

CASE STUDY: First home as an investment property by Adam Smith

Considering getting into the property market? To give you a fresh perspective, here's the first in our new series of real life stories about how our clients have successfully entered the property market.

Getting started in the property market when you're young can be a great strategy – you've got income, few overheads, and often no dependents eating up your wages! For Peter and Nicky Moore* 'getting in early' has paid great dividends over the last 12 years.



The catalyst for Peter's first foray into real estate came in the form of a paperback. His dad, who worked in the property industry, had given him a copy of *Rich Dad, Poor Dad (by Robert Kiyosaki)*, which worked its motivational magic on him.

In 2002, at the age of 23 and with his parents' assistance, Peter bought a brand new brick and tile 4-bedroom property in Christchurch. Having squirreled away a small deposit, he bought the property together with his parents.

Peter says, "I wanted to get into the property market and it was a more affordable way to do so versus being an owner/occupier. I was fortunate that Mum and Dad were able to assist."

Soon after, Peter and his partner Nicky went on their OE. He says it was nice to know their little nest egg back in New Zealand was appreciating in value while they were travelling.

Their property journey continued after returning from overseas, with the increased equity in their original Christchurch property enabling them to buy an additional rental property in Auckland. And so their portfolio grew!

Over the 12 years since they purchased their first property, Peter and Nicky have bought several rental properties, selling some of these at various stages in the journey. Interestingly, they waited eight years to buy their first 'family' home to live in.

"By renting, Nicky and I could live the lifestyle we wanted to without the overheads and restrictions of being an owner/occupier," says Peter, though he appreciates this wouldn't suit everyone.

"If we had a young family, the strategy may have been different, but we were flexible around where and what we rented and weren't concerned about school zones and other amenities," he says. "That also enabled us to invest more in property, as our money wasn't tied up in a family home."

Peter also believes it's about **'time in the market not the timing into the market'**. His first property was purchased in a flat market in 2002 for \$280,000 and rented then for \$350 per week. Today that same home is worth more than \$600,000 and rents for \$500 per week.

“If you purchased that same property today, the numbers don’t really work as a good investment. BUT, assuming I never paid a cent off the principal from the original mortgage of \$250,000 (\$30k deposit paid), at today’s rent of \$500 per week – it makes for a good investment story!”

This is why Peter advises to start now and think outside of the typical ‘owning my own home’ box. There’s no point in young people being mortgaged to the hilt just to live in their own home, he says. “If you’ve got the flexibility, why not rent where you want to live and have a good investment elsewhere – have your debt working for you.”

While it may not be possible for everyone, one of the biggest benefits he had was his [parents’ assistance](#) at the start to bolster his own savings for a deposit. Parental help can be through [using the equity in their home or cash deposit](#). “It got me into the market faster – and it was also an investment for them too. I think it’s a great way to start.”

His final word – “get the right advice”. If children and parents are planning on purchasing together, get proper guidance from a solicitor on how to structure that. Get the right financial assistance from a mortgage broker, so you’re using a structure that works well for you, and of course, an accountant is invaluable so you can make the most of the [tax benefits of having an investment property](#). For Peter, using a [property manager](#) was a great investment too. “They take responsibility for everything, from finding a quality tenant to organising property maintenance, which makes life much simpler and gives us peace-of-mind that things are being cared for professionally.”

If you want to know more about purchasing property as an investment, we have a lot of experience and [we’d be happy to chat](#), obligation free.

* Names have been changed in this blog at the request of the interviewees.