

FROM OUR PROPERTY MANAGEMENT TEAM

Staff News

Welcome Back

Keven Moore



Keven returns to our Dingley Village office after a short break. We wish Keven every success with the move, his contact number is

0449 867 425.

Welcome Aboard

Rachel Carnes



Rachel has recently joined the Property Management Department as assistant to Director Paul Sansom. We wish Rachel every success in this challenging career.

RATE RISES TO PUSH RENTS UP \$2 BILLION

Rising interest rates will result in tenants nationwide collectively paying an extra \$2 billion in rent over the next year.

Director of Ray White Property Management, Ben White, said the Reserve Bank of Australia's monetary strategy to increase official interest rates will flow on to the rental market.

"Every force in the market place will be driving rents higher," Ben White said.

"The mortgages of rental property owners are becoming more expensive so it's inevitable that this will result in rents going up. "Property Managers can expect to be conducting a lot more rent reviews this year."

The RBA has increased the cash rate five times since October last year, lifting the official rate to 4.25 per cent after it was dropped to a half century low of 3.0 per cent in response to the global financial crisis.

Ben White said with most economists predicting the cash rate to be increased to around 5.0 per cent by the end of this year, this would put further pressure on rents.

"This will have a major impact on the economy," he said.

"There are around two million rental properties in Australia and if rents were increased by around seven per cent or \$20 a week that amounts to \$2 billion over a year." Ben White predicted a significant increase in rent review valuations over the next 12 months with landlords expected to seek increases to cover the cost of the interest rate rises.

"The rental market has been relatively soft for a while so we will see a lot more rent reviews taking place as a result of these interest rate rises," he said.

"Professional property managers will be under pressure to determine the best market rent rate.

"A property manager on top of their game will not only be working to get a property tenanted, but also help their landlords get the best rent for that property."

Ben White said there had been a rebalancing of the property market since the federal government's boosted First Home Owners Grant returned to its traditional level at the end of last year.

"The stimulus package took some rental stock off the market but since the expanded grant scheme was pared back there's been a return to more traditional levels of investment properties," he said.

"Population growth in the major cities will ensure there is plenty of demand for property, and also investment property.

"Many hard working families have become landlords for the first time because they see the long term benefits for maintaining an investment property."

DON'T LISTEN TO YOUR PROPERTY MANAGER!!

Well that's what I did. The tenant in my investment property got into arrears and Ashlee Fergie (our property manager) went through our office procedure in this situation. I said what a lot of landlords say "they are good tenants and are looking after the property, lets give them a bit more time." I gave them 6 weeks, and guess what? Those good tenants haven't paid any money since and

now we are evicting them from the property. They owe nearly 3 months rent and I am faced with the prospect of cleaning the property up and reletting the property.

If you are ever faced with this scenario, listen to what your property manager tells you, even if it's just shock tactics to get the tenants back in line.

The good news is, **I have landlord rental protection insurance!!**

Why do I need landlord insurance if I have a managing agent?

As managing agents, we are sometimes asked why a property owner would need Landlord Protection Insurance if they have an experienced and professional property manager caring for their investment.

GOOD QUESTION!!

As a managing agent we are very careful in our tenant selection process, we carry out regular inspections and have high communication standards with our tenants.

However, as you can appreciate unforeseen circumstances can occur in a tenancy, which can be outside of everyone's control.

The loss of a tenant's job, breakdown of a spousal relationship, or illness, can all result in situations where tenants may no longer be able to service the rental payments, or could act in ways that are outside of their normal character, resulting in property damage.

This can happen at any time, even after years of trouble-free tenancy.

With the kind permission of one of our landlords we will detail what happened to them.

In November 2009 the tenant of 8 years simply went off the radar. The rent fell into arrears and all avenues of contacting the tenant were unsuccessful. The tenant was an ideal tenant, rent always paid on time, inspections always good until now. We followed procedure and issued a 14 day notice to vacate and then applied to VCAT for an order for possession. Given the time of year, we did not get a hearing until the 18th December, the warrant was granted and delivered to the local police station. With Christmas and the New Year holidays the eviction was not carried out until the 2nd January. Still no word from the tenant, to make matters worse, the property was full of furniture and personal affects. The Office of Fair Trading were contacted to arrange an inspection by one of their officers, this was not done until mid January. We finally tracked down the tenant by calling a number on a wedding invitation on the fridge and asking them to call the tenant on our behalf. Keep in mind that the locks had been changed on the 2nd of January and we still had no contact from the tenant. Finally on the 2nd February the remaining goods were removed and we could start the process of re letting the property.

In total there was in excess of \$5,500 owing in rent, and nearly \$1,500 in clean up and associated expenses.

The good news was that the landlord took our advise and had landlord insurance, they were not out of pocket at all. **DON'T FOOL YOURSELF THAT IT WON'T HAPPEN TO YOU!!!**

For a fully tax deductible fee that is often less than a single week's rent, you can protect your asset value and financial interests and have complete peace of mind. ■

THOUGHTS FROM VCAT

We recently attended a property management conference and part of the programme included a

Q & A with members from VCAT and Consumer Affairs.

One question was in relation to claims made for compensation for damage caused by the tenants smoking inside the property.

The member from VCAT said that in most cases the claim is either dismissed or heavily reduced due to the lack of evidence presented at the hearing. In order for a claim to be successful the applicant must provide information as to when the property was last painted, what type and quality of paint was used, extensive photographic evidence of the alledged damage, not just a couple of shots of a yellowing ceiling as is often the case. Supportive evidence from a painter describing the damage.

Lastly as the member stated, there is no law or section of the Residential Tenancies Act which prohibits a tenant from smoking inside the property.

We have a no smoking clause which we use in our leases and will continue to use to deter tenants from smoking inside.

Happy Renting Until Next Month