

## Property Management Focus

Bringing you the latest news, facts and figures from the world of Australian real estate.

# Water efficiency for rental properties

The benefits of taking steps to improve a property's water efficiency are obvious when you consider a leaky tap that drips once a second will waste 12,000 litres a year!

When considering improving your property's water efficiency there are number of laws that are helpful to understand.

In some states of Australia, landlords must fit water efficient features such as certified shower heads and taps before they can pass on water charges to tenants. A water efficiency certificate can be completed by a qualified plumber.

In all states of Australia, tenants in an individually-metred dwelling are required to

pay for water consumption charges unless negotiated otherwise. Tenants living in premises with shared metres, for example in apartments, normally do not pay for their water, however there are exceptions.

In all cases, it is illegal for landlords to add any mark-up to water charges. Improvements to water appliances can be tax deductible.

Each state of Australia applies different conditions to how landlords pass on water charges, so either take the time to update your local knowledge, or consider leaving the charging of water and other aspects of your investment property in the capable hands of a property manager

A property manager will be fully acquainted with the rules and regulations for your state, know the best plumbers in the area, and as a result, save you the time and effort.

### TIPS FOR TENANTS TO SAVE MONEY ON WATER BILLS

- Wash your cars, bikes or boats on the lawn to water the grass at the same time
- Sweep paths and driveways instead of hosing them down
- Where possible, always use your dishwasher and clothes washer for full loads
- Always turn the tap off while brushing your teeth
- By watering your garden wisely, you can reduce water use. This can be achieved by:
  - » mulching, which assists gardens to retain water
  - » regular weeding, to stop weeds draining moisture
  - » watering early in the morning or late in the evening to avoid evaporation
  - » encourage plants to put down deep roots by giving them occasional deep soaking rather than frequently light watering.
  - » water the roots of your plants rather than the leaves
  - » water gradually so the water has time to soak in. Flooding one spot can cause run-off and make soil water resistant

**ARE YOU GETTING THE MOST FROM YOUR INVESTMENT PROPERTY?**

**WHY NOT CHECK WITH A FREE, NO OBLIGATION PROPERTY MANAGEMENT APPRAISAL?**

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# Six big picture factors to consider before buying investment property



To choose a high performance investment property, and reduce your chance of buying a dud, buyers need to first and foremost focus and understand the big picture or macro-environment.

Starting with a high level criteria can guide investors to the right locality, but will also give a broad indication of what type of property in that location will suit your investment strategy (capital growth or rental income).

Once you are satisfied that the region and property type ticks the boxes at the macro level, you can start sweating the smaller stuff such as the property's design. For this article, we'll look exclusively at the macro level criteria.

Some information that relates to these criteria is readily available to the public and some involves a little "crystal ball gazing". For other information, buyers may need to seek out specialists in the field for inside knowledge. A little due diligence early can save you a lot of heartache in the long run.

Let's take a look at key macro research criteria:

## POPULATION MOVEMENTS

If your strategy is growth, then population movement is the key. Long term growth is linked to long term population growth. Where population shrinks, so too property prices and rent. Cities such as Sydney, Melbourne, Brisbane and Perth have experienced their independent property cycles, but overall the populous areas such as cities and their satellite towns will typically return long term growth.

## DEMOGRAPHIC CHANGES

It will benefit your search to understand the likely changes to the demography of an area. For

example, will there be more families, students, retirees or single young people moving to an area? Are these sectors of potential tenants likely to grow, remain the same or shrink over the long term? This information will impact on the suitability of different types of dwellings.

## EMPLOYMENT AND ECONOMIC GROWTH

Employment and wage levels can have a bearing on house prices and dwelling activity. In areas where earnings rise, there is a prospect of higher wage levels resulting in more demand, and thus higher house prices and rents. Look for places where new long-term employment is being created.

## INFRASTRUCTURE SPENDING

Cities and suburbs don't grow by accident. It is people in high levels of government who plan and make the decisions that lead directly to growth. Large scale rail, road, airport or hospital projects will, on balance, have a positive impact on surrounding property values. Investors can access information on upcoming large scale projects on the Infrastructure Australia website. Information about state and local infrastructure is also readily available to the public.

## YIELD VARIATIONS

Yield is the measure of how much cash an income generating asset produces each year as a percentage of that asset's value. It can be calculated either as a gross or net figure.

*Gross rental yield = Annual rental income / market value x 100*

*Net yield = (Annual rental income - Annual expenses) / Total property costs x 100*

Rather than evaluating a region on average yield calculated in a snapshot of time, to paint the big picture, wise investors will seek to find out yield variations over time. An established region becomes more attractive for investment if it can demonstrate a consistent level of average yield over a period of time, as opposed to a region that may indicate short-term high yield.

## SUPPLY AND DEMAND

Purchase price of property and rent levels tend to move in response to the change of demand and supply. So for prices to rise, demand of property must exceed supply.

Supply and demand can be heavily dependent on all previous criteria mentioned, however many other forces can come into play. Therefore accurately measuring supply and demand for a region requires a lot of resources and time, typically out of reach of the average investor.

However, your search will be benefitted by being aware of some of the indicators of supply and demand such as average property days on market, vacancy rates, the level of property discounting to achieve sale, auction clearance rates and proportion of renters to owner occupiers in the area.

Your local Harcourts Real Estate Agent should know this information, and how it will affect the attractiveness of potential investment property in their area.

So take the time to learn more about the big picture factors, and your chance of choosing investment property wisely will greatly increase.