

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



### Are you thinking about buying or selling a property?

If you would like an obligation free appraisal of your rental property or are thinking about buying another investment property, please feel welcome to contact us anytime.

Confidence in the property market is stronger. You could be pleasantly surprised at the value of your property. You may be in a position to add positively to your property portfolio and take advantage of the current market.

### Inspirational Tip

*“Being defeated is only a temporary condition; giving up is what makes it permanent.”*

**Marilyn vos Savant**

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## The risk of informal agreements... It must be in writing!

*When things go wrong, they can go terribly wrong*

It often starts out with all parties having the best of intentions.

A landlord who is on friendly terms with their tenant verbally agrees to a new pet, or consents to a room being painted, or out of compassion says that it is okay for the tenant to catch up on rent – without consulting the property manager.

These types of situations are more common than you may think and are fraught with danger if you don't ensure that it is in writing.

There was a recent court case between Jemmeson and Fisher where the landlord verbally consented directly to their tenant that they could have access to a closed storeroom so the tenant's son could play the drums. They also asked the landlord if they could paint and carpet the room. Without informing the agent, the landlord paid the tenant in cash for the paint and carpet.

Some months later the landlord visited the property and noticed that the tenants had turned the room into a functional bedroom by undertaking major structural repairs of inserting windows, removing doors and inserting a skylight.



The landlord was distressed and contacted their property manager. The property manager gave two options:

1) The tenant had breached the agreement and a notice of termination could be served, or

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2) The issue could be dealt with at the end of the tenancy whereby the tenant would have to leave the property in the same condition (allowing for fair wear and tear) as it was at the commencement.

The landlord could not afford to have the property vacant so he allowed the tenants to stay.

Shortly after, due to health reasons, the landlord had to move back into the property and asked the tenants to restore the property to its former condition. Why? The alterations the tenants had made did not comply with council regulations, which he believed devalued the property and made it difficult to sell.

The tenant had a completely different mindset and wanted to be further compensated for the substantial renovations.

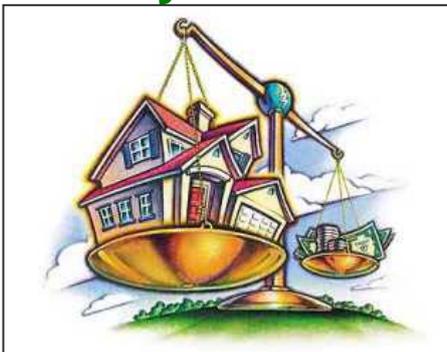
The matter went to court and lucky for this landlord the court member (drawing on his many years of experience, which included the building division of the tribunal) understood that although the room was technically in better condition it did not comply with council requirements. Instead of the landlord's \$3,454 rectification claim, the tenant was ordered to pay \$1200 in damages.

The moral of the story...

- Always let your property manager communicate with your tenants
- Always get all agreements in writing

You may have the best intentions when speaking with your tenant; however, your property manager is experienced in foreseeing the possible consequences on what can go wrong. ■

## What is your net rental yield return?



When buying or owning investment property, one of the important figures to look at is the net return on the money you've invested, also known as the net rental yield.

Many investors will consider the return on their money when determining where they will invest.

Does one particular property show a better return than another? How does investing in property compare to bank interest returns?

When considering the returns on an investment property you also need to look at the **long-term capital growth**. The property may have a lower short-term return (income), however, provide a higher long-term return (capital growth), which can often give you a far greater opportunity for making money.

### HOW DO YOU CALCULATE YOUR RENTAL NET YIELD RETURN?

*A simple example:*

Purchase Price: \$623,000

Weekly Rent: \$700 X 50 weeks  
(Allow for a vacancy factor)

Gross Total Rent: \$35,000

Less Expenses: \$10,000  
(eg. Maintenance, insurance, management fees, cleaning, interest costs, depreciation)

Net Rent: \$25,000

$\$25,000 / \$623,000 \times 100$

**Net rental yield return = 4.01%**

**Plus Capital Growth...**

For a detailed more accurate return on your property that takes all expenses and depreciation into consideration, we recommend that you speak with your accountant or financial advisors. ■

## Who should sell your property?

*Who better than your Managing Agent.*

When the time is right and you are ready to sell your investment property, you will be looking to achieve the best possible price and maximise your return.

Your Managing Agent is in a stronger position as they know your property best and are already in a long term relationship with your tenant. Tenant co-operation can help with presentation and access to your property while you are on the market and should be a major consideration.

As long as your Managing Agent advertises on the major internet sites then you should not be disadvantaged. Listing the property should be much quicker and easier for you as they already have both your details and the property in their systems already. There is also less chance of incurring fees for your advertising because you already have a strong business relationship with them - you wouldn't have someone you didn't trust looking after your investment property and they will put in the extra effort because of that trust.

As a valued client you are also in a better position to possibly negotiate a reduction in the selling commission.



**REAL ESTATE  
WORKS**

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