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Local Market Update

Welcome to the latest issue of the All Residential Real Estate newsletter InTouch. In this issue we'll share some great tips on renovating your rental property to increase your weekly rent, without breaking your budget. We also look at the furry dilemma of whether to allow pets in your rental property, and provide valuable advice on landlord insurance policies.

But first, let's look at what's been happening in the local property market. In a recent review of the Federal Budget 2014-15 and its impact on the local economy, IRIS Research reported that the property market in the Wollongong area is rebounding strongly.

The Federal budget appears to have had limited impact on Illawarra property investors as vacancy rates stay low and rents continue to rise.

At All Residential Real Estate our vacancy rates are at record lows. For June our vacancy rate was 0.7% compared to 1.8% for the Illawarra and 2.1% for Wollongong. Our strategy of showing property prior to the current tenant vacating has been very successful, allowing us to find new tenants quickly and keep vacancy to a minimum.

In recent months we have seen a number of clients purchase new rental properties where we have been able to immediately implement a rent increase of between 5-10%. Overall, rents continue to grow although premium properties were harder to rent in April and May. There have been a record number of people looking for rental property - All Residential Real Estate has had a total of 6,925 people enquire during the first six months of 2014.

Perry Beebe | Managing Director | All Residential Real Estate

Renovating Your Investment Property Doesn't Need To Cost The Earth!



If you are planning to renovate your investment property, our first piece of advice is not to over-capitalise the property by spending more than you can recover if you need to sell. Often, all that is needed might be some general repairs, painting, cleaning up or a few new fittings rather than a full renovation. We recommend you develop a clear plan before you begin, which includes what you want to renovate, a timeframe, a budget and a realistic assessment of the increase in weekly rent your project will generate.

If you align your renovation with typical tenant criteria, you can usually increase your rent by an extra \$20 or more per week without it costing the earth.



1. Presentation Is Everything

Imagine a tenant looking at your property for the first time – start from the front gate and work inwards. The garden should be weeded, lawns mowed and gates, fences and paths in good condition. Make sure paintwork and windows are clean. Other things that can create a bad first impression are sticking doors, broken flyscreens, damaged light-fittings and worn out floor coverings. Make sure your property is clean, including ceiling fans, light fittings and exhaust fans. Attending to these things before people start viewing the property to rent will help to make your property more appealing, so it will rent faster.

2. Tenants Like Light, Space And Comfort



To achieve this, start from the floor and work upwards! Replacing old carpets with tiles or floorboards will make the property look fresher and these are more resilient too. If your property is older, removing a non-structural wall to make an open-plan living space can greatly enhance the flow of the property. If you have rooms with dark coloured paint, use a lighter colour to brighten up the place and make it look bigger – keep in mind neutral colours appeal to more people. Let in the sun - replace heavy curtains with new blinds or lighter fabric. Installing some additional lights to darker rooms and updating old fashioned

light fittings with inexpensive new ones will also increase appeal.

3. Kitchen & Bathroom

Many investors shudder at the thought of kitchen and bathroom renovations, but the truth is that cosmetic renovations can be simple and inexpensive. Replacing tiles or whitening the grouting, and re-coating baths can help smarten up the fixtures. Then installing some new fittings like taps, shower heads, toilet seat, a well-lit mirror, kitchen splashbacks and handles for drawers and cupboards will transform these rooms.

4. Worthwhile Extras

Extras that many tenants find desirable or consider “must-have” features when house hunting include built-in wardrobes, safety devices on windows, air conditioning or ceiling fans and a dishwasher. Select electrical appliances such as air conditioning units and dishwashers carefully as you will be responsible for any repairs.

If you would like to discuss your renovation plans, and ensure it will be a worthwhile project that puts money back in your pocket, one of our experienced property management team will be happy to help.

Top Renovation Tips

- Start with a clear plan
- Tidy up the yard and front of the house
- Replace old carpets with tiles or floorboards
- Create space in the living area - remove a wall
- Use light coloured paint and window coverings
- Give the kitchen & bathroom a mini-makeover
- Install a dishwasher

A Furry Dilemma! Should You Allow Pets At Your Property?

Many investment property owners express concerns to us about pets, and it is certainly an individual choice. However, if you choose to allow tenants to have a pet (with clear guidelines stipulated in the lease) it greatly increases your chance of keeping the property tenanted and reliable returns on your investment.

A pet-loving tenant is more likely to stay in your property where they can live with their pet, rather than endure the challenging hunt for another home where their furry friend is allowed. Further, if your property does become vacant, allowing pets will make it very appealing to other tenants with pets.

According to the RSPCA, Australia has one of the highest rates of pet ownership in the world with approximately 63% of households owning a pet. 39% of households own a dog resulting in a staggering 4.2 million pet dogs in Australia. Cats come in second at 29% (3.3 million).

If we look at the local data, there are around 29,000 leased properties in the Illawarra¹ and over 18,000 of these are likely to be home to a pet.

That's a lot of keen and potentially suitable tenants that you may be rejecting on the basis of their pet. So if you are interested in allowing pets, what can you do to protect your property?

1. **Applications** - ensure you or your Property Manager get the applications in writing from prospective tenants. If possible, obtain "pet references" for that pet from previous landlords. In addition, you as the owner should

have final approval on which tenant is selected.

2. **Pet Agreement** - we recommend a formal Pet Agreement as part of the Tenancy Agreement. This document should clearly specify the requirements and special conditions associated with that pet.



3. **Regular Inspections** - it is very important to carry out thorough inspections three times a year to ensure the pet is not causing damage.

Careful tenant checking at the start of the tenancy, combined with a clear Pet Agreement and thorough, regular property inspections should result in a win-win tenancy for the landlord, the tenant and the pet! If you would like to discuss allowing a pet at your property, we'd be happy to help - give us a call on 02 4228 2555.



A Pet Agreement should include:

- ✓ Name and description of the pet. If the pet is given away or dies and the tenant wants a new pet, a new request must be submitted.
- ✓ Any confinement restrictions. If you want a dog kept outside or a cat kept indoors at night, then you can specify these requirements
- ✓ When the tenant vacates the property they must organise professional carpet cleaning and professional flea treatment, and provide you with receipts for these services.
- ✓ The tenant is responsible to make good any damage caused by the pet to the property or garden, and clear away all pet excrement.
- ✓ The pet must be removed if it causes any disturbance or complaints are received.
- ✓ A breach of the Pet Agreement constitutes a breach of the Tenancy Agreement, which means the landlord may end the Tenancy Agreement with 14 days notice in writing.

1 ABS 2011 Census data

Not All Landlord Insurance Policies Are Created Equal!

As professional property managers we are regularly surprised by how many landlords choose not to take out specialist landlord protection policies – either they are trying to minimize their costs or they believe they won't need it.

Landlord insurance prepares you for what **could** happen and, even if you have perfect tenants, they are human and their situation can change.

Life is unpredictable and a tenant's injury, illness, job loss or change in domestic circumstances could have a substantial impact on your life.

Consider the following situations:

1. Your tenant leaves with rent owing or stops paying rent but continues to reside at the property
2. Your tenant causes damage to the property (either maliciously or accidentally)
3. The hot water system floods the property destroying the floor coverings
4. Your tenant trips over a damaged paving slab at the property and injures themselves

Would your current insurance policy cover these events? If not, how much out of pocket would you be?

Standard building insurance provides protection for the property, but does not offer protection around loss of rent, legal liability, damage to or loss of the landlords fixtures and fittings, or damage caused by the tenant. Apart from certain events not being covered, some standard building policies contain an extreme excess that makes it non-viable to make a claim. It



is also important to note that the tenant's contents insurance does not cover the landlord's fixtures and fittings either.

Many insurance companies and financial institutions now offer landlord insurance policies. However, it's important to do your homework carefully, read the small print and make sure you select the right type of cover. We recommend looking at how well a policy can cover unpaid rent, damage to contents and public liability claims. It is also very important to note the excess conditions:

- i. What is the dollar excess?
- ii. In case of loss of rent, how many weeks rent is the owner responsible to pay?
- iii. In case of loss of rent, what is the maximum number of weeks rent that will be paid out to you?

Another important thing to be aware of is that some specialist landlord insurers won't insure your property unless it is professionally managed. This is because statistics show landlords who self-manage are much more likely to make a claim than landlords who have their property professionally managed.

So clearly, not all insurance policies are created equal! At All Residential Real Estate we highly recommend that our investment property owners take out specialist landlord insurance. Although we do not recommend a particular company, a number of our clients use the following companies:

<http://www.rentcover.com.au>

<https://www.terrischeer.com.au/landlord-insurance>

