

*Happy New Year and welcome to another issue of Conveyancing Solutions Focus!*

**It feels like just yesterday when we welcomed in 2007 and here we are in 2008! This New Year issue of Conveyancing Solutions Focus is jam-packed full of information and news relating to all things conveyancing!**

In this issue, we'll talk about researching the property

market, the importance of insurance when it comes to home improvements and why it is absolutely vital to conduct a pre-purchase inspection before you settle.

It's essential information for you particularly if a property purchase is on your 2008 'To-Do' list, so, sit back, relax and enjoy!

## ***The key to successful property investment: Research!***

"Location, location, location"! That was and often, still is what many people regard to be the big motivation for a property purchase. Location drives a lot of people to make the decisions they make when it comes to buying.

However, to succeed in the real estate game, there are a few other things you need to consider before taking the plunge and buying. Location alone isn't all you need to be convinced of before signing on the dotted line.

Today, many people crash and burn in the property investment arena because they just don't do the necessary research. They get all emotional over the look and feel of a house or unit, and they like the street... but they fail to consider the other very important aspects that require consideration, if success is to become a reality!



So! With all this talk about research, what do you need to research?

Thankfully, as daunting as that R-word might sound, the areas of research can be summed up in three simple categories:

- 1 Maximise price growth in the mid-long term:** People sometimes make the mistake of looking at short term growth when considering a property, however as a property investor, the focus should be on mid-long term price growth. In other words, you should look at the capital gain in the mid-long term.
- 2 Minimise the short-mid term risk:** Don't be fooled into thinking you can make a quick profit by speculating on property because that's risky! Many investors got caught out at the end of the last property boom in Sydney because they tried to make a quick profit by speculating on property. They bought at the peak of the market, in the hope that prices would continue to rise and with no intention of settling on the property. When it came time to settle, these investors planned to on-

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sell the property and make a nice, quick profit. Unfortunately, they were caught out! The property at that time was worth less than what they actually paid for it!

**3 Look for a good rental return:** When you have a good rental return, you'll be in a financial position to keep the property for longer – and that means an increase in your wealth!

Consider these three factors in your research – and don't neglect any one of them!

Also keep in mind the six factors that drive capital growth in the long term:

- 1 Employment and economics
- 2 Population movements
- 3 Infrastructure
- 4 Demographics
- 5 Supply and Demand
- 6 Yield

Consider all of these factors when you undertake your search for an investment property, ask lots of questions and resist emotional urges that might not be in your best interests. Follow these pieces of advice, and you'll be maximizing your chances of succeeding in real estate – and maximizing your wealth!

**T**he break over the Christmas and New Year period often means spare time to make New Year's resolution lists! Up there with the top resolutions to slim down, eat well and shape up is often the desire to do some home improvements.

Maybe a new bathroom or kitchen? Perhaps built in wardrobes?

As exciting as it is to carry out such improvements, many people make the mistake of forgetting to notify their insurance provider. In other words, if one was to renovate a bathroom and failed to notify their insurer and disaster struck, they would find themselves under-insured.

When you conduct expensive home improvements, it's best to see it as an activity that increases the value of your home. And because your home is insured based upon value, you need to notify your insurer whenever you do home improvements that increase your home's value.

Too many people fail to realize that a new kitchen or bathroom is not covered by a standard contents policy. If you own a house, fixtures such as a new kitchen or bathroom are covered by the home component of 'home and contents insurance'.

If you have a property in a strata complex, things are a little more complicated.

If you own a unit in a strata complex, you

need to understand that the grounds, buildings, common areas and fixtures inside your unit are covered by your building insurance. Although it is important for you to take out contents insurance, you need to understand that renovations like new kitchens and bathrooms are not covered with contents insurance. That's because a new kitchen or bathroom – even new built in wardrobes – are classified as fixtures. They are to be covered by the building insurance – and that is taken care of by your Owners Corporation.

Although there are statutory requirements for Owners Corporations to adequately insure a strata property, many are under-insured. When disaster strikes and a unit owner cannot recover the full replacement cost of the apartment, they can take action against the Owners Corporation.

Thankfully today, insurance companies are doing more to address the problems of under-insurance and the legal risk Owners Corporations face in the event of under-insurance.

To do your part to ensure your expensive home improvements are covered by your insurance policy, notify your insurer of any home renovations and if you own an apartment in a strata complex, notify the Owners Corporation. Do what you can to minimize risk at all times.

## The critical Pre-Purchase Inspection

**B**uying a property is exciting! There are so many things to do in the lead up to settlement and often, it's easy to become overwhelmed by it all!

One thing buyers can overlook is the pre-purchase inspection. These inspections are carried out just before settlement. Your contract will allow you to conduct a pre-purchase inspection within three days of settlement.

So! What happens if you fail to undertake a pre-purchase inspection?

- Expensive light fittings you loved can be replaced with cheap ones;
- Skirting boards might be removed;
- The dishwasher may be removed;

- Microwaves that are built into the kitchen might be removed;
- Holes from wall hangings are left behind;
- Pets can be left behind because the outgoing owner no longer wanted them;
- Rubbish can be left behind – even car bodies; and
- Hot water systems, curtains and blinds might be removed.

We could go on!

If you do not undertake a pre-purchase inspection, you have no recourse against the Vendor. By carrying out a pre-purchase inspection, you are getting the protection you need to ensure you are getting exactly



what you are expecting – and no more, no less!

For more information about this or any of the issues discussed in this newsletter, please contact us!