

This newsletter has been designed to keep you updated on what is happening within the industry and our Real Estate Office

**From the desk of the
Property Managers**



**Valentine's Day
Reminder**

If you have a loved one or a secret admirer – you don't want to miss the 14th February!

Gift suggestions for the ladies: a card with a personal note or poem, pamper package, jewellery, perfume, balloons, chocolates or flowers.

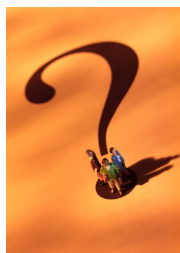
For the men: book, wallet, tie, cufflinks, boxer shorts, pen or work shirt.

Or you may choose a romantic night out for two!

Inspirational Note

"Everything that comes your way is a gift. Don't lose sight of the rewards available every step of the way."

How to Increase Your Rental Yield..



The purpose of investing in property is to "make money" and provide "financial security", which can be in the short term or long term.

Investors will often have different objectives as to how and when they make their money. Some investors specifically want to make a loss on the property (negative gear) in the short term, to off-set their taxable income, and are then relying on long-term capital growth gains.

If you do want to increase the value of your investment, it is important to understand how to achieve this and then take every possible step to focus on increasing your rental yield.

The outcome of increasing your rental yield will make property investing more enjoyable, less stressful and assist in making the property more attractive to future potential buyers looking for an investment.

Some simple yet often neglected methods of increasing your rental yield include:

1. Raising the rent
2. Minimising your expenses

3. Increasing the occupancy rate or reducing vacancies

4. Maximising your deductible expenses

The good news is that we have seen great rental increases across Australia, and predictions are that this will continue in most geographical areas. Rental increases should be considered just prior to the existing lease expiring. It is recommended to increase the rent at least once a year (market permitting) so that the tenant becomes accustomed to the increases and does not receive a considerable increase unexpected after 3 or 4 years. Please feel welcome to discuss rental increases with your property manager.

Take advantage of vacancy periods during tenant change-overs. Utilise this time to mulch garden beds, replace old plants with more suitable plants (most local councils offer ratepayers free vouchers for plants), paint internal walls and ensure that the window coverings and carpets are in a well-presented condition.

Maintaining the property in a first-class condition will attract quality tenants and ensure that you are receiving the highest possible rent.
Continued Over...

IMPORTANT: This is not advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. The newsletter is issued as a helpful guide to clients and is for their private information. Every effort is made to ensure the contents are accurate at the time of publication. We take no responsibility for any subsequent action that may arise from the use of this newsletter. Published by THE PPM GROUP - www.ppmssystem.com

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Adding air-conditioning or a dishwasher may allow your property to rent for a little more per week, or perhaps your existing tenant would like these property additions (which are a tax deduction) in exchange for a modest rental increase.

An alternate strategy to increase your rental yield (which is the opposite to regular rent increases) is to ensure that your weekly rent is competitive, or even contemplate having the rent priced just below the market to attract and keep quality long-term tenants, reducing vacancy periods (lost rent) and the wear and tear on the property that comes with high tenancy turnovers.

Remember, a gain in rent may easily be lost by a few weeks of vacancy.

The Tax Office admits that 52% of investors do not claim what they are legally entitled to. Don't let that apply to your situation. Many investment property owners do not claim depreciation. Why? Often it is simply because they don't know about it.

To claim depreciation, you need a Tax Depreciation Schedule put together by a quantity surveyor who specialises in tax work. A Tax Depreciation Schedule is a report that outlines the depreciation allowances that an investor is entitled to on the property.

There are two types of deductions, Capital Works Deduction and Plant and Equipment Allowances. The Capital Works Deduction applies to the building and any structural improvements. The second deduction is the Plant and Equipment Allowances. Certain items can be depreciated at an accelerated rate, such as carpet, air-conditioning, curtains and appliances.

Contact your accountant or quantity surveyor for assistance.

Important Reminder! First Home Buyers Grant Goes Up



The First Home Owners Grant for South Australia has increased to upto \$18,000 for established homes and upto \$25,000 for Newly Built/Construction.

This government incentive is a great start to assist first home buyers achieve their current uncertain dream of being able to purchase their own property.

We do appreciate that current property investors will not be eligible for this grant. However, have you considered ...

- 1) utilising the grant for a partner who may not have purchased a first home, or
- 2) assisting your children to give them a kick start into the property market.

If you require further information on the first home buyers grant, please feel welcome to contact our office and speak with one of our friendly sales team members. ■

The Hunt is on for a better deal as interest rates finally come down

With interest rates having fallen dramatically over the past few months no borrower would be alone in wondering whether their home loan still offered the best rate. The Reserve Bank of Australia (RBA) has now lopped three per cent off the official cash rate in just four months – which equals around \$600-\$650 off the repayment due each month on a \$300,000 mortgage. However the amount each bank and mortgage lender has passed back to the borrower has varied so there is no

guarantee that your lender still offers the best rate on the market. While there is more to the right mortgage than simply the interest rate, there's every chance that you can still find a cheaper loan that still has all the features you need. But before you start searching for a better deal, consider the following points:

Read the fine print

If you decide to switch lenders you may face some hefty break costs if your loan is only a few years old. Before making any decisions call your broker to find out what costs you're likely to be hit with should you decide to go elsewhere. It's essential to ensure that any saving you make on a cheaper monthly rate is not cancelled out by excessive fees or charges.

Fixed versus variable

Plenty of lenders now offer some very attractive fixed rates. However it's worth considering that we are in a downward rate cycle and there may well be more rate cuts to come. The big plus for a fixed rate loan is the security of knowing exactly what your repayments are each month during the fixed period. If you do pick a fixed interest loan remember that you will have to stick with it even if rates fall further.

More to your loan than rate alone

Not every home loan is the same and so it's important to look beyond the interest rate when thinking about moving to another lender. The rule of thumb is that the more bells and whistles a loan the higher the interest rate. While features like redraw facilities and offset accounts can be powerful tools for some borrowers, they may not suit everyone. On the flip side it's important to keep in mind that a low rate loan may offer little or no features. To quickly identify whether there's a better loan

package available call your broker.
They will be able to tell you if you
still have the most appropriate
product on the market and if not,
whether it makes sound financial
sense to swap.
