

# INTELLIGENT CHOICES

## What's Happening With Rents Around Australia

It's no secret that Australia is currently experiencing some of the tightest rental conditions in a decade. Vacancy rates are very low, at less than 1.5% on average across Australia, while at the same time, rents are rising.

While this is bad news for tenants, the combination of strong demand and rising rents is good news for property owners and those considering purchasing an investment property.

Growth in rental returns has been particularly strong. According to the RBA, in the year to April 2008, newly negotiated rents rose by about 13%, while all rents outstanding (as measured in the Consumer Price Index) rose by about 7%.



### Rental vacancy rates around Australia have fallen to record lows



New South Wales	0.8%
Victoria	below 1%
Queensland	1-1.5%
South Australia	1%
Western Australia	1.7%
Tasmania	2.7%
ACT	2%

## What Tenants Want

Want to know what tenants are looking for in a rental property? Or perhaps you are considering investing in property but are unsure what type of property and what type of tenant you wish to attract?

In its latest report "Emerging trends in residential market demand 2008", independent analysts BIS Shrapnel analyse recent Census data against past figures to offer insights into where people are living, patterns in household formation and how demand for housing changes with age.

Below are some of the key findings from the 2008 report that may help you decide on an investment strategy and which location to buy in.

**Finding 1**  
The number of single person

households is growing significantly among first home occupiers (20-34 year olds).

**Insight**  
Future demand for smaller and affordable rental accommodation is likely to remain high, in line with growth in the number of single person households.



**Finding 2**  
As in previous years, the Census shows Australians are delaying having children, often well into their 30s.

**Insight**  
Consider lifestyle properties

that appeal to young professionals. These can include inner or near city houses and apartments.

**Finding 3**  
Growth in the number of people living in flats, units or apartments has been accelerating since the 1991 census.

**Insight**  
Consider good quality apartments and units close to public transport, universities and employment.

**Finding 4**  
Only 18% of 50-64 year olds are renting compared to 52.9% of 20-34 year olds.

**Insight**  
Market your investment property to younger tenants by highlighting its location and lifestyle features (these are often important to young renters).

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### A message from Darin Hindmarsh

2009 A Time For Confidence

It's a time for us all to be positive in our outlook, be prudent in our expectations and sensible with our investments.

With the gloom of the past year, brought about by the lack of a believable world leader, oil prices reaching record levels and all the tales of woe scaring us half to death, there can be light at the end of the tunnel for those wanting to see it. There are profit making opportunities which will arise from this situation and it is our confidence in the future, that will lead to personal and ultimately global recovery.

Australia's property market sets itself apart from other countries and is seen as a safe haven. With a rising professional and skilled migrant population and property new builds at an all time low, there is not enough available to meet future demand when public confidence returns.

For those migrating, it couldn't be a better time, with the currency down valued and property prices stable. Don't wait too long!

For Investors, the Australian Property Market has ensured decades of stability and steady growth. With a projected shortage of properties coming to the market, rental returns are rising. With superb tax benefits, for both residents and non-residents, moving your investments to Australia is a serious alternative to what you have been through in 2008.

**MORTGAGES:** Investors from home and overseas, Australian expats, existing mortgage holders with Australian property should look seriously at their existing arrangements. The last few months have seen massive reductions in interest rates and there is every good chance that this trend will continue. Fixed rates will become more attractive, but choosing the right time to switch requires specialist advice.

**PURCHASING:** Markets are generally in stall due to lack of confidence in anything financial. Sellers are happy to be flexible on prices offering superb opportunities for the foresighted buyer.

**MOVING TO AUSTRALIA:** How, when, visas, first property, removal, schools, healthcare, setting up or buying a business??? Contact Intellichoice about an advice package.

Kind regards,

**Darin Hindmarsh**  
Director

## What Is Negative Gearing?

Negative gearing of investment property in Australia refers to a situation whereby the interest and the other costs incurred to acquire that property are more than the rental income received. This cash loss is offset against other sources of income, reducing the amount of income tax payable.

To summarise:

- ❖ An investment is negatively geared when the costs you can claim from it on your tax return exceed the income it provides
- ❖ Negative gearing is commonly associated with rental property, but it can be used for other types of income-producing investment (Eg, managed funds and shares)
- ❖ Buying a negatively geared property is like buying a loss-making business. Make sure it's the right strategy for you before going ahead - evaluate the investment's likelihood of strong capital growth first, not just the tax breaks

### Deduction checklist for investment properties

Below is a checklist of typical deductions directly related to rental properties that can be claimed:



- ❖ Body Corporate fees
- ❖ Borrowing expenses (Eg, stamp duty and legal fees on mortgage)
- ❖ Building depreciation (depending on date of construction)
- ❖ Cleaning costs
- ❖ Council rates
- ❖ Depreciation of fixtures and fittings (light fittings, carpets etc)

- ❖ Insurance costs
- ❖ Interest on loans (including interest prepaid up to 12 months in advance) and related bank charges
- ❖ Land tax
- ❖ Pest control costs
- ❖ Property agent management fees
- ❖ Repairs and maintenance (excluding improvements, which are treated as capital and added to the cost base of the asset for capital gains tax purposes rather than being claimed as an immediate deduction)
- ❖ Telephone, postage and stationary
- ❖ Travelling expenses
- ❖ Water rates

The calculation of depreciable items is very specialized and should always be carried out by a qualified professional. Investors should always use an accountant who specializes in property investment to ensure all tax deductions are claimed. We also recommend investors use the services of a Quantity Surveyor to ensure deductions of their depreciable items.

## Add Some Spice To Your Life...



### 1 BAROSSA VINTAGE FESTIVAL (SA) 11 - 19 APR 09

The Barossa Vintage Festival is the largest and longest running wine festival in Australia. Enjoy tastings, twilight concerts, a festival ball, literary events and much more. The Vintage Festival is a biennial event that runs for a full week, encompassing all aspects of the Barossa community. The Barossa is Australia's richest and best known viticultural and winemaking region, located just one hour's drive north of the city of Adelaide in the state of South Australia



### 2 FEAST OF THE SENSES (QLD) 20 - 29 MAR 09

See, hear, taste, touch and smell the delights on offer at the Festival of Senses - a fortnight of festivities featuring a market day, formal dinner, industry

development workshops, music workshops, concert and art and cultural exhibitions. There's something for everyone, with a unique range of local arts, culture and local products to stimulate the 5 senses. Set against the backdrop of beautiful tropical Innisfail in Queensland's north, this festival is sure to satisfy.



### 3 FRASER COAST CULTURAL FESTIVAL (QLD) 22 - 29 MAR 09

Curious about other cultures? Hervey Bay and the Fraser Coast will be the proud hosts of a kaleidoscope of entertainers and diverse cultural activities in this weekend festival. Incorporating the Rhythm of the Nations Dance Party, a Gala Concert in Maryborough and the Festival in Scarness Foreshore in Hervey Bay, the festival focuses on the best of multicultural societies, including

Spanish, South American, Hungarian, Filipino, Italian, Swiss, Chinese and Australian communities. This event celebrates the diverse cultural background and heritage of our population.

## Location, Location, Location



M on Mary provides buyers with a golden opportunity to purchase stock at prices which are well below replacement value. Under instruction from Receivers and Managers acting for Willahra Pty Ltd, the balance of properties remaining on M on Mary must be sold.

### M on Mary at a glance:

- ❖ Recently completed residential development located in the heart of the Brisbane CBD - walking distance to Queen Street Mall, Central train station, Queensland University of Technology
- ❖ One and three bedroom air-conditioned apartments available over 43 levels
- ❖ Fully equipped kitchens and laundries
- ❖ Apartments feature a combination of city and Brisbane River views
- ❖ Rentals returning 6.5% (average), based on purchase price of GB£141,000
- ❖ Recreational facilities include a lap pool, BBQ area, gymnasium and sauna
- ❖ Prices starting from GB£125,000

Call (44) 7720 889 641 or email sales@intellichoice.co.uk for an information pack