

MY FIRST HOME

Don't compromise on value



A straw poll shows that location is the clear winner for first-home purchase priorities, writes **Andrew Winter**

Those of you who regularly follow my articles will know I recently poured scorn on complaining first home buyers. The reasons why? It was mainly regarding their lack of acceptance of what their budget would allow; a complete lack of vision; a refusal to undertake any, even very minor work or consider a home that was anything less than decoratively a display home.

It was their lack of compromise that rattled me. My first home was ugly, needed work and in an area I didn't want it to be, so I compromised.

Understandably my article received a couple of adverse responses. However, there are always two sides to every story, so I decided to find out directly

from first-home buyers just what their priorities are.

Best way to discover that is to ask, so I did using social media. (My wife, head of my social media department did assist of course.) Last week I asked the question one evening online and received more than 100 responses.

This is a small sample, but the diversity of areas and price ranges made the information pretty insightful.

There was one clear winner on the question of what buyers want in a first home and that was location. Location seemed to be so important to so many.

I was delighted that many were happy to compromise on space, garden size, condition and decor just to secure

the location of desire.

Next was budget and value for money. The young buyers wanted to think they had value for money and either kept to their budget, or in quite a few cases had compromised the whole property/location just to keep under budget for security and peace of mind. Many planned for the future, allowing room to expand at a later date, and numbers were equally split between renovators and those who wanted a walk-in property.

A number had been actively avoiding the huge modern homes in distant new estates on crammed blocks. A few just wanted to escape the rental trap, not solely for investment reasons, but wanting a real home of their own. In fact the investment factor was hardly mentioned, which delighted me, as I believe the best chance of making money long-term on your purchase is if you

choose a dwelling that makes a potentially great home — if it does for you, it is most likely to appeal to owners of the future, who generally pay better prices.

So could I have been wrong in tarnishing first home buyers as a lazy bunch? These findings contradict what a few agents had told me in the past and my personal experience this year. In my defence and as someone who has worked with this buying demographic over the years, that ability to compromise is easier said than done.

I believe location should come in second place to budget and value for money. My first purchase was all about budget and was certainly not in a desirable location. That area has not changed in three decades, but that house was affordable and made a very healthy profit. Did I like living there? No. But it allowed me to fund house No.2 that I did like.



Rick and Lee Orellana at their rented home in Ryde. Picture: Justin Lloyd

Perfect formula that pays

BETTER Homes and Gardens presenter Tara Dennis (below) moved into the property market through "rentvesting".

"In the '90s I bought my first investment property. I was renting at the time and a good friend gave me some helpful advice. He said, 'If the property price is say \$100,000 then the rent needs to be at least \$200 per week to be truly positive after all costs.'

"With this formula in mind, I saw a very modest three-bedroom house for sale in another city for \$80,000 which was being rented out at \$160 per week. I made an offer the very next day. I still own the house and it continues to be positively geared. If only I could have bought 10 of those."

She said it is a formula that can still work today.

"For young people, I think buying an investment property first can be a good way to get into the market."

'Rentvesting' a smart strategy

BEING close to work and family, along with having a beautiful home to live in were all top priorities for Lee Orellana when she was considering buying her first home.

But when her wish list did not add up with her home-buying budget she decided to be a "rentvestor" instead.

That way the 45-year-old expectant mum and her husband Rick get to live in their dream home, a four-bedroom renovated bungalow in Ryde, which they rent.

Mrs Orellana has also got

into the property game, buying a one-bedroom investment apartment in Dulwich Hill.

"If I was to have bought the house I live in now it would have been very strenuous to pay the mortgage," she said.

The mortgage on the Dulwich Hill apartment meanwhile, which she bought 18 months ago, is covered by the rent. "We were able to rent it out from the first weekend that we advertised it," she said.

She has also seen the

price of her property grow from its \$450,000 purchase price to a current valuation of \$550,000.

Not having such a heavy mortgage works for the couple as Mrs Orellana prepares to take maternity leave and her husband undertakes further training for a career change.

Leading real estate figure John McGrath points to "rentvesting" as a key real estate trend.

"First home-buying has tapered off in many areas now that government grants

only support the purchase of new or off-the-plan dwellings," Mr McGrath said.

"That's why it's great that many young buyers have taken a different course in markets like Sydney, which has become very expensive in the inner city areas.

"With interest rates so low right now, it's possible even in Sydney, for 'rentvestors' to find a good quality property in an affordable area where the rent will cover all, or at least most, of the mortgage repayments from day one," he said.

Chris Gray, Founder of your Empire and speaker at the upcoming Property Buyers Expo to be held at the Sydney Showgrounds from October 30-November 1, said building a property portfolio while renting was a smart move.

"This renting investment strategy is becoming more popular as property prices continue to rise and first home-buyers struggle to live in their dream location," he said.

JEN MELOCCO

