

Creating financial security

PROPERTY INVESTOR

NEWSLETTER

AUG –
SEP 2018

This newsletter has been designed to keep you updated on what is happening within the industry and our real estate agency

INFORMAL AGREEMENTS

This is a quick friendly reminder to landlords to be careful of entering into verbal agreements with tenants without the knowledge of your property manager. There is complex legislation, notice requirements and compliance issues that must be adhered to, to protect all parties.

We kindly ask that you discuss any requests, instructions or property related issues directly with your property manager.

HAPPY FATHER'S DAY

2nd SEPTEMBER

SPRING IS A TIME THAT TENANTS LIKE TO MOVE

As we approach Spring we often see an increase in tenants moving. This can result in an increase of competition in the rental market if your property becomes vacant.

It is particularly important at this time of the year to ensure that your investment property is presented in the best possible condition to attract high-quality tenants.

Tenancy turnovers also present a great opportunity to renovate or improve the property while it is vacant.

Feel welcome to telephone our agency to discuss this further.

4 OUT OF 5 ARE UNDERINSURED

An alarming 80 per cent of property owners are underinsured according to data from the Insurance Council of Australia.

While some may underinsure their property on purpose, believing that an event may never happen to save on costs; there are many home owners and investors that are unaware that they may be underinsured.

It is important to regularly review your insurance policies to ensure that you are adequately covered, and the policy terms are still the same.

When reviewing your cover consider the following:

Building cover

- Do not include the land value in the insured amount.
- Have you made any renovations, alterations or additions to the property? These should be factored into the sum insured.
- What is the current replacement building cost? This is not market value, but the current cost of building the same premises again. This value needs to reflect the costs involved in restoring the property to its existing condition, considering current building standards and codes, and factoring in rising costs due to inflation, labour, etc. To get an accurate estimate of replacement costs, we recommend that you speak with a quantity surveyor or builder or there are online building replacement calculators.

Contents cover

- Have you added to your possessions, fixtures and fittings?

Landlord cover

- Has the way you rent out the property changed? For example: changed from short-term to fixed-term, or vice versa.
- If the type of lease has changed, it is imperative that the type of insurance policy is changed too, as different policies suit different situations and landlords may find themselves inadequately insured for their needs.
- Has the rent increased? If the weekly rent has increased significantly (for example, exceeds \$1,500 per week), you may need to contact your insurer and discuss if this affects your policy in any way?

If disaster strikes, landlords can find themselves in financial trouble if they have failed to update their insurances. Take the time now to review your insurance cover.

We are focused on maximising your rental income and optimising your capital growth

WHAT DOES RENTAL YIELD MEAN TO AN INVESTOR?

Rental yield is a measure of how much cash (or rental income) your property generates each year, as a percentage of the property value.

The property investor dream is to secure a high rental yield property, in a location that delivers large capital gains, combined with low management and maintenance costs.

This means, rental yields are not the only consideration when purchasing an investment property, but still a very important one.

Calculation

Rental yield is calculated as a gross percentage and generally calculated before expenses are deducted. Gross rental yield is commonly used.

It is simple to calculate and allows you to easily compare properties with different values and rental returns to assist when considering different investment options.

Gross rental yield = Annual rental income (weekly rental income x 52) / property value* x 100

For example:

The property purchase price = \$400,000 and weekly rent = \$350

$(350 \times 52) / 400,000 \times 100 = 4.55\%$

While the gross rental yield is a simple calculation, it's important to note that it doesn't take expenses into account. A property may have a high rental yield, but may also have high expenses, making the rental return low when these are taken into consideration.

If you do want a more precise calculation, you will need to know (or estimate) the total expenses for the property, including both purchase and transaction costs (property purchase price, stamp duty, legal fees, pest and building inspections, any startup loan fees, etc.) and annual costs such as vacancy costs (lost rent and advertising), repairs and maintenance, managing real estate agent fees, home and contents insurance, strata levies (if applicable), rates and charges etc.

Net rental yield = (Annual rental income – Annual expenses) / (Total property costs) x 100

A high yield means good cashflow for investors, which helps to improve your return on investment.

* Either purchase price or current market value

TALK TO THE PROPERTY EXPERTS

BUYING, SELLING & PROPERTY MANAGEMENT

Call us if you are thinking about buying or selling or know of someone who is

 **9800 0700**

Properties Recently RENTED

Keeping you updated on the local rental market

HOUSES

Milpera Crescent, Wantirna

\$420p/w

3 Bed, 2 Bath, Double Carport

UNITS

Ferntree Gully Road, Scoresby

\$400p/w

3 Bed, 1 Bath,

TOWNHOUSES

Boronia Road, Wantirna

\$405p/w

3 Bed, 2 Bath, Single Garage

Stradbroke Road, Boronia

\$450p/w

3 Bed, 2 Bath, Double Carport

GREAT INVESTMENT OPPORTUNITY



FOR SALE

Unit 3/81 Scoresby Road, Bayswater

Set at the rear so quiet and private, this North facing brand new unit greets you with polished hardwood timber floors. The master bedroom with full ensuite is at the front with the two other bedrooms at the back etc....

CALL US ON 9800 0700 to find out more!

“THE KEY TO SUCCESS IS TO START BEFORE YOU’RE READY.”

