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PROFESSIONAL TRADES CRITICAL

Landlords have many important decisions to make, and who takes care of their property on their behalf is certainly one of them. A great property manager is essential but having a team of trusted, qualified, and accredited tradespeople is just as crucial. Far too many landlords have suffered the consequences of taking the DIY approach, when small oversights become huge disasters. If you don't have a tradesperson in mind already, your property manager will always recommend someone to you – agencies keep a database of licensed tradespeople they use on behalf of their landlords. If, however you prefer to look for someone yourself, there are a few key details you should confirm before engaging them in work.

Of course, they should be qualified and have the necessary licences and accreditations relevant to their trade or industry. This may seem like an obvious thing to ask, but don't be surprised when the answer is "well I'm not qualified but I've been a handyman for years". Those with a legitimate qualification should also hold current and valid insurances, such as public liability insurance to protect themselves, their co-workers, your tenant, and any other visitors they may interact with at the property. Finally, it's worth discussing what their processes are when it comes to logging jobs, recording expenses, and verifying that work has been completed to the satisfaction of the tenant. This is especially important for when their tenant vacates, with the details of any maintenance impacting on the condition report and the prospect of bond being fully refunded.

GROSS RENTAL YIELDS NATIONALLY

Sydney	3%
Melbourne	3.4%
Brisbane	5%
Adelaide	5.2%
Perth	-
Hobart	4.3%
Darwin	6.9%
Canberra	5.3%
National	**4.7%**

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TREND IN RISING RENTS REMAINS STRONG

According to CoreLogic, the pace of rental growth has softened over recent months, but the trend in rising rents remains strong. Nationally, rents have lifted by 8.2% over the 12 months ending August, the largest rise in rents since 2008.

There remains a stark difference between the pace of growth in house rents, where nationally the cost of renting has risen by more than double the pace of unit rents; 9.9% nationally for houses compared with 4.0% for units over the 12 months ending August. This difference between rising house rents and unit rents is most pronounced in Sydney and Melbourne, where unit markets have recorded a substantially lower growth rate. However, most of the capital cities are recording the same pattern, but in a less pronounced way.

The weaker trend in unit rents across Australia's two largest cities is likely a reflection of their greater exposure to temporary overseas migrants as a source of rental tenancy, especially foreign students who would normally underpin inner city high rise rental demand. The sharp drop in demand due to closed borders has been exacerbated by high supply levels as both cities come out of an unprecedented surge in inner city apartment construction.

The national gross yield has reduced from 4.1% two years ago to 3.4% in July this year, which is a record low. The most significant yield compression has been in Sydney, where gross yields have fallen to 2.5%, and in Melbourne at 2.8%. Every other capital city is recording gross yields at 4% or higher. Considering mortgage rates on new investment loans are averaging around 2.8%, gross rental yields outside of Sydney and Melbourne are likely to be providing opportunities for positive cash flow investment opportunities. Considering yields outside of Sydney and Melbourne are high relative to mortgage rates and housing values are expected to rise further, we are likely to see investment activity continue to lift.

Sydney & Melbourne rents begin rising

Although Melbourne and, to a lesser extent, Sydney unit rents remain soft, unit rents are starting to rise in these cities. Sydney unit rents have consistently risen each month during 2021, while in Melbourne, unit rents have been rising since June.

The strongest rental markets remain in Perth and Darwin, however the annual rate of rental growth in these cities appears to have peaked, while rental growth across the remaining capitals is continuing to trend higher.

With national housing values rising by 18.4% and rents rising by a lower 8.2%, the result is ongoing yield compression.

Nationally, gross rental yields have fallen to an all-time low of 3.32%. It is no longer just Sydney and Melbourne where rental yields are plumbing historic lows. Brisbane (3.99%), Hobart (4.01%) and Canberra (3.99%) have also seen gross rental yields fall to new record lows in August.

What is the impact of lockdowns?

Australian housing values have continued to record a broad-based rise despite the disruption from lockdowns. Dwelling values rose 1.5% in August; a rate of growth that is still well above average, but the lowest monthly rise since January.

Both advertised supply and housing demand have been negatively affected over recent months.

In early May, newly advertised properties were tracking 19.7% above the five-year average, however due to both lockdowns and seasonal factors, the number of new listings through August dropped to -5.8% below the five-year average and total active listings were -29.4% below average.

The estimated number of home sales has also been affected, dropping by -9.0% nationally over the three months ending August when compared to the previous three-month period. Despite the fall in sales, however, housing market activity remains well above average levels.

TRANSITIONING THROUGH THE PANDEMIC

To say the last 18 months has been life changing is an understatement, with many of us experiencing enormous challenges in the key areas of our life – health, home, family, and work. The fundamental character of our work/life balance has changed and for many, our values about where we live, the work we do and what we want for our futures have changed too.

Property managers have certainly had a difficult time – in many cases taking on the new role of counsellor to tenants facing financial hardship, chief negotiator for landlords who have mortgages to cover, and COVID safety officer when it comes to residential tenancy inspections and maintenance.

Landlords have also taken a hit with many reducing rent for significant periods of times to keep their tenants in accommodation or losing tenants altogether due to job losses or health crises. Additionally, there's been the extra-ordinary task of taking care of their tenant's welfare in ways that may not be listed on the lease agreement, but now come with moral obligations – such as making shared spaces COVID safe by trying to enforce social distancing, masks wearing, sanitising, and building check-ins.

Tenants have had a particularly hard time of it, especially those in the 'single income no kids' demographic. Many have had to spend considerable time alone, in rental properties that were a steppingstone to the next phase of their life. This has also been a challenge for people with partners and kids. Many tenants chose properties to rent that were perfectly suited to their pre-pandemic lifestyle. Now however those properties have turned out to be quite the opposite. This paired with job losses, not being able to pay their rent and the fear of uncertainty and instability has had a significant effect on the mental health of the renting community.

Once touchstones of recovery and respite at either end of our day, our homes have now become our workplaces, gyms, schools, social venues, creative hubs, restaurants, and even battle grounds. On a broader level, there has also been a shift in perspective and priorities resulting from the lived experience of going through the pandemic. People's values around work/life balance have shifted and as a result, lifestyles tethered to a workplace location and time commitment have become less of a priority. This is probably best evidenced by the exodus of many home buyers from inner city and metropolitan areas to regional locations.

There has also been increased FOMO around property investment, as government incentives to encourage new buyers make the property market more accessible than ever before. The urgency in which millennials are now trying to enter the property market is a great example of this.

People's priorities have changed considerably in the (near) post-COVID world and there is still more change to come as we continue to transition to a new COVID normal version of society. It will be fascinating to learn the true impact the last two years has had on humanity as further behavioral research is conducted and released moving forward. As the saying goes – it ain't over till it's over and that may not be anytime soon.

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FEATURE PROPERTY

5/63 Bells Line of Road, North Richmond
Property Type - Villa

Located in the heart of North Richmond this 3 bedroom villa is ideal for al. Within walking distance to North Richmond shops, primary school, entertainment facilities & river.

Tucked away in a secure complex this villa boasts;

- 3 Bedrooms with build ins
- Modern kitchen
- Open plan living - tiled
- Ensuite to main
- Double garage
- Split system a/c
- Grassed backyard

47 Woods Road, South Windsor
Property Type - House Land Size - 611m2

• Large, sun-filled living area with floating floors, air-conditioning & LED lights
• Cleverly positioned dining area with floating floors and access to the backyard
• Generous, modern kitchen with stone benchtops and stainless-steel appliances
• 3 great size bedrooms all come with wardrobes, ceiling fans and floating floors
• Spacious, fully tiled, modern bathroom with chrome fittings and hot water temp control
• An enclosed sunroom or rumpus with air-conditioning providing extra living area
• Massive covered outdoor entertainment area with timber decking and ceiling fan
• Huge grassy backyard that's big enough for the kids and pets and a game of cricket
• Highly prized vehicle side access to a detached single lockup shed/garage and backyard
• Luxury inclusions such as gas cooking, gas hot water, stone benchtop with waterfall edge
• Convenient location close to good schools, friendly neighbourhood shops and parks
• Great capital growth potential due to its proximity to the growing Marsden Park Growth Precinct and the handy M7 Motorway.