

Why I like property

TYRON HYDE DISCUSSES THE ADVANTAGES OF INVESTING IN PROPERTY.

There's not a day that goes by without someone asking me whether it's a good time to buy an investment property. And in fairness, it's a valid question given local market conditions and global economic worries. Yet, if you relied solely on news reports you would be utterly confused because each day seems to tell us a different story.

I would of course love to provide a crystal ball to ensure success for everyone this year. However, until that arrives what I can offer is experience and it's based on this that I provide my thoughts on why I like property.

Reason # 1 – Add value

You can buy a rundown old property and increase the value of your investment by getting your hands dirty, or paying someone to get dirty! Hard to add value to the Commonwealth Bank shares I own. Sure I bank with them, but I don't really think my day-to-day savings account is really going to add much value to my stock portfolio!

And sure, I can vote when it comes to the AGM – but are my 1,000 shares really going to make a difference?

Installing new carpet, painting and adding new blinds – that makes a difference!

Reason # 2 – Limited supply

A builder once said to me, "You can't make property from a plastic mould". I like that property takes a while to plan and build because, in my opinion, the demand and supply equation has lots to do with the price of property.

A development across the road from where I live has been in council for three years now and will

probably take two years to build. That's five long years for the developer!

With shares, however, the company can make a capital raising at any time or issue options to directors or employees. This type of activity can dilute your shareholding making your piece of the pie smaller.

It's hard to issue land in Bondi for instance!

Reason # 3 – Capital gains exemption

Unlike any shares I currently own, the home I live in does not attract capital gains tax. This has been lucrative for many Australians and I can't see the law changing in this regard for a long time.

Reason # 4 – KISS (Keep It Simple Stupid)

I like property because it's easier for me to understand compared to shares.

Granted I work in property, but, I know if I buy a property for \$500k, I can get \$600 a week rent. There will be expenses that I can work out and I can use the Washington Brown depreciation calculator to work out my depreciation claim. Simple.

Have you ever read a share prospectus or company annual report and completely understood it?

Reason # 5 – Master of my domain

I like property because I can be master of my own domain. I can be the CEO of my investment property, the CFO of my investment and answerable to the board directors that I care about, my wife.

I don't know about you, but I'm pretty sick and tired of golden handshakes to CEOs who have done the wrong thing to their staff or shareholders. And I'm over self-interested company directors that pretend they have shareholder company value at heart, really?

Reason # 6 – Don't remind me

I like property because I'm not reminded of how much I have lost or made every day.

I really don't want to wake up and wonder what the Nasdaq did overnight and worry how that's going to affect my share portfolio here.

It's easy to spend a lot of wasted energy clicking "refresh" on CommSec wondering if your stocks have gone up or down...

BORING!

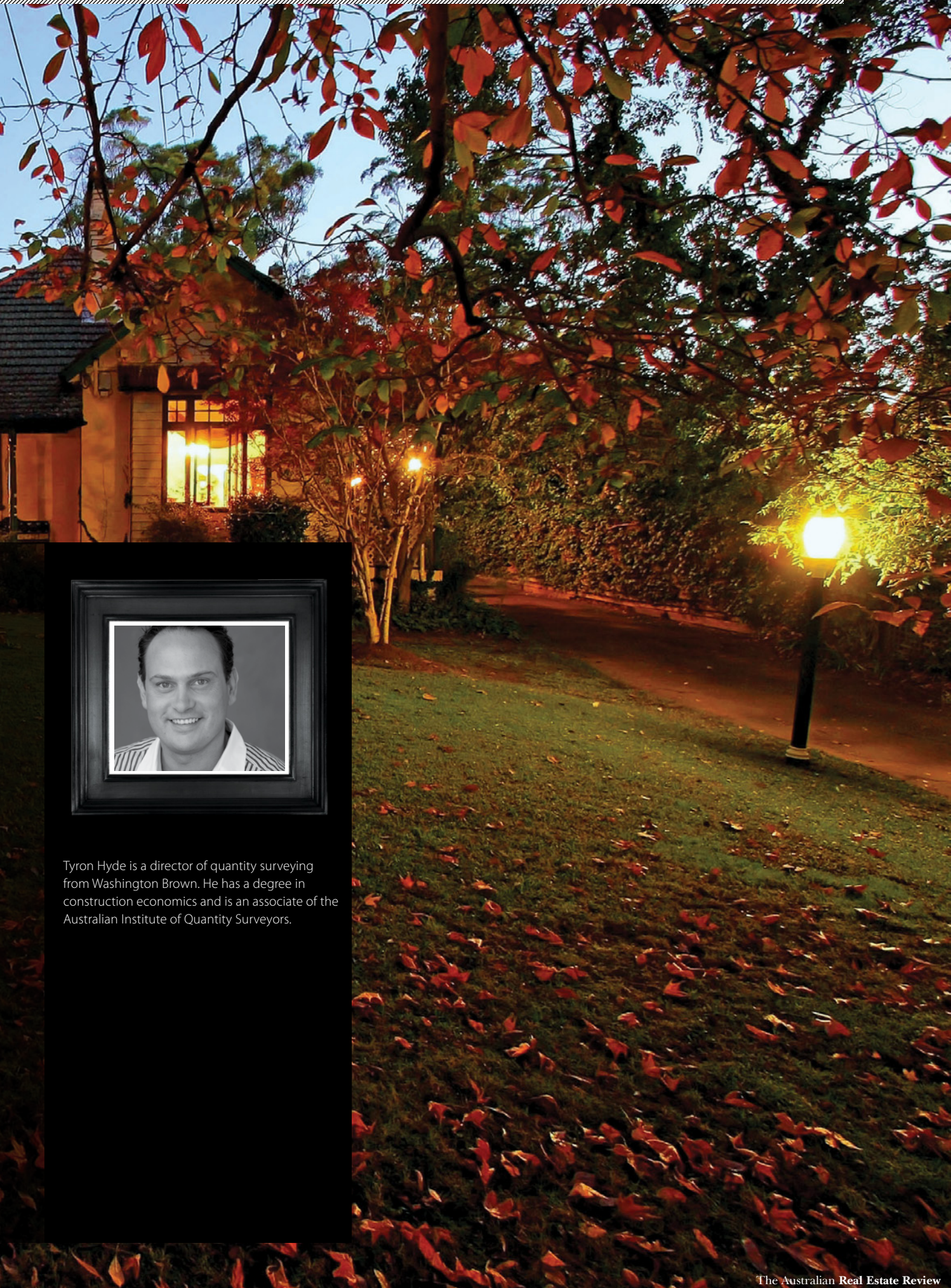
Reason # 7 – Margin calls stink!

I like property because even if my property has gone down in value, which it hasn't, it's very unlikely a bank will give you a "margin call" and force you to sell.

The problem with margin calls, from my experience, is it forces you to either come up with cash or sell stocks at a time when you don't want to.

This can be magnified significantly at times when many others are getting margin called and you have to sell a price far lower than what the stock may be worth or even what you think it's worth!

GIVE ME PROPERTY ANYDAY!



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