

Leah Jay - McFarlane Property Management

Rental Roundup

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THE POWER OF ADVERTISING . . . ONLY IF!

Only if it's done right. There are many factors like the content of the advertisement, the medium used, timing, positioning, presentation and so on.

We've changed the presentation of our ads in the Newcastle Herald. While the column format has worked well up to now, we wanted to evaluate the 'display ad' format. But just how important is positioning! First week in at the beginning of the 'To Let' section saw a very good response to the new format. The following week we found ourselves in the back half of the section - and response was significantly less. Last week we regained our early position and an improved response. Tenants don't necessarily read through the entire section. Evaluation of the display ad will continue but either way early positioning is an imperative and it doesn't cost any more.

THE MARKET...

has again been very busy over summer. In the main rents have remained stable though slight increases have been gained in a number of cases. Quality properties are still turning around within a week and in many instances, within a matter of days. However, investing in property is certainly a very different business these days, at least for the foreseeable future. No more just sitting back and waiting for capital gains to justify high gearing. Low inflation has largely changed that, as pointed out in . . .

'MAKING MONEY'...



a book by TV's money man Paul Clitheroe (Penguin, 1995, p182). He cites his own good luck in buying a



Sydney property in 1983 and having it increase two and a half times in value in four years. Do you remember those days? His answer is no surprise - invest long term. That way, he says, unless you're a gambler, you buy when you're ready. Of course we'd all like to catch the wheel on the way up!

Paul dedicates a thirty six page chapter to investing in property. We'll include more snippets in future newsletters but here's one to ponder for now:

☞ 'pick a property and a location that will appeal to aging baby boomers. They are our largest age group and they are aging. Without a family to feed, few or no debts and possibly a superannuation pay-out many will be able to afford to move more or less where they please. The dwellings they move to will be low-maintenance (little or no gardens), made of good quality materials and will be well appointed and well positioned. They will want as few stairs as possible, good security, ample parking and storage, proximity to all amenities and preferably a level stroll to shops and transport. They will prefer localities that are attractive as well as clear, quiet and safe.' p 170. His argument is that the general localities best suited to baby boomers' needs should show relatively stronger price and rental growth than other localities.

A WORD FROM OUR ACCOUNTANTS! ...

We were reminded, via their newsletter, that you can never assume anything with the Taxation Office. Before you consider letting a property to a friend or family member at a discount with the belief that you'll still claim all the associated expenses as deductions, seek some advice. In a case last year, the Federal Court upheld the Tax Offices' decision not to allow those rental deductions in excess of the rent received. In this instance, the trustee of a family trust rented a home to the father of one of the trust's beneficiaries, at about 25% of market rate. The court found the trustee had two purposes:

- ☞ to earn assessable income;
- ☞ but also to provide an accommodation benefit to the children of the father, who were the trust's beneficiaries

And so they lost a large portion of their deductions.

ONE FINAL WORD! ...

from Mr Clitheroe . . . "Residential property investment has been and is a viable investment area but it is no longer as easy as it was in the past. Being diligent and being astute will increasingly become the determining characteristics of the successful residential property investor in the 1990's and beyond" (p198).

To our way of thinking that makes it imperative to have a good financial advisor/accountant.

HAPPY EASTER

By the way, we will be closed Good Friday and Easter Monday.



Leah Jay

(Please note the information in this newsletter is offered for general interest only and should not be considered as advice for any individual property owner)