



PROPERTY INVESTOR NEWSLETTER JULY – AUGUST 2014

This newsletter has been designed to keep you updated on what is happening within the industry and our real estate office

**FROM OUR PROPERTY
MANAGEMENT TEAM**



Repairs should never wait until later...

Promptly attending to repairs or maintenance requests ensures that the property is safe, well cared for, keeps the tenant happy, avoids disputes and the possibility of a compensation claim.

Once our agency becomes aware of a repair request, it is our duty of care as the appointed managing agent to take action immediately.

We appreciate the cooperation of our landlords who promptly respond and take action.

WE THANK YOU...



ARE YOU LOOKING TO BUY OR SELL A PROPERTY?
Call us today for friendly advice. We can provide value added information to save you money. Request to be added to our database and be the first to know about newly listed properties

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. Every effort is made to ensure the contents are accurate at the time of publication. Clients should seek their own independent professional advice before making any decision or taking action. We take no responsibility for any subsequent action that may arise from the use of this newsletter.

NEGATIVE GEARING IN SIMPLE TERMS

Negative gearing is a part of life for some investors, and a property buzzword.

So what is it?

Gearing simply means borrowing money to buy an asset such as property.

Negative gearing means the annual interest payable on the loan used to acquire the property plus other expenses incurred in maintaining the property exceeds the annual rental income the property generates. As a result you are making a loss.

Neutral gearing means that the interest and expenses you are paying on the loan are equal to the income.

Positive gearing means that the interest you are paying on the loan and expenses are less than the income. As a result you are making a profit.

So, if negative gearing means that you're making a loss, why is that a positive for some property investors?

Nobody wants to invest in property to lose money. However, with negative gearing

the financial benefit comes from the capital growth (increase in property value).

For example:

You purchase an investment for \$450,000 @ 6% equals \$27,000pa in interest payments.

The market rent achievable is \$400pw equals \$20,800pa.

Without taking into consideration expenses, you are making a \$6,200 loss on the investment. That is the bad news.

The good news is the tax advantages for high-income earners and that the property should be appreciating. If the property value increased by 5% i.e. \$22,500, your position at the end of the year is \$16,300 increase/profit.

It would be great to be neutrally or even positively geared and still make a net profit, but sourcing these properties can sometimes be hard to find.

In summary, negative gearing works if the money you make from the capital growth is greater than the loss you make in rental shortfall. P.T.O. >

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- Repairs should never wait
- A smart tip for renting difficult properties
- What is a property worth?
- Tenant rent increases



A SMART TIP

FOR RENTING DIFFICULT PROPERTIES...

No landlord wants to see their property vacant for an extended period of time. The two critical factors that cause long-term vacancies are advertising and price. There are often features of the property (or lack of them) that impact the prospective tenant's decision to rent or not rent. However, price will always overcome these.

As a managing agency we are always trying to 'think outside of the box' to assist our landlords in maximising their income, as well as reducing vacancy rates.

If we are experiencing a property that is difficult to rent we may suggest advertising the property as our 'DEAL OF THE MONTH', being a reduction in the rent for a three or six month period and then increase. For example: If we are trying to rent the property for \$230pw with little interest, we could state 'DEAL OF THE MONTH – 1st six months \$30 rent reduction', and following that period, increase the rent to \$230pw.



What is a property worth

If you ask most homeowners this question, their response is often far greater than the market. If we were to ask you today this question, what would you say? How did you determine the value?

Establishing a value for anything is about supply and demand and a comparison to what is available and the desire of someone to buy it.

Valuing a rental property is exactly the same. In determining the worth of a rental property we conduct a CMA (Comparative Market Analysis). We will research what properties are available in the local market via Internet rental portal listing sites as well as the properties we have available internally.

Managing and renting properties is not a guessing game. We want to find the best possible tenant in the quickest possible time. If we were to value the rent under the market you could be at a financial loss – or if we overvalue the weekly rent it could lead to reduced interest from tenants, an extended vacancy period and financial loss. We want to get it right for you with thorough research.

F-E-A-R: has two meanings:

1. Forget Everything And Run

or

2. Face Everything And Rise



The Choice is Yours!

I hesitate to make a list
Of all the countless
opportunities I've missed
Bonanzas that were in my
grip
I watched them through my
fingers slip

The windfalls that I should have
bought
Were lost because I
overthought
I thought of this, I thought of
that
I could have sworn I smelt a rat
And while I thought things over
twice
Another grabbed them at the
price

It seems I always hesitate
And make my mind up much
too late
A very cautious person I am
And that is why I never buy

When others culled those
sprawling farms
And welcomed contracts with
open arms
I chose to think and while I
thought
They bought the deals I could
have got!

The golden chances I had then
Are lost and will not come again
Today I cannot be enticed
For everything's so overpriced

At times a teardrop drowns my
eye
For opportunities I had but did
not buy
And now life's saddest words I
pen...

"If only I'd invested then!"