

Get real in real estate investments

IN Malaysia, with the rising property prices and a heightened eagerness amongst investors to own real estate, it is best to plan earlier to avoid any financial loss.

Before house hunting, get pre-approved on your mortgage loan

Getting pre-approved will save you the disappointment of looking at houses you can't afford. This enables you to make a serious offer when you do find the right house.

Know the hidden costs

Be mindful of legal fees, disbursements, and stamp duties. A simple rule of thumb is that these costs can be 3% to 4% of the purchase price.

Calculating potential returns

When calculating the potential returns for a rented property, always include a vacancy period to account for untenanted times besides including all the hidden costs as mentioned above. However, the vacancy period varies depending on the type of property. There is also real property gains tax (RPGT) if you are selling your property within five years from your sale and purchase date.

- * From 1 to 3 years: 15% of net profit
- * 3 to 5 years: 10% of net profit
- * 5 years and above: Not taxable



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During the last housing boom in the United States, most investors bought properties with only one thing in mind: sell it at a higher price. However, when the market dropped drastically, many of these investors were financially caught. Planning earlier could have helped them avoid a loss.

Decide on the purpose

Is your real estate investment meant for rental income or capital appreciation? If it is for rental income, do you have the time to meet the needs of your tenant and be prepared to deal with bad tenants sometimes? If it is for capital appreciation, do you need to pay high interests on your mortgage because repaying the loan for too long can erode the total returns on your property.

Have an exit strategy

Have multiple exit plans for your investment. Will you pay it off slowly over 30 years or will you rent it out first and sell it when the market peaks? Decide and plan on your exit strategies from the start even before you put that deposit on your property.



*"Damn! Our property has devalued and we don't even have an exit strategy!"