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DOUBLE DIPPING? A NO-GO AT PARTIES BUT THE GO-TO FOR PROPERTY INVESTORS

Property investors are being urged to employ a proactive ‘double dipping’ strategy when it comes to property growth, rather than take the more passive ‘BHP’ route of just watching and waiting for anticipated capital growth.

Affordable housing expert Ian Ugarte warned there was a significant opportunity cost being borne by purchasers who adopted a ‘buy’, ‘hope’ and ‘pray’ strategy which relies on the market moving upwards to create capital growth, instead of actively exploring ways to increase the base value of a property and then realise the capital growth on top.

“A double-dipping strategy requires the purchaser to assess a prospective property for its manual-growth potential (so, what they can do to increase the value and yield of a property), rather than the more traditional checklist of property attributes sought out by most buyers who think capital growth is the key.

“Since buying a property is likely to be the most significant capital investment a person makes, buyers need to resist knee-jerk, FOMO-inspired purchases of properties that are unlikely to enable manufactured growth strategies.

“Instead, the first thing prospective buyers should do is scrutinise a property to gauge where they could make adjustments to add value, or to densify the property to compound the upward trending property prices,” the Small is the New Big co-founder said.

According to Ugarte, three ways budding property investors could create (and not wait for) growth include:

1. **Subdividing** the property: where a single property is divided to create smaller parcels out of it.
2. **Partially or fully converting** the property internally: converting part or all of the space to accommodate co-living arrangements, for example, by creating micro-apartments.
3. **Building an additional external building** on the property: adding an external building, like a granny flat.

“You really should have a shopping list of manual growth strategies when you’re looking for a property and only consider those that would allow you to employ at least one of these strategies.

“Sadly, when you compare the financial outcomes of an active versus a passive property growth strategy, the difference at the end of your working life can be huge, which means its impact on things like your retirement is significant,” he said.

Considerations Ugarte recommended buyers factor into their decision making when assessing if a property is ripe for manufactured growth include:

- Looking for a large block that could be divided into more than one lot.
- Investigating if the 4+ bedroom house could be converted to create co-living spaces that allow for more than one family.
- Identifying if there is sufficient space for an additional building beyond the house envelope.

“Ignoring the opportunity to effectively leverage what’s likely to be the most noteworthy investment most people make in their lifetimes is probably going to set them back years, if not decades in amassing a healthy nest egg for their retirement.

“Sure, you should never double dip at a party, but when it comes to a property investment, double dipping is a must.”

For information on the perils of a passive property growth strategy, contact Bec Derrington, 0408 062 354.

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