



## PROPERTY INVESTOR

# NEWSLETTER

JAN – FEB  
2018

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

### BEWARE – THE ATO IS EMPLOYING NEW TOOLS TO SCRUTINISE THE RENTAL MARKET

The Australian Taxation Office is ramping up scrutiny of the rental property market in a bid to stamp out dishonest lodgment claims.

The ATO will be looking closely at the dishonest practice of investors declaring their rented properties vacant when in fact they are tenanted and receiving rent. In 2018 they will go so far as to approach real estate agents/property managers and monitor electricity and gas records to identify fraudulent claims.

Over the last few months, the ATO has already investigated 100,000 rental properties to ensure they are not involved in black market activity or misclaiming negative gearing.

The ATO data shows that deductions claimed for rental properties are exceeding the rental income earned for privately owned rental properties. There is \$40.1 billion of income and \$43.6 billion of expenses.

There are concerns that many landlords are not declaring their rental income, and many more are overstating their deductions, which have led to the tighter cross-checking measures.

## HOW TO MANAGE THE UNEXPECTED WITH INVESTING

The ability to effectively manage unexpected events when owning investment properties will assist you in avoiding cash flow crises and major losses. Things can and will go wrong. It happens to everybody and when it does it will test you, but it is the experience you bring to these circumstances that really matters. Success lies with 'allowing for the unexpected from the start' and building in mechanisms to help solve the problems to help mitigate risk. Have you taken the time to think about the risk of investing in property and what they could be?

**Account for your lifestyle costs** De-risk the process from the start by thoroughly and realistically accounting for your lifestyle costs. You will then gain a true assessment of what you can afford to contribute to your investment portfolio. For example, this could mean purchasing dwellings where the rent covers at least 90% of expenses in order to protect your bottom line. Keep 12 months' worth of these 'survival figures' in the bank to cover your risk – your lifestyle expenses plus your planned and budgeted investment contributions. It is important to know that you can financially maintain your investment portfolio.

**Safeguard your liquid assets** Hold on to your cash and use the bank's money to fund your real estate purchases. Almost every successful company has used other people's money to build their businesses and as your property investment portfolio is a business, this is what you should do too. If you've got the choice between using equity in your home or cash savings, opt for equity every time.

**Buy well at the beginning** A key component of your purchasing strategy is to find something that rents well and then buy under market value. If you don't get this right from the start, things can go wrong and it can be very costly to rectify the situation. Regardless of whether you are new to investing or an experienced portfolio holder, your strategy will need expert help each time to identify the best property for your needs.

**Have the right support people in place** Network and surround yourself with people who have been successful property investors as they will be able to share their own challenges and successes that you can learn from. Seek out property mentors, brokers and accountants who have performed better than you to date and their experiences will help you raise your own performance to their level of success.

Continued Over >

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

## HOW TO MANAGE THE UNEXPECTED WITH INVESTING

**Problem solve, don't panic and be prepared** Only experience can prevent full-scale panic when problems arise. This is where you need to be prepared and know what can go wrong. What if the tenant falls behind in their rent, the property is vacant for an extended period of time or a hot water system needs replacing? Start with the end in mind and work towards being one step ahead.

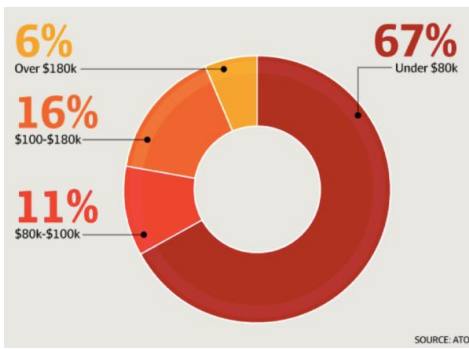
**Know when to cut your losses** Sometimes there is nothing that can be done to rectify a situation, such as a falling property value. You may have bought a property in an area that wasn't ever going to be what it promised. When your annual assessment reveals this poor performance, it is time to act. In extreme situations, cutting your losses can be a smarter decision than holding onto the investment depending on your circumstances.

Be prepared to take bold steps on your property investment journey. With the right team behind you, it's been said that the real risk lies in not taking any risks at all.

## NEGATIVE GEARING... MUM & DAD INVESTORS

According to the ATO, the typical property investor (67%) claiming rental interest deductions take home under \$80k per year, 11% \$80k-\$100k, 16% \$100k-\$180k & 6% over \$180k

\* Percentage of total by taxable income bracket



## THINKING ABOUT BUYING OR SELLING A PROPERTY?



 **9800 0700**

## Q) IS IT WORTH BUYING A RENOVATOR AS AN INVESTMENT?

A) This is a broad question where you need to take into consideration many aspects such as depreciation, ROI return on investment, borrowings, etc.

There is good money to be made if you buy right and renovate within a budget that has an outcome of a fair sale price for the area.

It is important to take your time and research the area/market over a 3 month period to determine the lower and upper scale, average or medium sale prices for the area.

Following your research, you would want to invest in a property at the lower end (taking into consideration the number of bedrooms, bathrooms, garage space, outdoor area, etc.) and establish a realistic and achievable renovation budget that will improve the property, but not out price the market.

Renovating an old property could be a waste of money if the end result of the renovation (purchase price + budget - costs) is a sale price of \$800k and the area sales are \$500k-\$700k, making a quick sale far harder to achieve.

Try to avoid properties requiring major structural changes and focus on cosmetic improvements if you are a first time renovator.

## 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

**Menzies Road, Menzies Creek**  
**\$380p/w**

3 Bed, 1 Bath, uncovered parking

**Birchfield Crescent, Wantirna**  
**\$430p/w**

3 Bed, 1 Bath, Double Garage

**Boronia Road, Wantirna**  
**\$360p/w**

3 Bed, 1 Bath, Double Carport

**Heswall Court, Wantirna**  
**\$380p/w**

3 Bed, 1 Bath, Single Carport

### UNITS/TOWNHOUSES

**Coleman Road, Wantirna South**  
**\$280p/w**

2 Bed, 1 Bath, 1 Car Space

## INVESTMENT PROPERTY OF THE MONTH



### FOR SALE

**2A Veronica Street, FERN TREE GULLY**

Great located home in a quiet street only a short walk to train and shops, set on 770m2 corner block with access for trucks, boat, caravan, STCA. Offering 3 bedrooms with big master bedroom, hardwood timber floors, new small kitchen that looks out to big undercover patio BBQ area, 2 living areas with separate family room, 2 toilets, gas ducted heating, air conditioners, and big double garage workshop tucked away in the rear yard. A good layout inside and out in a very convenient location that will suit first home buyers to retirees.