

Is buying a property your New Year resolution?

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Consider the who, what, when, where and why of property ownership.

With less competition expected in the lower end of the market thanks to the expiration of the First Home Owner Boost, the New Year could be a prosperous one for buyers keen to further their foothold in the Australian property market. Those who have done their research, know their borrowing limit and have a good idea of the mortgage options available will be well ahead of their purchasing rivals. Mortgage Choice senior corporate affairs manager, Kristy Sheppard said, "What should be a welcome relief for investors and next homebuyers is the almost-certain decline in first-time owner occupiers following the expiry of the First Home Owner Boost on 31 December 2009. Next year could mean a great new property investment for those who put their mind and money to it." "Those who are savvy will already be paying attention to mortgage market commentary, factoring a number of interest rate rises into their budget, checking their loan options, looking at getting pre-approval and carefully considering if 2010 is the right time for them to purchase. Deciding when is the right time can help you avoid inflated house prices and repayments you can't really afford." If deciding 'when' they intend to buy has led to sights being set on 2010, potential buyers should consider the remaining who, what, where and why of property ownership. "Whether it is your first or third property, buying can be daunting when you are doing it solo. So it is no surprise that 70% of our 2009 Potential Property Investor Survey respondents plan to buy with someone else, such as a partner, friend, family member or colleague," said Ms Sheppard. "Since the GFC and partly as a result of tighter lending criteria, our brokers have noticed an increase in enquiries from borrowers looking to take out loans with others so they can share the financial and emotional commitment. Deciding who you will buy with should be a well thought out decision and it's best to seek legal advice to understand each party's role and responsibilities. "Deciding on what type of property suits your long term goals is just as important. Consider what you hope to achieve from the purchase and whether a house, townhouse, unit or other fits best with that. Weigh up each property type and research the potential capital gains within the area you hope to buy, plus the demand for rentals and potential rental yield if it is an investment purchase. "Having a good idea of where you want to buy may affect the type of property available to you. Remember that property closer to the city or coast often tends to be more expensive and so it may be necessary to make allowances for internal and external space. You may need to extend the search parameters while reconsidering what percentage of your income you can really afford to make repayments with. "Why is all this thinking and planning - borrowing sensibly, buying a suitable property, preparing for rate rises, knowing your long-term investment strategy, etc - essential? To reduce the potential for mortgage stress, which no one wants to go through. It is important for homebuyers and property investors to have financial dreams that are manageable and attainable now, next year and in future."