

# The USA property market – is it for you?

This month **Mark Taylor** talks with Andrew Allan and Stephen McClatchie on the high cashflow USA property market.

**A**ndrew Allan is the CEO of MyUSAProperty and has overseen more than 300 USA property transactions for Australians. Stephen McClatchie is the MD of LoansUSA – a company specialising in providing USA loans for Australians.

## WHAT IS CAUSING PEOPLE TO LOOK OUT OF AUSTRALIA FOR PROPERTY INVESTMENT?

The Australian market is very uncertain. It is also primarily a negatively geared investment market, ie you pay out in the hope of capital growth. Interest rates are uncertain so investors are very wary of the Australian market. The first step is to assess how much you can afford to pay for the property and how much you can afford to borrow.

## WHY ARE SO MANY AUSTRALIANS INVESTING IN USA PROPERTY?

Capital values have collapsed in the USA, while rents have been maintained resulting in high positive cashflow properties with low capital costs. Combine this with low transaction costs (no stamp duty) and very favourable current rates between Australia and the USA and you have a combination of factors that make the USA a very interesting investment proposition.

## WHAT KIND OF RETURNS ARE WE TALKING ABOUT?

This will vary depending if you are also looking for capital growth potential. In the highest positive cashflow areas, 15 per cent to 25 per cent net returns are typical, which is after all operating costs. In states where we would be expecting some good capital growth potential, we would be looking at the 5 per cent to 15 per cent net returns.

## WHAT KIND OF PRICE RANGE DO YOU CONSIDER AS THE SWEET SPOT?

Some properties are ridiculously near cheap (you can buy property for \$5k). Our range is between \$30k to \$100k; still amazing value but less maintenance and better tenant and neighbourhood quality.

**STEPHEN, YOU HAVE SET UP A BUSINESS FOCUSED ON USA LOANS. WHAT IS THE LANDSCAPE FOR AUSTRALIANS TO GET LOANS?**

The USA is very different to Australia and it has taken me 12 months to properly set up a loan service for Australians to cover our favoured states for investment. The good news is that we are now able to offer USA-based loans to Australians who purchase USA property, which increases the cash-on-cash returns substantially. LVRs are typically in the 50 per cent to 75 per cent and the process can all be handled from Australia using your Australian income/assets etc.

## WHAT ARE SOME OF THE RISKS?

Well, buying over the internet is not advised. You need to know that you are getting a property that will get tenants and be easily managed remotely. On this subject, not having a good property manager in place is a real risk. There are some horror stories around people buying property with personal debt attached to it that gets transferred to the new owner; easy to avoid if you know what you are doing.

## WHAT FINAL ADVICE WOULD YOU GIVE?

It is a great opportunity; however, there are some questionable operators around so be careful whom you work with. Having said that, you do need experts if you are to invest safely, so build a good team around you. If you fly solo and buy over the internet, well, you are playing with fire. ●



**Mark Taylor**, our regular property columnist, is the founder and managing director of the Keys To Success Club, a must-have resource for anyone serious about property.



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