

ISSUE  
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# THE INVESTOR



## COVID-19

### RENT RELIEF UNCERTAINTY

At the start of the COVID-19 pandemic the Prime Minister (in consultation with the National Cabinet) confidently stated that they would work towards a rent relief package to protect and benefit all parties.

As the weeks have passed, many tenants and landlords are still left unsure of these rent relief packages, and by the time you read this newsletter, we are sure that things will have changed again.

What we do know, is that 'rent relief' has shifted to each State government to release their own rent relief packages. With no overall Federal package announcement, each State are now offering different assistance, different eligibility requirements at different release times (which are then being disputed by different key stakeholders) causing an overall confusion for everyone across the nation.

While each State implements or works towards implementing their own rent relief, there does appear to be a uniformed standard (with varying guidelines) on the eligibility for a tenant to obtain rent relief:

1. The tenant's current income must be directly and adversely affected by COVID-19. The guidelines for income loss and/or the percentage loss will vary from state to state.
2. The tenant must provide evidence for their loss of income, job termination/stand-down or reduced hours, as well as, proof of any government support, past and current income balances, savings and cash held.
3. The tenant must not have greater savings and cash than a determined set amount (varying state to state).
4. The tenant must demonstrate evidence of attempts to negotiate a payment plan with their landlord.

## 2020 COVID-19 | WHAT IT MEANS TO LANDLORDS AND TENANTS

Firstly, we hope that you, your family and friends are safe and well during these very challenging, uncertain and ever-changing times.

2020 will be a year etched into our history books, as a time that changed everything as we once knew it.

The COVID-19 pandemic has affected almost everyone around the world in some way, and as a managing agent, we are very aware, and understand that landlords have become a high-risk category of people to be impacted greatly by these times, causing financial stress and uncertainty in moving forward..

We believe, the key issues that everyone is trying to navigate and understand are around the management of:

- Rental payments or rental arrears
- Inspecting properties
- Tenant vacates, and
- Moratorium on evictions

As you can appreciate, the questions that many are asking, may not have a definitive and clear answer at the time of writing this newsletter. However, we wanted to touch on a generalised understanding of the areas that we know are currently concerning landlords, tenants and agents.

#### Rental payments or rental arrears

For a tenant to request any financial consideration from their landlord, they must first prove and provide evidence that their income has been directly and adversely affected by COVID-19.

A landlord is not obligated to provide rent relief for every tenant request. The tenants who have been financially impacted by COVID-19 are simply required to discuss and attempt to negotiate a fair agreement between all parties. During this process, landlords must also take into consideration any impact that a rent reduction could have on an insurance claim, as well as, if they can actually financially sustain offering rent relief, which does not have to be a set rent reduction for a period of time. Everyone's circumstances are constantly changing with the potential of gaining new employment, tapping into savings and taking advantaged of government assisted packages, just to name a few.

If you as a landlord are encountering financial hardship, you may like to consider offering your tenant a similar package to the commercial rent relief where the tenant is given a concession in rent for a period, followed by a further tenancy term where the rent is amortised and they must pay it back.

For example:

Rent is \$500 per week. You offer rent relief of \$350 per week for 1 month (4 weeks) or more, (which can be re-accessed/negotiated). The rent reduction of \$150 per week (\$600) is then amortised over 3 months (13 weeks) or more, with the new rent being \$546.15 per week.

#### Inspecting properties

Entering the tenant's home in these times of potential health risks, must be taken into consideration.

*Continued >*

While each State is introducing their own entry guidelines, there does appear to be a clear common-sense agreement where you can enter the property by mutual agreement or by the way of a virtual inspection, which is becoming an effective way of keeping in touch with the condition and maintenance requirements at the property.

### Tenant vacates

At this stage, tenants can continue to move into a property and vacate a property, until further direction is given by the government.

### Moratorium on evictions

It has been *breaking news* in many States that no tenants can be evicted from their property for a period of up to 6-months.

Once again, this is only for eligible tenants who have been adversely affected by COVID-19 and there are additional conditions to protect landlords that vary from state to state.

### REFLECTING

We really are all in this together...some tenants are struggling to pay the rent; some landlords are struggling to pay their mortgages and as a managing agent... we rely on the rental income to pay our property management team members.

Let's all work together... and hope that these challenging times pass sooner rather than later.

You are **STRONGER** → than you think

## DEFERRING YOUR MORTGAGE PAYMENTS

With many banks announcing that they will offer borrowers the ability to defer their loan payments for up to 6 months this comes as a relief and financial lifeline for many homeowners. But, it is also important to know that this 'goodwill' gesture from the banks will cost you.

### What you need to know:

- A \$400,000 home loan mortgage at a 3.61% interest rate, will give you \$10,926 over 6 months or \$1,821 per month.
- Many banks are applying 'interest capitalisation', where the unpaid interest is added on to the principal of the loan (paying interest on the unpaid interest as well) and then the balance of the loan would typically be higher after the deferral period, resulting in higher repayments.
- A 6-month deferral on a \$400,000 loan could cost a borrower as much as \$17,373, by the end of the loan, assuming it was a 30-year loan, with a 20% deposit and payments had been made for 5 years
- Additional fees and charges could be applied
- Some banks are offering the option to increase loan terms (for example from 25 years to 30 years) or they are simply extending the term of the loan by the deferral period
- Some banks are also asking borrowers to use their offset or redraw funds as home loan repayments, instead of offering the ability to defer their loan payments
- If you are not eligible to defer your loan you could ask the bank to revert your repayments to interest only.

How much it costs you will come down to how the bank structures the terms and conditions at the end of the deferral period, how large your mortgage is and how long you have had the loan.

## COVID-19 FINANCIAL ASSISTANCE

It is during times of change and financial hardship, combined with uncertainty that many people can become overwhelmed and sometimes not know where to turn.

If you have been financially affected by COVID-19 there are several different support packages that have been established.

To assist you in navigating this information, we have taken the time to summarise the main financial support packages, which you may be eligible for.

### FINANCIAL ASSISTANCE

- Early access to superannuation [\$10,000+]
- One off economic support payment [\$750]
- JobKeeper payment [\$1,500 p/f]
- Deferred business loans [up to 6 months]
- Electricity relief
- Employing new staff assistance
- Employing a trainee/apprentice assistance
- Sole trader assistance
- Employer assistance

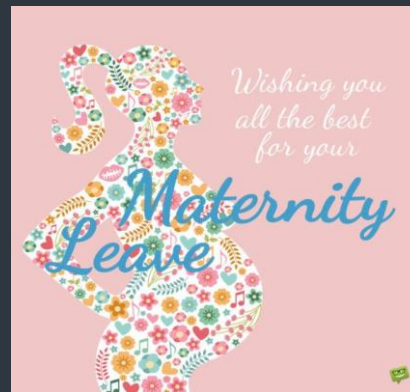
- Company assistance
- Income support assistance
- PAYE & BAS Credit assistance [Min. \$20,000]
- Small business loan relief
- 50% guaranteed & unsecured business loans
- Deferred home loans, reduced rates & fees
- Childcare assistance
- JobSeeker assistance
- Individual State by State relief

**This is not financial advice and should not be considered as covering every aspect of financial support assistance available. Please refer to your accountant, bank or financial advisor for more information**

**DISCLAIMER** You should not act solely based on the material contained in this newsletter. Information herein are general comments only and do not constitute or convey advice per se. Seek your own independent professional advice before making any decision or acting. | Published by PPM Group

## RISTIC NEWS:

This month we say farewell to our Senior Property Manager Vanessa who will begin her maternity leave. Wishing her all the best and look forward to having her back sometime next year.



And we welcome back Nadine our Senior Property Manager from Maternity leave. Great to have you back Nadine!



### SUDOKU COFFEE BREAK

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