SMSF PROPERTY INVESTING

2027 EDITION

REWRITTEN FOR THE NEW RULES

How to buy commercial and residential property with a self managed super fund, the Australian guide to superannuation property investment after the 2026 reforms

NATHAN HASLEWOOD

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This book was fully rewritten for the post reform era. Every rule, rate and threshold was re-verified at the time of writing in early 2027, and the text tells you the date a rule changed wherever it matters. Superannuation law keeps moving, so before you act on anything here, check the current position at ato.gov.au or with your SMSF professional.

For corrections and rule changes since this edition was printed, visit the updates page: nathanhaslewood.com.au/updates

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Why read this book?

Because the stakes are too high to wing it.

Get self managed super fund (SMSF) property right and you can build serious wealth for retirement, with tax advantages that simply do not exist outside super. And after the reforms of 2026, that gap is wider than it has ever been.

Get it wrong and you are looking at ATO penalties, forced asset sales, and in the worst cases losing nearly half your super to a non compliance tax bill.

The problem is, understanding this stuff is genuinely hard. The legislation is dense. The rules are technical. And the people who should be helping you often are not.

Free property seminars? Usually sales pitches in disguise.

Your regular accountant? Probably does not specialise in SMSFs.

The book your mate lent you? If it was written before mid 2026, it is now wrong about the single biggest question in this field: what your super fund is allowed to borrow for.

That last one matters. In 2026 the ground moved. The strategy most Australians associated with SMSF property, borrowing to buy a house or a unit, was closed to new entrants. At the same moment, the tax case for holding property inside super got stronger, not weaker. The centre of gravity shifted to commercial property, an asset class most residential investors have never touched.

This book was written for that world. Not patched for it. Written for it.

It will not make you an expert. You will still need professionals. But it will make you the kind of client who asks good questions, who does not get talked into things they do not understand, and who knows when something is not right.

That is worth a lot.

It might save you from buying a property that does not suit your fund. It might stop you accidentally breaching the sole purpose test, which is easier to do than you would think. It might help you realise you are not ready yet. And that is genuinely valuable, even if it is not what you wanted to hear.

I wrote this with a simple test: if I would not say it to a mate over a beer, it does not belong in the book. No jargon for the sake of sounding smart. No hedging to cover every possible scenario. Just the stuff that actually matters, explained like a normal person would explain it.

What this book is

Buying property through a self managed super fund can be a brilliant wealth building tool. It can also be a trap. The difference is not luck. It is whether you understand the rules, run the numbers honestly, and have the guts to walk away when the answer is no.

Every year the ATO reviews thousands of SMSFs for the same handful of mistakes. The people who make them are not stupid. They are busy professionals who thought they understood the rules well enough. They did not. And by the time they found out, it was expensive.

This book exists so you do not become one of them.

Here is the ground it covers. Whether SMSF property is right for you at all. How to tell if the numbers actually stack up. The rules that will get you into serious trouble if you ignore them. A complete education in commercial property for people who know residential cold, because commercial is now the main game for borrowed property inside super. The flagship strategy of owning your business premises through your fund. How GST, duty and lending really work on a commercial purchase. What is left of residential inside super, and the other ways in. How to buy without stuffing it up. How to stay compliant. And how to make sure you can actually access the money when you retire.

One boundary worth stating. My first book, Build, Stabilise, Leverage, covers residential property investing in your own name, outside super. That is a different game with different rules, and after 1 July 2027 the two games diverge even further. This book owns everything inside super. If you want the outside super playbook, that is the other book.

Throughout this one I use something called the tradie's two tick test.

Before a good tradie starts any job, they ask two questions. Should I do this? And can I do this? Both boxes need to be ticked, or they walk away.

SMSF property works exactly the same way. The first and most important thing to do is find out whether it is a smart move for your situation. Sometimes the right answer is to wait. Sometimes it is to walk away and save yourself tens of thousands of dollars, endless hours of work, and worries you do not need.

I will help you figure it all out, so you do not get stuck with a job you wish you had not started.

If your knowledge predates 2026

Maybe you researched SMSF property years ago. Maybe a friend bought a unit through their fund in 2019 and you have been meaning to look into it. Either way, if your mental model was built before mid 2026, three things have changed underneath you. Each one gets a full treatment later in the book. Here is the thirty second version.

First, from 10 August 2026, an SMSF cannot take out a new loan to buy residential property. New borrowing is only allowed for business real property, which broadly means commercial premises. Existing loans were grandfathered.

Second, from 1 July 2026, people with more than $3 million in total super pay extra tax on part of their earnings under Division 296. Below $3 million, nothing changed.

Third, from 1 July 2027, negative gearing and the 50 per cent capital gains discount were wound back for property held outside super. Superannuation was deliberately excluded from both changes.

Put those together and you get the strange shape of the current landscape: the tax case for holding property inside super versus outside got stronger at the same moment the geared residential strategy closed to new entrants. Chapter 1 unpacks what that means for you.

PART ONE

Should you?

1

The new landscape of super and property

Three laws passed in 2026 rewired how Australians invest in property. Here is the new map, and why super sits at the centre of it.

KEY TAKEAWAYS

- From 10 August 2026, new SMSF borrowing is only allowed for business real property, which broadly means commercial premises
- Existing residential loans were grandfathered and can be re-financed
- Buying residential property inside super without borrowing is still completely legal
- From 1 July 2027, negative gearing and the 50 per cent CGT discount are wound back outside super, while super's concessions survive untouched
- Division 296 only matters above $3 million in total super
- The practical result: the tax case for property inside super has never been stronger, and the borrowed path now runs through commercial property

Every investment strategy is built on a map of the rules. Between March and June 2026, the map of Australian property investing was redrawn three times.

If you are going to put hundreds of thousands of dollars of retirement savings into property, you need the new map, not the old one. So before we get to whether SMSF property is right for you, let us walk the ground.

The first change: what your fund can borrow for

For almost two decades, from 2007 until 2026, an SMSF could borrow to buy just about any property through a structure called a limited recourse borrowing arrangement, or LRBA. Most funds that borrowed used it the same way: buy a house or a unit, rent it out, let the tenant and the tax system help pay it off.

That door closed on 10 August 2026.

The Treasury Laws Amendment (Tax Reform No. 1) Act 2026 received Royal Assent on 26 June 2026, after the government agreed to the change as the price of Greens support for its broader tax package, announced on 23 June 2026. The amendment commenced 45 days after assent. From 10 August 2026, a new LRBA over real property is only permitted if the property is business real property within the meaning of section 66 of the superannuation law: broadly, property used wholly and exclusively in one or more businesses.

Notice the wording carefully, because it is the single most misunderstood detail of the reform. The law does not say "no residential". It says "business real property only". The operative test is how the property is used, not what it looks like.

That distinction cuts both ways. A working farm can still be bought with an LRBA even though there is a house on it, provided the area used for residential purposes does not exceed two hectares and primary production remains the predominant use of the land. Meanwhile, a block of vacant land fails the test even though nobody could ever live on it, because vacant land is not being used in a business. Mixed use property, a shop with a flat above it, sits in the grey zone and needs professional eyes before anyone signs anything. So does brand new or off the plan commercial property, where practitioners have flagged genuine uncertainty about whether premises that are not yet being used in a business can satisfy the test at the time the arrangement is entered into. If your deal involves anything other than established, tenanted or owner ready commercial premises, get specific advice first.

Just as important is what the ban did not do. Existing residential loans were fully grandfathered, and refinancing them is explicitly permitted. Contracts exchanged before 10 August 2026 were protected even where settlement happened later. And buying residential property inside super without borrowing remains completely legal. The ban targets the loan, not the asset.

Why did it happen? Not because SMSFs were distorting the housing market. The Treasurer's own numbers put SMSFs at less than one per cent of residential property borrowing, and the measure raises only around $50 million over the forward estimates. The honest answer is politics: a decade old recommendation from the 2014 financial system inquiry, finally traded for Senate votes. The reasons matter less than the result. It is law, and this book treats it as the ground you are standing on.

One practical warning while we are here. When a similar ban was merely floated back in 2019, lenders pulled their SMSF residential products before any law passed. The remaining market, including refinance products for grandfathered loans, has been shrinking since August 2026. If you hold a grandfathered loan, do not assume today's refinancing options will still exist in five years. Chapter 10 covers what to do about that.

The second change: the outside super rules

Seven weeks before the borrowing deal, the 2026 federal budget on 12 May 2026 rewired property investing outside super. Two measures, both legislated in the same Act, both commencing 1 July 2027.

Negative gearing on established residential property is quarantined. For established homes bought after 7.30pm on 12 May 2026, net rental losses can no longer be deducted against salary or other income from 1 July 2027. The losses are not abolished, they are ring fenced: they can only offset residential rental income or future gains from residential property, carried forward until used. New builds are exempt. Anything owned or under contract before budget night is grandfathered until sold.

The 50 per cent CGT discount is replaced. From 1 July 2027, for individuals, trusts and partnerships, the discount gives way to cost base indexation plus a 30 per cent minimum tax on capital gains, applying to gains that accrue after that date. The family home stays exempt. Buyers of new builds get to choose the better of the old and new treatments when they sell.

And here is the line that matters for this book: superannuation funds were deliberately excluded from both measures. The one third CGT discount inside super, the 15 per cent accumulation tax rate and the zero rate in pension phase all survived untouched. The budget papers said it in black and white: the reforms will not impact superannuation tax arrangements.

Think about what that means. An investor selling a long held property in their own name after 1 July 2027 pays tax on the real gain at a minimum of 30 per cent. A super fund in accumulation selling the same property pays an effective 10 per cent on the gain. A fund in pension phase pays zero. That relative gap did not exist in anything like this size before 2027. It is the strategic gift at the centre of this book, and it is why the question "should this property live inside or outside super" now deserves more thought than it has ever been given.

I will not overclaim. Tax treatment is one input, not the whole decision. Super is locked away until you meet a condition of release, the running costs are real, and the borrowing rules are stricter. But if you were ever going to hold direct property inside super, the tax arithmetic has never leaned harder in that direction.

The third change: Division 296

The last piece landed first. The Treasury Laws Amendment (Building a Stronger and Fairer Super System) Act 2026 received Royal Assent on 13 March 2026 and took effect on 1 July 2026.

From that date, people whose total superannuation balance exceeds $3 million pay extra personal tax on the earnings attributable to the excess. The headline rate is 30 per cent on earnings attributable to the slice between $3 million and $10 million, and 40 per cent above that. It applies to realised earnings only, the thresholds are indexed, and there is a one off cost base reset election that property heavy funds need to deal with in their 2026 to 27 annual return. Chapter 14 has the full treatment, including the election deadline.

If your balance is nowhere near $3 million, and for most readers it will not be, Division 296 does not touch you. But property plus contributions plus decades of growth is exactly the combination that gets people there eventually, so the endgame chapter takes it seriously.

What the new map means in practice

Put the three changes side by side and the realistic menu for property inside super looks like this.

Borrowed commercial property.: The LRBA survives, but only for business real property. For anyone who needs leverage to buy direct property inside super, commercial is now the game. That is why Part three of this book is a complete commercial education, written for people who know residential and have never read a commercial lease in their lives.

Your own business premises.: The single strategy that survived every reform intact, and arguably the best reason SMSFs exist. Your fund buys the premises, your business pays market rent to your fund, and the money that used to enrich a landlord builds your retirement instead. Chapter 8 is devoted to it.

Residential bought with cash.: Still legal, still sensible for the right fund, now debt free by definition. Chapter 11 covers when it makes sense and when it does not.

Grandfathered residential loans.: If you got in before 10 August 2026, your arrangement continues. You have specific things to watch, mostly around refinancing. Chapter 10 has a sidebar just for you.

Indirect property.: Listed property trusts, unlisted funds, and ungeared unit trusts alongside family members. The honest options for funds too small to buy direct, covered in chapter 11.

What is not on the menu is the strategy every pre 2026 book was built around: borrowing inside super to buy a house. If you picked up this book hoping to do that, I am glad you are here, because you were about to get advice from a landscape that no longer exists. The good news is that what replaced it is, for many people, a better strategy anyway. Commercial property inside super, done properly, offers higher income, longer leases, tenants who pay the outgoings, and for business owners a structural advantage nothing else in Australian investing can match.

But it is a different sport, with different rules and different risks. Which is exactly why the rest of this book exists.

First, though, the most important question of all: should you be doing any of this?

> ACTION STEP
>
> Before reading on, write down which category you are in: business owner who rents premises, investor wanting to borrow, fund with cash to deploy, holder of a grandfathered loan, or still building a balance. Keep it in front of you as you read. Different chapters carry different weight depending on which one you are.

Find your sweet spot, or have the guts to walk away.

2

Is SMSF property right for you?

A former colleague of mine had $600,000 in super and wanted to buy property with it. She asked me where to start. I told her to start with this chapter, because the honest answer might be "don't".

KEY TAKEAWAYS

- There is no legal minimum super balance, but the practical minimum is $200,000 or more, and commercial property pushes it higher
- SMSF running costs can chew through 3 to 8 per cent of smaller balances every year
- You need time, skill and commitment to run an SMSF, not just money
- If you are already property heavy outside super, adding more property increases your risk
- Saying "not yet" is not saying "never"

Let us get something straight from the start.

This chapter might talk you out of SMSF property entirely. And that is a good thing.

See, most books about investing want to pump you up. They want you excited. They want you to feel like you have discovered a secret path to wealth that the banks do not want you to know about.

This is not that kind of book.

I would rather you close this book right now and keep your super in an industry fund than watch you set up an SMSF that bleeds fees, breaks rules, and leaves you worse off in retirement.

So before we talk about how to buy property with your super, we need to talk about whether you should.

The tradie's two tick test

Before a good tradie starts any job, they run two checks.

Tick 1: is this job worth doing? That is the "should you" question. Is this the right fit for your goals? Is the timing right? Will this actually get you where you want to go?

Tick 2: can I actually do this job? That is the "can you" question. Have you got the tools, the skills and the permits to pull it off?

Both boxes need a tick before you pick up the tools.

This chapter and the next are all about tick 1. We are going to work out whether SMSF property is worth doing for you, in your situation, right now.

If the answer is no, that is not failure. That is the system working exactly as it should.

Taking control of the cockpit

Here is how I think about SMSFs.

Right now, your super is probably sitting in an industry fund or a retail fund. Someone else is flying the plane. You are in economy class, eating the meal they give you, watching the movie they chose, landing where they decide to land.

Setting up an SMSF is like getting a pilot's licence. You are moving from economy to the cockpit. You choose the destination. You choose the route. You are in control.

Exciting, right?

But here is the thing about being in the cockpit: if the plane crashes, it is on you.

No more blaming the fund manager for poor returns. No more complaining that your super is invested in things you do not believe in. No more being a passenger.

You are the pilot now. The trustee. The one the ATO holds responsible.

Before you grab the controls, let us make sure you actually want to fly.

The minimum balance myth

There is no legal minimum super balance to set up an SMSF. Technically, you could start one with $5,000.

Please don't.

The practical minimum is somewhere around $200,000 in combined super. If you are setting up with a partner or spouse, that is your combined total. And even at $200,000, you will want to run the numbers carefully.

Here is why.

An SMSF costs money to run. Every year you will pay for accounting, tax returns, an independent audit (it is compulsory), the ATO supervisory levy, an ASIC fee if you have a corporate trustee, and potentially a financial adviser. Add it up and you are looking at $3,000 to $8,000 per year depending on complexity.

Now let us do some maths.

If you have $100,000 in super and you are paying $5,000 a year in SMSF costs, that is 5 per cent of your balance gone before you have invested a single dollar.

Your industry fund probably charges 0.5 to 1 per cent. Some charge even less.

So your SMSF investments need to beat your industry fund by at least 4 per cent per year just to break even on fees. That is a big ask. Year after year after year.

At $200,000, the same $5,000 in costs is 2.5 per cent. Still significant, but more manageable.

At $500,000, it is 1 per cent. Now we are talking.

This is why the practical minimum matters more than the legal minimum. The maths needs to work.

And one more thing the old rules of thumb miss. If your plan is commercial property, the entry ticket is usually higher again. Lenders want 30 to 35 per cent deposits on business real property, purchase costs are heavier, and you need a serious cash buffer for the day the property sits empty. Chapter 5 puts numbers on it, but as a rough guide, direct commercial with borrowing rarely makes sense below about $250,000 to $300,000 in combined super, and it gets comfortable somewhere north of $400,000.

Meet Emma

CHARACTER CHECK-IN: EMMA ZHANG

Age: 35 (back in 2022, when this part of her story happened)

Super balance: $95,000

Situation: marketing manager, keen investor, follows every property podcast going

Emma Zhang had been listening to property podcasts for three years. She had read the books. She had been to the seminars. She knew that property was the path to wealth, and she was frustrated that her super was "just sitting there" in an industry fund earning "average returns".

She was convinced SMSF property was her ticket to financial freedom.

Let us run her numbers, as they stood in 2022.

Emma's super balance: $95,000.

Estimated annual SMSF costs: $5,000, and that was on the conservative side for a fund that holds property.

Cost as a percentage of her balance: 5.3 per cent.

Her industry fund charged 0.7 per cent and had been returning around 8 per cent.

For Emma's SMSF to match her industry fund's net return, she would have needed to earn about 12.6 per cent per year after all costs. Consistently. Every year.

That is not impossible. But it is not likely either.

Emma was keen. Emma was smart. Emma had done her research.

Emma was just not ready yet.

And that was okay. Her super balance was growing. Her career was progressing. She set herself a target, kept contributing, and waited for the maths to change.

Hold that thought, because Emma comes back later in this book, and when she does, she buys something that did not even occur to her in 2022. Her five year detour turns out to be the best investment decision she never made.

"Not yet" is not "never".

More than money

Super balance is not the only thing that matters. You also need time, knowledge and commitment.

Time.: An SMSF does not run itself. Someone needs to keep records, make investment decisions, monitor compliance, organise the annual audit, and stay across rule changes. Budget at least two hours a month, more in the first year. If your fund holds commercial property, add lease reviews, outgoings reconciliations and BAS lodgements if the fund is registered for GST. If you are already stretched thin, this might not be the season.

Knowledge.: You do not need to be an accountant. But you do need to understand the basics of how SMSFs work, what the rules are, and what happens if you break them. You are reading this book, so that is a start. But it is not a set and forget thing. The rules change. 2026 proved that in triplicate. You need to keep up.

Commitment.: An SMSF is a long term commitment. Once you have bought property inside an SMSF, you cannot easily change your mind. Property is illiquid. You cannot sell half a warehouse. If your circumstances change, like a divorce, a health crisis, or an unexpected need for cash, an SMSF with property can become a burden rather than a benefit.

Be honest with yourself. Do you actually want to do this? Or does it just sound good in theory?

Are you already property heavy?

Here is a question that trips up a lot of people.

If you already own your home, and maybe an investment property or two outside super, do you really need more property inside your super as well?

Think about it. You have got your home (property). You have got your investment property (more property). And now you want your super to buy property too.

That is a lot of eggs in one basket.

Diversification matters. When you concentrate all your wealth in a single asset class, you are betting everything on that one horse. If the property market tanks, everything tanks together. Your home value drops. Your investment property drops. Your super drops.

Meanwhile, someone with a mix of property, shares, bonds and cash might see their property values fall but their shares rise. Or vice versa. That is the point of diversification. It smooths out the bumps.

There is one honest wrinkle to add. Commercial property and residential property do not always move together. Industrial rents can boom while house prices flatten, and the reverse. Holding your home plus a warehouse inside super is more diversified than holding your home plus another house, even though both are "property". It is a real difference, but do not lean on it too hard. In a proper downturn, correlations have a nasty habit of heading to one.

I am not saying you should not hold property in super if you already own property outside super. But you should go in with your eyes open. Adding more property when you are already property heavy increases your concentration risk.

Is that a conscious choice? Or just a habit?

Five questions to ask yourself

Before you read any further, sit with these questions for a moment.

1. Why do I want SMSF property specifically? "Because property always goes up" is not a good answer. "Because I run a business that pays $40,000 a year in rent to a stranger and I would rather pay it to my own retirement" is a very good answer. Know your why.
2. Can I afford the fees without stress? Not just this year. Every year. For decades. SMSF costs do not stop. If $5,000 a year in fees makes you nervous, that is useful information.
3. Do I have time to manage this properly? Be realistic. If you are working 60 hour weeks and barely have time to see your kids, adding trustee responsibilities to your plate might not be wise.
4. Am I doing this for the right reasons? "My mate Dave did it" or "I heard about it at a seminar" or "I want to stick it to the banks" are not great foundations for a major financial decision.
5. What is my backup plan? What happens if the property sits vacant, and if it is commercial, that could mean a year rather than a fortnight? What if interest rates spike? What if you get sick and cannot work? SMSFs with property are not flexible. Have you thought about the downside?

If any of these questions made you uncomfortable, good. That discomfort is valuable data.

When the answer is yes

After all that, you might be wondering if I think anyone should buy property in their SMSF.

Absolutely.

SMSF property makes sense for people who:

- Have a combined super balance of $200,000 or more, and ideally $300,000 plus if the plan involves commercial property with borrowing
- Understand that SMSF running costs will eat into returns and have done the maths
- Have the time and willingness to be actively involved in managing their super
- Want property as part of a diversified portfolio, not their entire wealth strategy
- Are at least 10 years from retirement, or already retired with a clear strategy
- Have stable income and employment to continue making contributions
- Are willing to follow the rules, even when they seem annoying

And it makes a special kind of sense for one group in particular: business owners who pay rent for their premises. If that is you, the flagship strategy in chapter 8 may be the single best structural move available to you in the entire Australian tax system. No pressure.

If any of that sounds like you, keep reading. Tick 1 might be in place.

But we have still got tick 2 to work through. Just because SMSF property might be worth doing does not mean you can actually do it. The rules are strict. The lending is different. The process is complex.

We will get to all of that.

First, though, let us talk about when to walk away.

ACTION STEP

Complete the SMSF property readiness scorecard in appendix B. It is a 10 question self assessment that gives you a clear score. 8 to 10 is a green light. 5 to 7 is amber, with gaps to address. 0 to 4 is a red light, and SMSF property probably is not right for you yet. Be honest. No one is watching. The point is not to pass a test. The point is to know where you actually stand.

Find your sweet spot, or have the guts to walk away.

3

When to walk away

This chapter might save you $50,000 in fees and a decade of regret. Or it might confirm you are ready. Either way, you need to read it.

KEY TAKEAWAYS

- Every smart buyer has a walk away number. You should too.
- There are 15 red flags that should make you stop and think very carefully
- One of them is now absolute: if your plan requires borrowing for residential property, the plan is dead on arrival
- "Not yet" is often the smartest answer. Timing matters.
- Walking away is not failure. Walking away when the numbers do not work is exactly what smart investors do.

In the last chapter, we talked about whether SMSF property might be right for you.

This chapter is different. This chapter is about knowing when to stop.

Because here is a truth that nobody in the property industry wants to tell you: sometimes the smartest move is to walk away.

Not forever. Not because you are not good enough. But because the timing is not right, the numbers do not work, or the situation has changed.

Walking away is a skill. And it is one that separates people who build wealth from people who just look busy.

The walk away number

Every experienced property buyer has a walk away number.

It is the price above which they will not go. The point where the deal stops making sense. The line in the sand that they draw before the auction starts, before the emotions kick in, before the adrenaline takes over.

Amateur buyers get caught up in the heat of the moment. They fall in love with a property. They convince themselves that this one is special, that the numbers do not really matter, that they will make it work somehow.

Then they overpay. And they spend the next decade regretting it.

Professional buyers do their homework before they make an offer. They know what the property is worth. They know what they can afford. And they know the number that makes them walk away.

SMSF property is no different. In fact it is more so, because commercial property, the main borrowed game now, is priced with fewer comparable sales and more room for an emotional buyer to overpay badly.

Before you start this journey, you need to know your walk away points. Not just for individual properties, but for the whole strategy.

What would make you stop and say "this is not for me"?

Let me help you figure that out.

Fifteen red flags

These are the warning signs that should make you pause. One red flag is a yellow light. Two is a serious concern. Three or more? That is the universe telling you to stop.

1. Your combined super balance is under $200,000. The maths just does not work at lower balances. Fees will eat you alive. Wait until you have built up more.
2. Your plan requires borrowing to buy residential property. Since 10 August 2026, a new SMSF loan can only be used for business real property. If the strategy in your head is "borrow through super, buy a unit", the strategy no longer exists. This is not a yellow light. It is a wall. Redraw the plan around cash residential or borrowed commercial, or walk away.
3. You are buying because "everyone says property is safe". Property is not safe. It is illiquid, it requires maintenance, tenants can trash it or vanish, markets can fall. If you think property only goes up, you have not been paying attention.
4. You want to live in, holiday in, or run your hobby out of the property yourself. Even "just sometimes". The sole purpose test means your SMSF exists only to provide retirement benefits. Personal use is a breach. Full stop.
5. You are being pressured by a property spruiker or seminar company. If someone is pushing you to buy quickly, that is a red flag the size of Queensland. Legitimate advisers do not use high pressure tactics. And be warned: since the residential door closed, some of the spruik has simply repainted itself in commercial colours.
6. You have not compared SMSF costs to your current fund's returns. If you do not know what your industry fund is returning, or what an SMSF will cost you, you are not ready to make this decision.
7. You are less than five years from retirement with no clear exit strategy. SMSF property is a long game. If you are close

to retirement and do not have a plan for how you will draw a pension from an illiquid asset, you are heading for trouble.

8. You do not have time to manage an SMSF properly. Be honest. If you are already drowning in work and life, adding trustee responsibilities is not going to help.
9. Your job or income is unstable. SMSFs need ongoing contributions to stay healthy. If you might lose your job or your income fluctuates wildly, that is a risk to weigh.
10. You are doing this to keep up with friends or family. Comparison is the thief of joy, and it is also the thief of good financial decisions. Your situation is yours. Their situation is theirs.
11. You have not spoken to an SMSF specialist accountant yet. Not a regular accountant. An SMSF specialist. If you are making this decision based on podcasts and books alone (yes, including this one), you are missing critical personalised advice.
12. You are planning to buy from or lease to a related party without understanding the rules. Related party transactions are a minefield. The commercial premises strategy walks through that minefield on a marked path. Step off the path and the penalties are severe.
13. You cannot explain the sole purpose test in one sentence. If you do not understand the fundamental rule that governs everything your SMSF does, you are not ready to be a trustee.
14. You are relying on future super contributions to make loan repayments. What if those contributions stop? What if caps change? Building a strategy on assumptions about the future is risky.
15. You have not considered what happens if the property sits vacant. For residential, think weeks. For commercial, think six to twelve months, sometimes longer. If your SMSF cannot survive a year without rental income, you are too stretched for commercial property.

How many of those applied to you?

Be honest. No one is checking your answers.

Two paths

Let me tell you about two people considering SMSF property. Same goal, very different situations.

> CHARACTER CHECK-IN: SARAH AND MARCUS CHEN
>
> Ages: early 40s
>
> Combined super: $420,000
>
> Situation: Sarah is a physiotherapist, Marcus runs a small accounting firm. They own their home with $180,000 left on the mortgage. Stable incomes, two kids in primary school.

Sarah and Marcus had been talking about SMSF property for two years before they acted. They did their research. They met with an SMSF specialist accountant three times. They ran the numbers.

Their combined super of $420,000 meant SMSF costs would be around 1.2 per cent of their balance. Manageable. Marcus, being an accountant himself, understood the compliance requirements. Sarah had capacity in her schedule to handle the property management side.

They identified a growth corridor in regional Victoria where they could buy a solid three bedroom house for around $450,000. With a 30 per cent deposit from their super and a limited recourse borrowing arrangement for the rest, the rental yield would cover the loan repayments with room to spare.

They stress tested the scenario. What if interest rates rise 2 per cent? The numbers still work. What if the property sits vacant for three months? Their cash buffer covers it. What if one of them loses their job? The other's income covers contributions.

They bought in 2024. Zero red flags. Both ticks in place.

Now the date stamp, and it matters. Sarah and Marcus's arrangement is grandfathered. A new residential borrowing like theirs has not been possible since 10 August 2026. If they were starting today, their menu would be an unborrowed residential purchase or commercial property with borrowing. But look past the asset for a second and study the method: two years of patience, three advice meetings, a written stress test, and a walk away number. That discipline is not grandfathered. It transfers to every purchase in this book, and it is exactly what the rest of the chapters will teach you to apply to commercial property.

Now let us check back in with Emma.

CHARACTER CHECK-IN: EMMA ZHANG

Age: 35 (still 2022 in her story)

Super balance: $95,000

Situation: marketing manager, single, renting in Sydney, following property podcasts religiously

Emma came to the same SMSF specialist accountant that Sarah and Marcus later used. She was keen. She had a specific property in mind, a $380,000 unit. She wanted to move fast.

The accountant ran the numbers with her.

SMSF setup costs: around $2,500. Annual running costs: $5,000 minimum. That is 5.3 per cent of her $95,000 balance gone every year before she even bought anything.

The deposit alone on the unit would have swallowed her entire balance, and the rental income would not have covered the repayments. She would have been topping up from contributions every month and hoping nothing went wrong.

The accountant was gentle but direct. "Emma, I can set this up for you. I will charge you the fees and everything will be legal and compliant. But I would be doing you a disservice if I did not tell you the truth: you are not ready. Come back when your balance hits $200,000."

Emma was disappointed. But she was also smart enough to listen.

Here is the kicker, visible only in hindsight. The strategy Emma wanted in 2022, a borrowed residential unit inside super, stopped existing for new entrants in August 2026. If she had scraped her way in early, she would today be holding a grandfathered loan in a shrinking refinance market, on a property bought under pressure with no buffer. Instead she kept contributing, kept learning, and by the time she was ready the landscape had changed, and so had her plan. You will see what she bought in chapter 12.

Walking away in 2022 meant she could walk in later from a position of strength.

The opportunity cost of wrong timing

Here is something people do not talk about enough: the cost of doing the right thing at the wrong time.

If Emma had pushed ahead with an SMSF at $95,000, here is roughly what would have happened.

Year 1: setup costs of $2,500 plus annual costs of $5,000 equals $7,500 gone. Her balance drops to $87,500 before she has done anything.

Years 2 to 5: annual costs of $5,000 per year equals another $20,000. She is now around $67,500, not counting whatever modest returns she might have earned along the way.

Meanwhile, staying in an industry fund with $95,000 at 7 per cent average returns over five years leaves her with around $133,000.

That is a $65,000 difference. From doing nothing except not making a premature move.

The opportunity cost of wrong timing is real. It is not just what you lose. It is what you miss out on gaining.

The one I walked away from

Let me tell you about a property I did not buy.

A few years ago, I found what looked like the perfect investment on the Bellarine Peninsula. Ocean glimpses, walking distance to the beach, good rental demand from holiday makers. The vendor was motivated. I could have got it under market value.

I was excited. I could see myself owning this property. I could picture the tenants, the returns, the long term growth.

Then I did the numbers.

The purchase price was $685,000. Stamp duty, legals and other costs would add another $40,000. The rental yield, even with holiday letting, would be around 3.8 per cent gross. After property management fees, maintenance, insurance, rates and the inevitable vacancy periods, I would be looking at maybe 2 per cent net.

Meanwhile, I could put the same money into a different opportunity I had identified and get 5.5 per cent net with better growth prospects.

The Bellarine property felt good. The other opportunity was better.

So I walked away.

It was not easy. I had already invested time and mental energy. I had told people about it. I had started imagining myself as the owner.

But the numbers did not stack up. And if the numbers do not stack up, the feelings do not matter.

Find your sweet spot, or have the guts to walk away. That is not just a catchy line. It is how I actually make decisions.

When walking away is wrong

I have spent this whole chapter telling you it is okay to walk away. But let me balance that.

Sometimes people walk away for the wrong reasons.

Fear of complexity is not a good reason. Yes, SMSFs are complex, and yes, commercial leases are a new language. But so is anything worthwhile. If you are walking away just because it seems hard, that is not wisdom. That is avoidance.

Fear of making mistakes is not a good reason either. You will make mistakes. Everyone does. The question is whether you learn from them and whether you have enough buffer to survive them.

Waiting for the perfect time is also a trap. There is no perfect time. Markets are never certain. The rules changed three times in 2026 alone. If you wait for everything to settle, you will wait forever.

The right reasons to walk away are practical. The numbers do not work. The timing is genuinely wrong. You do not have the resources or capacity right now. These are concrete, specific reasons.

The wrong reasons are emotional. Fear. Overwhelm. Perfectionism. Analysis paralysis.

Know the difference.

The honest filter

Chapters 2 and 3 are what I call the honest filter.

If you have read both carefully and honestly assessed your situation, you should have a clear sense of whether SMSF property is worth pursuing right now.

If the answer is yes, keep reading. We are about to get into the nuts and bolts. The rules. The numbers. Then the commercial education that the new landscape demands.

If the answer is no, or not yet, that is okay. You can stop here, keep this book on the shelf, and come back when your situation changes.

But before you go, do me a favour. Write down what would need to change for SMSF property to make sense for you. Is it your super balance? Your income stability? Your knowledge level? Your available time?

Give yourself a specific target. "I will revisit this when my super hits $200,000" or "I will reconsider once I have paid off my home loan" or "I will come back to this when the kids start high school".

That way, "not yet" has a path forward. It is not a door closing. It is a door you are choosing to open later.

> ACTION STEP
>
> Complete the red flag checklist in appendix C. It lists all 15 red flags from this chapter in a format you can tick off. Zero flags is a green light. One or two is amber: address them before proceeding. Three or more is a red light: seriously consider walking away for now. And if flag number 2 applies, stop entirely and redraw the plan, because that one is the law, not a judgement call.

Find your sweet spot, or have the guts to walk away.

PART TWO

Can you?

4

The rules you can't break

The ATO does not care that you did not know. Neither does your auditor. Here are the rules that end funds, and the one exception that powers the best strategy in this book.

> KEY TAKEAWAYS
>
> - The sole purpose test governs everything: your fund exists to provide retirement benefits, and nothing else
> - You generally cannot buy residential property from a related party, at any price, with any number of valuations
> - Business real property is the great exception: your fund can buy it from you and lease it back to your business
> - Every dealing must be at arm's length, and the modern NALI rules tax breaches at 45 per cent
> - In-house assets are capped at 5 per cent of the fund, but business real property leased to a related party is exempt
> - Penalties apply per trustee, which is one more reason to use a corporate trustee

Here is the good news about SMSF rules: the list of mistakes that can genuinely wreck you is short. Maybe half a dozen items. You can learn them in an afternoon.

Here is the bad news: the penalties for breaking them are brutal, ignorance is not a defence, and every single one of them is the kind of thing a reasonable person might do without realising it was illegal.

Renting your fund's property to your daughter at full market rent? Illegal, in almost every case.

Staying one night in your fund's holiday unit while you fix the deck? Illegal.

Selling your investment unit to your own fund at a price backed by three independent valuations? Still illegal.

Letting your business pay rent to your fund a bit late because cash flow was tight, without chasing it the way a real landlord would? That one can poison the asset's tax treatment for good.

None of those people felt like criminals. All of them broke the law. So let us make sure you never join them.

The sole purpose test: the rule that rules them all

Section 62 of the superannuation law says your fund must be maintained for the sole purpose of providing retirement benefits to members, or to their dependants if a member dies.

Sole purpose. Not main purpose. Not mostly. Sole.

Every decision your fund makes has to pass this test. Every investment, every transaction, every dollar in and out. The question is always the same: does this exist to fund retirement benefits, or is someone getting a benefit today?

The moment your fund starts providing present day benefits to you, your family or your mates, you have a problem. And "benefit" is read broadly. It is not just money. It is use. It is enjoyment. It is convenience. It is the warm feeling of doing your niece a favour on the rent.

Some real world examples of how people fail it:

- Buying a holiday house through the fund and staying there "occasionally"
- Buying a property and renting it to your son at market rent, because the benefit is that your son gets housing from your super
- Storing your boat in the fund's warehouse over winter

- Buying artwork through the fund and hanging it in your hallway
- Choosing an investment because it helps a mate's business rather than because it is the best available return

Here is the simplest version of the test I can give you, and it is the one I want you to memorise. If you cannot explain a transaction to a sceptical stranger in one sentence, without using the word "technically", do not do it.

"The fund bought a warehouse and leases it to an unrelated logistics company at market rent." Passes.

"The fund bought a beach house that we technically only use for inspections." Fails. You heard it fail, didn't you?

That is the whole game. Everything else in this chapter is detail.

Who counts as a related party?

A lot of the rules below hinge on whether someone is a "related party" of your fund. The definition is wide. It catches:

- Every member of the fund
- Relatives of members: parents, grandparents, siblings, children, grandchildren, spouses, and the spouses of all of those
- Business partners of members, and their spouses and children
- Companies and trusts that members (alone or with their relatives and partners) control

Appendix E has the full working list. The short version: if you are wondering whether someone is related, they probably are. The definition was written to close loopholes, not to be sporting.

Buying assets from related parties: the general rule is no

Section 66 of the superannuation law prohibits your fund from acquiring assets from related parties. Not "at a dodgy price". At all.

This surprises people constantly, so let me say it plainly. You cannot sell your investment unit to your SMSF. Not at market value. Not with three independent valuations. Not with a contract drawn up by the best lawyer in town. The prohibition is on the transaction itself, not the price.

There are exactly three exceptions that matter:

1. Listed securities, bought at market value. Your fund can buy your BHP shares from you at the market price.
2. Business real property, bought at market value. The big one. More in a moment.
3. Certain in-house assets, within the 5 per cent limit described below.

That is the list. Residential property is not on it. There is no path, none, by which your fund can buy a house or unit from you, your family or your business partners.

The Sophie temptation

CHARACTER CHECK-IN: HELEN AND BRUCE THOMPSON

Ages: late 50s

Combined super: about $1.2 million

Situation: own a residential investment property inside their SMSF, bought with cash years ago. Daughter Sophie, 26, is struggling with Melbourne rents.

Helen and Bruce's fund owns a tidy three bedroom house in Melbourne's east. Sophie, their daughter, was paying eye watering rent for a flat half its size. Over Sunday dinner, the obvious idea landed: why not rent the fund's house to Sophie? She would pay full market rent, they would get a reliable tenant they trusted, everyone wins.

It feels harmless. It is a breach.

Here is why. When a fund leases residential property to a related party, and Sophie is about as related as parties get, the property becomes an in-house asset. In-house assets are capped at 5 per cent of the fund's total assets. The house is worth around 70 per cent of Helen and Bruce's fund. The moment Sophie's lease started, the fund would be in breach of the in-house asset rules, with the ATO able to force them to unwind it, and administrative penalties on top.

Market rent does not save it. Good intentions do not save it. The rule targets the relationship, not the price.

Their accountant caught it before anything was signed. Sophie kept renting elsewhere, and Helen and Bruce learned the lesson that anchors this chapter: with related parties, "obviously fine" is not a legal category.

Now, here is what makes that story interesting rather than just depressing. Change one word and the answer flips. If the fund's property had been Bruce's warehouse instead of a house, leasing it to a related party would have been perfectly legal. Which brings us to the exception that powers the best strategy in this book.

Business real property: the great exception

Business real property, BRP for short, is property used wholly and exclusively in one or more businesses. A warehouse. A shop. An office. A medical suite. A farm.

For BRP, and only BRP, the law opens two doors that stay firmly shut for everything else:

1. Your fund can buy it from a related party, provided the price is market value. You can sell your business premises to your own fund.

2. Your fund can lease it to a related party without it becoming an in-house asset. Your business can rent its premises from your fund.

Put those together and you get the flagship strategy of chapter 8: your fund owns the premises, your business pays market rent to your fund, and money that used to build a stranger's wealth builds your retirement instead. Since 10 August 2026, BRP is also the only category of real property your fund can borrow to buy. The exception did not just survive the reforms. The reforms rebuilt the whole game around it.

Two precision points, because the definition is where people come unstuck.

"Wholly and exclusively" means what it says. A shop with a flat upstairs is generally not BRP unless the residential part is incidental to the business use. Your home office does not make your house BRP. The main carve out runs the other way: on a working farm, a house does not spoil the definition provided the area used for residential purposes is no more than two hectares and the predominant use of the land remains primary production. Farmers can genuinely hold the family farm, house included, inside super.

And "used in a business" is a live test, not a zoning category. Vacant land usually fails, even commercial zoned land, because nothing is being conducted on it. Established premises with a tenant running a business pass comfortably. Anything unusual, mixed use, part vacant, brand new and never occupied, needs specific advice before you sign. Chapter 10 comes back to this when we talk borrowing.

Arm's length, and the tax that enforces it

Every transaction your fund makes must be on arm's length terms: the terms two strangers would agree to. Market price when buying. Market rent when leasing. Market interest if the fund borrows from a related party. Commercial behaviour throughout, including chasing arrears the way a real landlord would.

The enforcement mechanism is a nasty piece of tax law called NALI, non-arm's length income. Understand it once and you will never be tempted to cut a corner.

The rules were rebuilt in 2024, so ignore anything older you may have read. The modern position, current as I write in 2027, works like this.

Breaches tied to a specific asset are catastrophic for that asset.: If your fund acquires an asset below market value, receives above market rent from your business, or has a related party pay for capital improvements the fund should have funded, then all the income from that asset, and the entire capital gain when it is eventually sold, is taxed at 45 per cent instead of 15 or 10 or zero. Worse, where the breach relates to acquiring or improving the asset, the taint is permanent. It does not wash out when you fix the paperwork. One mate's rates arrangement in year one can cost you close to half the capital gain in year twenty.

Breaches on general fund expenses are capped, but still expensive.: If your accountant mate does the fund's books for free, the shortfall between what was paid and market price is taxed at 45 per cent, capped at twice the shortfall. Painful, not fatal.

Notice the asymmetry. The specific asset rules are the ones that can vaporise a property strategy, and property is exactly where they bite: purchase price, rent, and improvements. Chapter 8 turns this into a practical checklist for the premises strategy, because that is where the temptation to be generous to yourself, in either direction, is strongest.

One more thing people miss: NALI cuts both ways. Charging your own business rent above market is a breach, not a clever way to stuff extra money into super. The test is market terms, full stop.

In-house assets: the 5 per cent rule

An in-house asset is, broadly, a loan to a related party, an investment in a related company or trust, or an asset of the fund leased to a related party.

In-house assets cannot exceed 5 per cent of your fund's total assets, measured at market value, and re-measured every 30 June. Because direct property is lumpy, in practice the rule means a fund cannot lease property to a related party at all, unless the property is BRP. That is what caught the Sophie plan, and it is what makes the warehouse version legal.

If markets move and your in-house assets drift above 5 per cent, you are required to prepare and execute a written plan to bring them back under. This rule catches people who lend a "temporary" $30,000 from the fund to their struggling business. Do not do that either. Loans from your fund to members or their relatives are prohibited outright, at any percentage.

The rest of the list

The remaining prohibitions, quickly, because they are simpler:

- No personal use of fund assets. Not the holiday house, not the warehouse for your jet ski, not one night, not one weekend.
- No early access. Your super is locked until you meet a condition of release. Every scheme that promises otherwise is illegal, and the promoters are usually the only ones who get paid.
- No borrowing, except through a properly structured limited recourse borrowing arrangement, which since 10 August 2026 means business real property only. Chapter 10 covers the mechanics.
- No charges over fund assets. You cannot use fund property as security for anything outside the LRBA itself.
- Keep fund assets separate. Fund money in fund accounts, fund property on fund titles. Mixing personal and fund as-

sets is one of the most commonly reported breaches, and one of the easiest to avoid.

What happens when people break the rules

The ATO's penalty toolkit, in escalating order:

Administrative penalties.: Fixed dollar fines per breach, and here is the sting: with individual trustees, each trustee cops the penalty personally. Four members, four fines for the same mistake. A corporate trustee wears one penalty. Penalty units get indexed, so I will not quote a dollar figure that will be stale by the time you read this; the current numbers are on the ATO site, and "five figures per trustee for a serious breach" is the right mental bracket.

Directions.: The ATO can direct you to complete trustee education, or to rectify a breach within a set time. Ignoring a direction is itself an offence.

Disqualification.: They can ban you from ever being a trustee again, which for a two member fund is existential.

Non-complying status.: The nuclear option. A fund declared non-complying is taxed at 45 per cent, not just on that year's income, but effectively on the fund's assets. Nearly half of everything you have built, gone. This is rare, reserved for serious or repeated breaches, but it is the backstop that gives everything above it teeth.

Criminal prosecution.: For the deliberate stuff: illegal early access schemes, fraud. Not you, because you are reading this book.

How do they find out? Mostly because the system is designed so they cannot miss. Every SMSF is audited every year by an approved independent auditor, and auditors are legally required to report contraventions to the ATO. Add land titles data, rental bond boards, bank data matching and the fund's own annual return, and the honest summary is this: assume everything is visible, because it more or less is.

The mindset that keeps you safe

Reading this chapter, you might feel like the rules are a minefield. They are not. They are a well marked path with signs every few metres. People who blow up almost never do it by accident in the middle of the path. They do it by convincing themselves the signs did not apply to their situation.

So borrow the auditor's mindset. Before any transaction involving your fund, ask: how would I explain this to someone whose job is to be suspicious of me? If the explanation is one clean sentence, proceed. If it needs a paragraph, a diagram and the word "technically", stop and call your accountant.

The rules are strict. They are also learnable, stable at their core, and, for the business premises strategy in particular, surprisingly generous once you know where the marked path runs.

> ACTION STEP
>
> Read appendix E, who counts as a related party, and list every person and entity connected to you that appears on it. Keep the list with your fund records. Every future transaction gets checked against it first. Two minutes of checking beats two years of unwinding.

Find your sweet spot, or have the guts to walk away.

5

Do the numbers stack up?

A property that loses money inside super is still a property that loses money. The tax wrapper does not fix bad maths.

KEY TAKEAWAYS

- SMSF running costs are the hurdle every investment must clear before it earns you anything
- Know your break-even percentage before you set anything up
- Commercial property yields more than residential, but vacancy hits harder and lasts longer
- Inside super, rent is taxed at 15 per cent, capital gains at an effective 10 per cent, and both fall to zero in pension phase
- From 1 July 2027 the tax gap between inside and outside super widens materially
- Stress test every purchase three ways: rates up 2 per cent, a long vacancy, contributions stopped

My mate Tony ran a café for six years. Good coffee, loyal customers, always busy. He still went broke.

The problem was not revenue. It was that his rent, wages, insurance and loan repayments added up to more than the coffee brought in, every single month, and he kept telling himself next quarter would fix it.

Your SMSF is a small business too. It has revenue (returns) and fixed costs (fees). If the fixed costs eat the revenue, it does not matter how good the coffee is.

This chapter is about making sure your fund is not Tony's café.

What an SMSF actually costs

Here are the numbers, current for the 2026 to 27 year. Where a figure is indexed or changes, I have said so. Check the current amounts before you rely on them.

Setup, one off:

- Fund establishment, trust deed and registrations: $1,500 to $3,000 through an accountant or specialist provider
- Corporate trustee setup, strongly recommended: roughly $1,000 to $1,500 including ASIC registration

Every year, forever:

- Accounting, administration and tax return: $2,000 to $4,000 for a fund holding property
- Independent audit, compulsory: $500 to $800
- ATO supervisory levy: $259
- ASIC annual review fee: $70 for a special purpose company, and this one only applies if you have a corporate trustee. One trap for later: if your borrowing structure uses a separate bare trustee company that is not registered as special purpose, its annual review fee is the standard proprietary company rate, currently around $342. Worth checking how yours is classified.
- Financial advice, valuations and legal work: variable, from zero in a quiet year to a few thousand when things happen

All up, a property holding SMSF typically runs $3,000 to $8,000 a year. Use $5,000 as your planning number and adjust once you have real quotes.

Your break-even percentage

Divide your annual costs by your balance. That is the return your fund must earn before it has made you a single dollar.

Combined balance	Costs at $5,000 per year	Break-even hurdle
$100,000	$5,000	5.0 per cent
$200,000	$5,000	2.5 per cent
$300,000	$5,000	1.7 per cent
$500,000	$5,000	1.0 per cent
$1,000,000	$5,000	0.5 per cent

Now compare that to the alternative. A decent industry fund charges roughly 0.7 per cent all in. That is the boring benchmark your SMSF has to beat, after its own costs, year in and year out, or the whole exercise is an expensive hobby.

At $100,000, you need to outperform by more than 4 per cent annually just to draw level. At $500,000, the handicap nearly disappears. That is the entire minimum balance argument from chapter 2, in one table.

What property adds to the bill

Owning direct property loads more costs onto the fund. They come in two waves.

At purchase: transfer duty (state based, and on commercial property it is generally assessed on the GST inclusive price, a nasty compounding detail chapter 9 unpacks), legal and conveyancing work, building and pest or technical due diligence, lender and valuation fees if borrowing, and on many commercial purchases a temporary GST amount that has to be funded at settlement even though most of it comes back. Budget 5 to 7 per cent of the purchase price for the lot, and be pleasantly surprised if it is less.

Every year: insurance, maintenance, council rates, water, land tax depending on the state and the fund's holdings, property management, and accounting complexity. Here is where residential and commercial part ways, and the difference runs in commercial's favour. Under a typical commercial net lease, the tenant reimburses most outgoings: rates, insurance, often land tax too, with one notable exception being retail premises in Victoria, where land tax cannot be recovered from the tenant. A residential landlord wears all of it. Chapter 6 makes this concrete.

The catch, and it is a big one: when a commercial property is vacant, all those outgoings snap back to the owner at the exact moment the rent stops. Vacancy in commercial is a double hit. Remember that for the stress test.

The yield conversation

Time to put revenue on the table. Here is the same $700,000 deployed two ways, using typical figures as I write. Your deal will differ; the shape will not.

Residential house, $700,000.: Gross yields on Australian houses mostly sit between 3 and 4.5 per cent. Call it 4 per cent: $28,000 a year in rent. Now subtract management at 7 per cent, insurance, rates, water, maintenance, and a couple of weeks' vacancy: you land somewhere around $19,000 to $21,000 net. Roughly 2.8 to 3 per cent on your money.

Commercial unit, $700,000.: Net yields on solid suburban commercial mostly sit between 5 and 7.5 per cent, and crucially they are quoted net: the tenant pays the outgoings on top. At 6 per cent net, that is $42,000 landing in the fund, with rates and insurance largely reimbursed. Double the income from the same capital.

So why does anyone buy residential? Because the commercial number carries different risks. Residential vacancies are measured in weeks; commercial vacancies in months, sometimes a year or more, with the outgoings reverting to you the whole time. Residential tenants are interchangeable; a commercial property's value can be welded to the quality of a single tenant and a single lease. Residential debt used to be cheaper and easier; commercial debt still costs more and demands bigger deposits.

Higher income is not free money. It is payment for lumpier risk. The whole of part three exists to teach you how to judge whether a specific commercial deal is being paid enough for the risk it carries. For now, just hold the shape: commercial pays roughly twice the income and asks you to survive longer droughts.

The tax ledger inside super

Now the part that makes the wrapper worth the trouble. Inside your SMSF, in accumulation phase:

- Rent is taxed at 15 per cent. Not your marginal rate. Fifteen.
- Capital gains on assets held longer than 12 months get a one third discount, so the effective rate is 10 per cent.
- Once the fund is paying you a retirement pension, the tax rate on income and gains supporting that pension is zero, within the transfer balance cap covered in chapter 14.

Now put that against the world outside super, as it stands from 1 July 2027. For an established residential investment bought after 12 May 2026 and held in your own name, rental losses are quarantined, and when you sell, the old 50 per cent discount is gone, replaced by cost base indexation plus a minimum 30 per cent tax on the gain.

Run one honest comparison. Say a property delivers a $300,000 real gain over the years you hold it, and you sell in retirement.

- Held personally, sold after 1 July 2027: tax at a minimum of 30 per cent of the gain. Around $90,000 to the ATO, likely more.
- Held in your SMSF, sold in accumulation: effective 10 per cent. About $30,000.

- Held in your SMSF, sold while supporting your pension: zero.

Same property. Same gain. Up to a $90,000 difference, purely from where it lived. Superannuation was deliberately excluded from the 2027 changes, which means parliament looked at this gap and chose to keep it. Take the hint, but take it honestly: super's price for those rates is that the money is locked away until you meet a condition of release, and the running costs above never stop. The wrapper rewards patience. It punishes people who need the money back early.

One aside for completeness. If your total super balance is heading past $3 million, Division 296 adds extra tax on part of your earnings from 1 July 2026. Most readers are nowhere near it. If you might be, chapter 14 covers it properly, including a one off election with a deadline attached.

The stress test

In chapter 3 you watched Sarah and Marcus stress test their 2024 purchase before signing. Their asset belongs to the old world; their method belongs to every world. Here it is, tuned for what you will actually buy today.

Take your shortlisted deal and break it three ways on paper:

1. Rates up 2 per cent. Recalculate the repayments. Does rent still cover them, with margin?
2. The long vacancy. For residential, three months. For commercial, twelve, and remember the outgoings come back to you while it sits empty. Does the fund's cash buffer, plus contributions, carry the loan, the rates, the insurance and the fund's own fees for that long without selling anything?
3. Contributions stop for a year. Job loss, business downturn, parental leave. Does the structure survive on rent and buffer alone?

If the deal survives all three, you have a real candidate. If it only survives on the brochure assumptions, you have found your walk away moment early, which is the cheapest possible time to find it.

The single most useful output of this chapter is one number: the cash buffer your fund will hold and never invest. For a commercial purchase, I want to see 12 months of loan repayments plus outgoings plus fund costs sitting in the offset or at call. Boring money. Sleep money. The money that means a vacant six months is an annoyance instead of a fire sale.

> ACTION STEP
>
> Complete the break-even calculator in appendix D using real quotes, not guesses. Then run the three way stress test on any deal you are considering, in writing. If you would not show the stress test to your accountant, it is not done yet.

Find your sweet spot, or have the guts to walk away.

PART THREE

The commercial playbook

6

Commercial property for residential investors

You know residential cold. Commercial is a foreign country. This chapter is the phrasebook.

KEY TAKEAWAYS

- In commercial property, the lease is the asset. The building is just where the lease lives.
- Value is set by income and capitalisation rates, not by comparable sales and emotional buyers
- Net leases push most outgoings onto the tenant, which is why commercial yields are quoted net
- Vacancy is measured in months, not weeks, and incentives are the hidden discount everyone pays
- WALE and tenant covenant are the two numbers that tell you how safe the income really is
- Every residential instinct you have needs translating before you can trust it here

If you have bought, sold or even seriously researched residential property, you carry a full set of instincts. You know what a good suburb feels like. You can smell an overpriced listing. You know roughly what rent a three bedroom house pulls and what happens at an auction when two emotional bidders want the same kitchen.

Here is the uncomfortable news: in commercial property, most of those instincts misfire. Not because commercial is harder, but because it runs on a different engine. Residential is priced on emotion and scarcity. Commercial is priced on income and risk.

The good news is that the translation is learnable, and once it clicks, commercial is in many ways more honest. Nobody falls in love with a warehouse. The numbers either work or they do not.

This chapter maps every major residential concept to its commercial counterpart. Read it twice. Everything in the rest of part three stands on it.

Translation one: from rental yield to capitalisation rate

In residential, yield is a by-product. You buy the house, the market sets the rent, and the yield is whatever falls out of the division.

In commercial, it runs the other way. Income determines value. The market applies a capitalisation rate, a cap rate, to the property's net income to decide what the building is worth.

The formula is one line: value equals net annual income divided by the cap rate.

A warehouse earning $42,000 net, in a market where buyers demand a 6 per cent return for that type of asset, is worth $42,000 divided by 0.06, which is $700,000. That is not a rule of thumb. That is substantially how the valuer will do it.

Two consequences follow, and they will bend your brain the first time.

First, income changes move value directly. Lift that warehouse's rent to $46,000 at the next review and, at the same 6 per cent cap rate, the property is now worth about $766,000. A $4,000 rent rise created $66,000 of value. In residential, a rent rise makes your spreadsheet happier. In commercial, it makes you richer on paper the same day.

Second, cap rates move value inversely, and brutally. If market sentiment shifts and buyers demand 7 per cent instead of 6 for that asset class, your $42,000 income is suddenly worth $600,000. Nothing happened to the building. The market just repriced the risk. Cap rates drift with interest rates, tenant demand and fashion, and a 1 per cent move swings values by double digit percentages.

So when you look at a commercial listing, train yourself to see two numbers where a residential buyer sees one: what is the net income, and what cap rate does this asking price imply? If a $700,000 listing earns $35,000 net, the vendor is asking you to accept 5 per cent. Your whole job as a buyer is deciding whether that particular income stream deserves 5 per cent, or whether it is really a 6.5 per cent risk wearing a 5 per cent price tag.

Translation two: from tenancy agreement to commercial lease

A residential tenancy agreement is a standard form wrapped in consumer protection law. Terms are short, rights are legislated, and one tenant is much like the next.

A commercial lease is a negotiated commercial contract, often 40 to 100 pages, and it is the single most important document in this entire field. Say it with me: the lease is the asset. When you buy a tenanted commercial property, you are not really buying bricks. You are buying a contract that obliges a business to pay you money for years, with the bricks as the delivery mechanism.

The same building with a different lease is a different investment at a different price. A shop with a national brand on a fresh ten year lease and a shop with a struggling sole trader on six months remaining might be physically identical and differ in value by 30 per cent.

What lives inside the lease, and has no residential equivalent:

Term and options.: Commercial leases run three, five, ten
years, with options for the tenant to renew. A "5 plus 5"

means five years certain, then the tenant's choice of five more. Long terms are security; they are also handcuffs if the rent was set badly.

Rent reviews.: The lease itself dictates how rent changes: fixed increases (say 3 per cent a year), CPI linked, or market reviews at set dates. Read this clause before anything else. It is the growth engine of your income, pre-programmed years in advance.

Permitted use.: The lease defines what business can be run there. Narrow use clauses limit your pool of replacement tenants.

Make-good.: The tenant's obligation to return the premises to original condition when leaving. Well drafted, it saves you a refit. Poorly drafted, you inherit someone's abandoned fitout.

Assignment and subletting.: Whether and how the tenant can hand the lease to someone else. This is how your carefully chosen tenant can be replaced without your enthusiasm.

One more thing. Retail premises are the exception to the freedom of contract story: every state has retail leasing legislation that imposes minimum standards, disclosure obligations and, in several states, minimum five year terms. If you buy a shop, that legislation shapes your lease whether you like it or not. Chapter 7 flags the state quirks that matter, including a Victorian land tax rule that costs retail landlords real money.

Translation three: from landlord pays to tenant pays

In residential, you collect the rent and pay everything else: rates, insurance, water, maintenance, land tax. Your gross yield shrinks by a quarter to a third on its way to becoming net.

Commercial flips it. Under a net lease, the standard for most freestanding commercial property, the tenant pays outgoings on top of rent: council rates, building insurance, water, often land tax, sometimes management fees. That is why commercial yields are quoted net and residential yields gross, and why a 6 per cent commercial yield and a 4 per cent residential yield are even further apart than they look.

Under a gross lease, more common in offices and some retail, the rent is a single all inclusive number and the landlord pays outgoings from it. Neither is better; they are just different ways of slicing the same pie. What matters is that you read which one you are buying, and that the outgoings are properly estimated, billed and reconciled each year. Chapter 9 covers the mechanics.

The sting in the tail, worth repeating from chapter 5: outgoings follow occupancy. The day the tenant leaves, rates, insurance and land tax swing back onto you, at the exact moment the rent stops. A vacant commercial property is not a paused investment. It is a running cost.

Translation four: from comparable sales to income evidence

When a residential valuer values a house, they find three similar recent sales and adjust. When a commercial valuer values a warehouse, they primarily capitalise the income, cross checked against sales of comparable income streams and a rate per square metre.

For you as a buyer, this changes what "doing your research" means. Residential research is sales histories and suburb medians. Commercial research is rental evidence: what are similar premises leasing for per square metre, what cap rates have similar assets sold on, and what incentives are being paid in this market right now?

Which brings us to the concept that catches every residential investor at least once.

Incentives: the discount nobody advertises

In commercial markets, especially office and retail, landlords compete for tenants by offering incentives: rent free periods, fitout contributions, reduced rent early in the term. Incentives of 10 to 30 per cent of total lease value are common in soft markets, and they do not appear in the headline rent.

That creates two rents for the same lease. The face rent is the number written in the lease and quoted in marketing. The effective rent is what the tenant actually pays once you smear the incentive across the term. A "$50,000 a year" lease with a year rent free on a five year term is really a $40,000 a year lease wearing makeup.

Why does everyone play along? Because face rents feed valuations and rent review comparisons. As a buyer, your defence is one question, asked every time: what incentives were provided on this lease and on the comparable evidence? If the agent gets vague, assume the answer is "large".

The two numbers that measure safety: WALE and covenant

Residential income safety is simple: if this tenant leaves, another arrives in a few weeks at much the same rent. Commercial income safety has to be measured, and the market uses two gauges.

WALE, the weighted average lease expiry: , tells you how many years of contracted income remain, weighted by rent. A property with one tenant and seven years to run has a WALE of seven. A property with three tenants on staggered short leases might have a WALE of 1.8. Longer WALE, safer income, higher price, lower yield. Shorter WALE, cheaper price, and a re-leasing problem with your name on it.

Tenant covenant: is the quality of the promise behind the lease. A ten year lease is only as good as the business signing it. A national retailer, a government agency or an ASX listed logistics firm is a strong covenant. A first year café is a weak one, whatever the lease says. Covenant is why two identical buildings with identical rents can trade at different cap rates: the market pays up for promises it believes.

When you assess any commercial property, write these two down before you fall for the building: WALE in years, covenant in plain words. "Four years, established national franchisee" is a different investment from "eleven months, local startup", even at the same price.

Vacancy: the risk you are being paid for

Last translation, and the one to tattoo somewhere visible.

Residential vacancy is a few weeks between tenants, a couple of times a decade. Commercial vacancy is six to twelve months as a normal case, and multi year for the wrong property in the wrong market. Finding a commercial tenant means finding a specific kind of business, at a specific scale, ready to commit years, possibly needing a fitout, often demanding an incentive.

This is the risk the higher yield is paying you to hold, and it is why chapter 5's stress test uses twelve months, and why the cash buffer is not optional. It is also why everything else in this chapter matters: a strong covenant, a long WALE, a sensible use clause and honest effective rents are all, in the end, vacancy insurance.

Residential pays less because its income barely pauses. Commercial pays more because its income can stop dead. Neither is better. But only one of them is now available to your fund with borrowed money, so you had better be fluent in it.

> ACTION STEP
>
> Find three commercial listings online in an area you know: a warehouse, a shop, an office. For each, extract the net income, the implied cap rate, the lease term remaining, the review mechanism and the outgoings treatment. If the listing does not say, that itself is information. Thirty minutes of this and the language starts sticking.

Find your sweet spot, or have the guts to walk away.

7

The asset class tour

Warehouses, shops, offices, medical suites and childcare centres are five different games wearing the same "commercial" jersey. Here is how each one plays.

KEY TAKEAWAYS

- Industrial is the most forgiving entry point and the one lenders like most
- Retail lives and dies on position and is wrapped in state legislation
- Suburban office is cheap for a reason; buy the tenant, not the floor plate
- Medical and childcare offer long leases with sticky tenants, at the price of specialisation risk
- The more purpose built the asset, the thinner the buyer pool and the tighter the lending
- Yield ranges below are a mid 2020s snapshot; pull fresh evidence for any live deal

"Commercial property" is a category the way "sport" is a category. Industrial, retail, office and the specialised classes differ as much as cricket differs from boxing. This chapter walks the main options at the scale an SMSF actually buys: roughly

$300,000 to $1.5 million, the strata unit and freestanding end of the market, not the CBD tower end.

For each class you get the same five things: what you are buying, typical net yields as I write, what drives the value, what the tenant risk really is, and how lenders feel about it. Treat the yield numbers as a snapshot for orientation, not gospel for your deal.

Industrial: the training ground

What you are buying.: Warehouses, workshops, storage units, small factories. At SMSF scale, usually a strata industrial unit of 100 to 500 square metres in an industrial estate, or a small freestanding shed on its own title.

Typical net yields: roughly 5 to 6.5 per cent.

What drives value.: Land, location relative to transport routes, clearance height, roller door and truck access, power supply, office component. Industrial demand has structural wind at its back: online retail needs sheds, tradies need workshops, and cities keep rezoning industrial land into apartments, shrinking supply.

Tenant risk.: Moderate and mercifully generic. A basic warehouse suits a huge range of businesses: the plumber, the importer, the gym equipment wholesaler, the e-commerce brand. When one leaves, the replacement pool is wide, which keeps vacancies at the shorter end of commercial.

Lender appetite.: The strongest of any class at this scale. Standard industrial is the asset banks understand best and discount least.

The honest picture.: If commercial property has a training ground, this is it. Simple buildings, broad tenant pools, transparent pricing per square metre, and the friendliest financing. The trade-off is popularity: everyone else has read the same analysis, and good industrial is rarely cheap. You will also want an environmental question or two in due diligence, because industrial land can carry contamination history. Chapter 12 covers it.

Retail: position is everything

What you are buying.: Shopfronts on strips, standalone convenience retail, units in neighbourhood centres. At SMSF scale, typically one shop with one tenant.

Typical net yields: roughly 5 to 7 per cent, with the range wider than any other class because retail quality varies so brutally.

What drives value.: Position, position, foot traffic. The difference between the good end of a strip and the dying end can be 50 metres and 30 per cent of value. Anchors matter: the supermarket, the medical centre or the train station that delivers bodies past the door. So does the tenant's business itself; food, services and convenience have weathered online retail far better than discretionary goods.

Tenant risk.: Higher than industrial. Small retail businesses fail at meaningful rates, and a shop fitted for one concept may need capital to suit the next. Judge the covenant hard: an established franchisee of a national brand and a first time café dreamer can be offered to you at the same yield.

The legislative wrapper.: Retail premises are governed by state retail leasing legislation that overrides parts of whatever lease you sign: disclosure statements, minimum five year terms in several states, restrictions on ratchet clauses, and rules about outgoings recovery. Learn the local Act's greatest hits before you buy, and note the standout money detail: in Victoria, land tax cannot be recovered from a retail tenant. On a Victorian shop, land tax comes straight off your net yield, and plenty of interstate buyers discover it at their first reconciliation.

Lender appetite.: Decent for well located strips with solid tenants, noticeably cooler for secondary strips and vacant shops.

Suburban office: cheap for a reason

What you are buying.: Strata office suites and small freestanding office buildings in suburban centres. The CBD is a different market and mostly a different price bracket.

Typical net yields: roughly 6 to 8 per cent, the highest of the mainstream classes.

What drives value.: Tenant demand, parking, amenity, and the great post pandemic question: how much office space does anyone need? Hybrid work permanently softened demand for commodity office space, and the market has repriced it, which is exactly why the yields look juicy.

Tenant risk.: The highest of the mainstream classes. When an office tenant leaves, the next one wants a different layout, an incentive and a rent free period, and the vacancy can run long. Small professional tenants, the accountants, engineers and allied services that fill suburban suites, are decent covenants individually but mobile as a group.

Lender appetite.: The most cautious of the mainstream classes. Expect harder questions, lower loan to value ratios and more interest in the lease tail.

The honest picture.: High yield is the market paying you for uncertainty. Suburban office can absolutely work, particularly medical adjacent or owner occupied suites, but a first time SMSF buyer chasing the 8 per cent should understand they are being paid danger money and price the incentives honestly. If you cannot articulate why this particular office will stay let when the market is oversupplied, that is your answer.

Medical and allied health: sticky tenants, specialised boxes

What you are buying.: Consulting suites, GP clinics, dental and physio rooms, often near hospitals or in health precincts.

Typical net yields: roughly 5 to 6.5 per cent, tighter than generic office because the market prizes the tenants.

What drives value.: Demographics and stickiness. Health demand grows with an ageing population regardless of the economy, and medical tenants invest heavily in fitout, patient bases and approvals tied to the address. A practice that has spent $200,000 on rooms and a decade building local patients does not move to save $50 a week. Long leases and high renewal rates follow.

Tenant risk.: Low while occupied, lumpy if vacated, because the replacement tenant is probably another practice, and the pool of practices seeking rooms in your suburb this year is small. Specialised plumbing, lead lined walls and approval requirements can make conversion back to generic office expensive.

Lender appetite.: Good, particularly with established practices and lease terms to match.

Childcare and other specialised assets: the covenant is the investment

What you are buying.: Purpose built childcare centres, service stations, gyms, fast food pads, medical imaging. Single tenant, long lease, purpose built.

Typical net yields: roughly 6 to 7 per cent for childcare, with the others scattered around that band.

What drives value.: Almost entirely the lease and the operator. These assets are effectively bonds wearing buildings: ten or fifteen year leases, fixed increases, tenant pays everything. The land and structure have limited alternative use; the income stream is the product.

Tenant risk.: Binary. While the operator thrives, this is the easiest ownership in property: the rent arrives, the tenant maintains, you do almost nothing. If the operator fails, you own a building shaped exactly like their business and nothing else, in a market where the only buyers and tenants are their competitors. Regulatory and funding settings, in childcare especially, can move the whole sector's economics at a budget's notice.

Lender appetite.: Conservative. Lower loan to value ratios and hard questions about the operator, because the lender can read the paragraph above too.

Grace walks away

> CHARACTER CHECK-IN: GRACE LIU
>
> Age: 58
>
> Super: about $1.4 million, SMSF established, cashed up after selling a share portfolio
>
> Situation: retired pharmacist, wants one quality property to anchor the fund's income through retirement

Grace found a childcare centre in a growth suburb listed at $1.1 million on a 6.8 per cent net yield. Ten year lease, national operator, fixed 3 per cent annual increases, tenant pays all outgoings. On paper, the perfect retirement asset: $75,000 a year, indexed, hands off.

She did the work this chapter teaches. The operator, it turned out, was a franchisee whose parent company had closed centres in two states the previous year. The building was purpose built to childcare regulations, on a main road block that would need rezoning for any other use. Three other centres operated within two kilometres, and the licensed places in the catchment already exceeded the enrolment projections she could verify.

Grace asked herself the specialised asset question: if this exact tenant fails, who is the next tenant, and what do I spend to get them? The honest answers were "another childcare operator, in an oversupplied catchment" and "possibly six figures and a year of vacancy".

She walked away, and later bought two industrial strata units on separate titles for a combined $1.05 million at 5.9 per cent net. Lower yield, lower drama, two tenants instead of one, and a buyer pool measured in thousands rather than dozens.

The lesson is not "never buy childcare". Plenty of childcare assets perform beautifully. The lesson is that in specialised property, the covenant is the investment, and the yield premium is the market quoting you a price for that concentration. Grace decided the premium was not big enough. That is what pricing risk actually looks like.

The specialisation trap, stated once

Line the classes up and one principle organises everything: the more purpose built the asset, the thinner the pool of tenants and buyers, and the tighter the lending. Generic assets, plain warehouses, well positioned shops, trade at lower yields because anyone can use them and everyone will finance them. Specialised assets pay you more because fewer people can ever take them off your hands.

Neither end of the spectrum is wrong. But a first direct commercial purchase inside an SMSF, where the fund's diversification is already stretched by one big asset, generally belongs toward the generic end. You can buy the exotic yield with your third property. Buy the boring liquidity with your first.

> ACTION STEP
>
> Score the asset classes against your own situation in appendix I's comparison scorecard. Then write one sentence for the class you favour: "If my tenant leaves, the replacement is..." If you cannot finish the sentence convincingly, you have learned something important for the price of a sentence.

Find your sweet spot, or have the guts to walk away.

8

The flagship strategy: your own business premises

Somebody's retirement fund is getting rich off your business's rent. This chapter is about making sure it is yours.

KEY TAKEAWAYS

- Business real property is the one strategy that survived every reform intact, and for business owners it is the best structural play in Australian investing
- Your fund can buy premises from you at market value and lease them to your business, legally and by design
- The rent your business already pays becomes a deductible expense that lands in your own retirement fund, taxed at 15 per cent
- Everything hinges on arm's length behaviour: market price, market rent, a real lease, rent actually paid
- Improvements must be paid for by the fund, never the business; capital corner cutting taints the asset permanently
- Your business's stability is now your fund's tenant risk; be honest about that concentration

CHARACTER CHECK-IN: RAJ AND ANJALI PATEL

Ages: 52 and 50 (in 2023, when the purchase happened)

Combined super: about $650,000

Situation: Raj runs an engineering consultancy with eight staff. The business had outgrown its rented unit and was paying $45,000 a year to a landlord Raj had never met.

Every month for eleven years, Raj's consultancy paid rent. Good months and bad months, the rent went out. Raj once worked out that the business had paid its landlords over $400,000 since it started. "I built someone else's retirement," he told me, "one direct debit at a time."

Then his accountant asked a question that changed the shape of his next twenty years: "Why doesn't your super fund become the landlord?"

This chapter is that question, taken seriously.

Why this strategy survived everything

Walk back through the rules from chapter 4 and notice how business real property, BRP, keeps appearing on the short list of exceptions:

- Your fund cannot buy property from a related party. Except BRP, at market value.
- Your fund cannot lease property to a related party beyond the trivial 5 per cent in-house limit. Except BRP, without limit.
- Since 10 August 2026, your fund cannot borrow to buy real property. Except BRP.

That is not coincidence. Parliament has always intended small business owners to be able to hold their premises inside super, and when the 2026 reforms tore up the residential borrowing pathway, they deliberately left this one standing. Farmers keep the farm. The physio keeps the rooms. The engineer keeps the office. It is the most protected position on the board, and if you own a business that pays rent, it deserves your full attention.

The mechanics in one paragraph

Your SMSF buys the premises your business needs, from a third party or from you personally at market value. Your business signs a proper commercial lease with the fund at market rent. From then on, the business pays rent like any tenant, claims it as a deduction like any tenant, and the fund banks it like any landlord, taxed at 15 per cent on the way through and at 10 per cent or zero on the eventual capital gain. The money that used to leave your world every month now does a lap and comes back as your own retirement savings.

The maths of the loop

Take Raj's numbers. His business pays $45,500 a year in rent either way; the question is only where it lands.

Renting from a stranger: the business claims the deduction, worth about $11,375 at the 25 per cent company rate, and $45,500 of post tax wealth accrues to someone else, forever.

Renting from the fund: the business claims the identical deduction. The fund receives $45,500, pays 15 per cent tax, and keeps roughly $38,700 a year building Raj and Anjali's retirement. Over fifteen years, before rent reviews and before any growth in the property itself, that is more than $580,000 redirected from a stranger's pocket to their own.

And the deal is better than the cash flow alone. The business gets a landlord who will never terminate the lease to redevelop, never refuse a reasonable fitout, never sell the building out from under it. Security of tenure is worth real money to an operating business, and here it comes free.

There is a catch, and honesty demands it get equal billing: Raj's fund now has one large asset whose tenant is Raj's business. His salary, his business equity and his super's rental income all depend on the same enterprise. If the consultancy fails, the fund does not just lose a tenant; it loses its tenant while its trustee loses his income. The strategy concentrates risk exactly where your life is already concentrated. It is still usually worth it. It is never worth pretending the concentration is not there.

Raj's purchase, by the numbers

In 2023, rather than buying the cramped unit they rented, the Patels' fund bought a larger vacant unit from a retiring owner occupier two streets away.

- Purchase price: $700,000, plus GST, which chapter 9 turns into its own story
- Deposit: $245,000, being 35 per cent, from the fund
- Loan: $455,000 through a limited recourse borrowing arrangement over 20 years at 7.4 per cent, repayments around $43,700 a year
- Market rent: independently assessed at $45,500 net, with the business paying outgoings on top under a five year lease with two five year options and fixed 3 per cent annual increases

Rent covers the repayments with a whisker to spare, contributions of around $30,000 a year keep building the buffer, and every rent review from here widens the gap. By the time the loan is done, Raj is around retirement age, the fund owns the premises outright, and the business is paying its rent into a pension phase fund taxed at zero. That is the whole play, executed patiently.

Note the date stamp: the borrowing was straightforward in 2023 and remains straightforward today, because the property is business real property. This exact transaction is as available to you now as it was to Raj then.

The rules that make or break it

Everything above works only if the arrangement would look identical with a stranger in your chair. The law does not mind that you are dealing with yourself. It minds enormously if you behave like it. Four disciplines, none optional.

Buy at market value, provably.: If the fund buys premises from you or your entities, get an independent valuation before the contract, not a mate's appraisal after it. Pay for the real thing. This document protects the entire structure.

Set rent at market, provably, and keep it there.: Get written market rent evidence: a valuer's rental determination or at least two independent agent appraisals. Refresh the evidence every two to three years and at every market review. And notice the trap runs both directions: below market rent is a benefit to your business and a breach; above market rent is a disguised contribution and a NALI event. Market means market.

Sign a real lease and live by it.: A proper commercial lease, executed before the business moves in, with term, reviews, outgoings, make-good and permitted use all specified. Then perform it: rent paid in full, on time, by the business to the fund, with arrears chased the way a real landlord would chase them. The fastest way to poison this strategy is a few years of casual, roundish payments whenever cash flow suits.

The fund pays for the building; the business pays for its business.: Capital works, the new roof, the extension, the air conditioning plant, are the owner's cost and must be paid by the fund. If the business quietly funds an improvement to the fund's asset, the non-arm's length rules from chapter 4 can taint every dollar of that property's future income and its entire capital gain at 45 per cent, permanently. Of all the corners people cut, this is the one with no repair kit. When in doubt, the fund pays, and the paper trail says so.

One extraordinary footnote: during the pandemic, regulators sanctioned specific rent relief between related parties on documented commercial terms. That was a marked exception in a marked emergency. In normal times, your struggling business gets no mates rates from your fund. The two hats never share a head: when you sign as trustee, you are the landlord, full stop.

What the auditor will ask for

Every year, expect to produce: the lease, the rent ledger showing payments matching it, the current market rent evidence, the outgoings reconciliation, proof the fund paid any capital costs, and the property valuation. Keep them in one folder and the audit is twenty minutes. Keep them nowhere and you are reconstructing history under deadline, which is how honest people end up with contraventions.

Buying from yourself: the extra moves

If the fund is buying premises you already own personally, two more pieces join the board.

Duty.: Transfer duty generally applies at market value, though several states offer meaningful concessions for transferring your own business premises into your own fund. The rules are state specific and condition heavy, so ask the question before assuming either answer.

Your own capital gains tax.: Selling to your fund is a CGT event for you personally. Here the small business CGT concessions can do remarkable things: shrinking the gain, eliminating it entirely after fifteen years, or converting it into a super contribution under the retirement exemption. This is specialist advice territory with six figure swings attached. Get the advice before you sign anything, because the concessions have conditions that cannot be retrofitted.

When the flagship is the wrong boat

Skip this strategy, or defer it, if the business is young or wobbly, because doubling your exposure to a fragile enterprise is not a retirement plan. Skip it if the premises the business needs are worth far more than the fund can sensibly carry, because a fund that is 95 per cent one building has no room to breathe. And think hard if the business is likely to outgrow or relocate soon, because your fund's investment case should not depend on a tenant that leaves in three years, even when the tenant is you.

Owning your premises through super is a strategy for stable businesses with predictable space needs and funds big enough to hold one large asset without holding only that asset. If that is you, it is close to unbeatable. If it is not you yet, the rest of this book still works: Grace from chapter 7 built the same retirement machine with strangers as tenants.

ACTION STEP

Pull your business's last twelve months of rent from the accounts. Multiply by 15 for the money you are on track to hand a stranger. Then get one agent's market appraisal of your current premises, or the kind of premises you need. Those two numbers, side by side, tell you whether chapter 8 is your chapter. For most business owners who rent, they are the most motivating numbers in this book.

Find your sweet spot, or have the guts to walk away.

9

GST, duty and the money mechanics

The cheque that settles a commercial purchase is bigger than the price tag, and one clause in the contract can move it by tens of thousands of dollars. Here is where the money actually goes.

KEY TAKEAWAYS

- Commercial property lives inside the GST system; residential does not
- On a taxable purchase, you fund the GST at settlement and claim it back later; the gap is real cash
- The going concern exemption removes GST from tenanted purchases if the contract is drafted correctly
- If the vendor uses the margin scheme, you cannot claim the GST back at all
- Transfer duty is generally assessed on the GST inclusive price
- Once registered, the fund charges GST on rent, lodges BAS statements and reconciles outgoings like any small business

Nobody warns residential investors about GST because residential barely touches it: rents and sales of existing homes are input taxed, GST free in effect, and the whole system stays out of sight. Commercial property is the opposite. The moment your fund buys premises, it steps into the GST system as a small business in its own right, and the settlement cheque, the rent invoices and the annual paperwork all change shape.

None of it is hard. All of it is expensive to learn by surprise. Raj learned it with a five figure phone call, so you can learn it here for the price of a chapter.

The fund becomes a taxpayer of a second kind

Leasing commercial property is an "enterprise" for GST purposes. If your fund's annual commercial rent reaches $75,000, it must register for GST. Below that, registration is optional, and for a fund buying commercial property it is usually worth doing anyway, for one reason: only a registered fund can claim back the GST on the purchase and on ongoing expenses.

Registration brings obligations: adding 10 per cent GST to the rent (which your business tenant claims straight back, so nobody is worse off), lodging business activity statements, usually quarterly, and keeping the paperwork straight. Your accountant handles the mechanics for a modest fee. Budget for it and move on.

Buying, scenario one: the taxable supply

Rewind to Raj's 2023 purchase. The vendor was a retiring owner occupier selling with vacant possession: no tenant, no lease, just an empty unit. That makes the sale a taxable supply, and GST applies on top of the price.

So the "$700,000" unit actually settled like this: $700,000 plus $70,000 GST, with transfer duty assessed on the GST inclusive $770,000. Raj's fund, being registered, claimed the $70,000 back as an input tax credit on its next activity statement, and the refund landed about ten weeks after settlement.

Read that timing again, because it is the trap. The fund had to produce $70,000 of real cash on settlement day for money it would get back within the quarter. Lenders finance the property; they do not always finance the GST. Raj's broker had flagged it early, so the fund held the cash and the settlement was boring, which is the only kind of settlement worth having. Funds that discover the gap in the week before settlement have been known to crash contracts over it.

The rule: on any purchase where GST is payable, your settlement plan needs a line item that says "GST bridge", funded from the buffer, refunded by the BAS.

Buying, scenario two: the going concern

Now the better scenario, and the reason tenanted property has a hidden discount.

If the property is sold with the tenant and lease in place, the vendor is selling a running leasing enterprise, and the sale can be GST free as the supply of a going concern. Four conditions, all mandatory: both parties are registered for GST, the contract states in writing that the supply is of a going concern, the vendor supplies everything necessary for the enterprise to continue (the property and the lease), and the vendor carries the enterprise on until settlement.

Meet them all and no GST changes hands. No $70,000 cheque, no bridge, no waiting for the refund, and duty assessed on the lower GST free price. When Emma buys her tenanted unit in chapter 12, this is the clause doing the quiet work in her contract.

Two cautions. First, the exemption lives or dies on the contract wording, which is precisely why chapter 12 insists on a commercial property lawyer rather than a residential conveyancer; "we all knew what we meant" is not a recognised GST category. Second, the GST position you buy with has a memory: if the fund later flips the property's use out of the GST system, adjustment rules can claw back the benefit. If your plans for the property involve anything creative, put the question to your adviser before settlement, not after.

The margin scheme: the credit that never comes

One more creature lives in commercial contracts, most often on newer property sold by developers: the margin scheme. Where the vendor applies it, they pay GST calculated on their margin rather than the full price, and the price to you is quoted inclusive with no tax invoice for the full GST.

Here is what matters to you as buyer: under the margin scheme you cannot claim an input tax credit. None. The GST embedded in the price is simply a cost. A $700,000 margin scheme purchase and a $700,000 plus GST taxable purchase can differ by $70,000 of recoverable cash, wearing near identical price tags. The contract must state the margin scheme applies, so the information is always there; the losses happen to people who do not know the sentence matters. Now you do.

Duty, briefly and honestly

Transfer duty is state based, changes often, and generally lands in the 4 to 6 per cent territory on commercial purchases, assessed on the GST inclusive price where GST applies. That interaction stings: on Raj's purchase, duty applied to $770,000, so the GST pushed the duty bill up by a few thousand dollars that never came back with the credit.

I am deliberately not printing a duty table. It would be wrong in at least one state before this book's next print run. The rule that does not date: get the duty number for your state, your price and your structure calculated fresh for every deal, including any concessions for moving your own business premises into your fund, and put the exact figure in your settlement plan. Appendix G has the prompt.

The rhythm of ownership: rent, BAS and outgoings

Once the fund owns the property, the money settles into a routine.

Rent: goes out as a monthly tax invoice: rent plus GST. Your tenant, if registered, claims the GST back, so the tax is a loop, not a cost, but the invoice must be right for the loop to work.

Activity statements: go in quarterly for most funds: GST collected on rent, minus GST paid on expenses like management fees, insurance and repairs, with the difference remitted or refunded. It is an hour of bookkeeping a quarter, usually bundled into your accountant's fee.

Outgoings: run on an annual cycle under a net lease: the landlord estimates the year's rates, insurance, land tax and other recoverables, the tenant pays instalments alongside rent, and the year closes with a reconciliation against actual costs. Retail leases add statutory disclosure and audit requirements to this cycle. It is the least glamorous paperwork in property, and doing it properly is a big part of why chapter 12 recommends a commercial managing agent for most funds.

Incentives: , if you offer them to land a tenant, have their own money logic: a fitout contribution is capital the fund must pay for (never the tenant related to you, as chapter 8 hammered) and can be depreciated; a rent free period pauses your income while the outgoings usually keep being covered by the tenant. Model the effective rent, not the face rent, when you are deciding what a deal is worth.

The settlement day checklist

Pull it together and a commercial settlement has more moving money than any residential one you have done. On the day, the fund needs: the balance of the deposit and price, the GST bridge if the supply is taxable, duty on the GST inclusive amount, legal and lender fees, and settlement adjustments for rent and outgoings already paid by the tenant, which on a tenanted purchase actually come back to you as a credit. And after all of it clears, the buffer from chapter 5 must still be intact, because the buffer was never part of the purchase money. It is the fund's oxygen.

Appendix M carries the full document checklist, including the going concern clause, the tax invoice and the BAS registrations, so nothing on this page relies on your memory eleven months from now.

> ACTION STEP
>
> For any property on your shortlist, answer three questions before you fall any further in love: is the vendor registered for GST, will the property be tenanted at settlement, and does the draft contract deal with GST by taxable supply, going concern or margin scheme? Those three answers can move your settlement cheque by more than most people's annual salary, and they cost nothing to ask.

Find your sweet spot, or have the guts to walk away.

10

Borrowing after the ban: the LRBA today

Super borrowing survived 2026 with one job left: business real property. Here is how the structure works, what it costs, and the traps on both sides of the grandfather line.

KEY TAKEAWAYS

- An LRBA is the only way a fund can borrow, and since 10 August 2026 it only works for business real property
- The loan is limited recourse against the fund, but your personal guarantee is not
- Expect 30 to 35 per cent deposits, rates above standard lending, and lenders who want to see liquidity after settlement
- Related party loans are legal on arm's length terms; the safe harbour rate is 9.35 per cent for 2026 to 27
- Borrowed money can repair the asset but never improve it
- Grandfathered residential loans continue, but the refinance market is shrinking; plan for that now

Borrowing inside super was never a normal mortgage, and the 2026 reform made it rarer still. What remains is a precise legal machine called the limited recourse borrowing arrangement, the LRBA, and if your fund is going to use debt, you need to understand the machine well enough to know when your professionals have built it correctly.

This chapter is the machine, the money, and the two groups reading it from opposite sides of 10 August 2026.

How the structure actually works

Superannuation law bans a fund from borrowing, then carves out one exception with strict geometry. In an LRBA:

- A separate trust, usually called a bare trust or holding trust, holds the legal title to the property
- Your fund is the beneficial owner: it puts in the deposit, makes the repayments, receives the rent and gets the title transferred to it once the loan is repaid
- The lender's recourse, if everything goes wrong, is limited to that one property. They cannot touch the rest of the fund

That last point is the "limited recourse" in the name, and it is why lenders treat these loans differently: their security is thinner, so their terms are tougher.

The structure means your buying process has an extra step residential investors never meet: the bare trust and its trustee, almost always a separate special purpose company, must exist and be correctly named on the contract before you sign. Chapter 12 returns to this, because getting the purchaser name wrong on a commercial contract is the classic five figure LRBA mistake, fixable only with lawyers, duty offices and luck.

The rules that ride along with the loan

Three design rules shape what you can buy and do.

One asset per arrangement.: An LRBA covers a single acquirable asset, in practice one title, or multiple titles only where the law requires them to be dealt with together. Buying three strata units means three arrangements or a rethink.

Business real property only.: For any LRBA entered from 10 August 2026, the property must be business real property, the chapter 4 definition: used wholly and exclusively in one or more businesses, with the farm concession as the main nuance. Established, tenanted commercial premises pass comfortably. Vacant land fails; nothing is being used in a business. And here is the live warning practitioners have been sounding since the reform: brand new or off the plan commercial premises, never yet occupied by any business, sit in genuinely uncertain territory on the "used in a business" test at the time the arrangement is entered. Until guidance settles, treat off the plan commercial under an LRBA as a specific advice question, not a given. Established premises with a tenant in place are the clean path.

Repairs yes, improvements no.: Borrowed money can maintain and repair the asset. It cannot improve it. The fund's own cash can pay for improvements, but even then the asset cannot be changed so much it becomes a different asset while the loan is in place: the warehouse cannot become apartments. If your plan for a property involves serious works, have the LRBA implications mapped before settlement.

The money: what the market charges

As I write, the lending market for business real property LRBAs looks like this. Date stamp the lot and get live quotes when you are real.

- Deposits: 30 to 35 per cent is standard. Some specialist lenders stretch further for strong deals; plan on 35 and be pleased.
- Rates: typically 1 to 2 percentage points above comparable standard lending, which in the current market puts most quotes in the low to mid 7s. The limited recourse is priced in.
- Terms: 15 to 25 years, principal and interest as the norm. Long interest only periods are largely a relic.

- Liquidity tests: most lenders want the fund to show liquid assets after settlement, commonly 5 to 10 per cent of the purchase price. This is your chapter 5 buffer wearing a compliance badge; you were holding it anyway.
- Personal guarantees: near universal. Understand what this does to the risk picture: the lender's recourse against the fund is limited to the property, but your guarantee puts your personal assets behind the loan. Limited recourse protects your super, not you.

The lender landscape is its own story. The major banks left SMSF lending years ago, and the market belongs to non-bank and specialist lenders who know these structures cold. That is fine, and in some ways better: a lender who writes LRBAs weekly will catch structural errors your local branch never would. Appendix J gives you the comparison sheet; a broker who works SMSF commercial deals regularly is worth their fee here more than almost anywhere.

The related party loan, and the safe harbour

Here is an option residential investors never had reason to learn: the lender to your fund can be you.

A member, or an entity you control, can lend to the fund under an LRBA, provided the loan is on arm's length terms. Where does the money come from? Often equity in the family home, borrowed personally at home loan rates and on-lent to the fund. Done properly, it is legal and sometimes the cheapest structure available. Done sloppily, it is a NALI bomb: a loan on friendly terms is a non-arm's length dealing tied to a specific asset, and chapter 4 told you what that means: the property's entire income and eventual capital gain taxed at 45 per cent.

The ATO publishes a safe harbour that takes the guesswork out. Match its terms and the loan is accepted as arm's length without debate. For real property in 2026 to 27 the safe harbour looks like this: interest at 9.35 per cent (the rate resets each July off a published benchmark), maximum 70 per cent loan to value ratio, maximum 15 year term, monthly principal and interest repayments, a written loan agreement and a registered mortgage.

Yes, 9.35 per cent is more than a bank would charge. The interest is going to yourself, which changes how much you care, but run the numbers both ways and remember the interest is taxable income in your hands. You can lend outside the safe harbour at a genuinely benchmarked commercial rate, but then you carry the burden of proving arm's length. Most people who can match the safe harbour, should.

What the structure costs to build and unwind

Add these to chapter 5's cost stack when debt is involved: bare trust deed and setup, commonly $1,000 to $2,500; the bare trustee company and its ASIC annual review fee, with the classification trap from chapter 5 noted; lender application, legal and valuation fees, often a few thousand on commercial deals; and your own lawyer's review of the loan and trust documents, which is not the place to save $800.

At the happy end, when the loan is repaid, legal title moves from the bare trustee to the fund. In most states this final transfer attracts only nominal duty, provided the original documents were drafted correctly and the paper trail shows the fund funded everything. That "provided" is why the deed is a legal document and not a $99 download: a defect discovered at year 15 can turn a stamp of duty into a second full serve of it.

For the grandfathered: holding a pre ban residential loan

CHARACTER CHECK-IN: SARAH AND MARCUS CHEN

Situation in 2027: three years into their residential LRBA, bought 2024. Property performing, rent covering repayments, loan balance around $270,000.

If, like Sarah and Marcus, you hold a residential LRBA from before 10 August 2026, your position is secure but specific. What you can do: continue to term exactly as before, refinance (explicitly permitted by the legislation), repair and maintain with borrowed money, improve with fund cash within the character limits above, and sell whenever you like on the open market. What you cannot do: borrow again for residential once this loan is gone. The door closed behind you; grandfathering protects the arrangement, not the strategy.

The live risk is the lender pool. When a ban on these loans was merely floated back in 2019, lenders abandoned SMSF residential products before any law existed. Since the actual ban, the market for refinancing grandfathered loans has been thinning the same way. Sarah and Marcus's response is the sensible template: they had their broker test refinance options this year while their loan is young and their equity strong, they are directing spare contributions to principal to shrink dependence on any future lender, and they have written down their own trigger points for the sell decision rather than waiting to have one forced. If your loan is older or your equity thinner, do that review now, not at renewal.

And one warm note: nothing about the reform makes their property a bad asset. It cashflows, it grows, and it will pay pensions one day. Grandfathered is not stranded. It just means the exits and refuellings are on a map that no longer gets new roads.

When borrowing is the wrong answer

Debt inside super amplifies outcomes in both directions and adds structure cost in all of them. If the fund can buy the right asset outright and still hold its buffer, the case for gearing needs to be made, not assumed. If the buffer only survives on the brochure scenario, chapter 5 already gave you your answer. And if retirement is close, remember the loan's end date and your pension's start date need to be on speaking terms; chapter 14 shows why.

ACTION STEP

Before you look at a single property, get the structure priced: two lender quotes through an SMSF experienced broker, plus the related party safe harbour scenario if family equity is available. Fill in appendix J as you go. Knowing your true cost of money first means every listing you inspect gets judged against reality instead of hope.

Find your sweet spot, or have the guts to walk away.

PART FOUR

The rest of the menu

11

Residential with cash, and the other ways in

The ban killed the loan, not the asset. Here is what residential still does inside super, and the structures that let smaller funds and families play.

KEY TAKEAWAYS

- Buying residential with fund cash remains completely legal and sometimes completely sensible
- Inside super, residential must justify itself as an income and growth asset; there is no negative gearing logic to hide behind
- You still cannot buy residential from, or rent it to, anyone related to you
- Ungeared unit trusts and tenants in common let a fund and family combine on one property, under strict conditions
- Listed and unlisted property trusts are the honest option for funds too small to buy direct
- Match the structure to the fund you have, not the fund you wish you had

Part three handed commercial property the keys for a simple reason: it is now the only game with borrowed money. But plenty of funds do not need borrowed money, and for them the menu is wider. This chapter covers everything on it that is not a straight commercial purchase: residential bought outright, the co-ownership structures that pool family resources, and the indirect routes for funds that should not be buying whole buildings at all.

Residential with cash: the case for and against

Start with what did not change. A fund with the money can buy a house or unit outright, rent it to arm's length tenants, and hold it for decades. Sole purpose test, related party rules and arm's length pricing all apply; the loan is the only thing missing.

Whether it is a good idea is a different question, and inside super the question has a sharper edge than outside, because the crutch is gone. Outside super, pre 2026, a low yielding house could lean on negative gearing against your salary. Inside super there is no salary, losses are only worth 15 cents in the dollar against other fund income, and from the fund's point of view a property that loses money is just a property that loses money. Residential inside super has to stand up as what it actually is: an asset paying 3 to 4.5 per cent gross, maybe 2.5 to 3 net, with excellent liquidity of tenants and a long record of capital growth.

That profile earns its place in specific situations. A larger fund diversifying beyond one commercial asset, where residential's short vacancies balance commercial's long ones. A retiree fund that prizes the near certainty of the rent over its size. A trustee with genuine, provable local knowledge in a growth market, applying the selection craft honestly. If you want that craft in depth, my first book covers residential selection at length; the analysis of suburbs, supply and demand transfers completely, even though its financing and tax chapters describe a world outside super that largely ended on 1 July 2027.

Where cash residential fails is the smaller fund going all in: a $450,000 fund with a $430,000 house is one tenant, one suburb, one asset class, and $20,000 of oxygen. That fund has bought concentration and called it property. The red flags in chapter 3 exist for exactly this purchase.

And the family reminders one more time, because this is where they bite: the fund cannot buy the residential property from you, your parents or your business partner at any price, and cannot rent it to your daughter at any rent. Residential inside super is strangers only, both directions.

Pooling with family: the ungeared unit trust

Now the structures question. What if the fund alone cannot reach the asset, but the family together can?

The cleanest legal answer is a structure the rules specifically bless: the ungeared unit trust, named for the regulation that governs it. The fund and related parties, you personally, your spouse, a family trust, each buy units in a trust, and the trust buys the property. The fund's slice of a $900,000 asset might be $400,000 of units, with family money holding the rest, and rent and growth flow to unitholders in proportion.

The blessing comes with strict, permanent conditions on the trust: it must never borrow, never allow a charge over its assets, never lease to a related party unless the property is business real property, never invest in other entities, and never run a business. Inside those lines, the fund can even buy additional units from the family over time at market value, gradually taking over the asset as contributions build.

The discipline required is absolute, and here is the sentence your accountant will say with feeling: one breach taints the investment permanently. Let the trust borrow $20,000 for a renovation, once, and the fund's units become in-house assets forever, which at these percentages means a forced unwind. Funds run these structures successfully for decades. They do it by treating the conditions like electrical wiring: not touched casually, not improvised, checked by someone qualified when anything changes.

Pooling with family: tenants in common

The simpler cousin: the fund and you personally buy the property together as tenants in common, each on the title for a defined share. Fund owns 60 per cent, you own 40, rent and costs split to match.

The attraction is simplicity: no trust, no units, just co-ownership and a written agreement covering decisions, costs and exits. The constraint is debt, and it is close to total: the fund's share cannot secure anyone's borrowing, and since a mortgage practically always charges the whole title, tenants in common with a fund means, in practice, no mortgage on the property at all. Both shares come in cash. That makes it a structure for families with equity rather than families with borrowing capacity, and for keeping things simple when the ungeared trust feels like overkill.

Either pooling structure also needs the exit conversation up front, in writing: what happens when one owner needs their money out, dies, or divorces. Co-ownership without an exit plan is a family dispute on layby.

Too small to buy direct: the honest options

Now the paragraph a certain kind of book never includes. If your fund is under roughly $250,000 and property exposure is the goal, buying a whole building is probably the wrong tool, and no structure on this page fixes that. What fixes it is not buying a whole building.

Listed property trusts, the A-REITs: , give you slices of industrial estates, shopping centres and office towers for the price of a share trade: instant diversification, daily liquidity, professional management, and market volatility as the entry fee, since listed property trades with the sharemarket's moods and usually carries gearing inside the vehicle.

Unlisted property funds: sit between direct and listed: pooled ownership of commercial assets, distribution yields often in the commercial range, valuations that move slowly, and the trade-off in liquidity, with withdrawal windows measured in months or years and manager quality doing a lot of load bearing. Read the gearing, the fees and the redemption terms before the yield.

Neither is a consolation prize. A $180,000 fund holding REITs while contributions build toward a direct deposit is executing a strategy. The same fund with 95 per cent of itself in one flat is executing a hope. And even big funds use these vehicles deliberately, as the liquid property sleeve that chapter 14 will make you glad you have.

The menu, one last time

Business owner needing premises: chapter 8, nothing else close. Fund of $300,000 plus wanting direct property with leverage: borrowed commercial, chapters 6 to 10. Larger fund, no debt needed: cash commercial or cash residential on merit, judged as income investments. Family with combined resources and shared discipline: ungeared unit trust or tenants in common. Fund under about $250,000: listed or unlisted trusts while you build, and pride intact, because the maths is the maths.

Appendix F lays the whole menu out as a matrix. Somewhere on it is the row that matches the fund you actually have. Buy that row.

> ACTION STEP
>
> Write down your fund's realistic buying power: current balance, minus the chapter 5 buffer, plus any family co-investment that is genuinely available with the discipline to match. Then circle your row in appendix F. If the row you circled is not the row you wanted, the gap is your contribution strategy's job, not a structure's.

Find your sweet spot, or have the guts to walk away.

PART FIVE

Execute and exit

12

The buying process and your professional team

Five years after an accountant told her no, Emma bought a shed. Here is the process that made it boring, which is the highest compliment a settlement can earn.

KEY TAKEAWAYS

- Structure comes first: strategy documented, finance priced, bare trust ready, before you inspect anything
- Commercial due diligence starts with the lease and the tenant, not the building
- The purchaser name on the contract must be exactly right before you sign; fixing it later can mean double duty
- The going concern clause, the finance condition and the due diligence period are where your lawyer earns the fee
- Use a commercial property lawyer, an SMSF experienced broker and a specialist accountant; this is no place for the home conveyancer
- Boring settlements are built, not lucked into

CHARACTER CHECK-IN: EMMA ZHANG

Age: 40, in early 2027

Super balance: $245,000

Situation: senior marketing manager. Five years of deliberate contributions since the accountant said "not yet". Residential fluent, commercially educated, and this time, ready.

Emma's 2022 plan was a borrowed residential unit, and chapter 3 told you how that ended: with a professional talking her out of it. Her 2027 plan looked different because the world did: with residential borrowing gone, her research led her through exactly the material in part three, and she emerged hunting a tenanted industrial strata unit. Small, generic, boring. Her words: "I spent five years learning that boring is the compliment."

This chapter walks her purchase start to finish, because the process is the lesson.

Step one: structure before search

Emma did three things before opening a single listing.

She updated her fund's written investment strategy to contemplate a direct commercial property with borrowing, addressing the diversification and liquidity questions in writing, because chapter 13 will show you the auditor reads that document.

She had her broker price the structure: two specialist lender quotes for a business real property LRBA at 65 per cent loan to value, pre-assessment done, so she knew her ceiling was about $420,000 and her rate would start with a seven.

And her accountant established the bare trust with a special purpose corporate trustee, so the correct purchaser name existed before any contract could ask for it. Total cost, about $2,200. Total value, one entire category of catastrophe deleted.

Step two: the search

Commercial hunting runs on different fuel than residential. Listings portals carry it, but the flow is thinner, and the best intelligence is often people: the leasing agents who know which landlords are tired, the managing agents who know which tenants are solid. Emma briefed three agents in her target industrial precinct with clean criteria: strata industrial, $350,000 to $420,000, tenanted, minimum three years lease remaining including options, net yield 6 per cent or better.

Eleven weeks and two near misses later, an agent called before the listing went live: a 168 square metre unit with a good roller door in a 1990s estate, occupied by a commercial cabinetmaker eight years in the same premises, four years remaining on a renewed lease at $25,000 net with fixed 3 per cent increases, tenant paying outgoings. Asking $400,000. Implied cap rate: 6.25 per cent.

Residential Emma would have driven past it without slowing. Commercial Emma saw a covenant with an eight year payment history and a lease doing 6.25 per cent of work.

Step three: due diligence, the commercial version

Here is where the money is protected or lost, and where commercial differs most from everything you have done before. Emma's checklist, which is appendix G in worksheet form:

The lease, reviewed by her lawyer.: Term and options confirmed, review mechanism checked, outgoings clause read word by word, make-good obligations noted, assignment clause understood. The lease is the asset; you would not buy a business without reading its contracts.

The tenant.: Company search on the cabinetmaker, trading history, and the vendor's rent ledger: 96 months, 96 on time payments. She rang the managing agent with one question that tells you more than any document: "would you re-let to them tomorrow?" The answer took half a second.

The outgoings.: Two years of reconciliations against estimates, confirming the tenant genuinely pays what the lease says and there are no simmering disputes.

The building.: A commercial building inspection: roof, structure, services, compliance items, and, this being older industrial stock, the asbestos register. Two minor items, both quoted, both used in negotiation.

Title and planning.: Zoning confirmed, no easements with opinions, strata records reviewed for special levies and grudges.

The environmental question.: Industrial land carries history. A cabinetmaker raised no alarms, but she asked the formal question about prior uses and contamination anyway, because the ugliest industrial surprises live in the soil.

The GST position.: Chapter 9's three questions: vendor registered, property tenanted at settlement, contract dealing with GST as a going concern. Yes, yes and yes, drafted properly, meaning no GST bridge and duty on the lower price.

Total due diligence spend: about $3,100. On a $400,000 purchase, under 1 per cent to know what she was buying.

Step four: contract

Her lawyer negotiated a two week due diligence period and a finance condition, tighter than residential norms but real, and the contract named the purchaser exactly: the bare trustee company as trustee for the bare trust. Read that twice and then remember it forever, because the classic LRBA disaster is signing in the wrong name, your own, the fund's, the wrong company, and discovering that fixing title can mean paying transfer duty twice. The name goes on correctly, first time, checked by the lawyer against the trust deed, before anything is signed.

She negotiated $8,000 off for the building items, exchanged at $392,000, and paid the deposit from the fund's account, because fund purchases run on fund money from the first dollar.

Step five: settlement and the first month

Between exchange and settlement: formal loan approval, insurance arranged from the settlement date, notices to the tenant about the change of landlord and new payment details, and the adjustments calculated, which on a tenanted purchase meant a credit to Emma's fund for rent the tenant had prepaid.

Emma's completed numbers, boxed for the record:

- Price $392,000, going concern, no GST payable
- Duty and purchase costs about $24,000
- Deposit $137,000 being 35 per cent, loan $255,000 over 20 years at 7.4 per cent, repayments about $24,500 a year
- Rent $25,000 net, tenant pays outgoings, fixed 3 per cent increases
- Fund buffer after everything: $82,000, more than a full year of repayments, outgoings exposure and fund costs

Rent covers the loan from day one, her contributions of around $24,000 a year build the buffer and pay down principal, and every rent review from here is pure margin. She stress tested it three ways per chapter 5 before exchange, in writing, and it passed all three.

The settlement itself took forty minutes and contained no news. Five years of patience, one boring afternoon. That is what winning looks like.

Your professional team

Emma's deal involved five professionals, and the composition matters as much as the quality.

An SMSF specialist accountant or administrator.: Not a generalist. The structures, elections and compliance rhythms in this book are a specialty; hire someone who does them weekly.

A commercial property lawyer.: The single most important substitution from your residential habits. A residential conveyancer is trained for a different contract, a different risk list and no GST. The going concern clause alone pays this fee many times over.

A finance broker who writes SMSF commercial loans regularly.: The lender pool is specialised and moves; a broker in that market knows today's answer, not 2023's.

A commercial building inspector, and where relevant an environmental consultant.: Different building, different failure modes.

A commercial managing agent: , from settlement onward, unless you genuinely want to run outgoings reconciliations and BAS-ready rent invoicing yourself. Most trustees should not.

A buyer's agent is the optional sixth chair, most valuable when you are buying outside your own city or your own confidence. Fees are real; so is the cost of learning a market slowly.

One principle ties the team together: they talk to each other early. The broker knows the trust structure, the lawyer knows the lender's requirements, the accountant sees the contract before exchange. Every expensive mistake in this process lives in the gaps between professionals who were each individually excellent.

ACTION STEP

Build your team before your shortlist: one meeting with an SMSF specialist accountant, one with an SMSF experienced broker, and get the name of the commercial property lawyer you will use. Appendix N gives you the questions that sort specialists from generalists in the first ten minutes.

Find your sweet spot, or have the guts to walk away.

13

Staying compliant and out of trouble

Compliance is not a test you cram for. It is a rhythm you keep, and funds that keep it barely notice the auditor at all.

KEY TAKEAWAYS

- Every SMSF is audited every year; the audit is a rhythm, not an ambush
- Property must be carried at market value each 30 June, with objective evidence to support it
- The ATO has contacted roughly 16,000 funds in recent years over stale or unsupported valuations
- Your written investment strategy must genuinely address diversification, liquidity and insurance, especially in a one property fund
- An auditor contravention report is not the end of the world; hiding a breach is how it becomes one
- Good records turn audit season into an email; bad records turn it into archaeology

The fear version of SMSF compliance imagines the ATO as a predator waiting for your mistake. The reality is closer to a gym membership: a set of habits, kept weekly and yearly, that are light work if maintained and miserable if abandoned. This chapter is the habit list for a property holding fund.

The annual loop

Every year, in roughly this order: the fund's accounts are prepared, assets are valued at market as at 30 June, the independent auditor reviews everything, the annual return is lodged with the ATO, and the supervisory levy is paid. If the fund is registered for GST, activity statements punctuate the year quarterly. Around this fixed skeleton hang the property specific tasks: rent reviews implemented on their contract dates, outgoings reconciled, insurance renewed, market rent evidence refreshed on schedule for related party leases.

Boring. Deliberately. Write the dates into appendix K's calendar once and the year runs itself.

Valuations: the one that catches property funds

Every asset must be reported at market value each 30 June, and "market value" means a figure a trustee can support with objective evidence, not a figure that has quietly turned four years old. Property is where funds fail this, because property is the asset people feel entitled to guess about.

The ATO noticed. In recent years it has contacted roughly 16,000 funds whose reported property values had not moved across multiple returns, asking trustees to show their evidence. Not audits, in most cases; letters. But letters with a message: we can see the number is stale, and so can your auditor.

What counts as evidence, for a commercial property, without paying a valuer annually: a full valuation every two to three years is the anchor, and in the between years, a documented trustee assessment built from real inputs: the current lease and any reviews, recent comparable sales and their implied cap rates, an agent's letter of appraisal, movement in market rents. A one line minute saying "trustees consider the value unchanged" supported by nothing is exactly what the 16,000 letters were about. Lease events are automatic triggers: a renewal, a new tenant, a market review or a vacancy all change value by definition, and the file should show you noticed.

> CHARACTER CHECK-IN: HELEN AND BRUCE THOMPSON
>
> The near miss: their fund's Melbourne house had sat at the same value for three consecutive returns, because nothing about it had changed and revaluing felt like paperwork. Their new auditor, politely immovable, declined to sign on vibes. Two agent appraisals and a rental statement later, the value moved up $85,000, the accounts were signed, and no contravention was reported. Bruce's summary: "Cheapest audit finding we ever had, because we fixed it while it was still called a conversation."

The audit, from the inside

An approved SMSF auditor must review your fund every year, checking both the numbers and the rules. For a property fund, the request list is predictable, which is a gift: title documents, the lease, the rent ledger, market rent evidence if the tenant is related, the outgoings reconciliation, loan and bare trust documents if geared, insurance certificates, bank statements showing fund money staying fund money, the valuation evidence above, and the investment strategy.

Keep those in one folder, updated as things happen rather than reconstructed in July, and audit season is an email with attachments. Every horror story you have heard about SMSF audits is, underneath, a story about that folder not existing.

Auditor independence rules mean your accountant and auditor generally cannot be the same person or firm; a specialist administrator will have this arranged already.

The ACR: what happens when something is found

When an auditor finds a breach of the rules, they may be required to lodge an auditor contravention report, an ACR, with the ATO. The tests for when reporting is mandatory involve the breach type, its size and whether it repeats, but the practical version is simple: real breaches of the chapter 4 rules get reported, and the auditor has no discretion to be a mate about it.

An ACR is not a penalty. It is a flag. The ATO risk assesses it, and outcomes range from nothing, through a please explain, to the chapter 4 penalty ladder for the serious and the stubborn. What moves you down the friendly end of that range is the same thing in every case: the breach was rectified quickly, the trustees engaged honestly, and the fund's history is otherwise clean.

Which yields the golden rule of SMSF trouble: found problems get fixed loudly, not quietly. If you discover a breach mid year, call your accountant that week, rectify, document, and if warranted use the ATO's voluntary disclosure process before lodgement. Funds get through breaches all the time. What funds do not get through well is the discovery that a trustee knew and sat on it.

The investment strategy: the document with teeth

Your fund must have a written investment strategy, reviewed at least annually and whenever circumstances change, and it must genuinely consider diversification, liquidity, the ability to pay benefits, and whether the fund should hold insurance for members.

For a property fund, this document has teeth, because a fund that is 80 per cent one building is exactly what the diversification and liquidity requirements were written about. The strategy cannot pretend otherwise; it has to show the trustees saw the concentration and decided it deliberately: why this asset, how liquidity needs are met from the buffer and contributions, what the plan is as members approach pension phase, and what insurance was considered for each member, even if the decision was against it. Auditors read this document against the fund's actual holdings every year. A template downloaded in 2024 describing a balanced portfolio your fund does not have is a finding waiting to be written.

Update it when life changes: a purchase, a sale, a new member, a member nearing retirement. Emma's chapter 12 update before buying was not bureaucracy; it was the document doing its job at the moment it mattered.

The rhythm, kept

That is the whole chapter, honestly: value the assets properly, keep the folder, respect the strategy document, lodge on time, and treat the auditor as the free annual health check they actually are. Funds run this way for thirty years without a single exciting interaction with the regulator. In compliance, unlike investing, boring is not just a compliment. It is the entire objective.

> ACTION STEP
>
> Create the audit folder today, digital or physical, with sections matching the request list above. Then open appendix K and put this year's dates in your actual calendar, with reminders. Twenty minutes now converts every future July from archaeology to admin.

Find your sweet spot, or have the guts to walk away.

14

From purchase to pension: planning your endgame

A building is not a retirement. Income you can spend is. This chapter turns one into the other, on purpose, with about five years of runway.

KEY TAKEAWAYS

- From age 60 and retired, or 65 regardless, your super unlocks and the fund's tax rate on pension assets falls to zero
- The transfer balance cap limits how much moves into the tax free phase: $2.1 million per person from 1 July 2026
- Minimum pension payments start at 4 per cent and rise with age; they must be paid in cash, which is where property funds get caught
- Selling the property while the fund is in pension phase can mean zero capital gains tax
- Division 296 only matters above $3 million, but its one off cost base reset election has a hard deadline attached
- Death benefits do not follow your will; nominations and liquidity decide who gets what, and what the ATO takes on the way

Everything in the first thirteen chapters exists for this one. The rules, the leases, the borrowing, the compliance: all of it is scaffolding around a single outcome, which is you, at some age you get to pick, drawing tax free income from assets you built on purpose. This chapter is that outcome, engineered rather than hoped for.

Unlocking the money

Super converts from locked savings to spendable income when you meet a condition of release. The two that matter for most people: reaching 60 and retiring, or reaching 65, full stop, working or not. In between sits the transition to retirement option for people winding down, useful but niche enough to leave with your adviser.

Meeting a condition does not force anything. It opens the door. What you do at the door is the strategy.

The two phases, and the number that divides them

While you accumulate, the fund pays 15 per cent on income and an effective 10 per cent on long held capital gains. When you start a retirement pension, the assets supporting it move to a tax rate of zero. Rent, interest, capital gains on those assets: zero. This is the finish line the whole structure has been running toward.

The gate on that finish line is the transfer balance cap: the lifetime limit on how much each person can move into the tax free retirement phase. From 1 July 2026 the general cap is $2.1 million, indexed in $100,000 steps from time to time. Anything above your cap simply stays in accumulation, still enjoying 15 per cent, which remains a perfectly good tax rate to retire on. For a couple, that is up to $4.2 million of zero rated assets between you at current settings, which is more than enough runway for every strategy in this book.

The pension mechanics, and the cash problem

Once a pension starts, the law requires minimum annual payments, calculated as a percentage of the account balance each 1 July:

Age	Minimum annual payment
Under 65	4 per cent
65 to 74	5 per cent
75 to 79	6 per cent
80 to 84	7 per cent
85 to 89	9 per cent
90 to 94	11 per cent
95 and over	14 per cent

Read the table and then read the sentence that makes it bite: minimums must be paid in cash. Not in promises, not in equity, not in "the property is worth plenty". Cash, out of the fund, into your bank account, every year, or the pension loses its tax exemption.

Now you can see the collision coming for property heavy funds. A building can be a magnificent store of wealth and a mediocre cash machine at exactly the moment the law starts demanding cash on a schedule.

Helen and Bruce meet the table

CHARACTER CHECK-IN: HELEN AND BRUCE THOMPSON

The projection: both retiring at 65 with a combined $1.5 million. The fund holds their Melbourne house, worth about $950,000, renting for around $27,000 net after costs, roughly 2.8 per cent, plus $550,000 in shares and cash earning about $22,000.

At 65, their combined minimum is 5 per cent of $1.5 million: $75,000 a year, in cash. The fund's actual cash income is about $49,000. The gap, $26,000 every year, must come from somewhere, and at their asset mix that means selling down the liquid sleeve, which shrinks it, which raises the property's share of the fund, which makes next year's version of the same problem slightly worse. Left alone for a decade, the strategy quietly eats its own flexibility.

None of this makes their house a mistake. It makes their next five years a planning window, with real options:

Fatten the liquid sleeve before retirement.: Maximum contributions in the final working years, directed to liquid assets, including up to $300,000 each in downsizer contributions if selling the family home is on their cards anyway.

Sell the property inside pension phase.: Here is the payoff move the whole book has been setting up: once the fund is supporting their pensions, a sale of the property can attract zero capital gains tax. Decades of growth, realised at nothing, converted into a portfolio that pays cash on demand. For many property funds, the plan was always sell at the start of pension phase, on purpose, at the zero rate; they just never wrote it down.

Restructure rather than sell.: Keep the property, accept a permanent drawdown from the sleeve, and top the sleeve up with part sales of shares in strong years. Legitimate, provided somebody has actually done this arithmetic instead of discovering it at 78.

Their adviser's real contribution was not picking an option. It was making them pick one at 60 instead of finding out at 67. Five years of runway is the difference between choosing and scrambling; appendix L is the worksheet that starts the clock.

The business premises endgame

Raj's version of this chapter has an extra dimension, because his fund's tenant is his business, and both are retiring on linked schedules. His menu at the exit:

Sell the business, keep the building.: The new owner of the consultancy keeps trading from the same premises, now paying rent to Raj's pension phase fund at zero tax. For strong premises this is often the best pension asset in the family: a known building, a motivated tenant, a net yield that residential never matches.

Sell both together.: Business plus freehold can be a premium package for the right buyer, with the property's gain realised inside pension phase at that same beautiful zero.

Take the building out.: An in specie lump sum can transfer the property itself from the fund to the members once a condition of release is met, where the estate plan wants the asset in personal hands. It is a capital gains event for the fund, zero in pension phase, but transfer duty may apply on the way out and the transaction has moving parts. Specialist advice, well before the retirement party.

Division 296: the big balance tax, and its deadline

If your total super balance is heading past $3 million, one more system engages. Since 1 July 2026, Division 296 adds personal tax on part of the earnings of large balances: a headline 30 per cent on realised earnings attributable to the slice between $3 million and $10 million, and 40 per cent above that, with both thresholds indexed over time. It is assessed to you personally, payable from your pocket or released from super, and the first assessments follow 30 June 2027. It taxes realised earnings only, so a year of paper gains on an unsold property does not create a bill, and a loss year simply means no Division 296 tax that year.

Most readers will never touch it. But property plus contributions plus decades of compounding is exactly the recipe that eventually can, so two planning notes earn their place.

First, the design rewards timing awareness: because the tax bites on realised earnings while balances sit above $3 million, the interaction between when you sell, what phase the fund is in and where your balance sits is now real money. That is personalised advice territory, flagged so you know to raise it.

Second, and urgently for anyone already in range: the one off cost base reset election. Funds could elect, in their 2026 to 27 annual return, to reset every capital gains tax asset to its 30

June 2026 market value for Division 296 purposes only, so that growth from before the regime never counts as Division 296 earnings when eventually realised. It is all assets or none, and irrevocable. For a fund holding property with large embedded gains, the election can be worth serious money, and the window closes when that return is lodged, with lodgement deadlines running through late 2027 into 2028 depending on your agent status. If there is any chance this is you, it is a this year conversation with your accountant, not a note for later. Miss the return, miss the election, permanently.

Death: the part nobody plans and everybody should

Two facts most trustees learn too late, presented on time.

Super does not follow your will.: Fund benefits are paid under the trust deed and your nominations, not your will, unless deliberately routed there. A valid binding death benefit nomination, or a reversionary pension that continues automatically to your spouse, is what actually decides where decades of this book's work lands. No valid nomination means the trustee decides, and in blended families that sentence has funded a great deal of litigation.

The ATO taxes some inheritors and not others.: Paid to a spouse or other tax dependant, benefits are tax free. Paid to adult children, the taxable component loses up to 17 per cent. On a large, property backed balance that difference is six figures, and it is exactly the kind of thing recontribution strategies and payment timing can legally soften, in the hands of an adviser, well in advance.

Add the property angle: a fund whose main asset is a building can owe a death benefit it cannot pay without selling that building, on the market's schedule rather than the family's. The answers are the ones you already know: the liquid sleeve, insurance held inside the fund where the strategy calls for it, and where the deed allows, in specie payment of the property itself to beneficiaries. What turns any of them from theory into protection is doing the thinking while everyone is alive and well.

The whole game, in one paragraph

Build the fund honestly, buy assets that pay real income, keep the rhythm, and then land it: pensions started, cap used well, the big gain realised at zero when the timing is yours, cash flowing on schedule, nominations valid, family protected. Emma runs her projection out to 60 and the shed she bought at 40 is long since debt free, throwing off indexed rent into a zero tax pension. Somewhere in your numbers is your version of that sentence. The next five chapters of your life are the appendices. Go fill them in.

> ACTION STEP
>
> Whatever your age, complete appendix L's endgame worksheet once, today, using projections. If you are within ten years of a possible retirement, book the planning conversation this quarter, and put Division 296's election on the agenda if your trajectory goes anywhere near $3 million. Runway is the one asset this book cannot buy back for you.

Find your sweet spot, or have the guts to walk away.

Important disclaimers

This book provides general information and education only. It does not provide, and must not be relied on as, financial product advice, taxation advice, legal advice or credit advice, and it does not consider your objectives, financial situation or needs. Before acting on anything in this book, obtain advice from appropriately licensed and qualified professionals who can consider your personal circumstances.

The author is not a licensed financial adviser, tax agent or legal practitioner. Nothing in this book creates an adviser client relationship of any kind.

Laws, rates, caps and thresholds change. The rules described in this book were verified at the time of writing in early 2027 and include measures that commenced in 2026 and 2027. They will change again. Figures such as the ATO supervisory levy, ASIC fees, contribution caps, the transfer balance cap, safe harbour interest rates, lending terms and market yields are point in time snapshots provided for education, and are date stamped in the text where practical. Always confirm the current position at ato.gov.au, moneysmart.gov.au or with your professional advisers before making decisions. Corrections and updates to this edition are published at nathanhaslewood.com.au/updates.

The characters in this book, including Emma, Raj and Anjali, Sarah and Marcus, Helen and Bruce, and Grace, are fictional composites created for education. Their numbers are illustrative, simplified for teaching, and are not projections or promises of any outcome. Past performance of any asset class is not an indicator of future performance.

References to legislation, including the Superannuation Industry (Supervision) Act 1993, the Treasury Laws Amendment (Tax Reform No. 1) Act 2026 and the Treasury Laws Amendment (Building a Stronger and Fairer Super System) Act 2026, are simplified descriptions for a general audience and are not a substitute for the law itself or for professional interpretation of it.

Property investment involves risk, including the risk of loss. Superannuation involves restrictions on access to your money. An SMSF is not appropriate for everyone. If this book has helped you conclude that it is not appropriate for you, it has done its job just as well as if you buy a building.

APPENDICES

Your working toolkit

Fifteen tools referenced throughout the book, in the order you will meet them. Photocopy them, rebuild them in a spreadsheet, scribble on them. They are meant to be used, not admired.

The tradie's two-tick test

Before any SMSF property decision, big or small, run the two ticks.

Tick 1: should I do this?

- Does this move me toward my retirement goals, or just toward owning something?
- Is the timing right for my balance, income and life stage?
- Have I compared it honestly against the boring alternative of doing nothing?
- Would I still want this if nobody ever knew I owned it?

Tick 2: can I do this?

- Is it legal for my fund? (Chapters 4, 10 and 11)
- Do the numbers survive the three way stress test? (Chapter 5)
- Do I have the structure, the team and the buffer in place? (Chapters 10 and 12)
- Can I explain the whole transaction to a sceptical stranger in one sentence?

Two ticks, proceed. One tick, fix the gap first. No ticks, walk away with your head high.

APPENDIX B

SMSF property readiness scorecard

Score one point for each honest yes. Referenced in chapter 2.

1. Our combined super balance is $200,000 or more ($300,000 or more if the plan involves borrowed commercial property)
2. I know what my current super fund returned over the last five years, and what it charges
3. I have calculated my fund's break-even percentage using appendix D
4. I can commit at least two hours a month to trustee duties, indefinitely
5. My income and employment are stable enough to keep contributing through a downturn
6. I understand that new SMSF borrowing is only available for business real property, and my plan is built on that reality
7. I am at least ten years from retirement, or already retired with a written income strategy
8. Property inside super would be part of a diversified position, not most of my total wealth
9. I have met with an SMSF specialist accountant about my situation
10. I can explain the sole purpose test in one sentence without notes

8 to 10: green light.: Proceed to the tick 2 chapters and build properly.

5 to 7: amber.: Genuinely ready in parts. List the missing points; each has a chapter.

0 to 4: red light.: Not yet, and now you know exactly why. Set a review date and a trigger.

APPENDIX C

Red flag checklist

The fifteen flags from chapter 3. Tick any that apply today.

1. Combined super balance under $200,000
2. The plan requires borrowing to buy residential property (this one is the law: since 10 August 2026, it cannot be done)
3. Buying because "property is safe" or "property always goes up"
4. Any intention of personal use, ever, including "just occasionally"
5. Being pressured by a spruiker, seminar company or anyone selling urgency
6. Have not compared SMSF costs against the current fund's returns
7. Under five years from retirement with no written exit strategy
8. No realistic time to manage trustee duties
9. Unstable job or income
10. Doing it to keep up with friends or family
11. Have not met an SMSF specialist accountant
12. Planning a related party transaction without understanding chapter 4
13. Cannot explain the sole purpose test in one sentence
14. Relying on future contributions to make loan repayments work
15. No plan for a long vacancy: three months residential, twelve months commercial

Zero flags: proceed. One or two: address them specifically before spending a dollar. Three or more: walk away for now, with a written trigger for return. Flag 2 at any time: stop and redraw the plan; that door is closed.

Break-even calculator

Work with real quotes, not guesses. Referenced in chapters 2 and 5.

Step 1: annual fund costs

- Accounting, administration and tax return: $______ (typical $2,000 to $4,000)
- Independent audit: $______ (typical $500 to $800)
- ATO supervisory levy: $259 (2026 to 27; confirm current)
- ASIC annual review, corporate trustee: $70 special purpose (2026 to 27); around $342 if a standard proprietary company, including many bare trustee companies
- Advice, valuations, legal (average year): $______
- Total annual costs: $______

Step 2: the hurdle

Total annual costs divided by combined super balance, times 100 = ______ per cent

Step 3: the comparison

- My current fund's fees: ______ per cent
- My current fund's five year average return: ______ per cent
- The return my SMSF must earn, after all costs, just to match it: ______ per cent

Step 4: the verdict.: If the step 3 target needs everything to go right, you have your answer, and it cost you a page instead of five years.

APPENDIX E

Who counts as a related party?

The chapter 4 rules on acquisitions, leases and in-house assets all hinge on this list. When in doubt, assume related and ask your accountant.

Always related:

- Every member of the fund
- Relatives of members: parents, grandparents, brothers, sisters, uncles, aunts, nephews, nieces, children, grandchildren, and lineal descendants, plus the spouses of all of the above
- Spouses and de facto partners of members
- Business partners of members, and those partners' spouses and children
- Companies controlled by members, their relatives or their partners, alone or together
- Trusts controlled by members, their relatives or their partners, alone or together

The practical tests:

- Could this person sit at your Christmas table without anyone asking who they are? Probably related.
- Do you, your family or your business associates control the entity on the other side of the deal? Related.
- Is the transaction fine anyway? Only through the marked doors: listed securities at market value, business real property at market value, or within the strict structures in chapter 11.

Not automatically related: friends, neighbours, colleagues, cousins' friends. But remember the sole purpose test still applies: an arm's length price to a mate chosen to do the mate a favour is still a problem.

APPENDIX F

The post-ban menu, a decision matrix

Every realistic path to property exposure inside super, as at early 2027. Circle your row; chapter 11 walks the logic.

Path	Practical minimum balance	Borrowing	Related party involvement	Income profile	Liquidity	Complexity	Best suited to
Your own business premises (chapter 8)	$250,000 plus	Yes, LRBA	Buy from and lease to your business, by design	Net rent, tenant pays outgoings	Low	High	Business owners paying rent
Borrowed commercial investment (chapters 6 to 10)	$300,000 plus	Yes, LRBA	Arm's length only	Net 5 to 7.5 per cent typical	Low	High	Funds wanting direct property with leverage
Residential with cash (chapter 11)	$500,000 plus for balance	No	Strangers only, both directions	Gross 3 to 4.5 per cent typical	Low	Medium	Larger funds diversifying
Ungeared unit trust with family (chapter 11)	Flexible, pooled	Never, by law	Co-ownership by design; leases arm's length unless BRP	Proportional	Low	High	Families combining on one asset
Tenants in common with a member (chapter 11)	Flexible, pooled	None in practice	Co-ownership by design	Proportional	Low	Medium	Simple family pooling, all cash
Grandfathered residential LRBA (chapter 10)	Already holding	Existing loan; refinance permitted	Strangers only	Gross residential	Low	Medium	Pre 10 August 2026 borrowers
	Any				Daily	Low	

Path	Practical minimum balance	Borrowing	Related party involvement	Income profile	Liquidity	Complexity	Best suited to
Listed A-REITs (chapter 11)		Inside the vehicle	Not applicable	Distributions, volatile pricing			Funds under $250,000; liquidity sleeves
Unlisted property trusts (chapter 11)	$50,000 plus	Inside the vehicle	Not applicable	Distributions, slow pricing	Months to years	Low to medium	Income seekers accepting lockups

APPENDIX G

Commercial due diligence checklist

Chapter 12's process as a worksheet. Every item gets a finding, not just a tick.

The lease (lawyer reviewed)

- Parties, guarantors, and current assignments confirmed
- Term remaining, options, and how options are exercised
- Rent, review mechanism and next review date
- Outgoings clause: what is recoverable, how billed, how reconciled
- Make-good obligations and condition report status
- Permitted use, and how narrow it is
- Assignment and subletting rights
- Retail leases legislation: does it apply, and what does it override?

The tenant

- Company and business name searches
- Years trading, and years in these premises
- Rent ledger from vendor: 24 months, arrears history
- Managing agent's honest view: would they re-let to them?

The money

- Two years of outgoings reconciliations versus estimates
- Incentives given on the current lease and on comparable evidence
- Implied cap rate versus recent comparable sales
- Face rent versus effective rent

The building and land

- Commercial building inspection: structure, roof, services, compliance
- Asbestos register for older stock
- Zoning, permits, easements, strata records and levies
- Environmental history for industrial: prior uses, contamination question asked in writing

The GST position (chapter 9)

- Vendor registered for GST?
- Tenanted at settlement?
- Contract treatment: going concern, taxable supply, or margin scheme?
- If taxable: GST bridge funded in the settlement plan
- Duty calculated fresh, on the GST inclusive price where applicable

APPENDIX H

Lease analysis worksheet

One page per lease, completed before any offer. The lease is the asset; this page is its x-ray.

- Property and premises: ______
- Landlord and tenant entities: ______
- Guarantees or security: bank guarantee / personal guarantee / bond, amount ______
- Commencement date: ______ Term: ______ Expiry: ______
- Options: ______ Exercise window: ______
- Current rent: $______ net / gross (circle)
- Review mechanism: fixed ______ per cent / CPI / market, on dates ______
- Outgoings: recoverable items ______ Estimated $______ per year, reconciled annually yes / no
- Land tax recoverable? yes / no (Victoria retail: no)
- Incentives on this lease: ______
- Effective rent after incentives: $______
- Permitted use: ______
- Make-good: ______
- Assignment rights: ______
- WALE contribution: years remaining including likely options: ______
- Tenant covenant, in one honest sentence: ______
- If this tenant left, the replacement is: ______ and re-letting would cost roughly $______ and ______ months

APPENDIX I

Property comparison scorecard

Score each candidate property from 1 (poor) to 5 (excellent). Weightings reflect a first direct commercial purchase; adjust deliberately if your strategy differs.

Criterion	Weight	Property 1	Property 2	Property 3
Tenant covenant quality	20 per cent			
Lease length and terms (WALE, reviews)	20 per cent			
Net yield versus asset class evidence	15 per cent			
Re-lettability: breadth of replacement tenant pool	15 per cent			
Location and position drivers	10 per cent			
Building condition and capital expenditure outlook	10 per cent			
Outgoings recoverability	5 per cent			
Growth story: rent review engine plus land value	5 per cent			

Multiply scores by weights, total, compare. A property that wins on yield and loses on covenant and re-lettability has not won; it has confessed.

LRBA lender comparison sheet

Complete via an SMSF experienced broker before property hunting. Chapter 10 explains every row.

Item	Lender 1	Lender 2	Related party (safe harbour)
Interest rate			9.35 per cent (2026 to 27; resets each July)
Maximum LVR on business real property			70 per cent
Maximum term			15 years
Repayment type			Monthly principal and interest
Application and legal fees			Documentation and mortgage registration costs
Valuation requirements			Independent valuation recommended
Post-settlement liquidity requirement			Set your own: chapter 5 buffer
Personal guarantees required			Not applicable
Bare trust documents acceptable / review fee			
Notes			Interest is taxable income to the lender member

APPENDIX K

Annual compliance calendar

Adjust dates to your fund's lodgement cycle with your accountant, then put every line in your actual calendar.

- July: value every asset at 30 June market value with written evidence; review the investment strategy against actual holdings; confirm insurance considerations documented; check this year's contribution caps and rates
- July, and each quarter (if GST registered): business activity statement lodged and paid
- On lease anniversary dates: implement rent reviews on time; refresh market rent evidence for any related party lease at least every two to three years and at every market review
- Insurance renewal date: building and landlord policies renewed from correct entity, certificates filed
- Audit season: deliver the chapter 13 folder to the auditor; respond to queries within days, not weeks
- Lodgement: annual return lodged and supervisory levy paid by the fund's due date
- Any month something happens: purchase, sale, new lease, vacancy, new member, member nearing retirement: minute it, update the strategy, tell the accountant
- Once, and diarised until done: if any member could exceed $3 million, the Division 296 cost base reset election decision, made in the 2026 to 27 annual return before its lodgement deadline

APPENDIX L

Endgame planning worksheet

Complete once now, then annually inside ten years of retirement. Chapter 14 walks every line.

The income requirement

- Target retirement age, each member: ______
- Projected combined balance at that age: $______
- Minimum drawdown at that age (4 per cent under 65, 5 per cent at 65 to 74, 6 per cent at 75 to 79, 7 per cent at 80 to 84, 9 per cent at 85 to 89, 11 per cent at 90 to 94, 14 per cent at 95 plus): ______ per cent = $______ per year, in cash

The income supply

- Projected net property income: $______
- Projected income from liquid assets: $______
- Annual surplus or gap: $______

The plan for the gap (circle and date)

- Build the liquid sleeve: contributions of $______ per year for ______ years, downsizer contributions considered yes / no
- Sell the property inside pension phase at zero capital gains tax: target window ______
- Hold and draw down the sleeve deliberately: sustainable for ______ years
- In specie transfer considered for estate reasons: advice booked ______

The protections

- Transfer balance cap position, each member ($2.1 million general cap from 1 July 2026): ______
- Division 296 exposure now or projected: yes / no; if yes, election and timing advice booked ______
- Binding death benefit nominations valid and current: ______
- Reversionary pension decision made: ______
- Adult children tax exposure (up to 17 per cent on taxable component) reviewed with adviser: ______

APPENDIX M

Document checklist

If it is not in the folder, it did not happen. Chapter 13's audit folder, itemised.

Fund establishment: trust deed and amendments; trustee company constitution; ATO registration and election to be regulated; trustee declarations signed within 21 days of appointment; investment strategy, current version and history

Purchase: contract of sale naming the bare trustee exactly; going concern clause or GST treatment documented; independent valuation (mandatory where any related party is involved); duty assessment; settlement statement and adjustments; due diligence reports (appendix G)

Borrowing: bare trust deed; loan agreement; registered mortgage; safe harbour compliance file for related party loans (agreement, rate, LVR, repayment records)

Tenancy: executed lease and any variations; market rent evidence, dated, refreshed on schedule; rent ledger; outgoings estimates and reconciliations; incentive documentation; insurance certificates naming the correct owner

Money: fund bank statements, separate from everything personal; BAS lodgements if registered; contribution records against caps

People: binding death benefit nominations; pension establishment documents when the time comes; minutes of every decision that moved money or signed paper

APPENDIX N

Key contacts and resources

Your bench, and the first question that sorts specialists from generalists:

- SMSF specialist accountant or administrator: "How many SMSFs with direct property, and with LRBAs, do you administer?" Double digits or keep looking.
- Commercial property lawyer: "Talk me through how you handle the going concern clause and the bare trustee purchaser name." Fluency or keep looking.
- Finance broker: "How many business real property LRBAs have you settled since August 2026?" Recent and plural, or keep looking.
- Licensed valuer: engaged for related party purchases and rent, no exceptions.
- Commercial building inspector, and an environmental consultant for industrial with history.
- Commercial managing agent: "Show me a sample outgoings reconciliation and monthly statement."
- Licensed financial adviser for the personal advice this book deliberately is not.

Always current, always free:

- ato.gov.au, superannuation section: rates, caps, levy amounts, safe harbour rates, rulings and the SMSF newsroom
- moneysmart.gov.au: ASIC's consumer guidance on SMSFs and advisers
- Your state revenue office: duty and land tax, calculated fresh per deal

- This book's updates page: nathanhaslewood.com.au/updates

APPENDIX O

Glossary

ACR (auditor contravention report): the report an SMSF auditor must lodge with the ATO when certain rule breaches are found. A flag, not a penalty; see chapter 13.

Accumulation phase: the working years phase of super, taxed at 15 per cent on income and effectively 10 per cent on long held capital gains.

Arm's length: dealing on the terms strangers would agree: market price, market rent, market behaviour. The foundation of chapters 4 and 8.

A-REIT: a listed Australian real estate investment trust; property exposure with sharemarket liquidity and moods.

Bare trust (holding trust): the separate trust that holds legal title to a property under an LRBA while the fund holds beneficial ownership.

BAS (business activity statement): the periodic GST return a registered fund lodges, usually quarterly.

Business real property (BRP): property used wholly and exclusively in one or more businesses; the key that opens related party purchase, related party leasing and, since 10 August 2026, all new SMSF property borrowing. Includes working farms within the two hectare dwelling concession.

Capitalisation rate (cap rate): the market yield used to value commercial property: value equals net income divided by cap rate.

Condition of release: an event, most commonly retirement after 60 or reaching 65, that unlocks super benefits.

Corporate trustee: a company acting as fund trustee; costs a little more, halves the penalty exposure and simplifies everything else.

Division 296: the extra personal tax on realised earnings attributable to total super balances above $3 million, from 1 July 2026; headline 30 per cent to $10 million, 40 per cent above, thresholds indexed.

Effective rent: the true rent after incentives are spread across the lease term, as opposed to the face rent in the marketing.

Going concern (supply of): a GST free sale of a tenanted property as a running leasing enterprise, when the section 38-325 conditions are met and written into the contract.

Gross lease: a lease where rent is all inclusive and the landlord pays outgoings from it.

In-house asset: broadly, a fund's loan to, investment in, or asset leased to a related party; capped at 5 per cent of fund assets, with BRP leases the great exception.

Incentive: rent free periods or fitout contributions used to attract commercial tenants; the hidden discount in face rents.

Input tax credit (ITC): the GST a registered fund claims back on purchases and expenses, including at settlement of a taxable property purchase.

In specie transfer: moving an asset itself, rather than cash, into or out of a fund; used at the endgame to pass property to members or beneficiaries.

LRBA (limited recourse borrowing arrangement): the only permitted SMSF borrowing structure: a bare trust holds title, the lender's recourse is limited to that asset, and since 10 August 2026 the asset must be business real property.

LVR (loan to value ratio): the loan as a percentage of the property's value; 65 to 70 per cent is the practical ceiling for BRP lending.

Make-good: the tenant's lease obligation to return premises to an agreed condition on exit.

Margin scheme: a GST method some vendors apply under which the buyer cannot claim any input tax credit; the contract must say so.

NALI / NALE (non-arm's length income / expenditure): the tax rules that punish non-arm's length dealings: breaches tied to a specific asset taint all of that asset's income and gains at 45 per cent, permanently where capital is involved; general expense breaches are taxed at 45 per cent capped at twice the shortfall. Rebuilt in 2024; see chapter 4.

Net lease: a lease where the tenant pays outgoings on top of rent; the commercial standard, and why commercial yields are quoted net.

Outgoings: the property's running costs: rates, insurance, land tax and similar; recoverable from tenants under net leases, subject to retail legislation.

Pension phase (retirement phase): the phase in which assets supporting a retirement pension are taxed at zero, within the transfer balance cap.

Preservation age: now simply 60; with retirement, a condition of release.

Related party: the wide family of people and entities in appendix E to whom the acquisition, lease and in-house asset rules apply.

Rent review: the lease mechanism that changes rent over the term: fixed percentage, CPI or market.

Safe harbour (related party LRBA): the ATO's published loan terms, 9.35 per cent for real property in 2026 to 27, at which a related party loan is accepted as arm's length.

SMSF: a self managed superannuation fund of up to six members, all of whom are trustees or directors of the corporate trustee.

Sole purpose test: the master rule: the fund exists solely to provide retirement benefits; see chapter 4.

Tenant covenant: the quality and reliability of the business behind a lease; half of what you are really buying.

Transfer balance cap (TBC): the lifetime limit on amounts moved into tax free retirement phase; $2.1 million general cap from 1 July 2026, indexed.

Ungeared unit trust: the regulation blessed structure through which a fund and related parties co-own property, on strict never borrow, never charge conditions; see chapter 11.

WALE (weighted average lease expiry): the rent weighted years of lease term remaining across a property; the standard gauge of income security.

Thank you for reading. If this book helped you make a decision, in either direction, it did its job. If it saves you from one bad purchase or powers one great one, tell someone else who is standing where you were.

Find your sweet spot, or have the guts to walk away.