

# PRONNEWS

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## In this issue:

- Short term vs long term rentals
- Rental property inspections and your privacy
- Is Australia's property bubble set to burst?
- How to beat the crowds this summer

## SHORT TERM VS LONG TERM RENTALS

If you own or intend to buy an investment property, you'll need to decide if you're going to cover the holding costs by listing it as a long term or short term rental.

Both options can pay off financially but both also have potential drawbacks. So which one should you choose?

### Short term vs long term rental

Offering your investment property for rent using a platform like Airbnb or Stayz is one of your options to generate income and reduce holding costs. Most of the people who go down this road do so because they can charge considerably more on a night by night basis. However, there are downsides to short term rentals that can make the strategy a risky one.

For one thing, short term rentals need to be furnished, which will add to your budget. Every household item, including furniture, linen and appliances must be available if you want to get good reviews, and they all need to be good quality.

Listing your property as a short term rental is like operating a hotel (to an extent). You will have a revolving door of people coming and going, and you have to make sure that the place is cleaned and prepared between each set of guests. While the property listing platforms allow you to review tenants and check their reviews before they arrive, if something does go wrong during the stay, short term tenants are much harder to hold accountable. This is especially the case if they are visiting from overseas.

If you offer your investment property as a short term rental, you'll need to think about utility bills. You have to pay for the electricity and WiFi yourself, which is not the case with long term tenants.

Then there is the risk of negative reviews that can impact occupancy. Despite your best efforts, you will still get the occasional disheartening feedback thanks to a visitor who has unrealistic expectations.

The other thing to think about is cleaning the property and managing your guests. Having people checking in and out every few days can create a lot of work. One option is to pay a specialist property manager, the same as you would with a long term rental. They will charge a small fee to take care of these tasks.

While listing your property for short term rentals can be lucrative during busy periods, local competition can put a dent in your profits. If there is a surplus of other short term stay options in your

area, you might find your property is empty for longer periods than you hope for. This can offset the additional money you might make from charging more per night or being booked out at Christmas.

Finally, you need to check the rules in your building, local area or state. In NSW, for example, short term rental rules changed as of November 1. Owners are now required to register their property and pay a registration fee, and it's possible that other states will begin to follow suit.

If your building has banned short term rentals, it is probably due to the problems caused by people constantly coming and going or inviting additional guests for loud parties. Review your by-laws! Breaching them could result in a fine.

### Long term rental benefits

You can't charge as much on a night by night basis but there are still advantages to having long term tenants over short term visitors.

Once your property is tenanted, you know you will receive a steady income for a set period of time. Your tenants will usually furnish the place themselves so you don't need to buy furniture or worry about it being damaged. It is also their responsibility to keep the place clean and pay the utility bills.

A long term arrangement requires less effort on your part, particularly if you have a property manager who will take care of inspections and deal with maintenance requests. You won't have the regular stress about vacancy and you won't be impacted by an ever-changing tourism industry.

The potential drawback of having a long term tenant is ending up with tenants who are very demanding or unreliable. It can be difficult to know how to move them on if you don't have a clear contract or a professional property manager to support you.

### Which to choose?

When it comes to long term vs short term rentals, the choice is up to you. Depending on where your investment property is located, one strategy may make better financial sense over the other. Both options come with a set of responsibilities and requirements so work with an experienced property professional to ensure you're staying compliant while maximising your investment property income.

**Thinking of investing? Speak to your local Professionals agent.**



## RENTAL PROPERTY INSPECTIONS AND YOUR PRIVACY

When you rent a property, it will be subject to regular inspections. These visits have the purpose of protecting you as well as the property owner.

### Why have rental property inspections?

Rent inspections are a necessary part of leasing a home or apartment.

Landlords/rental property owners have the right to make sure you are keeping their property in good condition and inspections will give them peace of mind. Having inspections is also a way to help you as the renter because they can be used to identify safety or maintenance issues with the home.

### Your rights during property inspections

There are some rules around inspections that should protect your privacy as a tenant/renter.

- **No surprises:** To begin with, property managers and landlords aren't allowed to conduct surprise inspections. They must give you adequate, written notice that they intend to perform the inspection. In most states, at least 7 days notice is required, although most decent agencies will give you more.
- **Not too often:** Rules vary between states, but in most cases, there is a limit to how many times a year an agency can carry out a property inspection. If you are required to participate in inspections more than once every three months, check your local guidelines.
- **No consent, no entry:** Your landlord or property manager isn't usually allowed to enter your premises without your consent. However, if they have notified you officially of an upcoming inspection, they are entitled to come in. Part of your lease agreement should cover consent to allow entry for inspections after notification. Even still, the agency representative is only supposed to enter during business hours and they can't stay longer than deemed necessary.
- **COVID-19 safe:** In 2021 and most likely into 2022, whoever is carrying out the inspection is required to wear a mask and

carry out the proper health and safety precautions. They also must abide by any social distancing rules that are in effect at the time of the inspection. You aren't required to be at home during the inspection so if you want to avoid contact with your agent you can leave the premises while they inspect.

If you are renting with someone who understands current legislation, there should be a clear clause about rental inspections in your contract.

### What happens at an inspection

Usually, your landlord, property manager or inspection agent will take a look around the home to make sure it is in good condition and that you're not in breach of your rental agreement.

They will probably have a checklist and take photos as they go. For example, if there is damage to a carpet they can take a snap and compare it to the original condition report to determine who is responsible for fixing it.

If you have any concerns about issues with the property, point them out before or during the inspection. You can also share photos of your own.

### Why property managers matter

If you want to be treated fairly during inspections, it makes sense to rent through a reputable agency with an experienced property manager and inspection team.

Quality property managers respect your rights and will do what they can to accommodate your preferences during inspections. They are also on top of all the rules and are less likely to break them by interrupting you in an unfair way.

If you have a good property manager and you communicate openly with them, there is no reason you should have any trouble when inspections roll around. Be friendly and let your agent know what suits you and most times they will do their best to work with you.

**It makes sense to rent a home with the help of a property manager. Contact Professionals Real Estate to find out about current vacancies in your area.**



## IS AUSTRALIA'S PROPERTY BUBBLE SET TO BURST?

Australians love to talk about 'property bubbles', debating whether or not we are in one and how long it will be until it bursts.

The concept is definitely a hot topic right now, particularly after prices rose so dramatically during the pandemic. Demand has been high, supply low and money 'cheap', so buyers have been increasing their offers to secure property.

But are we seeing a bubble that is about to burst? The trouble is that it's hard to know whether there is in fact a property bubble until it actually 'pops'.

Property bubble or not, there are signs that the rapid increase in property prices is set to slow at the very least. Here's a roundup of what has happened in 2021 and what may come next:

### How did we get here?

In November 2020, the Reserve Bank of Australia (RBA) set interest rates at an all-time low of 0.1%. The goal of this was to help people who may have been losing income due to the pandemic to be able to maintain their home repayments. As a result, home loans became more affordable than ever. Buyers were happy to take out loans that may have frightened them off a few years ago and sellers happily accepted the high offers that result from low interest rates.

Add to this the lack of supply and increase in demand and house prices climbed dramatically in 2021. The peak price rise was an average of 2.8% in March, which was the fastest pace seen in over 30 years.

However, those huge price jumps are now beginning to plateau.

### What's changed?

Although the Reserve Bank has resisted raising interest rates so far and intends to keep them low for the foreseeable future, pressure is rising to make property more affordable. Part of this pressure comes from new home loan rules recently set down by APRA. The 0.5 percentage point increase on the minimum interest rate buffer on home loan applications has reduced the maximum buyers can borrow by around 5%. This is all in a bid to make sure

home buyers aren't overwhelmed by their monthly repayments when interest rates rise.

In other words, you can now only borrow money if you prove you can continue repayments after interest rates rise. The flow on of this is reduced borrowing power and lower offers being made on homes.

Meanwhile, the number of houses on the market has started to increase. Reports say new listings surged Australia-wide by 47 per cent since the recent low in September.

### Is there a property bubble or not?

Whether there's a bubble or not seems to be up to who you ask and where you live. The general consensus is that, even when things do slow down, property prices won't crash to catastrophic lows as there will still be competition between buyers to buy quality homes in sought after areas. It is likely to be more of an evening-out than a freefall.

With that being said, if you are considering selling and you do want top dollar, it's a good time to get moving on your decision. Prices are likely to hold strong through summer and autumn but may begin to flatten further as we enter next winter.

To get the best price for your property, whenever you choose to sell, you need the help of an experienced local agent who knows the market and will help you achieve the best price with as little stress as possible.

**Contact Professionals Real Estate to begin preparing for the sale of your home.**





## HOW TO BEAT THE CROWDS THIS SUMMER

Are you looking to buy a home in 2021 or 2022? It might seem like a daunting prospect at the moment as prices have skyrocketed and competition amongst buyers is strong. It's a seller's market and it may feel impossible to make the winning offer, especially if you're stretching your budget.

However, there are ways to get ahead of the crowd so you can find your dream home and purchase it this summer. Here are some tips to get you started:

### Make friends with real estate agents

The first and most important step is to make contact with professional real estate agents in your area. They are on your side as much as they are on the side of the seller and want to create a win/win situation so everyone walks away happy.

Sellers want a smooth sale and agents want to make it happen for them. When you get to know a few agents and tell them what you're after, they will keep you in mind when new listings come onto the market. You may even be able to get in ahead of an advertised open home and have the chance to make an early offer to a seller who is in a hurry to move on.

### Be real with your agent

Once you have made some good contacts, make sure you communicate. Let them know what you want and listen to what they have to say in advance. They need to know what you're looking for so they can notify you about suitable homes and not waste your time by recommending homes that are outside of your budget.

Don't be afraid to keep in touch with your agent. Follow them on social media and pick up the phone to stay informed about what's happening in the area where you want to buy.

### Widen your network

Online sources like local Facebook groups can provide a wealth of information when you're in the market to buy. You never know, you may even find a home for private sale by reaching out and simply asking a few questions. Be careful though, as private sales can be risky if you're not an experienced negotiator. Make sure you get advice from a professional before you buy a home through a private connection.

You could also consider using a buyer's agent. This property expert will go into bat for you when you are buying a home and make sure everything is above board. They do the leg work and will negotiate on your behalf. Buyer's agents do charge a fee for their services so you will need to work that into your budget.

### Get your finances in order

As well as finding a good agent, getting pre-approval for your home loan from a lender is probably the best piece of advice to put you ahead when you're shopping for a place to live.

Coming in with your loan pre-approved makes you a desirable buyer as it streamlines the process and makes it easier for everyone involved. This is especially important as we enter the festive season. Plenty of lenders will be on holiday in January and getting approval will be slower than usual. If you have pre-approval you can make an offer with confidence and beat out other buyers who don't have everything in order.

Pace yourself, gather a team of professionals around you and you'll be better placed to be the winning bidder this summer.

**Looking to buy a home? Connect with your local Professionals Real Estate agent.**



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