

Rental Roundup

Shop 2/67 Beaumont Street, Hamilton 2303 PO Box 106, Hamilton ACN 069 994 921

•Phone (02) 4965 3153 •After hours (02) 4961 5017 •Mobile 0418 49 2851 •Fax (02) 4965 3163 •leah.jay@popertymanagement.net.au•



We're Moving - But Not Far!

Nobody enjoys moving but this is one that we're looking forward to. For some time lack of space, has been a concern for us and the McFarlane's sales team. It really has been a squeeze and while we've enjoyed the company, it is time for us to move on. So, from **Monday 16th November**, our new home will be ground floor offices in the new 'Cosmopolitan' building, on Tudor Street. We are really excited by the prospect and the opportunities it will present for continued improvement. The offices come with designated parking spaces, which will be an advantage for visiting clients. We'll send you more details next month but in the meantime, the office address will be **Suite 3, 74-84 Tudor Street, Hamilton**. Note that this is not till mid November and that our **postal address** and **telephone number** will not change.



A Little Good News

In a positive move for the industry, the Residential Tenancy Tribunal has established an office in Newcastle. Previously, applications were lodged by mail to the Sydney office. Within the next few months, the Newcastle office is to be permanently staffed, which will hopefully improve the process and lead to reduced delays.

FAQ - Can the rent be increased during the fixed term of a tenancy?

As long as it is agreed to before the start of the tenancy and written into the agreement. It must be worded carefully, specifying the amount and the commencement date of the increase. It can not be vague in either term. It is best not to use a CPI basis for an increase.



A tenant must still get written notice of the increase 60 days before it is to take effect and

written notice is not covered by mention in the tenancy agreement. The tenant must be given a letter setting out the new rental amount and the commencement date. It is advisable to present the letter when signing the tenancy agreement and if there is to be more than one increase, a separate letter is required for each increase.

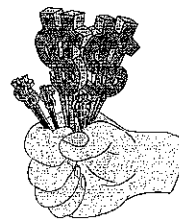
The Market

The market has remained very steady over recent months which has been the case for most of the year. Vacancy rates have hovered around 2%, which indicates a relatively tight market.



It's interesting to note that Newcastle vacancy rates have been similar to those in Sydney, Melbourne, Perth and Adelaide. Brisbane and Canberra however, have been almost double. (Market Facts, REI of Australia, August 98)

The GST?



There does not appear to be a lot of analytical material on the GST relating to the residential property markets. We've found some though which may be of interest. It's important to remember that the following thoughts are those of one consultant only. (Monique Wakelin, Director of Richard Wakelin Property Consulting, Melbourne.)

"Rental

Whilst we welcome the official GST free status of rents, the possibility of an indirect rise as a result of landlords passing on input taxes may subdue the rental market, especially in areas where demand is already moderate.

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A Long Term Perspective

In acknowledging that there will be a major restructure of our tax system, the presence or absence of the proposed GST is unlikely to have a major long term impact on Residential Property Values.

In a similar reaction to the introduction of the Capital Gains Tax in 1985 the many unknowns of a new system are, and will continue to create a degree of nervousness in the market place. However, over time, property values and demand for quality assets will find their measure, stabilize and normal levels of demand and transactions will resume

Our overall economic performance, local demographic and internal and external migration trends are likely to exert a far greater influence on property and commodity prices than a GST per se." [Australian Property Investor Oct/Nov 98 p40-41].

Overhaul of the Residential Tenancy Act - Follow Up

Twelve months ago we reported that the government was revamping the main act governing our industry. Deadline for submissions was March this year and as yet there is no firm word on likely change; I watch with great interest of course.

A Story of Inspiration for Investors



Les & Amy Davies are an inspiration to new investors. Nine years ago, Les, a boilermaker, and fiancée Amy, a pathology lab technician, bought their first investment property in Perth for just \$52000. Now they have a \$1.4 million portfolio generating \$64000 rental income a year. Debt against the properties is around \$420,000. (Yes they have children; two who they have funded through university in that time). We thought that you might like a few tips from Les & Amy for finding the 'right' properties.



- Inspect prospective property purchases systematically. Take a quick two-minute walk through for an overall impression. Go back to the front and walk through again looking up to check the cornices, ceilings, light fittings, stairs and for evidence of leaks. Then repeat the process looking down.
- Check bathrooms carefully - look for hairline cracks in tiles and tap the tiles for drum; indicating tiles are not properly fixed. Check the other side of the wall behind the shower for any sign of flaking paint, corroded plaster or other evidence of leakage and moisture. Remember, repairing bathrooms can be very expensive.
- Check doorways and open and shut the doors. If they do not close properly or there are wide gaps it may indicate movement in the building.
- Renters usually are fussier than you are. Go for the neutral colors or be prepared to repaint immediately you take possession. Remember, however, that repainting need not be expensive if you do it yourself.
- Don't be put off by worn dirty carpet. It is not expensive to lay suitable new carpet (in two-tone light and dark colour patterns to hide marks) Carpets normally need replacing every five years anyway.
- Always make it a condition of your offer to buy, that you be allowed to bring prospective tenants to inspect the property for a two to three week period before final settlement is due. This way you can have a tenant ready to move in virtually immediately you get possession.

You can read Les & Amy's story and more of their tips in the April/May edition of Australian Property Investor. We'd be happy to forward you a copy of the story; just call us.

Cheers,
Leaf Jay

