



Investors Report

April 2011



Get the Most out of Renovations

Renovating a run-down or tired property provides an excellent opportunity to maximise rental yield for minimal spend. Before you begin, get a rental appraisal on the property as-is.

You can make comparisons online via websites such as www.realestate.com.au and also with the property management agency. You will not only confirm whether the property is over-rented, but the agent can also make suggestions to assist in gaining a greater rental return. For example, the agent might know that the tenant had previously requested an air-conditioning window unit for the master bedroom. By installing an air-conditioning unit, this could add \$5-\$10 per week to the rent in your pocket, and while the investment pays for itself within a couple of years, you have also added long-term value to the property.

Any renovations should be conducted with the tenant in mind. Consider refurbishments that will improve functionality and increase space and storage, whilst at the same time taking into account the impact on current tenants. Also, if replacing carpet, make this the last thing you do, as it serves as a drop sheet in the meantime.

Many investment property owners miss out on potential **tax credits** by failing to take full advantage of a property's **tax depreciation** potential, so once you have completed renovations, get a **Tax Depreciation Schedule**. You can claim depreciation on all items of Plant contained within the property; these items—determined and reviewed by the ATO every six months—include cupboards, ceiling fans, floor coverings, hot water systems and light fittings.

A qualified Quantity Surveyor can prepare an ATO- approved **Tax Depreciation Schedule**. Engaging a Surveyor will set you back roughly \$500, but you should recover this cost in the first year of deductions. Some firms will even guarantee that if they cannot claim a higher amount of depreciation in the first year than their fee, there will be no charge.



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For your obligation free appraisal or enquiries about any of our properties or open homes please contact us on (02) 6372 2584. We look forward to hearing from you!

4 Tips to Maximise your Returns



1. Use a Good Property Manager—To ensure your asset is managed properly, you need to make sure you find a good property manager. Good property managers are very hard to find but they should be licensed, come recommended from other investors, have been in the industry for a number of years, have local knowledge of the area and the types of tenants your property is likely to attract and stay in touch with you on a regular basis.

2. Claim all Tax Deductions—Contact a quantity surveyor and ask for a depreciation schedule. This will list all the items in and on the property that can be depreciated which in turn can result in a larger tax refund. Most quantity surveyors will not conduct and charge you for a schedule if their professional fee is more than the tax benefit you are entitled to.

3. Update the Property—A new coat of paint, new floor coverings and resurfacing of the bathroom should increase the rent by 10%. If you decide to put in a new kitchen, this alone should increase the rent by a further 10%. Updating rental properties not only increases your rental yield but it also helps to attract a better quality tenant.

4. Don't cut back on maintenance—If you can't increase your income, you could consider cutting back on expenses. Don't! There are a number of reasons you shouldn't do this. Firstly, a property that is poorly maintained aggravates the tenant and will create headaches for you (and your property manager). Secondly, a poorly maintained property doesn't attract good quality tenants. Finally, you don't want to be contravening any residential tenancies rules or regulations by having sub-standard accommodation.

Our local rental market is exceptionally strong and predicted to remain so over the next 5-7 years. **NOW** is perfect timing to purchase additional rental property... Call Helen on 6372 2584.

Recently Leased—

\$250pw—2 Bedroom Unit in central location. Rear paved courtyard, air conditioning, renovated kitchen, rainwater tank and solar hot water system and a single lock up garage.

\$285pw—3 Bedroom Unit all with built ins, reverse cycle air conditioning, very quiet and secure area, small garden shed and lock-up garage.

\$360pw—3 bedroom house, all with built ins en-suite of main, lounge and family room, split system air conditioning, double lock up garage.

\$500pw—4 bedrooms all with built ins, en-suite off main, huge living area, dining and kitchen area, air conditioned, double lock-up garage and large backyard.

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