THE HOME FRONT

Top tips for both sides in the property tug-of-war

FIRST TIME BUYERS

- Prepare a budget and savings plan. Research all potential grants available
- Visit the "Buying a home" section of website www.moneysmart.gov.au
- Research lenders and home loan products
- Contact your lender to see how much you can afford to borrow, factoring in buying costs
- Pinpoint the best location or the best property style in your price range
- Target these areas and housing styles for several months (or years), visiting open for inspections and making a note of prices
- Create a checklist of the features you want, such as number of bedrooms, bathrooms, land size and car parking
- Narrow your search by deciding your highest priorities, including location, housing style, features and local amenities
- Get a building inspection before making an offer• Get finance pre-approval in writing

Sources: Resi Mortgage, realestate.com.au, moneysmart.gov.au

INVESTORS

- Devise a plan: what are you trying to achieve from a property investment?
- Research your options and educate yourself about this type of investing
- Focus on property that will appeal to a wide range of tenants and future buyers
- Assemble a team of advisers such as bankers, accountants, solicitors, independent property advisers, property managers and mentors
- Save a deposit — save more and spend less
- Decide on best ownership structure (own name, joint names, company, fund or trust)
- Get finance pre-approval, typically an interest-only loan.
- Research and decide the location and housing type. Think twice about unfamiliar areas
- Set up risk management strategies and life, income and landlords insurance• Constantly monitor cash flow while the property is rented

Sources: Metropole Property Strategies, moneysmart.gov.au

Bid dream farewell

As the clamour for property reaches fever pitch, investors are crowding out first-time buyers, writes **Karina Barrymore**

THE property battle is hotting up as first-home buyers and investors clash at property sales around the country.

Record numbers of investors, backed by equity in their existing homes, are pushing deeper into the property market and pushing aside cash-strapped first-time buyers.

According to latest statistics from interest rate research company RateCity, investors now make up the biggest buyer group, accounting for 45 per cent of new home loans.

Those upgrading their home make up 44 per cent and first-home buyers account for just 11 per cent.

"Investors have been ramping up their presence for some time and now account for the biggest proportion of all new home loan dollars, making it harder for first-home buyers to get a foot on the property ladder," RateCity chief Alex Parsons says.

Traditionally, first-time buyers make up about 15 per cent of new home loans, although the figure surged to 33 per cent — equal with investors — in 2009 when government grants for new and first-homebuyers peaked peak.

Recent law changes to allow superannuation funds to borrow and purchase investment property are "adding fuel to the fire", Mr Parsons says.

And it is the cheaper end of the property market that is attracting the hottest competition between investors and first-time buyers.

Lisa Montgomery, chief executive of mortgage broker Resi, says the combination of low interest rates and recovering consumer confidence is causing the clash.

However, she expects the competition to reduce as more property comes on the market.

"There is no doubt that first-home buyers are finding it very difficult to compete with cashed-up investors in this market," Ms Montgomery says.

"With minimal stock on the market, some investors have been prepared to pay over reserve to secure property, placing first-home buyers in the back seat.

> **Investors have been ramping up their presence and now account for the biggest proportion of all new home loan dollars**
>
> RATECITY CHIEF ALEX PARSONS

"Investors are taking advantage of historically low interest rates as well as growing equity in the family home to leverage into investment property, particularly at the low end of the market.

"But as stock levels improve we hope to see the percentage of first homebuyers increase."

However, any further interest rate cut might bring even more buyers from all groups in to the market, she says.

JP Morgan also reports fewer first-time buyers. Investors switching money into property have driven recent house price increases, the investment bank's analysts say.

Low interest rates mean investors can't earn as much from cash-style assets such as term deposits, JP Morgan analyst Tom Kennedy says.

At the same time, the low rates make mortgage repayments cheaper, so property is more attractive.

"With first home buyers already under-represented in the housing market, it appears these buyers are now at risk of being increasingly priced out as investors drive prices higher," Mr Kennedy says.

As young people are priced out of the market they are also forced to rent for longer, which is further encouraging investors to buy properties they can rent out, he says.

However, it's not all doom and gloom for young buyers.

Realestate.com.au recently reported that 46 per cent of market "lookers" are first-time buyers, compared with only 28 per cent last year.

Financial research company Canstar also says that first-time buyers are increasingly prepared to make greater financial commitments to save and purchase a property.

"Owning a home is part of the great Australian dream and for many people it's a long-term wealth-building strategy," Canstar research manager Mitchell Watson says.

"As well as the financial aspects, for many people owning their own home gives them a great sense of personal satisfaction.

"It is certainly a goal that has become more challenging over the past decade with average loan repayments outstripping inflation in every state."