

Investment Property

Should I buy a house, apartment, unit or townhouse?

(For the sake of convenience in this document, the word 'unit' will also mean apartments, villas and townhouses)

The main reason for investing in houses over units is that houses have a **greater potential for growth***, because a greater content of land is attached to houses.

This occurs because land follows the principle of supply and demand, and since developable land is in short supply, good growth can be expected. With apartments however, a huge capacity still exists to build more, as low density homes can be knocked down and replaced with large unit blocks.

The land content attached to homes also results in this dwelling type being **less risky*** and therefore better suited to the cautious investor. This is particularly the case at the beginning and ending of the housing cycle, where units are more affected by price drops or stagnation than houses.

A greater capacity also exists, to increase your home's value*. With units there is only so much renovating one can do. You can update the kitchen, replace the carpet or freshly paint the walls. With houses however, renovations can be far more extensive. One can add an extra bedroom or landscape the garden, significantly increasing your property's value. Another option at a later time is to develop units or townhouses on the site.

With free standing homes you are also **not paying Body Corporate fees to maintain communal areas***. This is particularly the case in newer unit blocks where maintenance of the "life style" facilities such as the lifts, gymnasium or pool can be costly.

Beyond the financial side there are also other advantages. As a home owner you have **greater freedom to develop your property*** even in small details of colour the way you want without approval from other tenants or landlords.

One could also argue that in most cases **houses provide a better quality of living***. Houses are more family orientated with gardens for children to play in and are also more pet friendly. Residents also enjoy greater privacy and if you're unlucky enough to have drummer living next door at least there is more than a wall between you and them to minimize the noise.

Avoid Two Storey

Whilst you may have a personal preference for two story, the majority of people do not. Two storey adds unnecessarily to the cost of your build plus, is an unacceptable lifestyle choice for many buyers. In simple terms, more people prefer single storey than two. Physically, it is just much more demanding and less convenient to live in a two storey house, unit, apartment or whatever.

Bigger Resale Market

The fact is that over 80% of all residential property is houses and both investors and owner occupiers own houses.

Whereas investors represent the big majority of unit owners. Hence, when the time comes to resell your property, you can tap into the largest resale market being owner occupiers.

Units just limit the size of your resale market. This means slower turn-around time to sell and in slower times, lower prices than houses.

What to do?

In summary, houses are usually the better investment as they are generally less risky and provide better capital returns. However, not all houses are worthy of investment.

Many houses lack quality design. Quality does not mean it has to be opulent or use the most expensive fittings but it does mean attention to detail. Designing a home as if it were your own would be a good start.

This would mean a good floor plan with good specifications and design features.

If you would like to know how to buy an investment home that satisfies the criteria of 'quality design and features' without becoming opulent, then phone or contact, it is obligation free.

Phone: 0419 556 783

Or

Contact at <http://www.about-investment-property.com>

Sources: *J C F Edwards of Residex Pty Ltd, property research 5-December-2007