



5 steps to stay on top in a renter's market

How astute landlords can secure their rental returns, in any market

The latest National Residential Vacancy Rate figures from investment research house SQM Research have some investors feeling uncertain.

The figures show that in some parts of the country, vacancy rates are still substantially higher than previous years.

These increased vacancy rates, combined with amendments to the Residential Tenancies Act and an oversupply of properties in certain areas, have created a 'renter's market' that some investors are finding challenging.

One of our investors, let's call her Janet, had an investment property that was ticking along nicely, until she received a call from her property manager telling Janet her tenants had requested a rent reduction of \$20 per week.

The request took Janet off guard. She was at first indignant, then concerned:

- If I agree, how will I cover the extra expense?
- Will they ask for more reductions?
- If I don't agree, how long will it take to find new tenants?
- What if my property sits vacant for months?

These are the type of questions many investors face in a renter's market, where renters have more properties to choose from, are less willing to accept rental increases, and in some circumstances, like Janet, are even negotiating reductions in their rent.

If you own an investment property, it may seem like there is nothing but bad news, however we work with many investor landlords who continually see strong returns, no matter the market.

Here's how to keep it in perspective

1. Remember the big picture (and why you started to invest in the first place)

It's easy to view any reduction in your rental return as a loss, however, if you compare the weekly reduction to the cost of a prolonged period of vacancy, these reductions take on a new light.

Let's have a look at this:

If your property is on the market for \$400 per week and you are offered \$380 per week, you may see that as a loss of \$1040 per annum.

However if, in rejecting the offer of \$380, your property remains vacant for an additional two to three weeks while you wait to achieve your set price, you have lost at least \$1140 per annum. **That's more than the \$20 per week loss.**

If the property remains vacant for six weeks or longer, your loss is in excess of \$2,500.

Plus you will have additional costs of advertising and re-letting fees (typically another one or two week's rent). So recognising this loss and responding to the market is key to reducing your investment property losses.

2. Explore offsetting the reduction

When the market is strong and stable, we tend to set-and-forget.

When the market presents challenges, astute investors look to offset their losses by reviewing and renegotiating their financial arrangements.

Whether it means refinancing your mortgage, reviewing your property management fees, or renegotiating agreements with service providers, there are always opportunities to reduce your expenses in order to offset the reductions in your rental returns.

Remember we are still in the lowest of all time low interest rates, even for investors. If you have not reviewed your investment loans in the last 12-18 months then it is certainly worth a call and a quick chat to see if there is room to move with your interest rates.

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3. Invest in your investment

When there is an oversupply of inventory in the rental market, it's more difficult for your property to stand out from the crowd and achieve the maximum rental returns you aspire to.

It is worth noting that not all properties are affected by a renter's market – high rental yields can still be achieved on premium properties or properties in highly desirable areas.

While it's tempting to tighten the purse strings when the rental market is sluggish, the opposite may offer the most rewards.

By investing in your property and ensuring it is in good condition with desirable features, you are not only putting yourself ahead in the rental market, but increasing the property's resale value, and potentially your equity.

Most additional investment in your property can also be claimed as a tax deduction. If you're not sure, let us know before you do the renovation or replace items and we may also be able to suggest the most efficient way to finance these items. Your accountant will also need to know for depreciation purposes.

4. Remember - it's a cycle

What goes down, must come up!

Our most successful investors understand the market moves in cycles. While the current renter's market may pinch a little, you can rest assured that at some stage things will turn and rental yields will increase again.

Don't panic or be too reactive to what is most certainly a temporary trend.

Make decisions that will position you to move with the ebbs and flows of the market in the most lucrative way.

5. Timing is everything

No matter the size of your portfolio, regularly assessing investments is a common practice of our most successful clients.

It's important to view your investments with a critical eye and understand when the time is right to sell elsewhere or to stay.

To make good investment decisions, you need to be informed.

With so much misinformation, personal opinions and poor analysis available online, it's challenging to stay reliably informed without one-on-one professional support.

As your financial specialist, we can help you stay informed and understand all the options available to you, tailored to your unique situation.

We work with you to protect your investment to ensure it provides you with the returns you deserve.

If you or someone you know is confused about rental expenses, **read our topic sheets** before you claim!



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