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In this issue:

- Renegotiating with tenants during lockdown
- Who is responsible for mould in a rental property?
- Is selling at auction the best strategy in 2021?
- How to access homes before they get to market

RENEGOTIATING WITH TENANTS DURING LOCKDOWN

With many Australian tenants affected by COVID lockdowns, should landlords consider renegotiating and what are the other options?

It's no secret that these are difficult times for a lot of Australians. The 2021 lockdowns have resulted in people from all backgrounds struggling financially and many property investors have found themselves faced with a loss of rental income.

If you are in a difficult position because you have a tenant requesting a rent reduction, your property manager is always a good point of contact but here are some of the options you can consider.

Renegotiate with your tenant

Your first and probably best option if a tenant says they can't afford to pay their rent is a negotiation and rent reduction. This strategy makes sense as it will at least keep some cash coming in and will save you the trouble and expense of seeking new tenants.

Here are some things to keep in mind:

- Government grants. Investigate with your tenant (and with the help of your property manager) if there are government grants which will help them overcome their financial setback.
- Set a timeline. Decide together how long the rent reduction will last. You can revisit your agreement closer to the date to decide if it needs to continue.
- Get everything in writing. This way you can refer to it if necessary in the future.
- Work with your property manager. It will be a less stressful process if you have a property manager who can act as a gobetween. They will leverage their experience and knowledge of tenancy laws to help you reach a beneficial outcome.

Losing rent money is never ideal but as the saying goes, a bird in the hand is worth two in the bush. Reducing rent by a small amount can still be more cost-effective than having your property sitting empty while you seek new tenants. Reletting your property is another option, particularly if there is still strong demand in your area.

Do some research and look at real estate listing platforms to check availability in neighbouring streets and suburbs before you ask your tenants to leave. You should also speak to your property manager or a local real estate services provider to get an idea of how quickly an empty property can be leased, and for what amount.

One thing to be aware of is that during lockdowns tenant advocacy groups across Australia have worked hard to protect tenant's rights. Regulations vary from state to state so it is best to check the current legal requirements in your state in regards to ending a lease agreement. Again, your property manager will have the latest information.

Selling

You could look at selling your investment property if your tenants can't keep up with the repayments. The following are some things to consider before you make this decision:

- Demand in the area. Some parts of Australia are experiencing a boom in property prices and a lack of stock on the market so you may be able to capitalise on this. It depends where you live and what type of property you have.
- Your long term goals. Renegotiating rental payments may cause short-term financial stress but it could still support your long term plan so review your strategy before you decide to sell.
- Current COVID restrictions. Depending on where you live, it may be difficult to host an open home to draw interest from buyers. There are always ways to work around this but you may need to consider the timing of your sale and plan it for a date in the future.

As a landlord, you do have a responsibility to treat your tenants ethically and to follow any rules around ending your contract with them. Make sure you understand the current legislation if you attempt to renegotiate yourself, or work with a property manager who can guide you towards a successful outcome.



Find new tenants



WHO IS RESPONSIBLE FOR MOULD IN A RENTAL PROPERTY?

Mould can be a problem in any rental property for a number of reasons. But who is responsible for getting rid of mould, tenant or landlord?

Mould has a habit of forming in damp areas and places where there is little ventilation and it can be a problem in almost any property, even in sunny Australia.

Many tenants and landlords find themselves confused about who is responsible for mould and who needs to fix the problem. The answer to this question can actually go either way.

Take a look at what you need to know about mould in a rental property and whose problem it really is.

What is mould?

Wherever there is humidity and moisture, you have a good chance of finding mould. It is a type of fungus that grows in damp places, forming unsightly green or black blotches.

Mould generally grows in cupboards, bathrooms, basements and anywhere that is damp, poorly ventilated or lacking in natural light. It can even get into walls and carpets and cover shoes or handbags. Any porous surface in a damp area is a potential home for mould.

As well as being unpleasant to look at, mould needs to be dealt with because it can cause health problems. Many people, especially people with asthma and other respiratory problems, can have allergic reactions to mould and notice watery eyes, rashes, and breathing issues. Mould is especially unwanted in households with infants and small children whose lungs are yet to fully develop.

Who is responsible for getting rid of mould in a rental property?

When it comes to taking care of mould in a rental property in Australia, in general it comes down to where and how the mould has formed. If mould has formed as a result of poor cleaning and lacklustre general maintenance, then it is usually the tenant's responsibility to remove it.

If mould has come from structural issues like a leak in the ceiling, then it is the landlord's job to take care of it and potentially cover any financial losses that have arisen because of it (e.g. loss of clothing).

Keeping mould at bay should be seen as a team effort. Tenants are required to keep the property clean and ventilated. Landlords are required to ensure that a home is clean to begin with and that there is adequate ventilation and heating to keep it at bay.

As a tenant, you can prevent mould from forming by airing out the house whenever you can and maintaining reasonable levels of cleanliness. Open doors and windows regularly, and wipe down the inside of cupboards. You may find you need to use a dehumidifier if you live in a particularly damp or humid area.

If regular cleaning and ventilation doesn't stop mould then there is a chance it is a problem for the landlord. While legislation varies from state to state, it is a universal requirement for landlords to ensure that the property is in good shape and mould free before they make it available to tenants.

What to do if mould is a concern at your rental property

If you are having an issue with mould and you have a property manager, speak with them about what can be done. They will be able to refer to inspection and condition reports to determine where responsibility lies.

Your property manager will also be able to explain any regulations in your state that are related to mould so you have a clear idea of whether it is your responsibility to take care of it.

Tenants who have complained about mould and not had the problem addressed do have the opportunity to apply to their local tribunal for compensation and repairs. However, if there is a reliable property manager involved, they will be able to handle the issue without the need for additional intervention.





IS SELLING AT AUCTION THE BEST STRATEGY IN 2021?

Is 2021 a good year to sell at auction? The answer depends on a number of different factors. Take a look at whether to sell via auction or private treaty.

When you're selling your home in Australia, you have a choice between selling via auction and private treaty.

Selling at auction means people bid on your home at the same time, with the hammer 'falling' on the highest offer over the reserve. With a private treaty, you can receive offers at any time and you decide which one to accept.

The strategy you choose to sell your home will depend on a number of factors. Take a look at what you need to keep in mind.

Local clearance rates

The first thing experts look at when deciding whether the climate is right for selling your home at auction is the current clearance rates for your area.

The auction clearance rate is the percentage of auctioned properties that successfully sell under the hammer. According to Empower Wealth Advisory, a good auction rate is 70 - 75% or higher, which means that only 25% to 30% of properties fail to sell at auction.

Australia's go-to source for real estate data, CoreLogic, shared that the national clearance rate was over 77% in the first week of August 2021. This is a great figure but you do need to find out exactly what's happening in your area.

Demand from buyers

Demand changes, depending on where you live. Some Australian cities are experiencing a lot of competition from buyers at the moment while other areas have gone quiet.

Homes sell successfully at auction when there are plenty of bidders so speak with your agent about how many interested buyers they believe they can bring to your property. The more interest, the higher the bids will go and the more money you will have for your next move.

Keep an eye if you can on other sales in your area. If homes are selling quickly, it is a sign that an auction could be the right strategy.

Similar homes in the area

If you are selling a three-bedroom family home around the same time as some very similar properties, you may not get the attendance you want on auction day.

This is why it is important to have a savvy agent who will review all the pros and cons of going to auction and will let you know if your home stands out enough to get the interest it needs.

Your timeline and flexibility

An auction will take place at a set date and time. Depending on your plan, this may or may not be a suitable strategy.

A lot of sellers prefer to go to auction because it gives them a specific end date to their sales campaign. You also have the option to take an early offer, which can free you from the stress of waiting for auction day.

Generally speaking, the terms of an auction are less flexible than private treaty for sellers as well. You will have less opportunity to negotiate an extended settlement period, for example.

Deciding whether or not to go to auction depends on you, your home, your location and the current market. Work with an agent to find out about recent auction results in your area so you can base your decision on the most up to date information.





HOW TO ACCESS HOMES BEFORE THEY GET TO MARKET

With so many properties selling before they even hit the market in 2021, how do you get your foot in the door? Learn more about accessing homes ahead of other buyers.

If you are in the market for a new home, you may have noticed that some listings seem to disappear in a matter of moments. With availability being low and demand high in many areas, homes are often being snapped up, even before they go to market.

So who is getting to these properties ahead of you? Here are the tricks other buyers have up their sleeves.

Build connections

Start by getting to know the real estate agents in the area where you want to buy.

Other than the vendors themselves, real estate agents are the first to know what properties are going on the market and when. If you form a good relationship with active local real estate agents you will be in line to hear about upcoming properties before they reach platforms like realestate.com.au and Domain.

Don't be shy about coming forward. Have a chat with the agents you meet at open homes and follow them up with an email or phone call. They are just as motivated to sell as you are to buy. By letting them know you are interested and what your budget is, you are making their job easier.

Get clear on your criteria

Hit up a few open homes in the early stages of your property hunt and figure out what it is that you want.

Once you have established a good picture of your dream home, be very clear about what you need in a property (and what you don't want) with your agent. This way you won't have to waste your time looking at homes that don't meet your requirements.

Get your finances in order

Another tip that will keep you ahead of the queue is to get your financing in order before you start your property hunt.

Having loan pre-approval means you can back up your offer with the funds you need and you won't need to waste time going back and forward with the bank.

Make yourself known

One strategy that can come in handy is joining local Facebook groups. Share a post mentioning what you are looking for and even if a seller doesn't come forward, you may be able to connect with someone who can help.

Be aware, however, that buying directly from a homeowner can be a risk. You need to be sure you are paying a fair market price and that the terms of the contract protect you. Having a solicitor and real estate agent involved will help in this regard. You should also take the time to have a builder inspect the property so you know it is not a money pit.

Be flexible

The final key is to be open to ideas. Your agent may suggest a different suburb or an option you hadn't previously considered. When they say "Just come and have a look," if you have a relationship with them it may be because they recognise your dream home before you do.

Groundwork and connections are essential in today's market. The best agents will take the time to get to know you and be excited to help you find a suitable home.



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