

You don't have to look before you buy

Margaret Lomas says that in property investment seeing is not always good for believing.

CASE STUDY: A woman once asked me, "How can you buy property in an area you don't know?" She added that she would prefer to buy in an area she did know.

I asked her a few questions about her area: its population; its growth; un-released land; council development plans; vacancy rates; commercial occupancies . . .

She had no answers, so I asked, "What do you know about your area?"

"I know where the buses go," she said. That was nice to know, but it was hardly crucial information to ensure buying an investment that would not only deliver strong growth but would perform for you, year in, year out.

I reassured her that, in fact, I too never bought in an area I did not know — but that I always made sure that, by the time I was ready to buy in a specific area, I knew it better than most locals.

Another problem people have when they want to invest is that they tend to cast their net 5-10km around where they live. I think the reasons for doing this are several:

■ They have chosen to live there, so it must be a good area.

■ It is far less scary to buy property close to where they live.

■ They look before buying

to make sure its OK.

■ They can keep a regular watch to ensure the tenants are looking after it.

Before deciding that you want to invest in property, you must ensure that you have the right mental attitude.

You are not buying something you are going to live in yourself, so your instincts may not be appropriate under such circumstances.

Also, it is your financial future you are thinking about, so you should put your business hat on and behave in a businesslike manner.

If you were about to buy shares in a retail company, would you visit its stores and check out the decor and staff before making your decision. Probably not — and the same logic should apply to property investing.

Research and a few basic facts will do far more for you than your eyes ever will.

That being the case, you must be able to expand your horizons in terms of search criteria and be aware of the following:

■ Your area represents probably less than 1 per cent of the total available opportunities in Australia. If you insist on buying in your own suburb, town or city, you are missing out on the other 99 per cent of opportunities.

■ When you have one or two properties, it is relatively easy to drive past to check up on them. But what if you build a bigger portfolio? We have 35 properties. If I wanted to drive past them all on my way home from work, I would never get home.

■ You must choose to be a property investor, not a property manager. For the few after-tax dollars a week it costs to have professional management, it is simply not worth your time to oversee and manage your properties, even though I do admit property managers can sometimes, for whatever reason, be a problem.

■ If you insist on looking at all the properties you are potentially going to buy, you are either going to spend a lot of money travelling while you search, or you will buy a lot of property in the one area.

Although property behaves in cycles, it does not behave in the same cycle everywhere. When one area booms, another plateaus. So, for a good spread and higher than average growth across your portfolio, it makes no financial sense to buy all your property in the one area.

If you are worried about not seeing a property before you buy, do not be.

People always ask me how I can buy a property I

haven't seen. And what if it had a giant problem that I would somehow be able to detect simply by viewing the property before buying? I assure them that even if I looked at it, I probably would not be able to tell that there was a problem. I am not a building inspector and I have no special expertise in this area.

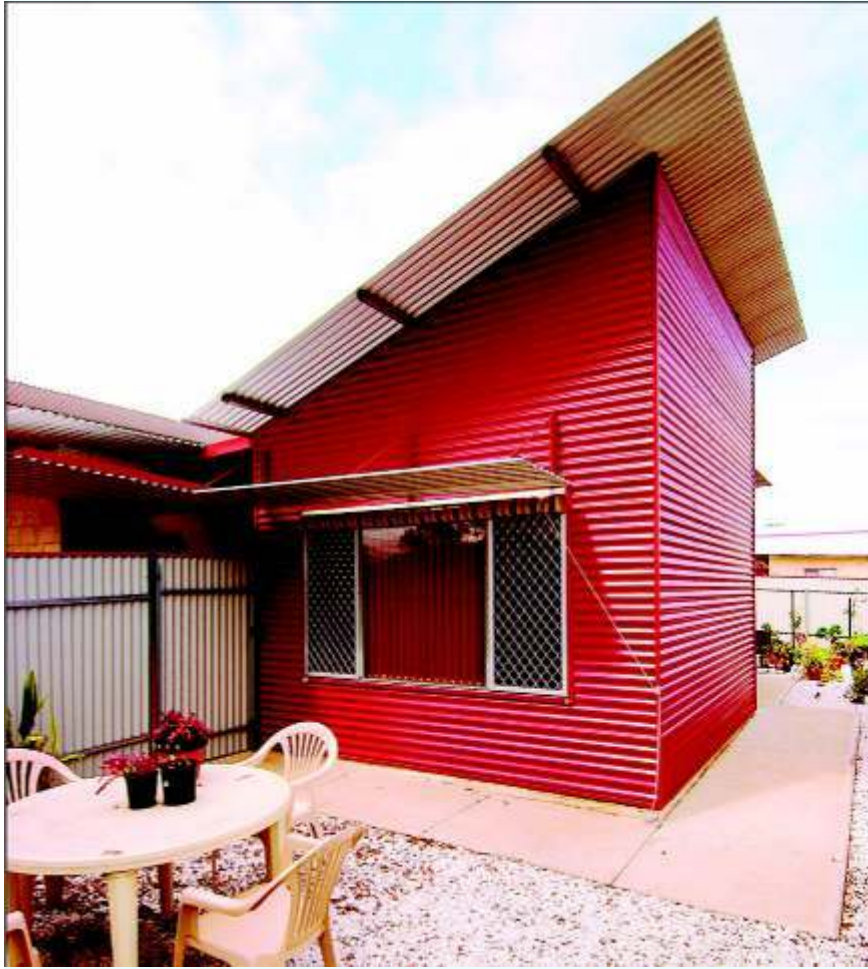
In reality, all that viewing a property can do is make you feel good about it. Feeling good is not a suitable prerequisite for ensuring that the property is viable as an investment.

My husband and I have not seen most of the properties we have bought, but I have asked the 20 questions about all of them.

Once those questions have been answered, and the relevant pest and building inspections have been done, there is nothing that looking at a property can do to change its viability as an investment.

And when I think of some of the properties we do own, which are growing well and giving us rent every week, I am sure that looking at them would have deterred us from buying.

Once you learn how to do the important research from afar, and allow your emotions to play no part in the process, you will begin to invest widely and more successfully than ever.



LOOKS ARE NOT EVERYTHING: Just concentrate on the facts