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Market Update

Welcome to the Spring issue of The All Residential Real Estate newsletter **InTouch**. In this issue we'll be looking at how you may be able to save thousands of dollars in tax by having a depreciation schedule completed for your property. I used to own a house that was built in 1880. I rented it out between 1998 and 2008 and received tax deductions for depreciation of at least \$1000 every year!

In this issue we'll also share information on what tenants look for when renting a property, how to improve your properties presentation to speed up finding a top quality tenant, and the top performing suburbs in the Wollongong area!

But first, let's look at the current situation in the property market. At its 1 October meeting, the Reserve Bank of Australia Board decided to leave the cash interest rate unchanged at 2.5 per cent.

"This is great news for people considering selling their property as we are seeing a significant increase in the number of buyers looking for property."

According to the current issue of "Your Investment Property" magazine, the vacancy rate in the Wollongong area is 2.8%. At All Residential Real Estate our vacancy rate is 2.5%, which is better than the market average.

As always, the most important factor in keeping your vacancy periods to a minimum is to be realistic with your rental price. The number one reason a property remains vacant too long is because its price is set too high.

Perry Beebe | Managing Director | All Residential Real Estate

Are you getting the most return on your investment property at tax time?

A simple report called a Tax Depreciation Schedule could save you thousands of dollars at tax time. However, 80% of property investors don't claim it!

Your accountant will use it when preparing your tax return to ensure you receive the maximum tax-deductible depreciation you are entitled to.

- A building where original construction started on or after 18 July 1985
- Structural improvements to a property which started on or after 27 Feb 1992



“Regardless of the age of your property, it will contain some items on which you can claim depreciation. This is a legitimate way to decrease the tax you pay on the income from your investment property, thereby increasing your cash flow and saving you money.”

What is Tax Depreciation?

Over time your property and the plant and equipment within it wear out. The Australian Tax Office (ATO) allows you to claim depreciation on these items every year for the effective life of each item (up to 40 years). Although depreciation is not an actual cash expense, it represents a future cost. The ATO allows this tax deduction to assist you with the future replacement cost of the item.

How do you claim Depreciation Deductions?

A qualified Quantity Surveyor can prepare a simple report called a Tax Depreciation Schedule for your property, which will include all the items in your property that are decreasing in value.

You can claim Depreciation for:

1. Assets that depreciate in value over a number of years

This includes “plant and equipment” such as furniture, carpets, curtains, ovens, dishwashers, air conditioning systems, hot water systems, washing machines and dryers

2. Capital works deductions

This includes the building itself, extensions, alterations and structural improvements to your property. You can claim capital works deductions on:

Depreciation Facts:

- The ATO identifies more than 1500 items as depreciable assets!
- A Tax Depreciation Schedule costs around \$700-\$800 - this fee is 100% tax deductible
- Two previous year's tax returns can usually be adjusted to recoup lost claims, if you haven't previously made a depreciation claim
- Many companies offer a guarantee that they won't charge if they can't find double their fee worth of deductions

So contact a quantity surveyor to find out how much you could save in tax depreciation, and become one of the 20% of property investors who are enjoying more cash back from the ATO!



What are the top 5 things tenants look for when choosing a property to rent?

As specialists in residential property management, we are often asked which properties make the best investment properties. In general, the more money you spend on an investment property, the higher the rent. However the answer to this question is more complex, as there are many factors that determine if a property is attractive to tenants.

“The number and size of bedrooms affects rentability and rental price more than any other factor”

1. Number and size of bedrooms

This is the single most important factor to tenants. More bedrooms generally mean more people can live in the property so the rent can be higher. However, the number of living areas and bathrooms must balance with the number of bedrooms. In general houses with three or more bedrooms should have two bathrooms.

2. Number of living areas

A “living area” includes living rooms, dining rooms and rumpus, play or activities rooms. Additionally, tenants may include an outdoor entertaining area in their assessment of living areas, if it is covered and easily accessible from the property.

3. Number of bathrooms

Number of bathrooms must be in proportion to the number of bedrooms. One bathroom is acceptable in a two bedroom property as long as it is not an ensuite. Ideally a three bedroom property should have two bathrooms, and this is essential for properties with four or more bedrooms.

4. Presentation

First impressions are critical when a prospective tenant inspects your property so presentation is the next most important factor in determining how much it will rent for. A well-presented property will generally rent faster, achieve higher rents and attract the best quality tenants. That adds up to a higher investment return, together with fewer and shorter vacancy periods.



5. Location

Property location is moderately important to tenants. Most tenants will have particular criteria around location, such as the property must be close to a train station or bus route. In the Wollongong area, such criteria can mean that multiple different suburbs are suitable. In terms of physical location, people don't like living on busy noisy roads. However, a well presented property on a busy road will rent more quickly than a poorly presented home in a quiet area. For some tenants, easy access to shopping areas, schools, parks, hospitals etc. can be a factor in selecting a location. In January/February and July we experience a

significant increase in tenant enquiries for properties close to the university.

Top Presentation Tips:

i) **External Appearance:** tend the gardens, mow the lawns and clean the windows, paths, gutters and outside paintwork. If your property has a pool ensure the pool and surrounds are clean and the filter is working

ii) **Internal Appearance:** repair or replace leaking taps, sticking doors, broken light fittings, loose door handles, rotten floor boards, torn fly screens and badly worn carpet

iii) **Internal Ambience:** get rid of odours, such as cigarette or pet smells, that could deter a prospective tenant. Professional carpet and curtain cleaning can be beneficial

iv) **Paint:** only paint those areas that really need it unless you plan on painting everything. New paint can make unpainted areas look shabby. Use light neutral colours as strong colours may not be to the tenant's taste

v) **Inspections:** ensure the property is clean, tidy and uncluttered at inspection times. If your property is in a noisy area (such as a main road) inspection times should occur when the noise is at its lowest. Open the curtains and blinds to let in the sun, and to display the garden or view

Top performing suburbs in the Wollongong area!

“Investing in property continues to deliver good yields and long term growth”

The following reports show the median rent, gross rental yield and 5 year growth (for both houses and units) for the best performing suburbs in the Wollongong area:

Top 10 Suburbs - Houses

Median Rent		Gross Rental Yield		5 Year Growth	
Austinmer	\$ 593	Cringila	6.6%	Tarrawanna	31.3%
Stanwell Park	\$ 588	North Wollongong	6.6%	Fairy Meadow	29.1%
North Wollongong	\$ 525	Lake Illawarra	6.5%	Keiraville	27.1%
Shell Cove	\$ 515	Kanahooka	6.4%	Port Kembla	26.8%
Thirroul	\$ 500	Koonawarra	6.2%	Warrawong	26.1%
Cordeaux Heights	\$ 495	Warrawong	6.1%	Towradgi	25.9%
Bulli	\$ 490	Warilla	6.0%	Woonona	24.3%
Helensburgh	\$ 480	Barrack Heights	6.0%	Shellharbour	23.4%
Gwynneville	\$ 465	Albion Park Rail	5.9%	Helensburgh	23.1%
Tarrawanna	\$ 465	Unanderra	5.8%	Thirroul	22.0%

Top 10 Suburbs - Units

Median Rent		Gross Rental Yield		5 Year Growth	
Helensburgh	\$ 460	Flinders	6.3%	Fairy Meadow	50.2%
Flinders	\$ 403	West Wollongong	6.2%	North Wollongong	46.5%
Austinmer	\$ 390	Warilla	6.1%	Corrimal	44.8%
Bulli	\$ 390	Blackbutt	5.9%	Thirroul	25.3%
Thirroul	\$ 385	Albion Park Rail	5.7%	Woonona	25.1%
Balgownie	\$ 380	Albion Park	5.7%	Bellambi	19.8%
Albion Park	\$ 360	Shellharbour	5.6%	Keiraville	18.3%
Blackbutt	\$ 350	Helensburgh	5.6%	Albion Park Rail	16.2%
Shellharbour	\$ 350	Lake Illawarra	5.6%	Blackbutt	16.1%
Wollongong	\$ 350	Coniston	5.5%	Lake Illawarra	15.9%

Data Source: “Your Investment Property” Magazine, August 2013

Free service to clients – a valuable second opinion!

If you're considering purchasing another investment property, we would be happy to provide you with a second opinion. Please give our Business Development Manager a call, and he will give you all the facts and an indication of what rent you could expect from your new investment. **Call (02) 4228 2555 for more information.**

