



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 do not have sufficient insurance coverage for their property according to data from the Insurance Council of Australia.

Some intentionally under-insure to save on cost, hoping that an event won't happen. However, the majority of home owners and investors who have a shortfall on coverage, are unaware that they are under-insured.

Best practice is to complete an annual review of your insurance coverage to ensure that not only you have sufficient coverage, but also that the policy terms haven't changed and that you are getting the most competitive price.

When reviewing your insurance 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 structure. 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. You may also find an online building replacement calculator.

Contents cover

- Have you included fixtures and fittings?

Landlord cover

- Ensure that your landlord policy covers fixtures and fittings as these are not included in building cover (ie floor and window coverings)
- Damage caused by Pets
- Accidental and malicious damage
- Rent loss from day 1 (many policies start paying rent loss from 4 weeks)
- Compare the excess payable as these vary a lot

If you are unsure about your insurance coverage being adequate for your property, please contact your property manager.

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

SUDOKU COFFEE BREAK

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

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



EXCITING NEWS!

Our office will soon be relocating to Epping!

More details to follow

Properties Recently RENTED

Keeping you updated on the local rental market

- **McDonalds Road, Epping** - \$370pw 3 BRS
- **Pace Circuit, South Morang** - \$330pw 2 BRS
- **Skeeter Drive, Mernda** - \$390pw 4 BRS
- **Bracken Way, South Morang** - \$385pw 3 BRS
- **Dibella Street, Doreen** - \$410pw 4 BRS
- **Senior Close, Mill Park** - \$370pw 3 BRS
- **Plenty Road, South Morang** - \$320pw 2 BRS
- **Second Avenue, Brunswick** - \$435pw 3BRS
- **Bridge Inn Road, Doreen** - \$695pw 6 BRS
- **McComas Street, Reservoir** - \$320pw 1 BR
- **Redleap Avenue, Mill Park** - \$360pw 3 BRS
- **Nicholson Street, Coburg** - \$350pw 1 BR



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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