

PHASE III BUSINESS CONSULTING PTY LTD

Residential Property Checklist

Pre-Purchase

<input type="checkbox"/>	<p>Conducted research on location ?:</p> <ul style="list-style-type: none"> • Public transport-ideally train • Schools- primary & secondary • Shops –banks, supermarkets, cinemas • Adjoining area – houses, units, townhouses, commercial ? • Adjoining properties brick, timber, period ? • Distance from CBD- less than about 45 mins ?
<input type="checkbox"/>	<p>Tested the area for pricing:</p> <ul style="list-style-type: none"> • attended auctions and private sales openings • researched newspapers for indicative price ranges • checked out rental pricing with at least 3 agents • what is the average vacancy rate • is the rent required by you from property attainable in the area • checked out land value vs total property value
<input type="checkbox"/>	<p>Financing:</p> <ul style="list-style-type: none"> • modelled potential returns and risks • prepared a financing proposition for financiers • assembled personal information (income, expenses, equity in home) • determined whether interest only or interest and principal • determined reasonable borrowing level • aim to borrow against value, not contract price • obtain approval for deposit bond or bank guarantee • mortgage insurance required • negotiate with financiers and obtain approval
<input type="checkbox"/>	<p>Due diligence performed:</p> <ul style="list-style-type: none"> • checked for major road changes • any potential building restrictions in area • potential for dual occupancy • rent demand in the area • pictures taken of property's condition • pre-purchase inspection arranged • designed by 'brand name' architects • what is the <i>land value</i> component of the whole property • ascertained 'bank' valuation of property • is property eligible for building depreciation-year constructed
<input type="checkbox"/>	<p>Negotiation and approach:</p> <ul style="list-style-type: none"> • how long has property been on the market • look professional in approach-be taken seriously-particularly if dealing with developers • have business card • seek discounts if dealing "off the plan" • cheque book in hand-demonstrate willingness to buy, get agent on side • avoid auctions- focus on private sales (or buy after auction passed in)
<input type="checkbox"/>	<p>Contract Signing:</p> <ul style="list-style-type: none"> • arranged solicitor for review and conveyancing • conditional clauses inserted-bank finance, inspection, guarantee etc • use of deposit bond or bank guarantee instead of cash • negotiate longest settlement period available • arrange insurance on building (and contents if necessary) • negotiate for early access if possible

Purchase

Renting the Property

<input type="checkbox"/>	<p>Renting the property:</p> <ul style="list-style-type: none"> • negotiate the rental yourself- even if you use an agent to find the tenant. • Pay the agent the finder's fee & give it management • ask agents for references they currently rent for-(ring them) • look for agents with large rent rolls • check and re-add all agents' statements • set conditions upon which you want to be contacted • add value –consider providing boutique furniture, air conditioning, cable TV • consider giving away the furniture after 5 years to induce, say a 5 yr lease • get quantity surveyor to prepare tax depreciation schedule • consider maintaining the gardens/property to add value • consider slightly underpricing the rental • what is the basis of rent reviews/adjustments • ensure references are conducted on potential renters • buy and read the Residential Tenancies Act
<input type="checkbox"/>	<p>Optimising Taxation Position</p> <ul style="list-style-type: none"> • consider ownership issues (single or joint or tenants in common) • record all costs of purchase • keep costs separate from private/domestic costs • retain and file receipts for all transactions • assess any home office expenses (ie computer to maintain rental records etc) for deductibility • consider need to lodge a Section 1515 variation of tax • review checklist of potentially deductible items • consider using diminishing value method of depreciation • prepare and lodge early-(obtain any refunds quickly) • consider June repairs rather than July (timing) • consider having larger repairs done by vendor prior to purchase and negotiating the tax-effective cost to add to property
<input type="checkbox"/>	<p>Understanding rental properties and taxation</p> <ul style="list-style-type: none"> • losses from rental properties are generally deductible against other income, ie salaries & wages • if interest expense exceeds rental income then the property is said to be 'negatively geared' • generally only residential properties built after 1985 are eligible for <i>building</i> depreciation • major repairs conducted in the early period of ownership are likely to be construed as capital, and not deductible against regular income • major repairs that <i>improve</i> the condition of the property over its original condition are generally of a capital nature and not able to be expensed • the taxation laws allow taxpayers to have their weekly/fortnightly/monthly salary & wages income tax installments reduced, based on the anticipated loss from the property-there is no need to wait until your return is lodged to get the cash benefit of the loss (if there is one) • the eventual sale of the property may incur a capital gain which is taxable

If you would like help to establish a business, or would even just like to discuss your business issues more fully, please contact Gerald Smith, Director of **Phase III Business Consulting Pty Ltd**. Ph: (03) 9841-0504 Fax: (03) 9841-0721 or E-mail gsmith@phaseiii.com.au – or visit our website at www.phaseiii.com.au

Disclaimer

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