

Ray White

On Mulgrave Cairns



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Quote: "Don't wait to buy real estate, buy real estate and wait!"

" Anonymous "

LOCAL AREA / TEAM NEWS

Hi Everyone!

Are you confused yet? The media is full of reports about property values rising or falling (depending on who wrote the article) Sales prices in Cairns have fallen in the first quarter up to 14.9% with a definite slow in volume sold. Property owners are receiving their latest land valuation notices from the Department Of Natural Resources showing that the median value of land across Cairns increased in the year to October 2007 by an average 22%! Remember, although current sale prices are dropping, values are always increasing at a rate of 10-11%. Just ride out the storm if you are able to...Loads of stock on the market, woeful Open Homes... we are truly seated in a buyer's market.

With share-markets bouncing about, interest rates rising, fuel prices and several high profile investment fund/brokers collapsing, people are naturally concerned. But think about it - house prices have risen on average approximately 250% in 6 years, clearly not sustainable! Cairns is in a great position with plenty of construction going on (I counted 3 cranes in the sky this morning!), tourism is alive and fresh interest in the mining areas in the Tablelands and the Cape York areas clearly injecting substantial incomes into the economy. Rental vacancy rates are holding steady at 2-4% throughout the region. A few local building companies have been off-loading excess properties at cost price to investors causing a glut in the rental market coupled with the loss of many jobs causing an increase in break-leases. Listen to the advice of your Property Manager if your investment property is vacant. Tenants have a huge choice of properties. Those that are well maintained, clean and represent value to the tenant, still remain in good demand.

Well....that's what is happening in Cairns

Have a great month,

Ray White On Mulgrave Property Management Team

Landlords' Tax Bonanza

The popularity of negatively geared rental housing, and its cost to taxpayers, continues to balloon.

More than a million Australians claimed they lost money on renting out homes in 2005-06, resulting in a collective tax break to them of \$3.5 billion, the Australian Taxation Office has revealed. In the same year, only half a million people reported having made money on renting out property.

In most businesses, losing money is frowned on. In this one, however, it has become the spirit of the game, with landlords writing off their claimed losses against tax, and effectively using the savings to subsidise their property investment.

On preliminary figures, the Tax Office says landlords reported \$8.7 billion of rental losses in the year to June 2006. The final figures, on past practice, are likely to be higher than that — about \$9.3 billion.

Seven years earlier, 650,000 landlords reported just \$2.5 billion in losses. Since then, the losses have more than trebled, mounting by roughly 20% a year, while the number of landlords claiming them has risen 70%, as negative gearing has become an increasingly fashionable way to cut your tax bill.

Assuming landlords were facing, on average, a marginal tax rate of 37.5 cents in the dollar, the tax they saved has escalated from about \$1 billion seven years ago to \$3.5 billion in 2005-06, and probably more like \$5 billion a year now given interest rate rises since.

The Productivity Commission, with tacit support from the Reserve Bank, urged the former Howard government to review the tax breaks for housing, arguing that they favoured investors over first-home buyers.

Former Reserve Bank governor Ian Macfarlane told MPs in 2002 that most investment in housing was "tax-driven", citing negative gearing and the low tax rate on capital gains.

But with a million investors now using the tax break, neither major party is prepared to take it from them. Treasurer Wayne Swan has repeatedly refused to reopen the issue, after the Hawke government dropped negative gearing in 1985 only to reinstate it in 1987, saying the move had driven up rents.

Written By : Tim Colebatch

Source: The Age (19 March 2008)

Water Charging Laws

The following frequently asked questions and answers from the Residential Tenancy Authority are included in this newsletter to help you become familiar with the Water Charging laws now effective. Our Agency is in the process of communicating with both Lessors and Tenants about the laws and how it applies to each property and existing tenancy. In the meantime, the following information may be of interest to you.

What does 'water consumption charges' mean?

Tenants can only be charged for water consumption that is, the variable part of a water charge which relates to volume of water that is used by the tenant. The lessor must pay all fixed charges for water supply to the premises. The tenant and lessor can negotiate any other water consumption costs the lessor may meet.

Act - s91A Water service charge for premises other than moveable dwelling premises

The lessor/agent cannot require the tenant to pay more than the billable amount.

Example

The lessor may agree to pay for an identified amount of water if the tenant is required to maintain gardens to a certain standard.

How does the lessor charge the tenant for water?

Copies of the water bill or similar should be passed on to the tenant to verify the amount to be charged.

Tenants in rental properties in south east Queensland will begin to be supplied with water usage information for the property in the next 12 months. This is not a bill and is only for the information of tenants. The lessor will still need to provide information about the costs of water consumption related to that particular tenancy.

Tenants have one month in which to pay the agreed amount for water consumption once notification has been provided. Tenants cannot be charged late fees.

Act - s96 Certain terms about penalties and other payments void

How can water use be calculated if the billing period doesn't align with the period of the tenancy?

Water billing periods will rarely align with tenancy periods. Councils differ between issuing rates and water notices quarterly, half yearly or annually.

Therefore, tenants and lessors/agents should become familiar with the location of the water meter and note the reading at the start and end of the tenancy on the Entry/Exit Condition Reports (Forms 1a/14a). This, together with information provided by the water supply authority about rates, can be used to calculate the amount owing.

The lessor/agent cannot require the tenant to pay more than the billable amount.

Example

Meter reading at end of the tenancy minus the meter reading at the start of the tenancy multiplied by the council water cost = amount payable by the tenant.

37548900 - 37498500 = 50400. 50.4Kl x \$1.00 = \$50.40

Can lessors back date charges?

No. Water efficient devices must be in place for the entire period if the full water consumption is to be charged. Tenants can't be charged for full water consumption before 1 April, 2008. The commencement date for the new water changing provisions will vary depending on the type of tenancy agreement that is in place for the premises.

Act - s355 Application of s91A to existing fixed term agreement

Who pays for the water if the premises don't meet ALL of the water efficient standards?

The lessor must have installed the required water efficient devices to all the internal water supply (that is, to all toilets, showerheads and internal cold water taps excluding bath tubs, washing machines and dishwashers) to be able to pass on full water consumption costs.

If the premises aren't water efficient to the required standard for a period but the premises are individually metered, the lessor is required to provide a 'reasonable' amount of water before being able to pass charges for water above this amount on to the tenant.

If the premises are not individually metered, the lessor cannot charge the tenant for any water.

Example

If the property does not have water efficient dual flush toilets but all other water devices are water efficient, the lessor cannot pass on full water consumption charges to the tenant.

What is a "reasonable" amount of water?

The Residential Tenancies Act does not define what may be considered a reasonable amount. Clients should be referred to their local Council for further advice and information about what is considered "reasonable" in the local area.

Section 94(3A) of the Residential Tenancies Act outlines what the Tribunal may consider in determining a 'reasonable' amount of water which includes:

- relevant information about water usage and charges in the local government area,
- the area of land,
- any special terms,
- the presence or absence of water saving devices,
- the number of people occupying the premises,
- the quantity of water for which the lessor should reasonably be liable, and
- anything else the Tribunal considers relevant.

Example

Some lessors /agents are using the Queensland Water Commission's target for individual water consumption as a guide to establish what may be considered 'reasonable' water usage.

How do the changes protect the tenant from unfair increases in the costs of a tenancy?

The major factor for increasing rental costs is the tight rental market. Charges for water consumption may increase the other costs of living in a rental premises for some tenants the same way that electricity and phone costs do.

Some of the protective measures introduced to protect tenants against unfair increases in the costs of living in the premises are the requirements for:

- a high standard of water efficiency in the premises,
- the premises to be individually metered,
- copies of bills to be supplied to tenants,
- fixed water supply costs to be paid by the lessor, and
- serious water service leak included as an emergency repair (Section 123A).

Tenants can control the amount of water costs through their own usage, similar to electricity and gas.

Landlord Insurance – are you covered?

Protect your Investment Today....

Would you like the peace of mind knowing your investment property is covered under professional landlord insurance? The following is a brief list of items that are included in most policies:-

Loss of Rent (terms and conditions apply)
Absconding Tenants
Defaulting Payments
Loss or Damage to Building (limited cover)
Accidental loss or damage
Malicious damage
Theft by tenants
Loss or Damage Contents (conditions apply)
Legal Liability

For a complete information pack on this essential tax deductible item please contact our office.

REFERRALS ARE REWARDING!

Do you have other investment properties we can manage for you? Consolidate them all under our management for consistency as well as other benefits. Perhaps you know someone with an investment Property? If so, please contact **Ray White On Mulgrave** on 07 40514595 or rentals.onmulgrave.qld@raywhite.com. We are delighted to announce our "Thank you for your Referring" bonus gifts! A \$100 Gift Voucher from Bunnings Warehouse or Verdi's Restaurant will be sent to you for every management that you refer and is subsequently signed up.

CALENDAR OF EVENTS- JUNE 2008

9 June	Queens Birthday – <i>Office Closed (QLD and NSW)</i>
13 June	Mid-Month Accounting
30 June	End of Month Accounting

CONTACT US

We have listed our contact details below so you can update your records and for easy contact with our office.

Due to the nature of our roles in Property Management, staff are frequently with Clients and Customers, or at properties.

As it is important to us that we are available to you, if you would like to meet with a particular team member we recommend you contact our office via email or phone and arrange an appointment. We find this works well as it minimises inconvenience to you.

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IMPORTANT: This is not advice. Clients and Customers should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. The newsletter is issued as a helpful guide to Clients and Customers and is for their private information. Every effort is made to ensure the contents are accurate at the time of publication. We take no responsibility for any subsequent action that may arise from the use of this newsletter.