

Ray White

On Mulgrave Cairns



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Quote: It is when things go hardest, when life becomes most trying, that there is greatest need for having a fixed goal.

B.C. Forbes (1880-1954) Founder of Forbes magazine



OFFICE NEWS

Hi Everyone!

The cool weather is on it's way, the rain has stopped - Hooray! Cairns is looking green & luscious, the sky is sunny & blue. That's good news for those of you with investment properties anxiously awaiting every cyclone warning we have! Remember, the media always beat it up & good news does not sell!

We have been inundated with insurance claims for everything imaginable from the weather to loss of rent through tenant job losses! We thought we would dedicate a large part of this newsletter to that very subject. More than ever, insurance is of enormous importance for the well being of both your property & your bank account! It is crucial for you to know who you are insured with, what it covers you for, has your renewal been paid & have you told your Property Manager about any changes made to the policy. Insurance claims tie up our Property Managers for hours at a time. This information is imperative to the speed at which your claims are dealt with.

Our unemployment rate has officially reached 9% in Cairns adding to our problems, however the team at Ray White On Mulgrave are full of beans. While the rest of town sits on vacancy rates of up to 8%, we currently maintain a 3.5% vacancy with outstanding rental arrears from tenants sitting at a healthy 2.2%. The state average is currently 14%!

Have a great Easter!

Ray White On Mulgrave Property Management

POOR ECONOMIC CLIMATE, JOB LOSSES & THE EFFECT ON LANDLORDS

The current economic climate in 2009 has resulted in reduced profits & downsizing for many companies in Australia. As a result, many people have lost their jobs as companies cut their bottom lines to prepare for the worsening economic slowdown. Experts predict that job losses in 2009 are likely to continue & possibly increase throughout the year.

The situation presents a problem for Landlords as their tenants are unable to continue rent payments, inevitably break their lease or seek release (or, at worse abandon!) from the lease by the courts under tenant hardship.

In this economic environment, it is imperative Landlords ensure they have adequate Landlord insurance in order to position themselves for potential loss of income due to tenants losing their jobs. High on the Landlord checklist should be cover for tenant hardship, and loss of rent scenarios without the waiting periods or high excesses (including cover for tenants on a periodic lease).

Some Landlord policies available only have limited cover, huge excesses & waiting periods which often result in the Landlord not being able to recoup much of their loss. In Cairns, be particularly wary of recommendations from investor clubs in the south as many of them do not cover such risks such as vermin, termites, cyclones, etc....Before deciding to take out Landlord insurance in a package deal with the company that covers your car, house or provided you with your finance, take the time to check the coverage, excesses, waiting periods, and other limitations that may see you deeply out of pocket when making a claim.

Ray White On Mulgrave thoroughly recommends Terri Scheer Insurance. They provide a very comprehensive Landlord insurance policy in Queensland without the common limitations, and for only \$255 per year. They allow for the Landlords property manager to place cover on your behalf, make claims & pay renewal invoices when they fall due. To place cover for your investment property, contact your Property Manager or call Terri Scheer Insurance direct on 1800 351 788 or visit them online @ www.terrischeer.com.au

ACCIDENTAL DAMAGE VS WEAR AND TEAR

Some landlords have unrealistic expectations that their property will remain in exactly the same condition at the end of the lease as when tenants first move in. The reality is though, that wear and tear on a rental property will occur over time. Landlords should expect a level of wear and tear on their rental property while it is being tenanted.

It is important to understand the difference between accidental damage and wear and tear. While tailored landlord insurance may cover claims for accidental damage, wear and tear is generally excluded and cannot be claimed.

Accidental damage is defined as being caused by a sudden and unexpected event. This might include spilling red wine on the carpet. In contrast, wear and tear accumulates over time.

An example might be carpets. Depending on the quality of the carpet, its life span could be five to seven years. This means that if a tenant has been in the property for a number of years, you can expect there to be signs of foot traffic and flattened or bare patches.

In insurance terms the carpet has not been damaged accidentally or maliciously, but may be in a reasonable condition given the tenant's time in the property.

It's like living in your own home – over time there will be signs you have lived there, but this wear and tear cannot be claimed on insurance.

One of the main reasons landlords confuse wear and tear for accidental damage is because after leasing their property they often don't see it again until the end of the rental agreement. This is why it is important for your Property Manager to carry out regular inspections and advise you on the property's upkeep.

Examples of accidental damage:

- Spilling red wine on carpet
- Hole in the wall caused by tenant moving furniture
- Cracked floor tiles after a heavy saucepan is dropped

Examples of wear and tear:

- Foot traffic marks on carpets
- Scuff marks on floor coverings
- Minor scratches/scuff marks on paintwork & dirty hand marks on curtains/blinds

LANDLORDS ARE FINDING IT HARDER TO JACK UP RENTS AT WILL

An interesting article from the *Australian* states exactly what we have been experiencing for the past 6 months in Cairns & it seems the property cycle just gets quicker. During the past three or four years we've had rising rates, rising prices, rising rents, then falling prices, falling rates and now rental growth is tapering off and vacancy rates are increasing.

Landlords have been in the box seat for a long time, but that looks to be shifting. More owners, unable to sell their properties, are putting them into the rental pool, more renters are buying because of lower interest rates and incentives, while others are returning to sharing accommodation and costs. Tenants in some areas are at their limit and are not going to be able to find the ready cash to cover periodic rises in their rent.

Some renters are buying while others are moving into more substantial accommodation so they can share. HTW says rental demand is still strong for the right location, it's just that premiums above and beyond reasonable are getting harder to achieve. There will always be demand for good rental properties, but the present economic conditions mean the days of owners simply increasing the rent every review are coming to an end.

OFFICE ACTIVITY

We regularly track our Agency activities and results via monthly performance indicators. These indicators are also a great way for you to follow the rental market activity, particularly the fluctuation in activity month by month, which shows trends, seasonal supply and demands and marketing success. You may find the following information of interest!

ACTIVITY : Number of:	LAST MONTH	THIS MONTH
Prospective Tenants inspecting available Rentals	138	118
Tenancy Applications Received	76	27
Properties Rented inc. Lease Renewals	41	22
Hits / enquiries on website	10,699	10,066

Calendar of Events- April 2009

10 April	Good Friday – OFFICE CLOSED
13 April	Easter Monday – OFFICE CLOSED
15 April	Mid Month Accounting
30 April	End of Month Accounting