

## Your Residential Investment Property Evaluation Checklist

It is easy to get emotional about residential property, and that's where many investors come unstuck. Property is first and foremost a financial transaction — particularly if you are buying it purely for investment purposes and don't intend to live in it.

We have compiled a check list of the key criteria you should look for in a potential investment property. It is designed to help maximise your likelihood of buying based on sound financial grounds, rather than emotional attachment.

This is a summary rather than an exhaustive list. If you have identified a potential investment property and would like a full and objective analysis of its investment potential, [contact us](#).

### **ECONOMIC FUNDAMENTALS**

This information may be hard to find, but is the most important in assessing a property's investment potential.

#### **1. Land-to-asset ratio.**

This represents the value of land as a proportion of the property's overall value. As a general rule, land appreciates (increases) in value, but buildings depreciate (decrease).

A high ratio means that most of the property is appreciating; fuelling capital growth. A low ratio means that too much of the property is depreciating; hindering capital growth.

Calculating the land-to-asset ratio is complex, and we recommend that you seek professional advice on the property you are considering. Meanwhile, as a general guide, have a look at the municipal rates notice. It should show your local authority's assessment of the land value, as well as the property's total value. If the land value represents a high proportion of the total value, it indicates a high land-to-asset ratio. If the land value is a low proportion of the total value, a low land-to-asset ratio is indicated.

(Note that the property values used on the municipal rate notice may be conservative, and may be lower than the true market value. However, the land value proportion still gives a general indication of the land-to-asset ratio.)

#### **2. Comparable sale and rental data.**

Find out the sale price of properties recently auctioned (ie, no more than 6–12 months ago) in the immediate vicinity of the property you are evaluating. Similar properties should have comparable size and architectural style. This will give you a guide as to its potential sale price.

If some/all of these properties are being rented out, find out how much the rent is (dollar value, not a percentage amount). This will give you a guide as to how much rent you might expect from the property you are evaluating.

Address 1 _____	Sale value _____
Address 2 _____	Sale value _____
Address 3 _____	Sale value _____

### **PROXIMITY TO CBD**

Generally speaking; residential property in established inner suburbs has greater capital growth potential.

- Melbourne — suburbs within 10km of the CBD
- Sydney — suburbs within 15km of the CBD

### **PROXIMITY TO AMENITIES**

Is the property within walking or short driving distance of key amenities:

- Public transport – Yes / No
- Shops - Yes / No
- Schools – Yes / No
- Cafés, restaurants, entertainment – Yes / No
- Parks and/or other leisure facilities – Yes / No

### **STREETSCAPE**

Look for tree lined, consistent streetscapes where the properties in the street, and the streets immediately surrounding it, are of a similar architectural style and era.

Is the streetscape of your property?

- Well treed – Yes/ No
- Consistent in its architectural styles – Yes/ No

### **NOISE LEVEL**

Properties in quiet residential areas with minimal through traffic tend to do better than those in noisier areas. It should be out of earshot of main roads, railway lines, freeways and industrial/commercial sites.

Stand at the front of your property and assess the noise level by verifying the below:

- Is there much through traffic? - Yes/ No
- Can you hear noise from main roads, freeways, trains and/or industrial or commercial sites? – Yes/ No

### **PRIVACY**

The property should not have windows that open onto public thoroughfares. No other properties should overlook it.

- Does the property have windows opening onto public thoroughfares? – Yes/ No

- Do any other properties overlook it so that other residents can see inside? – Yes / No

### **CAR PARKING**

Car parking space is increasingly scarce in the inner suburbs. The property should have an off-street parking space, preferably on the title. This can add significantly to its capital growth potential.

- Does the property have off-street car parking? – Yes/ No

### **FLOOR PLAN**

The property's floor plan should flow logically, ie, completely separate living and sleeping areas.

- Is the floor plan logical? – Yes/ No

### **NATURAL LIGHT**

When you are inspecting a property, turn off the lights. Is there still plenty of natural light or is it dull and gloomy?

- Is there abundant natural light? – Yes/ No

### **STRUCTURAL INTEGRITY**

Beware of warning signs such as damp smells and uneven floors. Repairing structural flaws can cost you thousands of dollars. We highly recommend you obtain an independent building report from a qualified professional before proceeding with a purchase.

- Have you obtained a professional opinion about the property's structural integrity?
- Yes
- No

### **LEGAL ISSUES**

Ensure that a licensed professional, eg, solicitor or conveyancer, checks the contract of sale and the vendor statement before you proceed with the purchase.

- Have the contractual documents been professionally checked? – Yes/ No