

ISSUE

AUG – SEPT

2021

# THE INVESTOR

## THE 1% RULE

Fact or Fiction? ...

The one percent (1%) rule has been around for many years. It is a quick generalised rule that can help investors find the most profitable properties.

The concept is to buy properties that produce a monthly rental income of at least 1% of the purchase price. While this is great in theory, market conditions don't always support the rule.

### Rule Example

If a property is for sale at \$500,000, the 1% rule means that the monthly gross rental income should be \$5,000.

The main goal of the rule is to ensure that an investor will break even or make a profit from the property.

Generally, the 1% rule is a pre-screening or short-listing tool only. You also need to factor in the property's condition, presentation, quality of fixtures and fittings, location, capital growth potential, supply and demand, local market conditions, and the suitability for attracting tenants.

Fact or Fiction? ...

It is up to you. It is just a calculation.

Your decision to purchase any property must consider facts, data, research, professional advice, your personal and financial goals, and your set criteria as a property investor.

## DID YOU KNOW?

Giving your home a name can increase the sale value and buyer interest. House names can add a personal touch to a property. Whether it's historical, descriptive, or sentimental, a name creates something unique and sets your property apart from others.



**YOU GET WHAT  
YOU FOCUS ON**

## KEEPING UP WITH THE TIMES SHOULD I STAY, OR SHOULD I GO NOW?

The property market is booming... Prices are soaring... The market is starting to decline... Vacancy rates are increasing... Everything is constantly changing... and sometimes it can be hard to keep up with the times.

Do you buy or sell? Do you rent and buy? Do you sell and rent? There are many options, and the outcomes of your decisions are never guaranteed.

QUESTIONS TO CONSIDER... If you are thinking about selling or buying.

1. Do you have to sell or buy?
2. Is moving a necessity for work or family reasons?
3. How are you going to achieve the best price when selling your property?
4. How are you going to negotiate the best price when buying a property?
5. What are the additional costs of buying and selling a property?
6. Do you have substantial equity in the property that you want to sell?
7. Do you have additional savings to support the sale or buy move?
8. Are you emotionally ready to make a move?
9. Do you have the time necessary that goes into the process of moving?
10. Have you set a realistic plan to make a move happen?
11. What is the reason for your move?
12. Is it a random spare-of-the-moment decision because the neighbours sold for a record price?
13. If you sell your property, what can you buy in the current market?
14. Do you need to improve and prepare your property for sale?
15. Will the potential renovations give you a capitalised return?
16. What if the market changes?

How did you score? Are you ready to sell or buy? Do you need advice?

If you have your finances in order and are ready to sell or buy, our friendly and professional sales team are just a telephone call away to assist and support you.

# CALCULATING INTEREST ON YOUR HOME LOAN

Do you really know how the interest rate is calculated on your home loan?

While every bank/lender can act independently on setting their interest rates, home loans are generally based around the announcements of the Reserve Bank of Australia (R.B.A.) each month.

However, not all banks/lenders work within the R.B.A. announcement cycles, nor do they always adjust the rate.

The interest payable on your home loan will vary depending on several factors, such as the loan amount or the ongoing reduced loan amount, any additional payments made to the loan account, the frequency of payments, the term and structure of the loan, and the annual interest rate applied.

Generally, the calculation is based on multiplying your loan balance by your interest rate and dividing this by 365 days. This gives you the daily interest that is (usually) multiplied by the number of days in the month. The below calculations are general examples only and can vary depending on the loan factors.

## Example 1

$\$400,000$  (current balance)  $\times$   $0.0354$  (3.54% rate) /  $365 = \$38.79$  interest per day  
 $\$38.79 \times 30$  days in June =  $\$1,163.84$  interest for June month

## Example 2 (Loan adjustment top-up/offset account and a better interest rate)

$\$390,000$  (current balance)  $\times$   $0.0305$  (3.05% rate) /  $365 = \$32.59$   
 $\$32.59 \times 30$  days in June =  $\$977.70$

## IT IS WORTH \$... REVIEWING YOUR HOME LOAN

Potential annual savings by adjusting your loan factors

Difference of  $\$186.14$  per month  $\times$  12 months =  $\$2,233.68$  annual saving

# CHOOSING A TRADESPERSON | BE CAREFUL

It doesn't matter if you are a property owner, tenant, property manager, or builder. If you need repairs, maintenance or renovation works carried out on your property, you must carefully choose who you appoint, or it could end up costing you.

- Know exactly what needs to be done (where possible) and get it in writing.
- Take before and after photos.
- Be wary of people who knock on your door or who telephone you unexpectedly, offering cheap deals on jobs around your home.
- If the work required is substantial, contact your local council or state building authority to find out if the work will need any form of permit.
- Seek referrals and recommendations from family, friends, or local community social media group pages.
- Obtain at least three written quotes on the work required.
- Understand what the quotes cover and if it is not clear, ask for more details. If there is a vast price difference, there will be a reason why. A cheap quote may appear enticing but end up costing you more in the end.
- Discuss and obtain in writing the payment terms and completion date from the outset. Avoid paying for the work upfront, as it is important to be satisfied with the completed works.
- Check the tradesperson's details such as their full name (not just their first name), physical address, or registered business address (not just a P.O. Box), registered business name, and necessary license details.
- Search their A.B.N. at the Australian Business Register
- Ask to see a certificate of currency for their public liability insurance, which will protect you or third parties against any damage the workers may cause.
- Ask for references and follow them up with a telephone call.
- Look at their website, online reviews and conduct a general Internet search

As a managing agent, we are here to help, assist, protect and support our investors/landlords in all aspects of caring for the property, including choosing the right tradespeople to get the job done correctly.

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## PM NEWS UPDATE

### Compliance:

A reminder that rental providers after 29 March 2021, must ensure that:

- 1.) Gas and electricity safety checks are conducted every two years, and
- 2.) The rental provider must ensure that each smoke alarm is correctly installed and in working condition (including replacing batteries) and that they are tested according to the manufacturer's instructions once every 12 months

**A reminder to rental providers who are arranging their own inspections. Please provide us with the relevant documentation and certificates as soon as possible.**

## SUDOKU COFFEE BREAK

Every row & column, and 3X3 box, must contain the numbers from 1-9

	6					1		
			6	5	1			
1		7				6		2
6	2		3		5		9	4
		3				2		
4	8		9		7		3	6
9		6				4		8
			7	9	4			
	5						7	



# HAPPY FATHER'S DAY

5 SEPT

We honour, celebrate, & recognise all dad role models. Have a great day



**Fusun Ristic**  
Director of  
Property  
Management