TRILOGY & news
"the property investor's mortgage broker"

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THIRTEEN THINGS SUCCESSFUL PROPERTY INVESTORS NEVER DO

Property has fast become the commodity of choice for many Aussie investors, and for good reason. For starters, housing has historically proven to be one of the most stable and reliable of all investment vehicles.

Then of course there are the benefits of holding income producing property assets within an SMSF structure and the current 'perfect real estate storm' of low ongoing interest rates and in many instances, attractive rental yields; making the accumulation of long term capital growth, as well as short term cashflow for portfolio sustainability, a very real prospect.

That's not to say however, that you can simply purchase anything and expect to achieve sufficient wealth with which to retire...far from it.

In fact, when tidings are positive for our property markets it's even more crucial that you establish a well-conceived plan of attack and follow tried and tested investment lore.

Mistakes are often made when investors succumb to complacency due to market buoyancy, with many throwing caution to the wind and speculating, rather than investing strategically in these generally forgiving periods of the property cycle.

Irrespective of what's occurring around them, successful investors – the ones who make it all the way to the top of the property ladder and realise their ambitions – have a list of do's and don'ts.

To realise your own objectives, avoid these thirteen things that successful investors never do...

1. Go nowhere fast

Setting actionable and achievable goals is critical if you hope to create a viable property investment portfolio. If you start out on your journey without any idea as to the destination you're trying to reach, how can you possibly hope to make positive progress?

2. Fail to plan

Once you've established measurable, attainable goals based on your own personal circumstances and life ideals, you need to formulate a concise plan around how you're going to achieve those outcomes. Flying blind as a property investor will only result in an inevitable crash and burn.

3. Act on impulse/emotion

Successful investment means acquiring top performing assets that align with your overall strategy and approach. Whether you personally love or could live in a property should have no bearing on your decision to add it to your portfolio. Facts, figures and careful research around the market and asset you're considering are all that count – literally!

4. Go it alone

While you might be recalcitrant to pay for advice and/or management of your investments, consider the alternative...going it alone and failing dismally due to lack of industry knowledge and insight.

To make it in this game takes teamwork. Surround yourself with trusted advisers, including a good buyer's agent, accountant, solicitor and mortgage broker, and you'll bring your A Game to every transaction.

5. Take anything for granted

During periods such as the one we're currently experiencing in the property market, it's easy to become a little too sure of one's own capacity to achieve success. But the fact is, cycles move on and eventually, housing will not be as forgiving a commodity as it can be right now.

Establish cashflow buffers and make sure your portfolio can weather any storm that might arise – be it a personal crisis or prevailing market conditions. You should also have plenty of protection by way of insurances for both your property and yourself personally.

6. Set and forget

We often see properties advertised as 'set and forget' investment opportunities. Really though, there's no such thing if you hope to be successful. Reviewing your portfolio with a critical and objective eye on a regular basis is essential. If something isn't working for you, take immediate action and move on to greener pastures (or better opportunities).

7. Speculate on the latest fad

Successful investors certainly consider a range of different prospects when it comes to where, when and how they'll invest. However, they avoid speculative endeavours at all costs, sticking with their tried and tested formulas in favour of the 'get rich quick schemes' that see others quickly come undone.

8. Over-commit financially

This speaks for itself really. It's important now more than ever that you ensure the financial commitments you make as an investor are prudent and sustainable over the long term.

Property that's going to rake in phenomenal long term capital gains is of course desirable, but not if you can't afford to hold onto it if (and when) interest rates start to rise or your financial circumstances change in some way.

9. Be cheap

Successful investors are willing to pay for sound advice and invest not only in bricks and mortar, but in their own knowledge and education too.

10. Ignore the market

Appropriate asset selection relies on an intimate understanding of your market. You must ensure the investments you acquire are desirable to both tenants (who'll be helping to sustain your cashflow) and owner-occupiers (who determine the going market value of any location).

Demographic data has never been easier to come by thanks to the Internet and talking to local agents will give you a great insight into what your market wants and needs. Ignore tenants and buyers at your own peril.

11. Believe the hype

Because they have a sound investment strategy in place and maintain focus on the end goal, successful investors are far less inclined than the masses to believe everything they're fed by mainstream media about the state of Australia's property markets.

Scaremongering seems to be a favoured pastime of some industry 'commentators', particularly when there's a lot of activity surrounding certain areas; such as we're currently seeing with Sydney.

While you should never stick your head in the sand entirely, it's important that you avoid becoming sidetracked or making expensive decisions based on the latest top selling headlines.

12. Follow the crowd

Most successful investors have got to the top of their game by doing what others don't. Or rather, by not doing what others do. Instead of jumping on bandwagons and following the masses into the market when competition is a lot tougher, they tend to invest counter-cyclically, when others are scared away by negative talk surrounding falling housing values.

13. Neglect cashflow

Now more than ever, as APRA's regulatory threats see lenders tighten their serviceability requirements, it's important to ensure you're achieving optimal cashflow.

Keeping on top of rental income and any possible increases you can apply, as well as minimising personal debt (including the mortgage on your own home), along with other strategies to ensure your cashflow is at its absolute peak will be key to long term portfolio sustainability.

If you would like to know more about the mistakes successful investors avoid making at all costs, why not join us for one of our upcoming property investment seminars?

We've lined up some impressive industry experts to give you a run down on what's happening across Melbourne, Sydney and Canberra's property markets, and of course the Trilogy team will be there to answer your questions around how to best navigate the new lending landscape we're currently entering.

Look out for your exclusive email invitation then reserve your place.

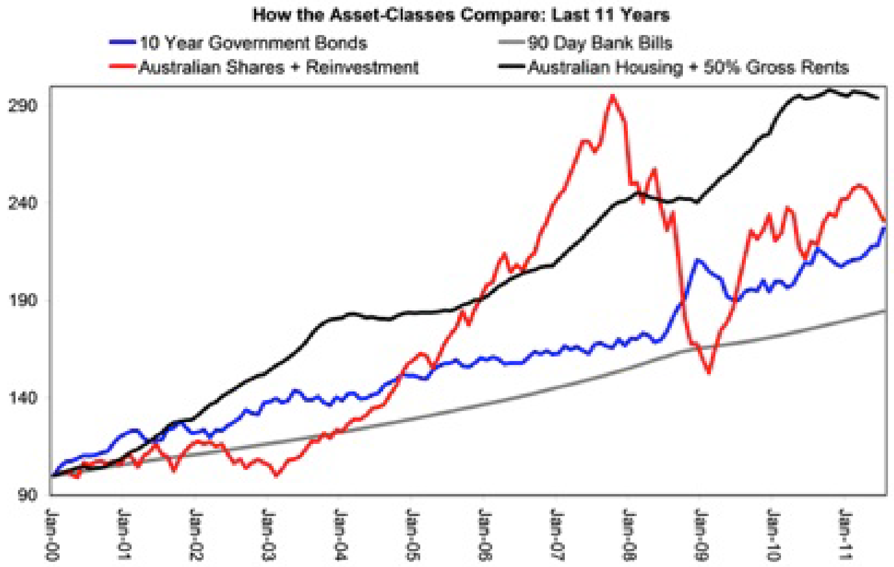
HOW EXPENSIVE WILL REAL ESTATE BE TEN YEARS FROM NOW?

Throughout Australia's evolution as a young nation surrounded by older, more established economies, one thing has remained fairly consistent…our love of housing.

We have some of the highest rates of home ownership in the developed world, with people who own or are purchasing a dwelling sitting at around 70% for decades now.

Whether it's because we're bred from displaced convict stock and therefore feel an innate desire to establish roots of some kind, or 'just because', home ownership holds a special place in our hearts as a cultural icon of personal success.

This strong emotional urge to acquire our own Great Australian Dream makes property an incredibly reliable commodity. In fact it's the only tradable commodity of the modern capitalist world that's underpinned, at its most fundamental level, by psychology more than profitable gain.



It's also why whatever else might be happening economically, real estate will continue to engender competition among emotional buyers and sellers and therefore, push prices up in high demand/low supply locations.

This is particularly the case when we have boom times in the property cycle, which are generally instigated by a significant economic shift, such as the low interest rate environment of the last two years.

I can't tell you precisely how expensive an apartment in inner city Sydney or Melbourne might be ten years from now. But I can guarantee that there'll be a lot of wannabe homebuyers and property investors wishing they'd bought something 'back then'.

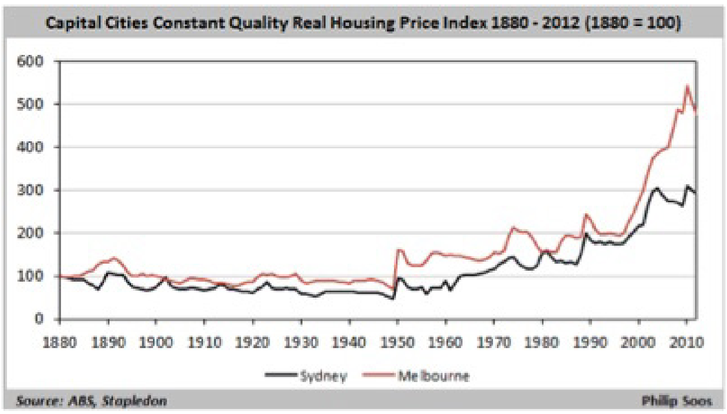
How housing stacks up

The above graph and below table – again compiled by Joye in 2013 – demonstrate how housing compares side by side with other investments.

While there were nine months over the 11 years to 2013 where Aussie shares fell in value by more than 5%, other asset classes registered no such losses, and the average annual rate of return for real estate outpaced every other commodity by at least 2.4%.

If you need further compelling visuals to convince you of property's long-term investment potential, consider the Quality Real Housing Price Index 1880-2012 for Sydney and Melbourne.

	10 Year Government Bonds	90 Day Bank Bills Total Return	All Ordinaries Accumulation	Australian Capital Cities Capital Growth + 50% Gross Rent
Total Return	127.1%	84.5%	131.1%	194.1%
Annual Return	6.8%	5.4%	7.4%	9.8%
Mths with Losses >3%	3	None	21	None
Mths with Losses >5%	None	None	9	None
Worst Monthly Return	-4.5%	0.3%	-13.9%	-1.4%



According to ABS statistics, real prices increased by 77% and 178% for Sydney and Melbourne respectively between 1996 and 2010.

It should be noted that the significantly lower growth recorded for Sydney is possibly due to the fact that Melbourne house prices started rising from a much lower base at the outset, allowing for higher prices before the interest repayment burden hits a wage-financed ceiling.

Capital City Real Housing Price Booms				
Capital City	**Trough**	**Peak**	**Change**	**Index**
Sydney	1996	2010	77%	Stapledon
Melbourne	1996	2010	178%	Stapledon
Brisbane	2000	2010	128%	ABS
Adelaide	1997	2010	139%	ABS
Perth	1996	2006	180%	ABS
Hobart	1998	2010	92%	ABS
Darwin	2001	2010	121%	ABS
Canberra	1998	2010	121%	ABS
Australia	1996	2010	123%	Stapledon

Essentially, the above table indicates that all of Australia's capital cities experienced a boom in real housing prices beginning in the latter half of the 1990s.

Notably, Melbourne and Perth lead the pack, with report authors suggesting that although Perth's boom was 2% greater than Melbourne's, quality adjustments would deflate the index, resulting in Melbourne as the top performer.

Semantics and accolades for top billing aside, the fact remains that well located, quality housing across all capital cities in Australia continues to demonstrate strong price growth, relative to ongoing levels of supply and demand at varying levels of the market.

It may not be consistent year-in-year-out, but if you're not investing for the long haul, then what do a few market corrections matter in the big scheme of things?

An exception to every rule

Of course as with anything, there's always an exception and in this case, it's the potential to end up with the wrong type of asset – that's not investment grade and therefore not underpinned by a strong supply/demand fundamental.

This usually happens when insufficient research is undertaken as a part of the asset selection process and instead speculative ventures are entered into by large amounts of investors who buy into the latest fad.

In this case, most experts think the inner city new apartment market could be a sticking point when it comes to value growth across our cities over the next five or so years.

Purchasers currently buying into off-the-plan developments in hot spots like Melbourne face a possible double-blow as they pay at the peak of the market today, with the likelihood of settling the property after the market softens.

BIS Shrapnel senior analyst Angie Zigomanis said, "The risk with units is that you have investors buying today in this market, but they will come online in a few years once the building is completed and they may be having to discount rents to find tenants."

The BIS Shrapnel Residential Property Prospects 2015-2018 report points to overseas migration having tumbled from 237,500 in the financial year of 2012-2013 to just 184,000 across 2014, at a time when new dwelling construction is expected to hit a record level of 210,000 new commencements.

Plus another 200,000 developments are expected to start in the 2015-2016 financial year.

"In general there's an under supply at the moment and that's something that has to be eaten away at first," Zigomanis said.

"But the 210,000 are just being started and so two or three years away, and that's where we see a reduction in prices coming through."

Always opportunities

When we buy into the hype around housing markets and bursting bubbles, we risk falling victim to investor inertia, paralysed by the fear of it all going pear shaped.

As you can see though, quality housing in investment grade locations should give you very few reasons to fret about whether you'll achieve the necessary combination of cashflow and capital required to build a property portfolio.

You just have to make sure you are selecting the best possible assets, in areas with a demonstrated track record of consistently strong owner-occupier and tenant demand.

At the end of the day, housing affordability is relative.

Property, like any other commodity, is worth whatever the market is prepared to pay for it at any given time, which makes the 'expense' of real estate more about perception and perspective – if you can afford something, you won't see it as unattainable. Likewise if you cannot afford it, you might.

Don't be scared out of the property game by 'market banter', because in ten years housing will be more expensive – as history clearly demonstrates.

If you would like to know more about the current investment opportunities across the Melbourne housing market, why not join us at our upcoming seminar on August 20?

The Trilogy team and local market experts will be there to answer your questions and help you navigate your way successfully through a changing property and lending landscape.

AS PROPERTY ENTERS YET ANOTHER NEW ERA, LET'S LOOK BACK AT THE YEAR(S) THAT WAS

If I could pick one word to describe the last two years of happenings in the real estate and financial services sectors, it would have to be 'unprecedented'!

So how did it all start?

Well, once upon a time there was a guy called Glenn Stevens, who had the arduous task of trying to maintain balanced, long-term economic growth amidst the chaos of innately short sighted, "band aid" political fiscal practices.

Actually, it could be argued that the 2008 GFC kicked off this latest Australian real estate upswing in earnest.

Although according to the ever reliable Wikipedia, the hypothesis of an Australian property bubble has been proposed since 'at least 2001', in line with the mini boom we saw at the turn of the century.

Back to the GFC though, where a number of investors lost everything with the collapse of overseas commodities markets, particularly within the traditionally perceived 'safe haven' of standard managed super funds.

The rise of SMSF property investment

Coincidentally just a year before, in 2007, legislation was revised allowing SMSFs to borrow under Limited Recourse provisions for direct property investment.

Suddenly investors had the opportunity to acquire high yielding property with which to feed their growing retirement fund and importantly, maintain control over how their hard earned money was invested.

It was a 'no brainer' that led to a 'perfect property investment storm'.

Sure enough one of the big things we've seen in the sector over the last two years in particular, with momentum still steadily gaining, is a significant growth in the number of SMSFs established, and the acquisition of property from within them.

According to the ATO, residential property investments within SMSFs increased by 17% in the year to March 2014, from $17.5 to $20.5 billion – an unprecedented rise.

Bricks and mortar (and mining) saved our bacon

Let's not forget about the numerous first homebuyer stimulus packages thrown out across each state and territory, in the hopes that buyers would continue biting at property and thereby stimulating the economy. Who can resist a generous cash incentive?

Plus of course, we still had the mining boom shirttails to ride high on at that stage, alongside another random (?) coincidence that seemed to work in our favour – the breakneck arrival of China as the new global economic powerhouse.

All of these neat little circumstances maintained a fairly consistent level of half-decent consumer confidence in the face of 2008's worldwide recession and collectively, we seemed to emerge from the train wreck relatively unscathed. Barring the immediate, individual victims of course.

This period brought about a cultural shift in how we perceive property. No longer was 'the Great Australian Dream' just about a house in the 'burbs to bring up your family.

Now residential real estate was seen as a tradable commodity in its own right and what's more, a very reliable one at that. It had proved itself worthy in the face of worldwide financial calamity after all, with investment grade locations maintaining their ground or correcting slightly over the following two years.

Fast forward through a controversial change in federal leadership at a local level, and a world still struggling to regain its footing and adjust to the new economic status post-GFC, and the amount of records being broken within property and finance are becoming a little mind boggling...

Interest rates

Exactly two years ago in August 2013, the RBA cut the cash rate to 2.5%. This sent Australia into an unprecedented, long-term low interest rate rut, with slight, occasional movements between 2 to 2.5% occurring over the last 24 months.

Very few (if any) industry experts guessed what the fallout would be from this prolonged, record breaking low rate environment at that time. How could they? It was unprecedented and therefore to some degree, impossible to predict with certainty.

But the central bank had little choice. A weakening Aussie dollar, as well as lackluster consumer and business confidence and employment figures necessitated the move and unfortunately, things just haven't picked up a lot since.

In fact with the demise of the resources sector, real estate is arguably running the show right now, leaving Governor Stevens and co little choice but to maintain interest rates at their current lowest point since Elvis was a boy.

The decision in May to decrease rates to 2.0% not only created another new record breaker, but also reflected the fact that property and the supply and demand market fundamentals on which it's based, have become integral to our nation's economic stability.

As Professor and Deputy Head, School of Economics and Finance at University of Tasmania, Mardi Dungey put it, "As there seem to be few signs of improvement on the fiscal front, the RBA is taking a risk that looser monetary policy can fill part of this role and not cause structural problems elsewhere."

Have investors and the RBA been blowing bubbles?

This supports the argument of industry commentators who suggest that the RBA has made mortgage credit so appealing, to purposefully over-stimulate the property sector in the hopes that it might jump start growth in other industries and boost consumer confidence.

If this was their plan, it has been somewhat successful in terms of injecting new life into the construction and services sectors particularly. But general growth around sectors not so interconnected with residential housing is still lackluster, particularly in regional communities.

Interestingly, it's been said by some seasoned investors who've lived to tell the tale of a market cycle or two, that booms start from within our major capital cities and spread out in a ripple effect, whereas busts tend to do the reverse.

Could a regional slowdown be an indicator of a broader, slowing housing market?

The Sydney surge

The impact of the alleged housing bubble over the past two years or so has arguably been most notable in inner city Sydney and to a slightly lesser degree, popular urban centres throughout Melbourne.

Last month CoreLogic RP Data statistics pointed to another twelve months of exceptionally strong growth for both cities. Sydney's annual growth rate for the 2015 financial year increased to 16.2%, up from 15.4% a year earlier, while Melbourne housing values rose by 10.2%, up from 9.4% for the 2013-14 financial year.

February and May's rate cuts from the Reserve Bank added fuel to the already considerable fire.

RP Data's head of research, Tim Lawless said at the beginning of last month, "There was an instant buyer reaction across the Sydney and Melbourne housing markets where auction clearance rates surged back to levels not seen since 2009, capital gains once again accelerated and we are now seeing Sydney and Melbourne homes selling in record time."

Investors vilified

Much of the heat in Sydney and Melbourne's markets was blamed on increased and (you guessed it) unprecedented investor activity, with equity-laden homeowners said to be the only purchasers who could afford the escalating inner city prices.

Accused of chasing negative gearing benefits exclusively afforded to property investors, and increasingly looking to acquire property within SMSFs to shore up retirement capital (the evildoers!), investors were largely vilified as the sole cause for the apparent housing bubble across most of 2014.

Interestingly, a new breed of investor may have skewed the data around investor lending somewhat.

While many were talking up affordability issues for an entire generation of young people who were 'at risk of never realising the Great Australian Dream', that same generation was becoming increasingly active in the market. They hadn't sacrificed the Great Australian Dream, but merely changed what it looked like.

Rather than buying a first home to settle down in, young Gen Y's have been busy establishing their own property portfolios, thereby contributing to data that suggested investment borrowing was escalating at a rate that could put further upward pressure on already rising house values.

Enter APRA

Concerned that an unprecedented escalation in property investment credit off the back of unprecedented low interest rates was fuelling unsustainable (and of course unprecedented) levels of competition across select housing markets, APRA warned lenders that unprecedented macroprudential measures would be taken if they failed to keep their books in check.

When May lending data revealed that investment related borrowing had grown across most major deposit taking institutions and some of the smaller lenders, at levels above APRA's 10% 'safe zone', the industry regulator stepped in with threats of serious macroprudential measures to stem the rising tide of market activity (another first!).

The effects were almost immediate. You can read more about the actions lenders have recently taken and are in the throes of implementing, to bring a semblance of balance (at least in APRA's opinion) back to their books and appease the regulatory gods, in this interview with the Trilogy team.

Curtis, Ken and De share the immediate changes they've seen, how it's impacting clients and what you can do as an investor to navigate this new lending landscape.

The cynic in me thinks this sudden desire to 'toe the regulatory line' is more thinly veiled profiteering from the big banks on the back of circumstance. Another way to perhaps keep that large chunk of very valuable mortgage business and contain competition?

Whatever the underlying reasons (that only finance sector board directors and corporate high flyers are privy to), the impact of this move to comply has been virtually instantaneous.

Anecdotal reports suggest that the brakes have well and truly been applied across Australia's property markets, with activity slowing notably in the last few weeks according to a number of banking business development managers.

So what's on the horizon?

This really is the six million dollar question –

Given how many records are being broken and new market trends established in a seemingly faster paced cycle, within cycles, and within multiple markets travelling at different speeds, it's difficult to say with certainty.

What is apparent is that many people will look back on this unprecedented time in our property market history and wish they'd acted then…when interest rates were still relatively low and where, with the right guidance and loan structuring you could establish a viable bricks and mortar asset base.

Remember, history has demonstrated that house prices always go up – not consistently of course, but over time, this is the general way of things.

Plus, credit is still cheap…especially if you know what to look for according to your own personal needs and importantly, how to find it among the multitude of lenders and products.

Essentially for investors, it's about striking that important harmony between the long time enemies of investment strategy – cashflow and capital growth.

The good news is this is most definitely a market where you can have both – as De explains in our Trilogy insider report. And moreover, you MUST have both in order to satisfy the banks' new, stricter serviceability criteria.

It just takes a bit of lateral thinking and some insider knowledge, as well as the willingness to perhaps step outside of one's comfort zone. You can read more about that here…

As always, all investors can control are their own actions. Act according to a plan, accommodate, but don't lose yourself in the prevailing market conditions of the day and never allow yourself to drown in speculative activity fuelled by media hype!

Then come see us in two years from now and let us know how you got on!

WHAT EVERY INVESTOR NEEDS TO KNOW ABOUT THE NEW LOOK 'CREDIT CRUNCH'

In December last year, the Australian Prudential and Regulatory Authority (APRA) advised authorized deposit-taking institutions that investor mortgage portfolio growth "materially above a threshold of ten per cent" would be seen as an "important risk indicator" in considering the need for regulatory action.

Despite their continued threats regarding macroprudential intervention however, APRA's analysis of banking statistics from May indicated that the magic 10 per cent margin wasn't being taken as seriously as they'd hoped.

ANZ's residential property loan book grew at an annualised rate of 12 per cent for the month, with all the majors (aside from Westpac) allowing investor loan activity to rise beyond 10 per cent, along with AMP, Macquarie, ME and Teachers Mutual Bank.

APRA took a hard line approach in response to the data, cautioning that lenders who didn't adhere to mandated restrictions on investment borrowing at 10% or less of all loan settlements could force the imposition of formal credit sanctions.

The fallout has been almost immediate; with EVERY investor set to notice potentially significant changes to their cashflow, and their capacity to continue accumulating high growth, highly geared property.

What Curtis Lunney says about serviceability…

The biggest change our Trilogy team is noticing is in the banks' serviceability models. Negative gearing 'add backs' have been removed from cashflow assessment and increased buffers are being applied to interest rates.

Quite often the interest rate might be 4.5 per cent and the banks are adding 2 to 2.5 per cent as a servicing buffer on top of that.

So they're applying interest rates of around 7 to 7.5 per cent for servicing calculations within a principal and interest arrangement, without considering interest only at all.

Moving forward there'll be greater emphasis on an applicant's income, whether that's through PAYG earnings or rent rolls, and a greater focus on external income sources to make the client's portfolio sustainable.

Curtis says consider gearing…

One way around this is to gear yourself at a lower LVR once you start accumulating a few properties. So instead of running at around 80 per cent, you might look at how you can reduce that to say 60 or 70 per cent. This will also provide a higher rent to repayment ratio and help alleviate some serviceability issues.

Overall, investors still need to weigh up the offset between capital growth and rental yield when determining their capacity to borrow. There's no point buying property that's going to increase in value exponentially if you can't hold onto it over the first year or two, while experiencing that growth.

This has always been the case and continues to be today, it's just that you have to focus a little more on income because now when applying for a loan, cashflow is as critical as capital.

Curtis says plan ahead…

Short-term gains cause long-term pain and you need to be more mindful of that in this lower interest rate environment.

As rates start to go up, whether it's next year or the year after, consider what impact that has on cashflow.

Look at having buffers established, as well as possibly even fixing part of the portfolio to make sure you minimize any negative impact on cashflow.

Curtis says reduce non-investment related debt…

Now is the ideal time, if you do have investment properties, to pay extra off your home. Make the monthly mortgage repayments on your PPOR as if it the interest applied was at 7%, as opposed to the mid 4's it actually is right now.

That way you get ahead quicker and build up extra equity, plus as rates go up you're already prepared to make those higher repayments.

If you don't have any personal debt or home borrowing, accumulate more buffers in offset or redraw type facilities, which again increases your equity, but also gives you a cash reserve to deal with rate rises.

Curtis says there are still deals to be done…

All banks still have different discounts and inclusions built into their packages; they're just not doing any deals above the carded rates.

The key is to look at what other features come with the loan, such as offsets, redraw facilities and the like, as they can be more important than the actual interest rate, particularly for investors. Sometimes taking a cheap rate can cost more in the long run.

Ken Gibson says it's not all about interest rates…

Securing the best loan product for a client means asking the right questions at the outset:

- Is the property you're considering for owner-occupier or investment purposes?
- Where do you see yourself in the next 5 to 10 years?
- Are you eligible for assistance like the first home owner's grant or stamp duty concessions?
- Do you prefer Interest only or principal and interest repayments?

Ken says size matters…

Although a lot of lenders, like BankWest for instance, have dropped their LVR cap to 80 per cent for investor borrowings, we know of some institutions who'll still do up to 90% for property investment purchases.

If you have other property, particularly owner occupied, we can potentially restructure your portfolio to get a better deal on your PPOR in order to offset some of the additional investment property debt you'll have as a result of interest rate increases that may be applied to your existing and future loans.

With the banks trying to rebalance their books in line with APRA's 10 per cent requirement, there are some really good deals going for owner occupied properties, including St George at around 4.19% on a no frills, basic home loan with no application fees.

Deanna Ezzy says the changes will impact ALL property purchasers

All lender-servicing calculators have been changed across the board, which has basically reduced everyone's borrowing capacity.

Lenders have also raised their buffers. So their generic servicing calculator might have previously allowed $1500 a month for living expenses for a single person with one child, whereas now those expenses have been increased.

The calculator changes will impact investors a bit more, because the main thing that's been revised is that existing debt at other institutions – typically investment debt – is now calculated at a higher buffer.

Some lenders have also capped rental income on premium properties (around the $1 to 2 million mark) and the NAB has a maximum 6% yield rule, meaning if you have a house and granny flat that's generating 8 or 9%, they'll cap that at 6% and then take 80% of that 6% yield.

These rental income allowances shouldn't impact too many investors however, because most are achieving around a 4.5 to 5% maximum rental yield anyway.

Additionally, interest rates for investment lending are now not as good as those applied to owner-occupier mortgages.

Deanna says OTP investors are at risk…

People who bought off the plan six months ago will now be required to have all the numbers run through these new servicing calculators when it comes to settlement time, and I guarantee a lot of investors and owner-occupiers aren't going to service on these contracts.

Deanna says it's time to invest outside your comfort zone…

I have heaps of clients in Melbourne who are heavily geared and getting pretty ordinary 3 per cent rental yields, which could see some of them hit a major servicing wall in the near future.

hey might need to reconsider their strategy and start looking at positively geared property to help with cashflow and serviceability, such as granny flats and other ways to generate more rental income. Whereas this wasn't quite so important a year ago.

Maybe have a look at buying in another state where rental yields are higher. In Brisbane you can purchase something really good for around $500,000 and still achieve rental yields of about 5.5%.

Unless you have a huge PAYG income, you're going to need both strong cashflow and capital in order to achieve serviceability under these harsher requirements.

Deanna says professional guidance is more essential than ever…

The need to talk to a broker is required now more than ever. There are still a few variations between how lenders calculate your serviceability.

Even though they're all much the same and it's been made a lot harder, some lenders will be a little more generous than others. But this is generally not common knowledge.

So consult a broker first, particularly if you're looking to buy a bunch of properties over the next ten years, because you need to be extra careful now as to how you finance those first acquisitions in order to continue investing down the track.

Deanna's top tips for today's borrowers

1. If you have massive credit card limits – reduce them. If you need credit cards to access cash, deposit the money into a low limit card of say $1000 so you still have funds available without it impacting your serviceability. Try to keep all other debts at a minimum.
2. Demonstrate a good savings pattern. When people come to see me about 6 months before they're ready to buy, we determine which lender they'll go through, say the Commonwealth Bank for instance, then I advise to move all their savings across to them and open a $2,000 credit card and become an existing customer. That way, in 6 months time when you apply for a loan, the bank can see your income, your savings history, that you've been paying your credit card back every month and you're an existing customer – they know you. Suddenly you're a lot more attractive. Again, this is something that's not necessarily common knowledge unless advice is sought from a broker.

3. Keep yourself stable in terms of your residential address and employment history and your credit file clean. Don't apply for multiple balance transfers on credit cards, because it just looks like you can't afford the debt.

It's really back to basics when it comes to serviceability – especially when you're buying an investment property.

Given the significance of this lending revolution and its impact on both new and established property investors, it's more important than ever to seek counsel from a suitably qualified mortgage broker.

To speak with our team and find out how you can successfully navigate this new lending landscape, click here now or call 1300 657 132 for a confidential discussion as to your current situation and how you can best finance any future investment plans.