New year, new plans: Your strategy for 2019

It's time to undertake the annual ritual of stepping back and looking at the year that was, and deciding how best to plan for the future. This year has been particularly eventful for property investors, and most people welcome a break to reflect on the state of their portfolio

AFTER several years of outstanding growth, the real estate boom in Sydney and Melbourne has peaked in the current cycle, and investors around the country should be taking this opportunity to reassess their strategy going into the new year.

It's even more important this year to undertake a review following a number of big shifts (and likely more to come). The royal commission, APRA's macroprudential measures and the material tightening of depreciation rules that were introduced in the last budget have meant big changes for property investors.

Now that the sun has set on 2018, make time to reflect on the recent upheaval we've seen across the country and evaluate whether or not your big plans for 2019 will still be viable in the current climate. The following are a few things to keep in mind.

Beware oversupply issues

Apartment oversupply is proving to be a major issue for investors in the big cities, and it will only get worse as the buildings currently under construction are completed. 2019 is not the time to be buying an apartment off the plan, especially in Sydney or Melbourne. If that was on your agenda, perhaps reconsider investing in a freestanding house. Look for growth corridors in suburbs where infrastructure spending and development are attracting both young people and families.

OUR EXPERT

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New or old properties?

High depreciation improves an investor's cash flow by thousands of dollars a year. With the material curtailing of depreciation for second-hand properties that was introduced in the 2017 budget, it makes so much more sense to consider buying new and reviewing your acquisition strategy accordingly.

Keep a close eye on interest rates

Interest rates have remained on hold at record lows for some time, but these favourable conditions can't last forever. Some of the big banks are already raising their rates, out of step with official changes. Now could be the perfect time to lock in a low interest rate in the event that the RBA or individual lenders see fit to lift rates in 2019. Fixing your rate now could save you thousands in interest if rates should creep up. Don't forget to shop around with the advice of a mortgage broker, as your regular bank may not be offering the best deal on the market. If they won't match the rates you've found elsewhere, be prepared to follow through on your threat to refinance. Loyalty can cost you big time when it comes to home loans.

Consider broadening your horizons

While Sydney and Melbourne have peaked and may not be the investment goldmines they were a few years ago, there are many other regions outside of these major capitals that are still ripe for the picking. For example, house (not apartment) price growth in Brisbane is forecast to be strong in 2019. Doom and gloom stories in the media, spruiking price falls and negative equity, tend to be focused around Sydney and Melbourne. If you can open your mind to investing a bit further out while still within commutable distance of capital cities, you may find yourself reaping big rewards. YIP