

Property- An investor's haven

With rents soaring across Sydney, property investors are clearly in for a good year!

Rents in Sydney are expected to rise by up to 20 per cent in some areas that are proving to be highly attractive to tenants.

Following the changes by the Federal Government to make super a more attractive investment, a significant switch for investors has occurred from property to superannuation. These changes have prompted property investors to move their capital into assets that qualify as super, greatly reducing the rental property available.

A survey of investors by the Mortgage Industry Association of Australia found that 9 per cent of investors plan to invest in property over the next 6 months. 16 per cent claimed rising interest rates was the reason for their lack of purchasing.

In addition, a limited supply of affordable homes is encouraging first home buyers to shy away from purchasing and turn to the rental market instead. The number of new homes approved in NSW fell 10.6 per cent to 2496 in November, the Bureau of Statistics reported recently. This compares with 6000 in late 2002, in the middle of the property boom.

Despite all the hype however, experienced property investors are cautious as to the extent at which their rental property should be increased. If rents are raised too high and do not reflect the current local market demands, tenants can dispute the rise at the Tenancy Tribunal.

For many investors the ongoing shortage of rental properties in most capital cities is extremely good news. No longer are property investment managers struggling to find tenants within a short time frame and at an average market price.

Renters, on the other hand are not so happy, taking far longer to locate viable property. With the increased competition due to lack of available stock and high demand, tenants are fighting for quality homes. In some cases, property managers have received over 90 applications for one property.

But many are starting to question the impact that this housing shortage may cause. In the meantime, investors are certainly not complaining!

“Rents in Sydney are predicted to rise by up to 20 per cent in some areas.”



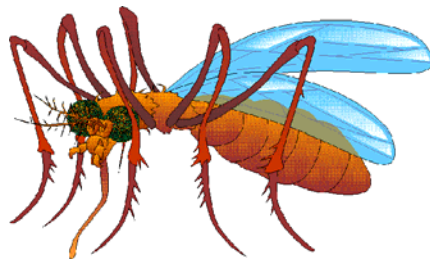
Bug free premises

It wouldn't be an Australian summer without bugs, however what happens when they overrun your investment property? The best way to guarantee your tenants are left bug-free this summer is by ensuring you have fulfilled all your obligations as a property investor when it comes to pest control.

It is the responsibility of the property investor to ensure that at the beginning of a tenancy the property is vermin free. If vermin is noted as a problem in the condition report you may be liable for any damage costs if it is not rectified.

Once the tenancy has commenced, responsibility for getting rid of vermin will depend on the situation. For example, if a cockroach infestation begins because of a lack of tenant cleanliness, then it is the tenant that may be responsible for their eradication. On the other hand, termites and white ants are usually the responsibility of the property owner.

Prevention prior to tenancy is usually the best course of action for the owner. Start by ensuring that all cracks and gaps around the home are sealed. Have a professional pest controller come and treat the property as required and check for evidence of termites or white ants.



Keep in mind that insects and mice do have the potential to destroy property and electrical circuits which could lead to severe damage in the future.

Your Skyline Real Estate property investment manager will be able to provide you with more information on your pest control obligations as a property owner.

A case for the tribunal..

The following is a summary of a legal judgement arising from a tenancy dispute. It is important to remember that this is a summary and for a full account the entire judgement should be read. We do not recommend you rely on this summary in any decision making about your investment property.

The tenants lodged an application seeking compensation and/or a rental reduction based on the property owner's failure to erect a fence at the premises. Evidence was given that the tenants had inspected the premises and agreed to take up the tenancy if a fence was erected. The tenancy was entered into on 31 August 2004 based on an arrangement with the property owner that they would supply the materials for a wooden fence, provided that the tenants would construct it. This agreement was confirmed in writing and signed by both parties.

According to the tenants, the property owner failed to provide the materials as agreed. They said that the property owner obtained various quotes and discovered that it would be cheaper to erect a colour bond fence. After a period of nine weeks the fence material was provided. The tenants claimed that they were unable to install a colour bond fence and were forced to pay a contractor \$290.00 to do this.

The tenants claimed this installation cost plus compensation for the loss of privacy and inconvenience of not having a fence or a rent reduction of \$50.00 per week for the nine week period.

The Tribunal found that there was an agreement between the property owner and tenants that the property owner would provide the materials for a fence and the tenants would supply the labour to install it. It was a term of the agreement that the material would be provided by the property owner without delay. Whilst the agreement was that the fence would be made of wood, this was not considered an essential term.

The parties agreed that there was a delay of nine weeks. The Tribunal was satisfied that this delay amounted to a withdrawal of services. On this basis the Tribunal considered that the tenants were entitled to a rent reduction of \$50.00 per week.