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How does the vacancy rate effect my rental return?

There's been a lot of talk lately in the media about the booming property market, and about property prices rising at a fast pace. However as with any media report it's important to read between the lines to decipher exactly what is and what isn't fact.

Firstly it's important to point out that most of the talk about booming property prices refers to the Sydney and Melbourne markets, the latter being particularly active, with significant price increases.

Interestingly this same level of activity has not been duplicated in Queensland. In fact prices in Brisbane and on the Gold Coast in particular, have had little movement and according to BIS Shrapnel's latest report will only record rises of about 4% pa over the next 3 years.

"The current vacancy rate for residential property in Brisbane is running at 3.8% and 3.5% on the Gold Coast."

Interestingly the rental market is also slow across SE Queensland. According to QLD Government Statistics, the current vacancy rate for residential property in Brisbane is running at 3.8% versus a figure of 2.8% two years ago. The Gold Coast vacancy rate currently stands at 3.5% versus 2.1% two years ago.

Higher vacancy rates are generally as a result of decreased demand, which for property investors means longer periods of vacancy and little in the way of rent increases, which is exactly what agents across Brisbane and the Gold Coast are finding.

Having said that, the key as always when renting your property out is to be realistic with your price. The number one reason properties remain vacant too long is because the price they are offered at is too high.

As always I'd like to thank you for using Rental Express to manage your property and wish you a happy new financial year.



this issue

Issue 9

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- > Don't wait until it's too late. Are you covered for lost rent when the unexpected happens?
- > Tax Tips for your Investment Property... Maximise your tax deductions by ensuring you're claiming for everything.



Tenants and Landlord's rights and responsibilities when dealing with emergency repairs

Emergency repairs is an area that is quite often misunderstood by both owners and tenants alike and unless handled in the correct manner can quite often end in dispute. A lot of the confusion can be avoided by firstly ensuring your property is managed by a professional property manager. If it is, they will have a policy in place for handling emergency repairs that is well defined to tenants at the beginning of their tenancy. If you are managing the property yourself you need to ensure firstly that you clearly understand what your obligations are and then be able to explain to the tenant what their obligations are and what needs to happen in the event of an emergency repair.

There are a variety of situations that are considered to be an emergency. These may differ from state to state but generally some of these include:

- > A burst water service,
- > A blocked or broken toilet,
- > A serious roof leak,
- > A gas leak,
- > A dangerous electrical fault,
- > Flooding/serious water damage,
- > Serious storm or fire damage,
- > A failure or breakdown of the gas, electricity or water supply to the premises,
- > A failure or breakdown of an essential service or appliance on the premise for hot water, cooking or heating
- > A fault or damage that is likely to cause injury, undue inconvenience or which makes the premises unsafe or insecure.

While the list above is pretty black and white as to what is and what is not an emergency, situations can still arise where owners and tenants disagree on the term 'emergency'. For example, consider this:

It is after hours and a toilet in the ensuite of a property is leaking quite severely and can't be flushed. The tenant turns the tap to the toilet off so water is not flooding on the floor and calls a plumber out to the property to attend to it.

The plumber attends the property and repairs the toilet charging after hours rates and the tenant pays the invoice to the plumber at the time. The next day the tenant calls the owner to advise that there was an emergency and they are requesting reimbursement for the invoice. The owner advises they don't think they should be responsible for the inflated after hours charge as there was still another functioning toilet in the property and while inconvenient for a short time, a plumber could have been arranged to attend during business hours and not incur the additional expense.

If you have a property manager managing the property for you they would liaise with the tenant and owner in this situation and try and mediate a suitable outcome, however if an outcome can't be reached it could end up going through a formal dispute resolution process.



In the event of an emergency the tenant is to contact the Emergency tradespeople listed on their tenancy agreement. Most of the time these people will be the real estate agencies preferred tradespeople, however, if you require a certain tradesperson be used you need to ensure your Agent lists these tradespeople on the tenancy agreement.

It is important to ensure you are comfortable with the tradespeople that are nominated to be contacted in the event of an emergency as most of the time they will need to act without your authority in repairing the item. You need to know that the contractors nominated are capable of solving the problem for the tenant while acting in your best interests as the owner. If your property is managed by professional property managers they will generally have a very

good relationship with the contractors they engage so you can be assured of a little piece of mind in this regard.

If of course it is found not to be an



emergency repair or in fact that the tenant has caused the damage, for example, a toilet becomes blocked, it is after hours and the tenant calls a plumber to attend. The plumber attends the property and finds that the toilet was blocked because a child of the tenant has dropped a toy into the toilet and this has caused the blockage. The owner can pass the cost of this on to the tenant to pay. If the tenant fails to pay the amount the owner can apply to the small claims tribunal for an order to be made directing the tenant to pay the amount of the invoice.

While emergency repairs can occur at any time you can avoid some problems by ensuring you attend to any routine maintenance as quickly as possible. If you have your property management by professional property managers they should be carrying out regular inspections of the property and identifying possible maintenance that may be required.

In some circumstances you may be able to claim the cost of damage from an emergency repair through your landlord insurance policy. It is important to ensure you hold adequate insurance cover to incorporate scenarios such as this.

Generally speaking you can overcome most difficulties with emergency repairs by firstly ensuring you have your property professionally managed and clearly outlining the tenants responsibilities and your expectations at the beginning of the tenancy.

Don't wait until it's too late

Like any investment, rental properties have their own set of unpredictable risks. Many of these however can be reduced if they are identified and strategies are put in place to minimise them.

Unfortunately tenants (regardless of how stable they have been in the past) are not immune to these cold hard facts, and the reality is that what affects them is likely to affect you.

Added to this are the environmental related losses such as those witnessed by the Victorian Bushfires (losses exceeding \$1 billion), and of course Queensland is not immune to events such as wild storms and the havoc they cause.

Losses to individual property investors are often in the tens of thousands and in some cases hundreds of thousands of dollars.

One of the keys to risk-reduction is finding the right landlord insurance policy.

With this in mind we have carefully reviewed the policies available today and have become a Corporate Authorised Representative of EBM Insurance Brokers, to help facilitate access to one of the most successful policies available in Australia today.

EBM have been looking after the insurance needs for landlords for almost 20 years, and many tens of thousands of owners currently utilise their services. Possibly most significant is the claim service offered by EBM that sees most claims settled within 5 working days, an important factor when you wish to maintain your cashflow.

In fact our arrangement with EBM will provide you with some significant discounts on the premiums compared to arranging it yourself.



The cover with RentCoverUltra is extensive however here are a few features:

- > Up to 6 weeks if your tenant defaults on their rent or leaves without giving the correct notice
- > Up to 6 weeks if your tenant is allowed by the courts to break their lease due to Hardship
- > Up to 52 weeks if your tenant refuses to leave the property and denies you access
- > Up to 52 weeks for Prevention of Access that is no fault of the owner or the tenant
- > Nil excess on loss of rent claims
- > Up to \$20million dollars of Legal Liability cover
- > Up to \$50,000 for tenant-related damage or theft by the tenant
- > Up to \$50,000 cover for defined events for "contents" which may include carpets, curtains, blinds or light fittings.

If you would like us to arrange landlord insurance cover on your behalf or you have any more questions feel free to give us a call or drop us an email.

Note: Our advice about insurance is provided for your general information & does not take into account your individual needs.

Do you know the real value of your investment property?

As a property investor it is important to know what your investment property is worth. You may not be thinking about selling, in fact we know many of you are long term investors and selling is the last thing on your mind. But circumstances change and people sell for all sorts of reasons and when you decide to sell it is important to get the highest possible sale price.

With this in mind, we researched the top real estate agents in Brisbane and the Gold Coast and compared them based on sales volume, days on market, marketing and the overall results they were generating for their clients and what we found was that Ray White Express is head and shoulders above the rest as far as service, reliability and most importantly ensuring that they maximise the sale price on the properties they sell.

So we approached them to see if they could help our clients get the best price if they decided to sell. We have now set up Ray White Sales Consultants in each of our offices to work exclusively with our landlords.



To receive your FREE, comprehensive, 16 pg Suburb Profile and a FREE copy of The Seller's Guide to Determining What My Property Should Sell For CALL 1300 711 855



Here are some Tax Tips for your Investment Property...

When it comes to claiming tax deductions for your investment property, you should play it safe with the ATO and keep all personal, living and family expenses separate from your investment property expenses. This is especially important when it comes to home office expenses or travel expenses. It is perfectly acceptable for investors to claim on travel to inspect their properties or to engage in other activities on the property directly related to the investment but the documentation must be accurate.

Tax experts advise that claiming depreciation is one of the easiest and most valuable ways to save money at tax time, and yet 80 percent of property investors don't claim it! A Tax Depreciation Schedule is simply a report on all the items in an investment property that are decreasing in value.

You also need to ensure that you claim repairs on your property investment correctly. A repair is generally defined as 'restoring something to a working condition'. Getting one of your broken hotplates on your stove fixed is grounds for a legitimate repair claim, however buying a brand new stove to replace the 'tired and old' looking one cannot be claimed as a repair.

Interest payments represent one of the largest single cost areas so it is not surprising that this is also an area where many investors make incorrect claims. It's important you claim interest correctly on all of your investment related bank accounts. Make sure that you are not claiming a deduction for any interest on your personal loans.

There are many common mistakes made when claiming deductions for investment properties and these can be easily avoided by making yourself aware of what you can and can't claim. The Australian Tax Office provides a wealth of information about deductions for investment properties on their website at www.ato.gov.au.

Claimable expenses for your investment property could include:

- > Accounting Fees & Tax-related Expenses
- > Advertising for Tenants
- > Agent Fees & Commissions
- > Bad Debts
- > Bank Charges
- > Body Corporate Fees
- > Borrowing Expenses
- > Building and Structural Improvements
- > Cleaning
- > Council Rates and Land Tax
- > Depreciation
- > Electricity & Gas
- > Foxtel, Austar & Internet Fees
- > Garden Maintenance
- > Insurance
- > Interest on Loans
- > Lease Incentives
- > Legal Costs
- > Mortgage Discharge Expenses
- > Pest Control
- > Prepaid Expenses
- > Quantity Surveyor's Fees
- > Repairs and Maintenance
- > Secretarial and Bookkeeping Fees
- > Servicing Costs (eg: pool cleaning)
- > Stationery and Postage
- > Telephone Calls
- > Travel and Car Expenses
- > Water Charges



As a property investor with Rental Express you can access all of your monthly and EOFY statements, invoices and property details online at <https://online.rentalexpress.com.au>

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