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REAL ESTATE  
Broadbeach



Landlord  
Newsletter

## Rental growth to strengthen, but remain beneath house price growth

According to NAB, Australia's outlook for rental growth in 2017 is mixed and although it is expected to strengthen, yields will weaken due to house price growth.

Victoria and NSW are anticipated to see growth in rents of 1.5% and 1.4% respectively. However, QLD may see a fall of 0.5%, SA/NT of 0.4%, and WA about 1.4%, due to slowing population growth and the post mining investment boom in WA & NT.

The two-year outlook for rental growth has been revised upward for Victoria (1.7% vs 1.1%) and NSW (1.7% vs 1.4%), with these states still expected to provide the best income returns.

By contrast, the housing rents outlook has been revised down noticeably in QLD (-0.5% vs 0.2%) and SA/NT (-0.9% vs -0.2%) and also remains weak in WA (-0.8% vs -1.0%).

### House prices to rise

National Australia Bank economists suggest house prices could rise an average of 3.4% nationally in 2017, but an oversupply of units will likely see their prices fall 0.8%. This will, in the main cause investors to see pressure on yields. Expectations of growth have been scaled back in NSW and Victoria, but both states still lead the country for growth. In Queensland, prices are anticipated to accelerate but it's still bad news for Perth, where a further softening of prices is expected. Demand for apartments is expected to cool significantly.

### Rental growth forecasts

National house prices are anticipated to lift an average of 3.4% in the next 12 months, but units

may fall by 0.8%. Victoria and Queensland are expected to produce the strongest growth over the next 2 years. NAB's Residential Property Survey Q4 2016 forecasts rental growth for 2017 of:

Forecasts	Rental % Growth
NSW	1.4%
VIC	1.5%
QLD	-0.45%
SA/NT	-0.45%
WA	-1.4%
<b>Australia</b>	<b>0.45%</b>

*"Local investors pulled back, their share of sales falling to 23.5% from 24.4% in Q3, and their share is expected to fall further over the next 12 months"* Residential Property Survey Q4 2016

### Foreign investors up

Foreign buyers increased their market share in both new and established housing markets for the first time since late 2015, accounting for 10.9% of all new property purchases.

In new property markets, foreign buyers were noticeably more prevalent in VIC, where their market share of sales rose to 19.3% in Q3. In WA their market share grew to 9.3% in Q4, continuing a steadily climbing trend since Q2 2016 as prices have fallen. In NSW, foreign buyer levels barely changed whereas QLD saw a fall to 9.2% - the lowest level since mid-2014.

SOURCE: NAB Residential Property Survey – Q4 2016

## How to deal with an investment when separating

If you've recently gone through a divorce or a separation and don't know how to deal with your shared property investment, our team can help you sell it.

Of course, we encourage everyone to get a sound co-purchase agreement when buying any property with a partner, because it can serve to protect both parties. It lays out who pays the bills, who is liable in the event of a relationship breakdown, and how one of the parties can sell their share of the property (if you even want that to be a possibility).

If you spend hundreds of thousands of dollars on a home, even millions, you'll want to make sure that you're protected no matter what. You don't want to find out that you don't have any claim to the property after the relationship has broken down and then lose all of the money you put into the investment!

### What can you do to protect yourself?

When you decide to purchase property with someone else, be it a significant other or a group of friends, you have the choice between a 'Joint Tenancy' or a 'Tenancy in Common'. In a Joint Tenancy, each investor in the property has equal shares and equal responsibilities, regardless of how much they put toward the home deposit or how much they pay off the mortgage.

## Landlord Tips...

### Water charging (Section 166)

You cannot charge for water usage unless the property is individually metered. You must pay all fixed costs. You are allowed to pass on the full cost of water consumption (including bulk water charges) provided:

\*The rental property is individually metered (or water is delivered by vehicle), and \*the rental property is water efficient, and \* the tenancy agreement states the tenant must pay for water consumption.

Your property can be made water efficient by installing 3 star WELS rated products (including toilets) or through the use of add-on devices such as aerators or flow restrictors. If the property is not water efficient, but the other two conditions are met, you are responsible for paying for a reasonable amount of water consumption but the tenant may be required to pay excess water charges.

**You should be able to demonstrate the presence of water efficient fittings by providing copies of:**

- \* Plumbing reports
- \* Receipts
- \* Packaging
- \* Warranties or instruction manuals for taps and showerheads

Water billing periods are unlikely to align with tenancy agreements. It's important that both you and the tenant note water meter readings on the entry and exit condition reports to calculate water consumption



In the event of a separation that requires you to sell your investment, both parties receive an equal share of the profits (or are liable for an equal share of the losses). If you're married, this might be the best choice based on your shared finances.

### Is there another option?

If you've bought a property through a Tenancy in Common, you may have uneven shares in the home. If you paid 70% of the deposit, you'll be paying for 70% of the mortgage and the bills, and you'll receive 70% of the profits. Your partner, on the other hand, will only receive 30% of the profits.

If you need to sell your investment property and don't know how to go about it, we can help you to list and get a great result. The property markets in Australia and New Zealand are on the up, and the team at First National Real Estate will do their best to ensure you make a sound return during one of life's most trying challenges.