‘I want to retire in my 30s’: How to buy an investment property on a $30,000 salary

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107 COMMENTS

WHAT housing affordability crisis? If you’re a gen Y having trouble getting into the property market, take a lesson from this 19-year-old.

Nathan Youd bought his first property on his 18th birthday — he was ready to go at 17, but wasn’t old enough.

The former plumbing apprentice bought the three-bedroom brick house in the western Sydney suburb of Hebersham* for $330,000 with a $30,000 deposit.

But it wasn’t easy — he worked at a pizza shop four nights a week since the age of 15, saving most of his pay. That money, combined with savings from his apprenticeship, made up the bulk of his deposit. "I saved $28,000 — my parents lent me $2000," he says.

Mr Youd says owning a property had been his dream for as long as he could remember. "It was my goal as a kid. My parents were always renting — I didn’t want to rent my whole life," he says. "They’re really happy with what I’ve done. It’s set me up for life."

Having a goal to work towards from such an early age arguably gave him a headstart over his friends, who would spend most of their wage.
"I worked hard when I was a kid to save," he says. "I spent my money as well but I was smart with it. Say I earnt $600 a week, I’d save $400 and spent $200."

Knocked down from an initial asking price of $350,000, the Hebersham property is now worth more than $400,000, and is earning positive rental income.

The assistant warehouse manager with CSR still lives with his parents on the northern beaches, but is already planning his next investment, and aims to have three by the end of the year. “We’re just weighing up my equity at the moment, but we’re looking at either two properties in Brisbane or one in Sydney,” he says.

Nathan, who is on a $50,000 salary, is just one of a new generation of property investors. New research has revealed gen Ys are jumping on the property ladder even earlier than other generations.

His goal is simple. “I want to retire in my 30s with a positive income,” he says.

The average age for owning an investment property is 34 but for gen Ys it’s 25, a Domain Consumer Insights Study shows. Sixteen per cent of generation Y own two or more properties, on par with baby boomers and gen X, according to the report.

Unfortunately, Australia also boasts one of the most expensive housing markets in the world. Between 2001 and 2011, the median house price in Australia more than doubled from $169,000 to $417,500, while median annual incomes only increased by half from $36,000 to $57,000.

Property investor Zaki Ameer, founder of buyer’s agency Dream Design Property, says he has helped young people like Nathan get into the property market on salaries as low as $30,000.

DDP has started a new program dubbed Kickstart, aimed at helping 18 to 24-year-olds buy their first investment property.

“The first thing we did was go to the banks and say, what’s the minimum income you need for a $200,000 property,” he says. “I thought it was impossible but then we did the numbers.

“We buy undermarket, renovate, refinance, take the equity out instead of paying capital gains, and then look for the next one. We only look for houses where the rent will cover all expenses.”

He says the majority of his clients come from the inner west or north shore, and buy in outer suburbs like Mt Druitt or Campbelltown, and increasingly in outer Brisbane areas like Logan.

“We try to make all of our properties self-sustaining, which is why we’re avoiding Sydney now because prices have gone up but rents haven’t kept pace,” he says.

For first-time investors, Mr Ameer says it’s important to detach yourself emotionally. “The types of places you can get for that type of money aren’t going to be the property of your dreams. It’s targeted as an investment because it’s not emotional,” he says.

Whether you’re a first-time investor or a first homebuyer, the advice is the same: go west.

Latest ABS figures show there has been a further 1.4 per cent decrease in the purchase of new dwellings from January to February, totalling 4.4 per cent in the three months to February.

According to the Housing Industry Association, 198,000 new dwellings commenced construction in 2014 — an 18 per cent increase on the previous year — so it seems it’s not an issue of supply.

Steve Jovcevski, property expert at comparison site Mozo, says first home buyers need to be more open to buying in new, outlying suburbs to maintain affordability.

“The ever-present desire to stay close to the CBD or in the latest hot spots is causing buyers to put their blinkers on and ignore the option of buying new housing in outlying suburbs,” he says.
"In our parents’ generation, new homebuyers were ready to live wherever they could afford. These days the appeal of an inner city lifestyle or a shorter commute to work is taking precedence over affordability and leaving people off the ladder for longer.

"The impact of this is great — it means today’s homebuyers are taking on higher amounts of debt for longer and decreasing their chances of upgrading or investing down the track."

When you crunch the numbers, the difference is stark: in Sydney, a three-bedroom, two-bathroom house in Rouse Hill will set you back $755,000, while a duplex with the same features in Alexandria will set you back over $1.2 million.

Assuming a 10 per cent deposit for either of these properties, monthly repayments would be $4,072 for the Rouse Hill property or $6,472 in Alexandria — that’s a $319,497 premium over a 25-year loan term to live in Alexandria over an outlying suburb.

"Hearing these figures might change the minds of some first homebuyers who are fixated on staying close to the CBD," says Mr Jovcevski.

Property expert Steve Jovcevski says young buyers need to go west. Source: Supplied

Here are Steve Jovcevski’s picks for best up-and-coming suburbs:

**MELBOURNE — LOCKERBIE**
“With 11,000 new houses being built in this northern belt of Melbourne, just 35 kilometres from the CBD, and housing 30,000 people, it will feature schools, parkland, a shopping complex and excellent transport links. As a guide, a new house and land package (three bed, two bath) at the suburb the developer is modelling it off sets you back around $350,000.”

SYDNEY — PARRAMATTA NORTH

“Now one of Sydney’s fastest growing suburbs, Parramatta looks to grow even more with the building of 6,000 residences in the north of the suburb and a continuously expanding shopping and cafe scene. Currently, a newly built one-bedroom apartment on Parramatta’s waterfront is on offer at $496,000.”

BRISBANE — CHERMSIDE

“Only 15 kilometres from the CBD this suburb in the north of Brisbane, it also has great transport links, amenities and shopping centres. A newly renovated two-bedroom home on a large block will cost around $459,000.”

ADELAIDE — BROOKLYN PARK

“Just five kilometres from the CBD and close to the airport, Brooklyn Park is close to Harbour Town shopping centre and Torens Linear Park which boasts a cycle and walking path from the city to the sea. A brand new four-bedroom, two-bathroom house with parking is $399,000.”

PERTH — JOONDANA

“Only five kilometres from the CBD in the north of Perth is Joondana which has good road and rail links to the beach and CBD and access to a well-established cafe and restaurant strip on Main Street. A new two-bedroom apartment will set you back $459,000.”
And here are Zaki Ameer’s tips for entering the market on a modest salary:

1. GO SOUL-SEARCHING

"Why you’re investing in property is equal to, if not more important than how you do it. To win the property game you need to find the deep, underlying reason why you’re doing this in the first place. Without them you may only see short-term success and eventually run out of motivation."

2. FIND THE RIGHT MENTOR

“Sir Richard Branson once said that the missing link between a promising businessperson and a successful one is mentoring, and I couldn’t agree more. Choosing a mentor is one of the most important decisions you can make as a professional. If you’re not sure where to start, try reaching out to successful industry players through LinkedIn.”

3. BE RUTHLESSLY PERSISTENT

“Having big dreams, no matter how much you want them, isn’t enough. You need to commit yourself to ongoing resilience, patience and focus before you even start, and never waiver. It took fifteen years of exactly this to get to where I am today.”

4. LIVE WITH YOUR FOLKS
“If possible, I strongly advise staying in the family home to save cash; and don’t feel embarrassed about it. In fact, nearly 23 per cent of Australian families have adult children living at home. It’s a totally acceptable trend occurring among gen Ys trying to avoid the rising costs of rent, utilities and groceries.”

5. ELIMINATE DEBT

“The amount of credit card and unsecured debt (personal loans) you have can severely affect your borrowing options, and eliminating this will open up options from the bank. As long as you don’t have the cash to buy a property yourself, you will need the help of the bank.”

6. THINK TWICE BEFORE PARTNERING UP

“While investing with a partner might help you crack into the market, as the years pass your individual goals can take different directions and this makes joint investments risky business. Make sure you have a solid contingency plan should things go sour.”

7. USE THE 50/30/20 RULE

“To determine how much you should be saving each month, divide your monthly pay cheque into three categories of expenses: 50 per cent should be allocated for the essentials, 30 per cent should be put towards your little luxuries and the remaining 20 per cent would go towards your savings.”

– with AAP

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*An earlier version of this article incorrectly named the suburb as Petersham.
David Koch explains the dos and don'ts of buying real estate.

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Karlie Kloss Debuts New Jeans Collection Just for Tall Girls
For a few years now, Karlie Kloss has been collaborating with Frame Denim for a special jeans collection, just for tall girls. And this season, she's solved #TallGirlProbs by designing the most perfect flares! Get a sneak peak of the Forever Karlie flares here, see how Karlie and Frame celebrated their launch, and find out...

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New York's boldface names from the worlds of fashion, art, and entertainment joined Italian fashion label Max Mara to celebrate the opening of the new downtown location of the Whitney Museum of American Art, designed by architect, Renzo Piano.

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A Supreme Court ruling in favor of same-sex marriage can benefit everyone in several ways, MarketWatch's Quentin Fottrell says. He discusses with Tanya Rivero. Photo: Getty

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This week homes with added extras - from room for the stretch, to a lounge in the pool.

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**Plan Your Wedding with These 6 Apps**

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Wouldn't it be great if you could make wedding planning a little easier? Well, now you can!! These are our favorite 6 apps to help with every step of the planning process. Be on your way to a stress free wedding day here!

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**Naya Rivera's White House Gown for Less**

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Naya Rivera looked stunning in an all white gown at the White House Correspondents' Dinner. She proved that you don't have to wear a maternity dress while you're expecting. So, whether you've got a bun in the oven or not, we're bringing you Naya's gorg look for less!

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We Try Blake Lively's L'Oreal Liptstick!6:44

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We're OBSESED with Blake Lively! When we saw her lipstick from L'Oreal we had to try it. Find out what we think. Does it last all day?

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Unfortunately, we are all susceptible to cellulite. And there just isn't a simple cure for it. But, you can lessen the look of those pesky dimples with the products we’re telling you about, as well as this simple, DIY Coffee Scrub. Get the products, and the recipe here!

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Bruce Jenner's Transition Inspires Viral Trend #PaintYourNailsForBruce1:34

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#PaintYourNailsForBruce was created in support of Bruce Jenner, his iconic interview with Diane Sawyer, and his brave choice to transition into a woman. People all around the world are joining hands and posting nail selfies, and the campaign has quickly gone viral. See how to show your support for Bruce here!

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Gisele Bündchen Poses Nude on Cover of Vogue

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On the heels of her retirement from the runway, Gisele Bündchen celebrated her 20th work anniversary by posing nude for the cover of Vogue Brazil. She looks like a complete Goddess and you HAVE to see it! Get a sneak peak of Gisele's Vogue issue here!

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The makers of Fireball Cinnamon Whisky have just released Tijuana Sweet Heat, a 70 proof tequila-based liqueur. It’s meant to be Fireball's cousin from south of the border, but is the new drink as good as its predecessor? The Savory's Malcolm Freberg tried it, and found out.

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