



What is Rentvesting?

And is it still worth it for first home buyers?

The concept of 'rentvesting' gained popularity in the last decade when it was embraced by first time homebuyers eager to enter the property market. However, for some, it has been a long standing strategy in property investment.

Often praised as a mutually beneficial approach for investors, rentvesting involves individuals residing and renting in their desired location while simultaneously purchasing an investment property in a more affordable area.

This strategy holds particular appeal for those who find themselves unable to afford property in the suburbs that are close to where they want to work and live. But this approach can also apply to families who want a larger home to live in but can't afford to buy one. Even older couples who can't afford their dream location may choose to rentvest as a way to have their cake and eat it too.

However, amidst the current economic conditions marked by soaring interest rates and a nationwide rental crisis, the question arises...

Is rentvesting still a viable strategy?

Rentvesting is a modern approach to property ownership that challenges the conventional notion of homeownership, particularly for first time buyers. Rather than sinking all their savings into a single property, rentvestors opt to rent where they want to live and invest where they can afford to buy.

This innovative strategy has gained traction over the years by offering a myriad of advantages that make it an appealing option for many.

For decades, the traditional goal for individuals entering the housing market has been to secure their piece of the property pie.

However, rising property prices, particularly in major city inner suburbs, have made homeownership an elusive dream for many young professionals and families.

Enterprising individuals are increasingly turning to rentvesting as a solution that offers personal and financial flexibility and the opportunity for strategic property investment.

Personal flexibility

Is one of the primary benefits of rentvesting. By choosing to rent in their desired location, individuals are not tied down to a specific property or area. This flexibility is particularly advantageous for those with careers that require frequent relocation or individuals who prefer the freedom to explore different neighbourhoods before committing to a long term property investment.

Rentvesting allows individuals to adapt to changing circumstances without the constraints and costs of buying and selling that come with traditional homeownership.



Financial flexibility

Is another compelling reason to consider rentvesting. Rather than channelling all their savings into a down payment for a single property, rentvestors can typically purchase property with a smaller deposit allowing an earlier entry into the market. The benefits include the tenant contributing to the mortgage repayments via rental payments as well as the added advantage of tax and depreciation benefits associated with a rental property that you cannot access as a home owner.

Expenses associated with investment properties, such as mortgage interest, property management fees and depreciation, are tax deductible. These expenses reduce the overall tax liability for rentvestors.

Additionally, capital gains tax concessions may apply when selling an investment property, providing a further incentive for those who hold the property for greater than 12 months.

Leverage

Rentvesting may enable individuals to leverage their investments more effectively. By investing in areas with strong rental yields or high growth potential, rentvestors may generate additional income or build equity faster than through traditional homeownership in suburbs they can only afford to settle as an owner

occupier. This dual income strategy may help to accelerate property accumulation and provide a financial cushion against unexpected expenses or market downturns.

Not for everyone

It's essential to acknowledge that rentvesting is not without its challenges and considerations. Renters may face uncertainty regarding lease renewals and rental increases, while investors must carefully research and select properties that align with their investment goals and risk tolerance.

Additionally, rentvestors should be prepared to manage the responsibilities of being a landlord or enlist the services of a reputable property manager to oversee their investment properties effectively.

Rentvesting represents a paradigm shift in the way individuals approach homeownership and investment. While traditional homeownership remains a cherished goal for many, rentvesting offers a compelling alternative that empowers individuals to build a property portfolio on their own terms.

Whether you're a first time buyer or seasoned investor, consider the potential benefits of rentvesting and explore how this innovative strategy could shape your path to property success.