



JUNE 2008 | INSIDE THIS ISSUE

- Local Area / Team News
- Rental Deductions Under ATO Microscope
- Fast Facts
- Qld-Home Waterwise Rebate Scheme Payouts
- Referrals are Rewarding!
- Calendar of Events
- Contact Us

Quote "Owning a home is a keystone of wealth...both financial affluence and emotional security."

Suze Orman

LOCAL AREA / TEAM NEWS

Hi Everyone!

There has been much confusion over the current state of the rental market in Cairns with southern investors being fed information only relevant to the Capital city rental markets. We thought we would share with you an excerpt written to a group of investors this month by Les Marsh, our Business Manager. This should clarify the realities of our Cairns market at present.

"The first point I must make with regards to the current rental market is that the tide has definitely turned in favour of any prospective tenant. Vacant days on market has blown out considerably this past 6 weeks where we have seen this figure extend from just days a few months ago to weeks in recent times.

Tenants have the ball firmly in their court and now have choices in available rentals not seen in Cairns for years. We have actually seen a reduction in weekly rentals necessary to secure new tenants.

I know this is bucking the trend Australia wide, and the media have certainly played a huge part in spreading the word on the tightening rental market in Southern cities etc. But I can assure you this is not the case in Cairns.

Our situation has been exacerbated by some localised events, not limited to the following – in brief!

- The tight liquidity of development company CEC who have offloaded up to 100 brand new homes onto the market at unprecedentedly low figures, in some instances below construction costs
- The letting go of up to 300 employees who have either left the region looking for work elsewhere or who have downgraded to cheaper accommodation
- The problems associated with the downgrading of the Hedley Group, who also have many unit developments released onto the market for quick sale.
- Another local builder / developer Glencorp Construction have released dozens of brand new home units onto the rental market.
- Private investors are jittery with the market and are attempting to offload their investments
- Many tenants are vacating properties and down grading at expiration of their leases or at rent review.
- A quick search on various Real Estate web sites will show that there are hundreds of vacant properties in the market at present.
- Similar numbers are also available from private investors; a quick check of the Weekend Cairns Post will verify this fact.
- The full impact of the decision by Qantas to slash up to 100,000 seats on flights from Japan will have negative implications, some estimates amount to the loss of 1200 local jobs and approx. \$125m to our economy.

What does this mean for Investors?

Prospective tenants have a distinct advantage at present and have many properties to choose from. Multiple applications are being put on available properties at various agencies and they know they can be choosy in what they decide to rent.”

While our office is extremely optimistic about the future, Property Managers are being inundated by Landlords with unrealistic expectations of rental returns largely fuelled by the media and, understandably, rising costs of holding the property. Our Managers undertake regular extensive training in dealing with these issues. A good Property Manager is already achieving a maximum return on your investment. Please listen to your Property Manager when it comes to advice on a fair weekly rent. If properties are over-priced, the reality is, they will remain vacant until such time that price comes in line with the expectations of the prospective tenants. Like it or not, they are momentarily the ultimate decision makers- bear in mind, tenants are also our business partners from a Landlords point of view.

It has come to our attention that we experienced errors with the email generated statements for End of Month May and Mid Month June. We have been working closely with our computer technicians to ensure that this problem is rectified and sincerely apologise for any inconvenience that may have been caused. If you have been affected by this and require duplicate statements please don't hesitate to contact us.

Have a great month,

Ray White On Mulgrave Property Management Team

RENTAL DEDUCTIONS UNDER ATO MICROSCOPE

CPA Australia has advised Australia's 1.5 million taxpayers who own rental properties that the ATO will be increasingly vigilant in auditing rental deductions as rental losses grow.

The ATO plans to examine 6,000 at-risk cases as well as unusual patterns of rental claims.

Last year, the ATO sent out 65,000 review letters and completed 6,700 reviews or audits which raise additional tax revenue of \$8.4 million.

The ATO's audits will focus on incorrect apportionment of interest claims, excess deductions for capital works, non-deductible initial repairs and borrowing costs claimed as fully deductible in the year they are paid.

CPA Australia advises rental property owners to have up-to-date records and copies of all relevant receipts.

Source : Real Estate Institute of Australia Update (May 2008)

Fast Facts

Proportion of family income required to meet:

Home Loan Repayments – 38%
Rent Payments – 24.7%

Source : Real Estate Institute of Australia Update (May 2008)

QLD – Home Waterwise Rebate Scheme Pays Over \$250 Million in Rebates

The Bligh Government's Home WaterWise Rebate Scheme (HWRS) has passed the \$250 million mark for rebates provided for water-saving products such as rainwater tanks, water efficient washing machines and showerheads and dual-flush toilet suites.

Rebates paid for individual items include:

- 29619 rebates for dual-flush toilets worth \$4.42 million;
- 2876 rebates for greywater systems worth \$130,141;

- 21,323 poolcovers/rollers worth \$4,248,883;
- 221,367 rainwater tanks worth \$216,490,653;
- 28,924 showerheads worth \$704,641;
- 134,596 washing machines worth \$26,918,786.

A total of 507 applications for \$1500 rebates for plumbed-in water tanks have been received since February 1, when HWRS rebates for water tanks were changed.

At the same time, \$1000 rebates are still being paid for unplumbed water tanks, which had to be delivered, installed and paid in full on or before March 31.

A total of 6096 applications for unplumbed tanks were received in March and 8143 in April. Around 33% of all eligible Queensland households now have received a water tank rebate under the HWRS.

In addition, an estimated 40,000 new Queensland homes have been fitted with water tanks under new State Government requirements which came into force in January 2007.

According to industry sources, demand for water tanks has peaked and is now declining. "It appears that people who wanted a rainwater tank now have one, thanks to the Home WaterWise Rebate Scheme," Mr Wallace said.

Demand for water tank rebates peaked in May 2007, when around 20,000 applications were received per month, and dropped to 9925 applications in November.

Source : Minister for Housing (Queensland)

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 present "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

15 July	Mid-Month Accounting
1 August	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.