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WHAT IS RENTAL YIELD AND WHY DOES IT MATTER?

Investing in property is a strategy to grow your wealth but you need to get your numbers right if you want to achieve the best outcomes.

One of the terms you will need to familiarise yourself with is rental yield.

What is rental yield?

Rental yield is the profit you bring in from your investment property.

Once you subtract all the costs of owning the property, such as maintenance, repairs, depreciation and any other expenses, you will have your rental yield.

This figure is generally measured as a percentage of the property's overall value. For example, the average investment property in the Australian beachside suburb of Manly in NSW is under 2% because of the high value of homes in the area. Meanwhile, some other parts of NSW can generate more than 6% rental yield.

Why is rental yield important?

The reason you buy investment property is to make money.

Most investors play a long game and look to hold the home so they can sell for a profit. However, you need to factor in the costs of owning the property. The higher the rental yield, the lower your overheads are during the time you own it.

While resale may be the point where you make the bulk of your profit, rental yield is also a significant contributor.

How to calculate rental yield

To calculate your gross rental yield:

- Take your annual rental income
- Divide it by the value of your rental property
- Multiply the result by 100

For your net rental yield:

- Calculate all the expenses that have gone into your investment property
- Calculate your annual rental income
- Subtract your total expenses from your total rental income

- Divide the result by the value of your property and then multiply by 100

Check out our online rental yield calculator for a quick answer.

A gross rental yield of between 3% and 5% in urban areas is considered pretty good in Australia, while it should be above 5% in regional areas.

How to generate a high rental yield

The best way to achieve the highest rental yield is to get the best rental price possible for your property while keeping expenses low.

The good news is that the rental market is very tight in a lot of Australian cities and suburbs right now, so there is an excellent opportunity to generate a significant rental yield.

To maximise your rental yield:

- **Set your rental rate in accordance with the local market:** Some landlords hold their property for a long time and fail to raise the rent. If you have a good property manager, they will make sure you charge a market rate, regardless of how much your mortgage costs.
- **Upgrade the home:** Some basic improvements to your property can add to the asking price. Consider upgrading the kitchen cabinets or adding storage to the bedrooms, for example.
- **Maintain the property regularly:** The longer you leave things, the more expensive they get so create an annual schedule to help take care of the property. This will prevent small problems from becoming big ones.
- **Consider allowing pets:** People may pay a little extra to be allowed to keep their furry loved one on the property. If you sign a 'pet agreement' with them, you can charge more and ensure they pay for any damage to the property.
- **Use a property manager:** The most effective way to maximise your rental yield is to work with a skilled property manager. In addition to helping you improve the home and attract the highest paying tenants, they can share their advice before you buy an investment property and let you know whether or not the rental yield will align with your goals.

Are you ready to invest in property? Contact your local Professionals representative today.



WHY RENT WITH A PROPERTY MANAGER

When you set out to find a rental property, you have two choices, find one with a self-managing landlord or lease a home through an agency and a property manager.

Renting with a property manager is the smarter choice for the following reasons:

- **A property manager knows all the tenancy rules and regulations**

In Australia, every state has a long list of rules and regulations that are in place to protect renters and landlords.

However, just because someone has bought a property and is now renting it out doesn't mean they know all the rules in detail.

A property manager, on the other hand, is well versed in the rules and regulations of their state as part of their job. This knowledge means they will always follow the guidelines that keep you protected and within your rights as a tenant.

- **Property managers have policies and procedures to follow**

The policies and procedures put in place by real estate agents for their property managers to follow mean that they are usually more reliable and predictable than people who aren't industry professionals.

Your property manager has to adhere to a high standard set by their agency, so you will always get the best care and service. With a property manager, you know you will be taken care of and all your needs will be addressed.

- **There is almost always somebody on call**

Property managers work with agencies as part of a team.

Being a team means there are others around to pick up emergencies if your assigned property manager can't help you.

If your usual point of contact is unavailable for whatever reason, the agency will have someone else who can handle your problem. You don't have to worry about a self-managed landlord going away on holiday and leaving you with no one to contact.

- **You get clear, detailed receipts and reports**

Property managers will always provide you with records of any transactions or correspondence. If you ever need the paperwork regarding your rental property, you know that it will be easy to access.

Having rental receipts can be important if, for example, you are applying for a home loan. Your property manager will have them close to hand and may even use an online portal that allows you to access the records you need without even having to ask.

- **Property managers don't make it personal**

Landlords often have an emotional as well as a financial investment in the properties they own.

High emotions can make it hard to resolve disputes, even minor ones.

On the other hand, property managers leave their personal baggage at home. They are not emotionally invested and can make more rational decisions based on standards and regulations rather than assumptions.

- **They won't show up unexpectedly**

Every now and then you will come across a self-managed landlord who feels they have the right to come and go as they please because they own the property. This can result in your privacy being invaded.

A property manager will never appear at your doorstep uninvited and certainly won't let themselves in. They are aware of their boundaries and the importance of privacy. Your inspections will be scheduled and you will always have plenty of warning.

Choose a property manager

A property manager is the best choice for consistent service and peace of mind. You will save yourself the risk of dealing with a landlord who doesn't understand industry best practices and be likely to have a more positive experience.

Looking for a place to rent? Contact your local Professionals office today.



SELLING DUE TO A SEPARATION OR DIVORCE? HERE ARE SOME HELPFUL TIPS.

Divorce is a difficult time and things can get complicated when it comes to selling the home you owned together.

Here are some tips to make your house sale less stressful when going through a separation from your partner.

Decide if selling is definitely the option

Not every couple sells the house when they separate. Sometimes one partner will 'buy out' the other and take over the mortgage for an agreed amount.

If this appeals to you, speak to a real estate agent to request an appraisal of what the home is worth. This will help you figure out if you can afford to buy out your partner or not.

One partner may say it is ok for the other to stay in the house for a set amount of time before selling. Make sure to have all agreements in writing so there is no confusion down the road.

If you do decide to sell, either work out between you and your ex or work with a mediator/lawyer to figure out how much each of you will take away from the sale. It's better to know this before you put the home on the market if you can.

Figure out your priorities

It makes sense to decide between you (if you can) what your priorities are.

For example, you may both be more interested in a quick sale so you can rapidly free up some cash and use it to make your next move.

Alternatively, there may be a price point that you can't go below. In this case, you may need some extra time to prepare and you may each need to invest some cash to put towards improving the home before you sell. Again, agree in writing how much each party will contribute and record how the expenses will be reimbursed.

Get the right help

The best way to deal with selling your home after a divorce or separation is to have an empathetic and experienced agent.

When you choose well, your agent can act as a compassionate 'bridge' between you and your ex as you navigate the requirements of the sale.

Your agent will let you know:

- The right price to ask for based on up-to-date market movements
- The best type of sale: You may want an auction to try to create a bidding war, but it may not be the best option for a quick result. Your agent will tell you whether an auction is the right way to go or whether you should pursue a private sale to keep things moving more quickly.
- If an off-market sale is recommended to protect your privacy and get an even faster result.
- Which upgrades you need to consider (and your agent can help by arranging handymen, landscapers, home stylists etc)
- The best way to market your property: An agent will handle all the marketing and can even help you to style the home or find a designer to do it for you.

Your agent will also explain the costs involved with selling your home so you have an idea of the profits that will remain to divide up between yourself and your ex.

These days, it's possible to interact with your real estate agent without having to be in the same place as your ex at the same time. They can use phone and video conferencing to interact with both of you separately if this is what you prefer.

Let your agent be the voice of reason, rely on their expertise/ industry knowledge and your transition will go more smoothly from start to finish.

Get it done

Your real estate agent is here to help you sell your home as smoothly as possible during a separation. Let them handle the bulk of the work and listen to their advice. An agent won't take sides; their job is to get the best price for your house in the time frame you are most comfortable with.

Once your sale is final you'll be able to make a fresh start and look forward to the next chapter of your life.

Need help to quickly sell your home after a relationship breakdown? Contact your local Professionals representative today.



START PREPARING NOW AND BE PURCHASE-READY IN 2023

Christmas is now in sight and 2023 is on the horizon.

If you are hoping to buy a house next year, now is the time to start preparing.

What's in store for Australia's housing market in 2023?

If you have been following real estate trends over the last few months, you will know that prices are settling after dramatic increases in 2021 and 2022.

While it's by no means a 'crash', the trend towards more affordable property looks set to continue into 2023, although there are always exceptions.

While this is good news for buyers, it is partially offset by rising interest rates. Australia's interest rates have now risen for six months in a row and lender interest rates have been adjusted accordingly.

Early 2023 will be a good time to buy property, before rates go up further and while the market is not affected by rapid price growth.

Preparing to buy a home in 2023

- **Get your finances in order**

Buying a house is a huge investment, and lenders will want all sorts of details before you can apply for a home loan.

Before you apply for a loan, start working on clearing or consolidating as many debts as you can while putting money away as savings and minimising your regular expenses. This will help you look good to lenders.

- **Find a broker**

Mortgage brokers are your best weapon to find the best loans and financing to suit your specific needs. Working with a broker makes sense because they can compare multiple loans on your behalf and make sure you get the right deal for your circumstances. They also take over the process of applying for a loan for you, often for no charge or very little cost to you.

- **Get pre-approval**

With your finances in order and a broker to help you select the right lender, you should always get pre-approval for a home loan before you start seriously looking for property.

When you have pre-approval, you will know how much you can spend. The vendor will know that you are ready to commit and you can submit your offer with confidence.

- **Do your research**

Once you have an idea of what you can afford and have pre-approval from a lender, find out how much the style of property you are looking for costs in the area you are hoping to buy in.

At this stage, you can start to make a realistic estimate of what you can and can't afford. This is also a good time to start working on a list of 'must haves', 'desirables' and 'bonuses'.

For instance:

- **Must have:** Three bedrooms
- **Desirable:** Undercover parking
- **Bonus:** Swimming pool

Start with online research to see what's available in your price range. You may need to adjust your expectations. Once you know what you can afford, start visiting some open homes in person.

Learn what to look for in terms of property size, condition and features. You'll soon start to understand why some homes are valued higher than others in the same suburb or even the same street.

You might also want to attend some auctions to see how they work and become familiar with the process. This will help you when the time comes to bid yourself.

- **Find an agent**

As you visit open homes, get to know the selling agents. It's their job to find buyers as quickly as possible so they will be excited to hear what you have in mind and what your budget is.

Take the time to have a chat and share your feedback. The agent may have another property coming up for sale that matches your preferences.

Buying a home can take several months because of all the steps involved. Start preparing now and you'll be able to bid with confidence and purchase your first or next property in 2023.

Ready to take advantage of current market conditions in your area? Contact your local Professionals representative today.



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