7 Reasons why you should invest in property

Australians invest more in real estate than any other investment class, with more than 2 million of us owning at least one investment property. It's easy to see why we love property so much – it's an asset that appreciates, generates income, offers generous tax advantages, and can be leveraged as a wealth creation strategy.

If you're asking yourself, "should I buy an investment property?",

Here are our top 7 reasons why property investment could make sense for you:

1. There are attractive tax incentives on offer

If your property is negatively geared (when the rental return is less than your interest repayments and outgoings), the ATO allows you to claim a range of tax deductible expenses which can lower the amount of tax you pay each year.

While there are certainly more generous depreciation deductions for newly constructed properties, owners of older properties can claim significant deductions for structural and fixed items contained within an investment property. For plant and equipment depreciation (the assets within your property that are considered 'easily removable', such as dishwashers and ceiling fans), different rules apply, depending on when you bought the property and whether you purchased the assets brand new, or acquired them second hand. It's always advisable to speak to a taxation specialist to learn more about what exactly you're entitled to, and when you can claim it.

2. Your tenants pay your mortgage

If you are investing in a property to occupy it with tenants, your rental income will help pay down your mortgage. It means you get to sit back and watch your investment grow in value while your tenants help you pay off your investment.

3. Banks love property investment, too

It's no secret that lenders are currently under increased pressure to ensure that borrowers are comfortable with their repayments for the term of the entire loan. While there's certainly more scrutiny of investor loan applications at the moment, we are still brokering competitive finance for our investment clients every week.

There's a good reason why banks are keen to lend to qualified investors: Australian banks have more than 60% of their balance sheet dedicated to housing, meaning they have a lot riding on the continual growth of residential property. Banks and financial institutions prefer lending money to investors for property more than any other type of investment because they know property is a solid investment – Australian residential property outperformed all other asset classes for the 10 and 20 years to 31 December 2017.

4. You can leverage property to reinvest

Lending institutions will allow you to leverage the equity in your property to reinvest. For example, if your investment property is worth $700,000 and your mortgage is only $450,000, the bank will often allow you to use the equity (a portion of the $250,000 difference) in your current loan as a no-cash deposit to purchase another property.

5. You can make improvements to increase its value

If you own an investment property, you can make strategic improvements to your property to uplift its overall value, create instant equity, and attract higher rental income. Buying property that can later be sub-divided or developed can equal massive profits. Keep in mind that you'll need to make sure it's in an area that's zoned correctly and apply to local council for approval; the rules can vary considerably across the country so be sure to check with your local council before making any decisions. For example, in NSW, if you're planning to build a granny flat as a second dwelling on your block– you're no longer required to submit a Development Application to council, as long as your application meets the minimum Complying Development requirements.

6. You can diversify your portfolio

We always encourage our clients to diversify their portfolio to spread out the risk. Property is a tangible asset that plays an essential part in any well-diversified portfolio.

7. You can use your super to purchase an investment property

Self-managed super funds can also be used as an incredibly tax-efficient way to invest in property. However, there are some quite complex rules that you don't want to fall foul of, so seek advice before going down this route.

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