

EDA PROPERTY / GUIDE

# First Investment Property

## A Framework for Australians

How to choose your first property without guessing, without rushing, and without making the mistakes that take ten years to undo.

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# Why this guide exists

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Most Australians who buy their first investment property buy emotionally. They buy near where they live, near where they grew up, or in a suburb a friend recommended at a barbecue. A few get lucky. Most learn the hard way that property is a long, expensive asset to get wrong.

This guide is the framework we use at Eda Property when we research a first investment for a client. It is not a tip sheet. It is the order of operations: what to assess, in what order, and what to walk away from.

It is general information, not personal advice. Your situation will vary. But the framework holds whether you are buying in Brisbane, Adelaide or regional Victoria.

## **What you will get from this guide**

- The six steps we run through with every client before we research a property
- The four factors that drive long-term property value in Australia
- The five mistakes that derail most first-time investors, and how to avoid them

## STEP 1

# Know your numbers

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Before you look at a single listing, you need three numbers in front of you.

## Your borrowing capacity

This is the number a bank will lend you, based on your income, expenses, debts and family situation. Most people overestimate it. A mortgage broker can run this in 30 minutes and you should do it before you fall in love with a price point.

## Your deposit and buying costs

Plan for at least 12 to 15 percent of the purchase price in cash. That covers the deposit (typically 10 percent), stamp duty, conveyancing, building inspection, lender fees, and a buffer for the first three months of holding costs. If your numbers do not leave room for that buffer, you are buying too much property.

## Your monthly holding cost

After rent, what is the gap between income and outgoings each month? Mortgage, council rates, water, insurance, property management, maintenance reserves. If the gap is bigger than what you can comfortably absorb when interest rates move 1 percent up, the property is too stretched.

### **What we look for at Eda Property**

A first investment that costs you no more than \$50 to \$150 per week out of pocket after rent, with the buffer to absorb a rate rise of 1 to 2 percent without selling.

## STEP 2

# Define what you are trying to build

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"I want to invest in property" is not a goal. It is a category. The goal sits underneath that, and it shapes every decision that follows.

## The three common goals

**Capital growth.** You want the property to be worth significantly more in 7 to 10 years so you can borrow against the equity to buy the next one. Suits people 25 to 50 with 15+ year horizon.

**Cashflow.** You want rental income to cover the mortgage and produce a small surplus. Suits people closer to retirement, or people with strong existing income who want to add diversification without adding monthly stress.

**A blend of both.** Most realistic for first-time investors. You accept a small monthly shortfall in exchange for stronger long-term growth.

Be specific. "Build a \$1.5 million portfolio that produces \$60,000 a year in passive income by age 60" is a goal. "Get into property" is not.

### **Risk to watch for**

Chasing yield in regional towns with weak population growth. The 9 percent yield looks attractive, but if the property does not grow in value over 10 years, you have made nothing.

## Pick a strategy that fits

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Strategy is the bridge between your goal and the kind of property you actually buy. There are four most first-time investors should understand.

### Buy and hold (capital growth)

You buy a property with strong long-term growth fundamentals, hold it for at least 7 to 10 years, and let the equity build. Then you use that equity as the deposit for the next purchase. This is the most common way Australians build a portfolio.

### Rentvesting

You rent where you want to live and buy an investment property somewhere more affordable. Lets you stay in a suburb you love without locking up your borrowing capacity in a low-yield owner-occupier home. Strong fit for younger professionals in expensive cities.

### Cashflow plays

Higher-yield property in regional centres or specialised assets like dual-occupancy. Generates surplus income but typically grows more slowly. Fits people who need cashflow more than equity.

### Manufactured equity

Renovation, subdivision or development. High-skill, high-risk, not a first-time investor strategy. Skip this until you have at least one property under your belt and a team you trust.

#### **What we recommend most often at Eda Property**

Buy and hold for capital growth, in a market with strong infrastructure spend and population trajectory, with a property type that suits the area's demographic. Boring, but it works.

## STEP 4

# Find a location worth buying in

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Location is the single biggest driver of property returns. Get this right, almost everything else can be average and you will still do well. Get this wrong, and the best house in the wrong suburb is still a bad investment.

Here are the four factors we research at Eda Property before we shortlist any market.

## 1. Population trajectory

Is the population in this area growing, stable, or shrinking? Look at 5-year and 10-year ABS data, not last quarter. Strong investment markets typically have population growth above the state average.

## 2. Infrastructure spend

Where is government and private money being spent on roads, rail, hospitals, universities, and shopping precincts? Infrastructure drives jobs, jobs drive demand, demand drives prices.

## 3. Supply and absorption

How much new stock is coming onto the market and how fast is it being absorbed? An area with high demand but a wall of approved high-density apartment supply is a difficult market for growth in the next 5 years.

## 4. Affordability ceiling

How much room is there for prices to grow before locals are priced out? An area where the median house price is already eight times the median household income has limited upside. An area where the ratio is four to five times has room to run.

### **The mistake most first-time investors make here**

They buy in the suburb they live in or grew up in. Familiarity is comfortable. It is rarely correlated with the markets that grow fastest in the next 10 years. Look at the data, not your memory.

## STEP 5

# Apply the risk filter

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Once you have a market, you need to filter the actual property. Most listings will not pass these checks. That is fine. The point is to walk away from anything that fails.

## Stress-test the rate

Run your numbers at a 2 percent higher interest rate than today's rate. If the property still works for you, the deal can survive a rate cycle. If it does not, you are buying with no margin.

## Check the building

Always commission a building and pest inspection. Always. The \$400 to \$600 you spend now is the cheapest insurance you will ever buy. If the property is on a slab, check for movement. If it is timber, check for termites. If the roof is original, factor in replacement.

## Check the title and zoning

Easements, covenants, planning overlays, flood zones, and bushfire zones can all affect what you can do with the property and how it insures. Your conveyancer or solicitor catches most of this. Make sure they are an experienced one.

## Check the rental demand

Is there genuine rental demand for this property type, in this suburb, at the rent your numbers assume? Look at vacancy rates (under 2 percent is healthy), days-on-market for rentals, and speak to two property managers in the area to verify what rent is realistic.

### **If any one of these fails**

Walk away. There will be another property. The deal you walk away from rarely costs you anything. The deal you push through despite the warning signs costs you for a decade.

# Buy and hold without losing your head

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Once you have bought, the job is to do nothing for several years. Most of the value of property investing is created by holding through cycles, not by trading in and out.

## The first 12 months

Get the property tenanted at fair market rent. Do not under-rent it out of fear of vacancy. Empty for 4 weeks at \$50 a week below market is the same as full for 12 months at the right rent. Use a property manager you trust. Set up an offset account for cashflow. Track expenses for tax.

## Years 2 to 5

Do not check the price weekly. Property does not behave like shares. The first 2 to 3 years often look flat. By year 5 the picture is usually clearer. Annual reviews with your accountant and a portfolio review with Eda Property keep you on track.

## Years 5 to 10

If the strategy worked, you should have meaningful equity by year 5 to 7. That is your deposit for the next one. The two-property household becomes the three-property household. This is how portfolios actually compound.

### **The single biggest predictor of long-term returns**

Time in the market. Not market timing.

# The five mistakes that derail first-time investors

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We have worked with hundreds of investors at Eda Property. The same five mistakes show up over and over again.

- 1. Buying emotionally.** Buying in the suburb you live in, the school zone you grew up near, or the property your parent says is "a sure thing." Property is a numbers asset. Use the numbers.
- 2. Stretching too far.** Buying a property at the top of your borrowing capacity with no buffer. The first rate rise breaks the deal. Always leave 1 to 2 percent of headroom.
- 3. Buying off-the-plan in oversupplied markets.** Apartments in CBD towers with thousands of identical units coming online rarely grow. The developer profits, the investor waits 10 years to break even.
- 4. Not having a team.** A good investor has a mortgage broker, a buyer's advocate or property advisor, a conveyancer or solicitor, an accountant familiar with property, and a property manager. Trying to run all five roles yourself is where mistakes compound.
- 5. Selling too early.** The biggest losses we see are not on the buy side. They are on the sell side. Investors panic-sell in a downturn, then watch the property recover and grow over the next 5 years without them. If the fundamentals haven't changed, hold.

# About Eda Property

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Eda Property is a research-driven property advisory based in Melbourne, working with investors across Australia. We help clients build long-term wealth through risk-adjusted property strategies.

Our work includes property strategy, market and location research, property selection, mortgage broking, and ongoing portfolio review. We are not a sales agency. We do not take commission from developers. Our recommendations sit on the same side of the table as our clients.

## Anissa Cavallo, Founder

Anissa is the founder of Eda Property and has more than 20 years in property and finance. She specialises in helping clients build long-term wealth through risk-adjusted property strategies, particularly first-time investors and Australians rebuilding after life changes.

### **If you want to apply this framework to your own situation**

Book a no-cost intro call with Eda Property. We will go through your numbers, your goals, and the markets that fit your strategy. Visit [edaproperty.com.au](https://edaproperty.com.au) or email [anissa@edaproperty.com.au](mailto:anissa@edaproperty.com.au).

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### Disclaimer

This guide is general information only and does not constitute personal financial, tax or legal advice. Property investment involves risk including the potential loss of capital. Returns depend on individual circumstances and market conditions, neither of which can be guaranteed. Before making any investment decision, you should seek personal advice from a licensed financial adviser, tax adviser, or property advisor based on your specific situation.