

## **Renting out the Aussie dream**

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### **Young first-home buyers are not always acquiring properties to live in.**

If you think buying real estate is a pipedream for twentysomethings, it's time to readjust your thinking. Darren Linter and Crystal Hohmuth, both 22, made their first incursion into the property market 11 months ago but instead of buying a house to live in, they bought one to rent out.

Mr Linter and Ms Hohmuth still live at home with parents. The couple, who say they've cut their spending on restaurants and personal items, allocate a big slice of their salaries and the rent received from their tenant to paying off a hefty bank loan on the 1970s-era Brighton Beach house, which they bought at auction last year.

Experts say the "get-the-investment-property-first" approach to real estate planning is on a red-hot growth trajectory around the country and is being propelled by the tax benefits that accrue with negative gearing. It also helps that baby-boomer parents are frequently happy to allow their adult Generation Y children to live at home, paying nominal or no rent, while the kids pay off their investment property.

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"There are a hell of a lot of young people who live at home and buy investment properties," says Sue Prestney, a tax specialist with the Institute of Chartered Accountants.

"Perhaps they're paying some board and they're happily buying their investment property and getting the benefit of that. Many of them are on very good salaries."

Margaret Lomas, head of the industry body Property Investment Professionals of Australia, confirms this growing trend.

Ms Lomas says there's another group of young investors who elect to rent in the inner city. They then deploy their discretionary income to "get an investment property somewhere else that is cheaper, has better [rental] yield than the inner city and a better prognosis for future growth".

Dr Terry Burke, professor of housing studies at Swinburne University, says 11 per cent of residential properties are now bought by people who rent their own dwelling. They're buyers who don't intend to live in the property they've acquired, at least in the short-term.

According to Dr Burke, the rise of young "renter-investors" mirrors the decline of first-home buyers, who account for just 10 per cent of property sales.

This is in contrast to the 1960s, when first-home buyers accounted for 30 to 40 per cent of the market. It is a sign that conventional home ownership remains out of reach of many younger households, he warns.

Yet Ms Prestney says it's common for young people to put tenants into a house or unit for a few years and then move into the rental property themselves, making it their principal residence. By doing this, an investor can turn around the gearing of a property and reduce the likelihood of having to pay a jumbo-sized capital gains tax bill when the dwelling is sold.

Ms Hohmuth, an advertising co-ordinator with the real estate firm Marshall White, and Mr Linter, who is completing a commerce degree while working in retailing, hope to move into their four-bedroom house within two years.

The two saved for several years to establish a sizeable deposit and freely admit they "couldn't really afford the house", which cost more than \$900,000.

Being able to rent out the place and live cheaply elsewhere was the game-changer.

"There's no way we could have moved straight in, no matter how much we were earning," Mr Linter says. "We took the lowest minimum deposit option that we could."

House prices are never going to go down, he believes. "So if something good comes along that works for you, you have to make some sacrifices in order to get your hands on it."