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Ristic

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THE INVESTOR

HOW DO YOU CHOOSE THE BEST RENTER?

The number of applications received for a property is determined by several factors such as supply and demand, current market conditions, property presentation, inclusions, and the rent.

It doesn't matter if you receive two or 20 applications because there is a success formula for choosing the best renter by applying the 'shortlist process.'

Following are our top six shortlisting focus points when processing multiple applications.

Firstly, we will briefly review points #1 – #4 below to rank each application. *

#1 Ability to pay rent – Collectively amongst all renters, how much income is generated? There is a general 70/30 rule applied where 30% of the income is allocated to rent. E.g., $1000 income could afford to pay up to $300pw.

#2 Stability of employment – Generally, the greater number of years served to an employer will demonstrate more stability. E.g., Ten years compared with several short-term six-month jobs.

#3 Stability of tenancy – Depending on circumstances, a renter with prior tenancies of eight years and six years could be considered more long-term than several six-month tenancies.

#4 Number of tenants – An increased number of renters can have an impact on the wear and tear of the property.

Once we have shortlisted the above, it then allows us to prioritise our time to the most suitable applications to focus on points #5 and #6.

#5 Prior tenancy default records

#6 Tenant references

** Taking into consideration the circumstances and instructions of the landlord. There is always an exception to the rule.*

RENTER BREACHES

NAVIGATING CHALLENGING SITUATIONS

There are pros and cons; good times and bad times; ups and downs; wins and losses, with everything that we invest our time and money towards.

Property investing from a long-term perspective has had more pros, more good times, more ups, and more wins than the flipside. However, during our property investment journey, we often must navigate challenging situations, which can involve dealing with renter breaches.

There are renter breaches that are straightforward situations, easy to manage and enforce; such as failure to pay rent on time, malicious property damage, unauthorised alterations, or fixtures to the property without written consent, failure to maintain the lawns, gardens, or pool (if applicable), and failure to allow entry, to name a few.

However, there are also multiple renter breaches that can be challenging to manage, mediate and resolve (if reported to our agency by a third party) that can result in parties becoming frustrated if immediate action is not taken.

Third-party complaints against a renter regarding unauthorised pets at the property, interference with the quiet enjoyment of neighbours, illegal use of the property, parking on prohibited areas, and unapproved or additional occupants residing at the property are a few breaches that may not end up being straightforward if the renter denies the allegations. To successfully breach a renter, you must have evidence.

While most renter complaints/breaches are easily justified, it is important to understand that it can take time to prove the breach if a renter becomes difficult. If we are required to go to the property to justify the breach (legislation states that we must give prior written notice to enter), which can result in the breach being rectified by the renter before we attend.

You can be confident that we take all complaints and breaches seriously. We are here to represent our clients to minimise any hassles where possible. As a managing agent, we are experienced in dealing with all tenancy matters… even the challenging situations.

DO YOU KNOW YOUR RENTAL YIELD?

Understanding the fundamentals of investing in property is crucial to the success of a rental return income strategy.

The rental income you can expect from an investment property is determined by several factors, including location, the type of property, presentation supply and demand, demographics of the area, and overall economic conditions.

One fundamental concept that should be factored into your investment considerations is a rental yield percentage.

A rental yield is the amount of money you make (or profit you generate each year) on an investment property by measuring the gap between your overall costs and the income you receive from renting the property expressed as a percentage of the purchase price or current value.

Investors use a rental yield to evaluate the income and profits from their investments and compare returns on properties.

Understanding and knowing how to calculate a rental yield can provide investors with a benchmark indicator on the return a property will earn, which can be helpful when setting your investment goals, purchasing a new property or when it comes time to review the rent.

The higher the rental yield percentage, the greater the cash flow. However, selecting a property based on a high rental yield alone can sometimes have consequences. A high-yielding property can come at the cost of little capital growth or increased risk depending on the circumstances.

A good gross rental yield has traditionally been anything between 5% - 8%.

However, with rapidly rising property prices, rental yields for investors have been declining across most capital cities, while in contrast, many regional areas have been on the rise.

There are two ways to calculate rental yields; gross and net.

A gross rental yield is the total annual rental income received, expressed as a percentage of the property value.

(Annual rental income/property value) x 100

$460 per week X 52 weeks = $23,920 / $420,000 x 100 = 5.69% Gross rental yield

A net rental yield is calculated after deducting expenses and vacancy costs from the rental income.

(Annual rental income – expenses and vacancy costs) / property value) x 100

$460 per week X 52 weeks = $23,920 - $3,115 = $20,805 / $420,000 x 100 = 4.95% Net rental yield

What is the rental yield on your property?

As mentioned, the rental yield is not the sole defining indicator of a property's overall value, viability, and worth of an investment. If you find that your rental yield is low, it may be time to get creative and look at ways to increase your profits by improving the property and increasing the rent.

HOT WATER BILLS & **COST-CUTTING TIPS**

DID YOU KNOW THAT A HOT WATER SYSTEM CAN CONTRIBUTE TO MORE THAN A QUARTER OF YOUR ENERGY BILL?

Whether you are an investor, home occupier, or a renter, you can cut costs and save money by implementing just a few simple changes.

- Set your washing machine to cold water.
- Operate your dishwasher on a ½ load setting.
- Install low-flow showerheads.
- Lower the temperature on your water heater.
- Check that you are on the right tariff with your hot water usage.
- Service & maintain your hot water system and ensure the pipes are insulated.

PM NEWS UPDATE

Happy work Anniversary Jacinta! You're a champ!
Jacinta is our specialised and dedicated leasing consultant who helps find a suitable renter for your property.

SUDOKU COFFEE BREAK

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

1								
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OUR SPECIAL DAY IN AUGUST

World Organ Donation Day was introduced to spread awareness about the importance of organ donation.

Are you a registered organ donor?

Fusun Ristic
Director of Property Management