5 INVESTMENT NIGHTMARES

Maximise your profit and minimise your risk by avoiding these common property mistakes

WORDS DANIEL BUTKOVICH

BUDGET TIP
A good accountant will be able to help you claim the maximum amount of tax deductions, which helps boost profits.

PICTURES THINKSTOCK

Property investment is arguably the number one way Australians build their wealth. Nearly two million Australians earn a rental income from property, while others are planning to make a fortune from the housing boom.

But owning property can be risky, and without proper planning, it's easy to run into trouble. Many investors lose thousands when they are forced to sell their properties after bad decisions.

Property guru Zaki Ameer has built a portfolio of 10 properties and is the founder of Dream Design Property (ddpproperty.com.au).

From reno disasters to legal battles, Zaki has seen it all and explains how you can avoid an investment nightmare.

1 Off-the-plan dramas

It's easy to get excited about a brand-new property but, sometimes, buying a dwelling that hasn't been built yet can cause problems.

'This type of investment may seem enticing at first, but there is no guarantee of the quality or the final value,' says Zaki.

Additionally, many properties can be overvalued by the developer, meaning the home could be worth a lot less than the purchase price once it has been built.

SOLUTION Buy an existing dwelling that you can inspect in person before committing.

2 Nasty exit fees

With historically low interest rates, fixed rate bank loans are appealing to more investors than ever. The catch is the fees that are charged if you need to make an early exit.

'A friend of mine went through a traumatic divorce and was forced to sell his investment property during the fixed rate period and paid thousands of dollars in exit fees,' says Zaki.

SOLUTION Keep careful records of the properties purchased so you are aware of any penalties that may apply for breaking fixed rate agreements. >

Smart investment decisions can result in fantastic profits, but bad ones can be costly

3 Dodgy builders

Renovating is a great way to add value, but it can cause financial pain if corners are cut or disreputable builders are used.

Poor workmanship, accidents and the resulting legal fees can completely erode any potential profits.

'I've seen appalling renovations by builders where roofs have leaked and caved in soon after completion, costing the owners $250,000 in legal fees and repairs,' say Zaki.

SOLUTION Check builders' credentials and inspect their recent work before commissioning them for your reno.

4 Terrible tenants

Good tenants that pay rent on time and keep the property in good order are a godsend, but bad tenants are unfortunately too common.

Reliable renters can suddenly turn into property-wrecking nightmares, as one of Zaki's clients found out.

'They deserted the house in the middle of the night, leaving it in a terrible condition and, not having landlord insurance, she had to fork out $20,000 to pay for repairs.'

SOLUTION Always invest in landlord insurance.

5 No safety net

Losing your job or being unable to work due to injury or illness can cause major problems when it comes to repayments, and applying for loan extensions may cost thousands of dollars in fees.

To avoid running into trouble, put aside money to use as a safety net in case the unthinkable happens.

'It's better to have this cash for emergencies than to use it to pay extra loan repayments,' says Zaki.

SOLUTION Set aside three months of repayments per property.

EXPERT ADVICE

If you find yourself in a difficult situation, selling your property early should only be the last resort.

Zaki Ameer, Dream Design Property

PICTURES THINKSTOCK