Landlord Newsletter

July 2017

# Is a short or long-term tenancy better as an investor?

The rental landscape has changed somewhat in recent years as holiday rental websites have impacted on how investors operate regarding their investment property.

In many cities, this shift has transformed the rental property market and investors must make smarter decisions about their property and how best to occupy it, yet still get value from their investment.

The choices an investor makes regarding their property really comes down to individual circumstances. Is the property primarily a holiday home for your family and therefore needs to be occupied for the months when you're not using it? Do you travel between two cities for work? Renting your apartment to guests for a few nights here and there as you choose, gives you extra cash and the freedom to be home whenever you like. Or maybe you don't want to have to think about the property that regularly.

Longer-term tenancies with rock-solid lease agreements and a property that needs little maintenance are still the preference for many investors. In addition, governments are evaluating just how beneficial it is for Australians to have shorter term leases; other countries have operated with longer term (5 – 10 year or unlimited) models for years with great success and a much more stabilising impact on their local property market.

The Victorian government announced earlier this year that it was implementing changes in 2018 to standard residential tenancy agreements in an effort to bring some more security into the market. Other states are also considering this. The new laws would mean that there would no longer be a 5-year cap on residential tenancies, with landlords and tenants free to agree on longer term leases that, under the new legislation, will be covered under the Residential Tenancies Act.

This may or may not be a game changer for the investor - again it comes back to what kind of property you have, how you use it and what kind of an investment return you are looking for. The European model sees investors choosing multi year leases – 5 or 10 years in Germany and up to a lifetime in the Denmark or the Netherlands for example – as long term secure investments, favouring a steady return over the variables of a fluctuating rental market.

All investors want the same outcome – maximum return on their investment for minimal investment and effort. There are pros and cons to all the models mentioned above but really you need to make decisions with specific reference to your circumstances, your property and your investment goals. So here's an overview of some of the things to consider when deciding if short or long term occupancy is better for you.

At firstnational.com.au in our news section, you'll find our Australian Real Estate Blog. There, under the investment category, you'll find the full detail of this article where we outline the pros and cons of:

- Holiday rentals
- Short term leases (3 to 6 months)
- Australian standard leases (12 months to 3 yrs)
- European style longer term leases

Head to our blog for much more information about how to best manage your investment or simply Google search the title of this article.

## ATO warns about "mates rates" and holiday homes

The Australian Tax Office has issued a warning to holiday-home owners that it is "paying close attention" to deductions claimed for rental properties in popular holiday locations.


Last year the ATO identified a large number of mistakes on deductions claimed for rental holiday homes.

Holiday homeowners can only claim tax deductions for expenses made during a period when the home is rented out or genuinely available for rent.

Property owners who rent their property at a discounted rate, or 'mates rates', can only claim deductions equal to the amount of rent charged, she pointed out.

The ATO is using data to identify errors, which is allowing it to identify incorrect or suspicious claims.

Rental property owners can claim deductions on expenses for their investment property when it's rented out. And they can still claim a deduction if the property is genuinely available for rent.

To make sure your holiday home is viewed as genuinely available for rent:

1. Advertise in a way that maximises exposure to potential tenants, such as an online site. Advertising by word of mouth means your property may not be genuinely available for rent.

2. If your property is in a popular location, keep it well cared for. If your property is poorly cared for, or in a remote area, it is unlikely to be tenanted, and may not be classed as genuinely available for rent.

3. Charge the market rate. If you, your family or friends stay for free, your property will not meet the criteria during that time period. If the property is being tenanted for 'mates' rates' then the allowable deductions are limited to the amount of rent charged, not market rates.

4. If you refuse to rent out your property to interested potential tenants without a good reason, the property might not meet the criteria of being genuinely available for rent.

SOURCE: therealestateconversation.com.au

## Feature Property


**14/178 March St, Richmond**
$560,000.00

Walk to all the convenience that Richmond has to offer. 700m to Richmond Station, 450m to Coles, 400m to Richmond Library and School of Arts and plenty more to offer within this distance. Ideal for owner occupiers and investors alike.

- Great sized living spaces larger than most homes in the area
- Spacious bedrooms with built in robes
- Lock up garage and carport under the main roof
- separate lounge and dining, tidy bathroom and kitchen, internal laundry,
- fully fenced backyard