It's as easy as one, two, three

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I often get asked what the 'ideal property' is. What's the ideal number of bedrooms, car spaces and living areas are all common queries about what purchasers should be looking for and what should be kept in mind when building or buying properties. Every buyer's needs are different but as a general rule of thumb, use this handy countdown.

THREE: This is the ideal number of bedrooms a house should have. This is the best number for a range of demographics. Families with children want at least three bedrooms. Couples with no children quite often like having a separate study or guest room. Four bedrooms may be overcompensating and this may narrow down the number of potential buyers. Two bedrooms often aren't enough for most purchasers as they would prefer a two-bedroom unit rather than a two bedroom house.

TWO: This applies to a number of factors, the first being the number of bathrooms. One of these bathrooms ideally needs to be an ensuite, off the main bedroom.

If having two bathrooms isn't possible, a second toilet and vanity (often called a 'powder room") is the next best thing. Two car spaces on the property are ideal. In the inner city suburbs of our major cities such as Melbourne and Sydney this may not be possible but where the block of land is large enough, purchasers can pay a very high premium for being able to park at two least cars on their own land. Two is also the magic number of living spaces. The property doesn't necessarily need to have two specific living rooms; other combinations could include a living room and a formal dining area or a living room and a play room or TV room. The buyer demographic expands when the property offers more than one living space as the majority of people are seeking at least two, regardless of their household size. Two is also the ideal number of bedrooms in a unit. Most unit buyers and renters want two bedrooms as it gives provides options.

Even a single person in a two-bedroom unit can use one of the bedrooms as a spare/utility room or possibly rent out the spare bedroom for some extra cash.

ONE: One refers to the dwelling; a single, detached property is best. Generally speaking, attached or semi-detached dwellings aren't as sought after as stand-alone properties. Like many general rules, there are exceptions. Some people may want one bedroom and some may want five. In terms of increasing the value of the property you're building or in order to maximise the capital growth of a property you intend to purchase; keep these numbers in mind.

The three 'L's of investment

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Q As a first homebuyer, should I look to buy an apartment closer to the city or should I look for a house further out from the CBD?

A For most home buyers the location of their property is not necessarily based on proximity to the CBD but more so how close it is to their work. You are far better off buying a property that reduces your commuting time, costs and stress by purchasing a home relatively close to work as a daily commute that takes many hours instead of minutes could soon become very tiring and frustrating.

I suspect that you are asking this question as you are also interested in realising some capital growth on the property so that your first home doesn't remain your only home.

Buying the right property in an area that has significant capital growth allows home buyers to upgrade and climb the property ladder towards bigger and better homes.

If it's capital growth you're after, there are three principles you must abide by: Location, Land, Looks.

Location: The major driver of capital growth is location. In particular, proximity to the CBD, sea and being adjacent to a prime area are crucial.

Other location factors to consider include proximity to a train station, being in the zone of a highly sought after public high school and close to a large range of shops.

Land: A common saying I have in class is "The value in real estate is in the land". In other words, buy a property where the majority of what you have paid goes towards the land component rather than the building.

For example, an old house on a large block of land is better than a brand new apartment on minimal land.

Looks: Properties with a great outlook, in particular views of water or the CBD, are in high demand and can often attract a premium price.

You'll pay more for them but you should also sell them for more.

Good looking homes such as character/period homes can also attract a premium, especially in Sydney, Melbourne and Adelaide.

In summary, if you're a first homebuyer with no interest in capital growth, just buy close to your work.

However, if you are interested in making money, remember the three "L"s; Location, Land Looks.

Why property is better than shares

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With a volatile financial market and a property market delivering strong results for sellers, it's little wonder many investors are opting for bricks and mortar. Here's why property is the smarter option for many people.

Degree of control: Property investors have a greater degree of control over their asset than investors who own shares. If the value of a share is plummeting, what can a share investor do? If their dividend is less than they wanted, what can a share investor do? The answer is not much. However, what can a property investor do to lift the value of their asset or increase their rent? For a start, the property investor can improve their property by upgrading or renovating.

Volatility of returns: The price of shares can rise and fall dramatically over a relatively short period of time. The same cannot be said for property. As most property is owned by the people that live in them, they are very reluctant to sell just because there is a rumour that the property market is about to slump or property prices are dropping. If you are looking for that "sleep well at night" factor, property is the answer. This factor is appealing to risk-averse investors.

Finance: Borrowing money to buy property and using the real estate as security is much cheaper than borrowing to buy shares if all you have as security is the share portfolio you're buying. At the moment, the cheapest home loan rates are below 5 per cent whereas the cheapest margin loans are about 8 per cent. Borrowing to buy shares can significantly erode your cash flow.

Leverage: Let's imagine that you had $40,000 in cash and wanted to invest in property or shares. Depending on your income, you could buy a $400,000 property with a $40,000 deposit. Half of your cash will go towards the deposit for the house and the other half towards the purchasing fees. You could borrow such a relatively large proportion as many lenders will lend up to 95 per cent of the value of the property being purchased. However, when it comes to shares, the scenario is very different. Most banks will lend up to 75 per cent if you were purchasing top quality shares. With your $40,000 in cash, you could buy a portfolio of blue chip shares valued at only $160,000. If we assume that both assets will grow at about their long term average, it would take more than 100 years for a $160,000 share portfolio to be worth more than $400,000.