accounted for. Use net yield for meaningful property comparisons and cash flow planning.

### Cash Flow (Pre & Post-Tax)

Pre-tax cash flow is the difference between your rental income and all property costs including loan repayments. Most negatively geared properties produce a pre-tax cash deficit.

**Post-tax cash flow** accounts for tax refunds (from negative gearing and depreciation) and presents the true out-of-pocket cost of holding the property.

Always model your investment on both bases. Discuss the cash flow implications with your accountant before committing.

## KEY METRICS & WHAT THEY MEAN

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### Capital Growth Rate

Capital growth is the annual increase in your property's value. It is the primary wealth-creation driver for most Australian investors. Long-term average capital growth in well-located Australian capital city markets has historically been 6–8% per annum — though this varies significantly by market, cycle, and property type.

Research historical growth rates, population trends, and infrastructure investment pipelines when selecting a growth market. Past performance does not guarantee future results.

### Debt Service Coverage Ratio (DSCR)

The DSCR measures whether rental income alone can service the debt. A DSCR above 1.0 means the property is positively geared — rental income exceeds debt repayments. A DSCR below 1.0 indicates negative gearing, requiring income top-up from you.

**Commercial lenders** use DSCR as a primary metric.

Residential lenders focus more on the borrower's overall income, but understanding DSCR helps you assess portfolio cash flow sustainability as it grows.

### Loan-to-Value Ratio (LVR) & Equity Growth

As your property appreciates and your loan reduces, your LVR falls and equity builds. When your LVR reaches 80% or below, you can access this equity to fund deposits on additional investment properties — **this is the engine of portfolio growth** for most experienced investors.

Your broker will review your portfolio's equity position periodically and advise when sufficient equity exists to support your next acquisition without disrupting existing loan structures.

### Total Return

Total return combines rental yield and capital growth. A property yielding 4% gross with 5% annual capital growth delivers a **total return of approximately 9%** before tax and expenses — well above most alternative investment classes over the long term.

Evaluate investments on total return rather than yield or growth in isolation. The right balance depends on your income tax bracket, cash flow requirements, and investment time horizon.

## HOW YOUR FUNDING WORKS

Understanding how your investment purchase is funded — and where every dollar comes from — is essential to arriving at settlement without surprises and ensuring your loan is structured for maximum tax efficiency. Investors often have access to equity from existing properties, which changes the funding equation significantly.

### YOUR DEPOSIT & EQUITY ACCESS

Investment purchases typically require a minimum 10–20% deposit. If you own your home or another investment property with sufficient equity, you may be able to access that equity as a deposit — using a separate loan split or line of credit — rather than using cash savings.

**Important:** The deposit loan should be structured as a separate investment loan (not linked to your owner-occupied loan) so that interest on the deposit facility remains tax deductible. Your broker will structure this correctly from the outset.

### COSTS BEYOND THE PURCHASE PRICE

In addition to your deposit and loan, you will need to budget for: **stamp duty** (investors do not qualify for first home buyer exemptions), **legal/conveyancing fees**, **building and pest inspection**, **Lenders Mortgage Insurance** (if LVR exceeds 80%), **landlord insurance**, **property management setup fees**, and **quantity surveyor depreciation schedule**. These costs are typically not financeable and must come from available funds.

### EXAMPLE FUNDING BREAKDOWN — \$750,000 INVESTMENT PURCHASE AT 80% LVR

Purchase Price	\$750,000
Deposit (20% — no LMI)	\$150,000
Stamp Duty (NSW — investor rate)	~\$29,000
Legal / Conveyancing Fees	~\$1,500–\$2,200
Building & Pest Inspection	~\$500–\$800
Quantity Surveyor (Depreciation Schedule)	~\$700–\$1,200
Landlord Insurance (first year)	~\$1,200–\$2,000
Proposed Investment Loan (80% LVR)	\$600,000
<b>ESTIMATED TOTAL CASH REQUIRED</b>	<b>~\$183,000–\$185,000</b>

Note: All figures are estimates only. Stamp duty varies significantly by state. If accessing equity from an existing property, cash requirements may be reduced or eliminated. Your broker will provide a personalised funding breakdown based on your specific situation and equity position.

## WHEN TO TALK TO YOUR MORTGAGE BROKER

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One of the most important decisions an investor makes is not which property to buy — it's how to structure the purchase. Getting your lending structure right from the very first investment sets the foundation for sustainable portfolio growth. Your mortgage broker is a critical part of your investment team at every stage.

Investors who engage their broker early — and regularly — build portfolios more efficiently, avoid costly structural mistakes, and are positioned to move quickly when the right opportunity arises.

### BEFORE YOU SETTLE ON A STRATEGY

If you are still deciding whether to invest, where to invest, or how much to spend, speak with your broker first. Understanding your borrowing capacity, equity position, and serviceable portfolio size before you engage a buyer's agent or begin searching gives you a realistic framework to work within — and ensures you are not targeting properties outside your reach or below your potential.

### BEFORE YOU ENGAGE A TAX ADVISER ON STRUCTURE

Your broker and accountant should work together to determine the optimal ownership and loan structure for your investment. Loan structure (separate splits, offset accounts, interest-only periods, cross-collateralisation avoidance) affects how much tax you can claim and how flexible your portfolio remains as it grows. Engaging your broker before finalising structure with your accountant ensures lending feasibility is confirmed first.

### WHEN YOU IDENTIFY A PROPERTY

Contact your broker as soon as you find a property you are seriously considering. Your broker will confirm the property type and postcode meet lender policy, check that your pre-approval parameters are appropriate, and begin progressing the formal application. In competitive markets, speed matters — having your broker already briefed on your situation allows for faster turnaround.

### ANNUALLY — PORTFOLIO REVIEW

Your broker should conduct an annual review of your investment portfolio — reassessing your equity position, reviewing interest rates, checking whether refinancing could reduce costs or unlock equity for the next purchase, and stress-testing your portfolio's serviceability as interest rates and market conditions change.

Investors who review their lending annually consistently outperform those who set and forget their loans. Rate improvements and equity access are too important to leave unmanaged.

**Your broker works for you — not the bank.** Our role is to understand your complete financial picture, identify the lender and product that best suits your investment strategy, and structure your lending to support long-term portfolio growth. We are paid by the lender at no direct cost to you, and our obligation is to act in your best interests at all times.

Property investment is a long game — and the right broker is a long-term partner, not just a transaction processor. Whether you are acquiring your first investment property or refining a multi-property portfolio, we are here to help you build wealth strategically and sustainably.