



Matusik Missive – Say It Isn't So

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The unfortunate news about rental growth for this year is that there probably won't be any. In fact, not only do we foresee a dismal year in 2010 for rental growth, we anticipate limited investor interest in residential property to accompany it.

As we have said previously, our analysis shows that the Australian and Queensland rental market is adequately supplied overall, and recent predictions of rental growth exceeding double figures are unlikely to happen. Expect rent rises of 3% to 5% at best, and more realistically, 0% to 2%.

However, there's no need to hum a few bars of "Say It Isn't So"¹ – the news isn't all bad for savvy investors who, by following a few basic guidelines, can get the best rental returns possible from their investments.

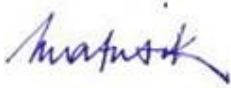
To begin with, existing landlords need to temper their expectations, and new investors should be somewhat conservative on a likely rental return. With this in mind, here are ten ways in which an investor can get the most rent possible out of a residential investment:

1. Renew a lease at **peak times**. Up to 15% more in rent can be achieved in late January and again in June, in sync with the school year, company transfers and the influx of overseas students. The worst time to renew (for the landlord that is) is in December.
2. Look for **overseas students**, as they will, and particularly when secured at the optimum time, pay a handsome premium. A general rule of thumb is about 10% more than the local market.
3. Consider **furnishing the product**, especially an apartment. A 25% premium (and sometimes more) can be achieved for a well furnished rental property.
4. **Keep a good tenant**, and maybe at today's rent, rather than risk losing them.
5. Present your rental property at the **highest standard possible**. This might mean a bit more than the usual TLC.

6. **Renovate**, and especially the bathrooms and kitchen. Painting and fencing a detached dwelling is also smart, as is offering off-street parking. In Queensland, a decent outdoor living area is also important.
7. Check that your tenants are not paying more than **a third of their disposal income in rent**, otherwise problems regarding late or non-payment might occur.
8. **Advertise on the internet** and not in the newspaper only. The net works best.
9. Reduce your risk and take out **landlord insurance**. This is a wise decision, especially for cheaper rental properties.
10. Make sure your property is **“share” friendly**. The key here is to provide separate ensuites and bedrooms of equal size, positioned some distance away from each other. Adequate storage and off street parking also helps renters share in relative peace. Research shows that when choosing a property to rent, tenants look at the size and number of bedrooms first, followed by car accommodation and then the indoor/outdoor living space/s.

Location and views are important when it comes to capital growth, but are less important when it comes to renting out a property. Don't expect a lot more rent for a property with a view or in a trendy spot.

¹ A Jackson Browne tune, track 7 from his 1983 album, Lawyers in Love



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