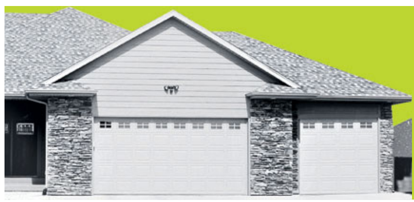

First-home buyers are being driven out of the property market by a "triple whammy" of higher interest rates, tougher lending conditions and a winding back of Federal Government incentives, mortgage broker Loan Market says

Set your goals in concrete

3 GOLDEN RULES PROPERTY INVESTING

CAROLYN Majda, the general manager of landlord insurance firm Terri Scheer Insurance, has land and housing investments in South Australia and says investors often have to choose whether they want to get growth or income from their properties.

1. SET A TARGET
Have an end goal in mind. Think about having a written plan, as it's easier to achieve something if you have concrete goals. Know why you are investing. Personally, I invest in property to ensure that we will be able to live well in retirement.

2. KNOW YOUR RETURNS
Decide whether you want to achieve capital growth or rental yield. It's unlikely you'll be able to achieve both in the same property, but each has their place in an investment strategy. Some people think about investing for tax reasons. That's the wrong reason – you shouldn't invest just to get a tax deduction.

3. PROTECT YOURSELF
Cut risk as much as possible. Hire a property manager, and buy a tailored landlord insurance policy that provides cover against loss of rent as well as damage caused by tenants. Inspections are also a good way to ensure the tenant is taking care of the property.

Housing and land investor Carolyn Majda. Picture: Dean Martin

Income key to rentals

Anthony Keane

RENTAL income for property investors is becoming more important amid rising interest rates and a clouded outlook for capital growth.

Four Reserve Bank rate rises since September have pushed up the cost of investing in real estate, while growth in rental yields has been modest.

Latest data from Australian Property Monitors shows Adelaide's median weekly asking house rent climbed 6.7 per cent last year to $320 a week – the second lowest of Australia's capital cities, behind Hobart.

Rental yield growth for units was slightly stronger, up 8.3 per cent to $260 per week.

The outlook for house price growth is debatable, with some predicting a boom and others arguing Adelaide's housing is already among the world's most unaffordable, and the only way is down.

Oracle Lending Solutions director Angelo Benedetti says investors need to ensure their properties have good prospects for both growth and income.

"Yield is very important because as interest rates rise, the cost of borrowing also rises," he says.

"The best yields are normally in the northern suburbs, where the cost to get in is not too high and there is a lot of investment and infrastructure happening. Also, some regional areas in SA and interstate are showing high yields because of strong demand from the mining industry."

A new initiative offering higher incomes for investors is the National Rental Affordability Scheme, designed to put more renters into affordable homes and recently opened to private investors in SA.

Benedetti says the NRAS is "a great initiative for all" as it offers investors an extra income stream through government incentives.

Developer Devine won the government contract to supply homes in SA for the NRAS at its estates at Andrews Farm, Munno Para, Old Reynella, Aldinga and Mount Barker.

Under the scheme, investors offer their properties at 80 per cent of market rental value but get a payment from the Government worth more than $8000 through their tax return.

Devine SA general manager Steve Weightman says tenants qualify if their annual income is below $40,000 for a single or up to $90,000 for a family with three children.

He says 90 home and land packages have already been sold, from an available 388, and demand from renters is strong.

Affordable Housing Consulting director Paul Mitchell, who faciliates the scheme's application process in SA, says a higher yield is effectively "de-risking an investment".