



Home Equity Investing In Real Estate

Contents

Welcome to Third Garden Property Solutions	03
What Is Equity?	04
How to Determine Your Home Equity	05
Calculating How Much Equity You Can Utilize	06
How do I Access my equity?	07
How to Increase Your Home Equity	08
Seek Help from a Property Investment Expert	09
Benefits of Working with a Property Investment Expert	10
Continue Building Your Property Portfolio	11

Welcome to Third Garden Property Solutions

If you are considering investing in real estate, you certainly want to make sure you buy the right property in the right location to reduce your risk.

Sure, every investment comes with its share of risks, but you still need to weigh up the pros and cons before investing your hard-earned money.

Your home equity is your savings account that can be unlocked when required to buy an investment property.

Many successful and savvy property investors don't even use any funds to buy their second, third, fourth and so on properties. They use their home or first investment property as equity.

These are regular people who valued financial security and wanted to ensure a comfortable future for themselves with smart long-term investments involving minimal risk.

Here's the real kicker – you don't need to have saved enough money to put a deposit on an investment property. There's a good chance you have the funds already. The equity you've built up in your own home could hold the key.

As any successful property investor will tell you, it's never a bad time to start investing. The sooner you begin, the sooner you'll reach your goals.



“The sooner you begin to plan, the more control you will have of the outcome.”



How to Determine Your Home Equity

You now know that your home equity is the difference between what you owe and what your property is worth at the time of your request.

But how can you determine its current market value? You can research various sold properties nearby to see what their sale prices were or you can also get an online

estimate on several property websites, however, the best way to see how much home equity you have is to request a formal property valuation.

If you're considering refinancing to purchase a property to invest in, you could potentially get a valuation report at no cost.

What Is Equity?

Equity is the number that's left when you subtract your home's realistic market value from the amount of money you still owe on the property.

Think of it as your most valuable asset, because it might as well be. You can use it to get a second mortgage,

renovate your home, consolidate debts, fund your retirement, or make any long-term investment for a better future.

Using home equity to invest in a new property is one of the most popular strategies among property investors.



Calculating How Much Equity You Can Utilize

You can never utilize your entire home equity, even if you’ve paid off your mortgage in full. That’s because lenders put a cap on the amount you can borrow. Most of them allow you to utilize up to 80% of your equity.

That amount is referred to as usable equity, while the amount that you get by subtracting what you still owe from your home’s market value is called accessible equity.

For Example, let’s say you still owe \$200,000 on your mortgage, and your property’s current market value is \$600,000. That would mean that your accessible equity is \$400,000, but the amount you can actually utilize is lower.

Your lender will use a loan-to-value (LTV) ratio of 80% or lower to calculate the maximum amount you can borrow against your equity.

So, in this example, 80% of your home’s current market value of \$600,000 is \$480,000. By subtracting your outstanding mortgage amount of \$200,000 from the value, you get \$280,000 of usable equity.

Of course, your lender must check your finances before approving your loan. They will check your annual income, age, any debts you may have, and consider other important factors before determining the amount they could lend you.

If your deposit is less than 20% of the mortgage on your chosen investment property, you’ll likely need lender’s mortgage insurance (LMI). This policy protects the lender if you are unable to meet your loan repayments. You should avoid this option if possible, as LMI can cost thousands of dollars and immediately offsets any potential returns you’ll get from the investment

If your usable equity is lower than 20%, it would be advisable to wait for your home’s market value to increase to the point where you’ll no longer need Lender Mortgage Insurance.



How do I Access my equity?

Once you’ve determined your equity level, you can access it by refinancing your home loan and getting a new bank loan that you can use as a deposit.

Your home will be used as security, and there are a number of ways the funds are made available.

For Instance , a line of credit gives you access to a predetermined amount of credit whenever you need it. Just like with a credit card, you have a pre-approved credit limit and may borrow as much of this sum as you want.

Other options are a redraw facility, offset account, and lump-sum loan. Third Garden Property has partnerships with finance brokers who can assess your unique circumstances and advise you on the most appropriate type of loan package at the best possible interest rate.



How to Increase Your Home Equity

There are several ways to increase your home equity and open the door to a world of financial opportunities. The sooner you boost the equity, the sooner you can indulge in your property investment endeavors.

You can actually build up your home equity much quicker than you can save money for your investment.

The most obvious way of boosting the equity in your home is paying off your mortgage faster. How?

One way is to increase your monthly payments. The other is to make some extra payments whenever you

can. Every single effort to dial down your debt translates to higher home equity.

Another way to boost your equity is to increase the value of your property. You can do that with a simple home renovation.

It doesn't have to be anything over the top. As a matter of fact, it shouldn't be, because your property's market value may not increase by the same amount you've spent on renovations. It's wise to consult with a property investment expert before investing too much money in such projects.

The most important thing is that your home is in top condition. You need to properly maintain its entire structure to make sure it's functional and safe. That will help you significantly increase its market value.

Seek Help from a Property Investment Expert

By now, you understand what home equity is and how it works, so you may feel completely ready to jump into it and set out on your property investment adventure.

However, you still need to learn a lot about the investment and rental markets to make sure you seize every possible opportunity. You also need to learn to avoid common pitfalls and eliminate the risk of losing money.

That's why getting help from an expert is important and can save you money and heartache. You certainly don't want to lose something as valuable as your home equity.

Of course, you can do your homework and dig deeper into the matter to learn everything you need on your own. But it could take months or perhaps even years to gather all the information you need. Someone with experience in the field can help you instantly understand all your options and guide you to make wise decisions.

That's because having spent years in the property and forging strong relationships with builders and developers, they have the expertise and knowledge to guide you.



Benefits of Working with a Property Investment Expert

These experts can be of assistance when it comes to anything regarding purchasing a new property to invest in.

They can also offer to help you develop an effective strategy for property investment.

Working with a property investment expert will allow you to connect to a professional financial advisor that can help map out your ideal lifestyle.

Once you have sorted out your finances and mapped out your financial future then your ready to take the journey in purchasing your property, a property expert can help you find the right properties to invest in according to your budget. They will inform you about your potential income and future growth of the property.

Property investment experts liaise with developers and provide you access to investment grade properties before they even hit the market.



Continue Building Your Property Portfolio

Home equity is undoubtedly one of the best ways in unlocking funds to purchase an investment. Third Garden Property is here to assist you on your property journey.



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