Ask the experts

Our panel of experts share their advice on investing interstate, managing an investment property and shopping around for better rates

Investing interstate

Q When you talk about purchasing in different areas so as not to get caught with all your eggs in one basket, do you buy sight-unseen via a buyer's agent, by researching on the Internet and liaising on the phone, or by flying interstate and viewing the properties yourself? I'm looking at purchasing another investment property and my initial thought was to stay local where I knew the area; however, after reading the last edition of your magazine, I think it would be better for me to look to Sydney or Brisbane for a good, positively geared property. How can I purchase in another state when I live in Western Australia?

A I invest in many different areas of Australia to spread my risk and not 'get caught with all your eggs in one basket', as you mentioned. This also helps when I'm using equity for another purchase, as capital growth can be staggered. I purchase sight-unseen because the property, to me, is all about the numbers. There's a great deal of information on areas when you have Internet access and time to invest in your research.

I haven't felt the need for a buyer's agent because I've always preferred to investigate my own properties and get an education in the process. To save travelling time, I've also done all of my research on the Internet regarding the properties, location to schools, population growth, capital growth, vacancy rates and floor plans. If the property indicates strong capital growth and returns, then I negotiate with the agent.

The experts

Prue Muirhead
Prue Muirhead was named Your Investment Property's Investor of the Year in 2009. She amassed a $3.5 million portfolio within 4 years and retired at 39. Visit www.pruemuirhead.com.au

Conny Torney
Conny Torney is the winner of the inaugural Your Investment Property Investor of the Year award in 2008. A self-employed children's entertainer, Conny manages about $4m in real estate

Once the property price and conditions have been agreed on, maybe you could take the time to visit the property. You could do this by adding a condition of purchase "subject to the purchaser's inspection" or simply during the cooling-off period, trusting that the state of purchase has this as part of the standard purchasing contract.

It's wise to know the area you're investing in, but this can be anywhere in Australia – you just need to take the time to educate yourself in other locations apart from your own local area. I've always felt that the chances are pretty slim that I'm living in the best location of Australia to invest in. If you feel that this is the only way to enter the market, perhaps your own local area is at least a good start and this alone may give you confidence to purchase in another area in your investing future.

The areas that *Your Investment Property* (March 2010 edition) showed as positive cash-flow real estate were generally close to resources. This is good for some, but I've never purchased near mines because I've felt this is too risky. If the mine closed, my property may be worthless. I always keep to a large regional town with population growth and future infrastructure (researching the council websites will give you this information) or city locations.

Once I've chosen my area, I manufacture my properties to be positive geared. In *YIP*'s March 2010 edition I co-wrote the article 'Turbo Charge Your Cash Flow', in which I explained some really simple strategies I use to increase the cash flow of my properties. I start with the floor plan and add bedroom(s), turn a laundry into a second bathroom, add a dishwasher, airconditioner, allow pets and maybe even rent out the shed (subject to council approval).

With my smaller properties, I can also furnish and expect to receive 100–200% back on my money for just the furniture – great returns when you look at only receiving about 5.2% gross rental returns on the actual property. Most property investors' regrets are usually that they didn't start purchasing properties early enough, so it's great you're taking the first step!

– Prue Muirhead

Hire a property manager or DIY?

Q I've just bought a rental property, a two-bedroom unit in inner Brisbane. As this is my first investment property, is it better to have it managed through a professional property manager or should I self-manage? I've heard some cases where I can't get landlord's insurance if I self-manage, is this true?

A Property management can be a complicated exercise, with legal, administrative and human hurdles to negotiate, but doing it well is critical for a successful investment strategy. Unfortunately, management of a property is often just an afterthought to the purchase process.

There are stringent legal requirements that need to be satisfied to obtain a real estate certificate and property managers are trained to handle and understand all of the paperwork and complex legal documentation involved. Property managers are trained to deal with people, resolve conflict and ensure the effective management of your investment.

Property managers have the skills, time, resources and experience to deal with tenant interviews, reference examinations, property inspections, maintenance issues and any other problems. However, there are also some real advantages of self-management, such as financial savings. In my state, Western Australia, the initial property management