A CHRISTMAS GIFT FOR INVESTORS...

According to the Finance review, many established investors are already realising the benefits of increased rents, new investors to the market have experienced some challenges.

With the rising interest rates since May, new homeowners and investors have seen a squeeze in their borrowing capacity. If you were looking to purchase a property prior to May, valued at say $850,000, your capacity today could be as low as $500k.

With many investors believed to be using property to boost their retirement savings, this has created unprecedented factors for the type and location of property investment considered.

The good news is that one of the majors has announced they are increasing the proportion of rent that can be used to qualify for a loan or seeking a larger loan. Other lenders may follow suit, and there are several lending institutions who are offering cash back incentives for both owners and investors to refinance with them.

What does this mean?

Your salary and typically about 80% of your gross rental income has been the benchmark for many years by lenders when assessing your serviceability of an investment property. **They assume the balance of the rent will be used for things like:**

- Property management fees
- Council rates
- Strata levies
- Repairs and the shortfall of rent when the property is vacant

Contact us for our topic sheet on How To Protect Your Loan Serviceability Reputation.

This is about to change.

At the time of writing, one of our majors has taken the first step to increase this to 90%.

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Moving gross rental income considerations to 90% combined with the increasing rental amounts investors are achieving, this may allow investors to either borrow more, or service better.

With vacancy rates at record lows across most regions of Australia, Tim Lawless, Research Director of Core Logic, says 'it is not surprising to see lenders focussing more on this sector of the market.'

As immigration of skilled workers continues, overseas students returning to Australia and locals returning to major cities after lockdowns, vacancies are recorded to be the lowest (less than 1%) since 2006.

With not enough housing stock to service the market demand, many economists are suggesting that property investment stacks up in our current environment.

Of course, circumstances are different for all borrowers and there are many considerations that need to be taken before jumping into the decision of investing in property.

Make sure you read our article **'How To Protect Your Loan Serviceability Reputation.'**

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