

PRONews

ISSUE 110 – AUGUST 2022

In this issue:

- The S word that tenants love
- Can renting help you buy a home?
- Why a downshift in the market is the perfect time to sell and upsize
- What gives a home its value?

THE S WORD THAT TENANTS LOVE

It can be tough to find extra storage space when you're renting, which is why a home with plenty of cupboards and shelves is more appealing to tenants.

Everyone needs somewhere to put their clothing, linen and seasonal items and having options helps to keep a home clean and tidy. Consider the following storage tips as a way to add to the appeal and value of your rental property.

Top five storage ideas for investment properties

1. Use vertical space

Vertical space presents a wealth of untapped storage solutions. High cabinets or shelves around the ceiling can be perfect for little-used items. A folding step ladder can easily be tucked away when your tenants need something from the top shelf.

A clever storage idea is to use every inch of closet space by hanging tension rods. The more you can hang, the more room there is in drawers for other items. Hanging clothes can also take up less room than cramming them into drawers.

Around the home, simple additions like hooks on walls will give your tenants a place to store items like keys without taking up floor space with side tables. You can also mount lights on walls rather than using standing lamps that take up room.

2. Get creative with furniture

Furniture can have more than one use. Whenever a piece of furniture can be used for storage, you are saving space.

Bench seats with lift-up lids make great additions to rental properties and also save tenants from having to buy too much furniture. If you're leasing a fully furnished place, choose coffee tables with drawers, ottomans that double as blanket storage containers and beds with inbuilt storage.

3. Add shelves and cabinets

A small kitchen is easier to organise with some additional shelves; for example over the doorway. If your investment property has a garage, mount some wall shelves or grab some flat-pack shelving units from Bunnings so the space is easier to organise and keep tidy.

These are low-cost storage ideas that will add to the value and appeal of your investment property. Spend a little extra for cabinets and things will be saved from getting dusty.

4. Think like a tenant

Some common advice is to never buy an investment property somewhere you wouldn't want to live yourself.

When you make your purchase, have a look around and think about how you would make the most of the space. If a hanging rail in the laundry would make life easier for you, your tenants probably feel the same.

5. Renovate with storage in mind

Your property manager will explain to you that tenants love new (or at least new-ish) kitchens and bathrooms. If you plan to give yours a once-over, think about designs that incorporate pull-out drawers in the pantry and for the rubbish bin (this will free up floor space).

Put cupboards in the bathroom if you can for towels and personal items so they don't have to be left around the sink and on the window sills. Throw in a few cupboard organisers for products and soap; your tenants will be grateful for the convenience.

In the kitchen, add racks for pot lids and somewhere for storing wine (if you think your target audience will appreciate this feature).

Your property manager can help you identify the low-cost, easy wins to add storage to your rental home. Reach out for a chat about how a few changes can improve your investment's appeal to tenants.

Looking for more advice to improve the value of your investment property? Contact your local Professionals representative today.



CAN RENTING HELP YOU BUY A HOME?

There's no question that buying a home is a major financial decision and saving for a deposit can be a long road. But did you know you might be able to buy a home by bringing your rental history into the application process?

Here is how renting can help you buy a home faster.

Rental payments to qualify for a mortgage

One of the biggest obstacles in buying your own home is gathering the required deposit. Saving money is hard enough, especially when a significant portion of your income goes to rent.

The good news is that some lenders are now taking rent into account. Depending on who you work with, getting home loan approval may be possible using a proof of rental payment certificate.

Using your records as proof of savings

The cost of living is becoming a significant issue in Australia and houses grow more expensive every year. Lenders are still people; they understand that saving for a deposit is a challenge. That's why proof of rental payments has come into the equation.

A lender wants to know that you will be capable of paying back the loan they are giving you. Proof of rental payments works for them because they prove that you can consistently make payments. If you can spend several hundred dollars per week on rent, the bank will be reassured that you can afford the same amount on a mortgage.

Most lenders will accept proof of payment over a three-month period but twelve months of rental records will be even better as evidence of your financial stability.

What to share

When you apply for a loan, lenders might ask for a letter from your property manager to show you have consistently paid your rent. This letter is called a Rental Commitment or Rental Reference letter and is how you use rental payments to qualify for a mortgage. It will be the evidence your lender needs to see that you always pay on time.

While this is great news and very helpful, your lender will also want to see some proof of savings. Loans of 100% are exceedingly rare, so you will most likely still need a three to ten per cent deposit to put towards your new home purchase; you can't rely on your rental history alone.

You will also need to have your name on the property lease. If you have been paying rent but are not listed on the tenancy agreement, it won't be as easy to prove your consistency as a tenant. If you are renting with others, you may still be able to use your rent payments towards your home loan if you can prove prompt payments through your bank account but try to get your name on the lease so things are more official.

Other options

Want to get a home loan without a 20% deposit?

Having a parent or trusted family member act as a guarantor can also help you acquire the loan you need. A guarantor takes on the responsibility of paying for your mortgage should you have to forfeit. In some cases, a guarantor will mean you don't even need your rental receipts, but the two together will significantly help secure a loan without a huge deposit.

Make sure your rent agreement is formally documented

As a renter who is saving up to buy a house, working with a professional property manager makes sense. This person will keep detailed records of all your transactions so when the time comes to apply for a loan you can reach out to them for the documents you need.

To add to this, property managers are a handy contact when you are looking to buy a property of your own because they will have plenty of connections with sales agents. Let your property manager know what you're looking for and they may be able to support your transition into a home of your own.

Speak with your broker

The other person you need on your side is a broker who can explain the ins and outs of using rental payments to qualify for a mortgage.

Need to know more about buying a home? Contact your local Professionals representative today.



WHY A DOWNSHIFT IN THE MARKET IS THE PERFECT TIME TO SELL AND UPSIZE

When it comes to buying and selling property, timing is everything if you want to come out on top.

Right now many parts of Australia are becoming a buyer's market but if you're looking to sell and upsize to a larger property, this can actually be a good thing. Here's why...

Why sell your home during a market downturn

A market downturn changes the real estate sector to favour buyers. Offers are generally lower and there is less competition because buyers have less money to spend.

Selling your home in a buyer's market can feel a little disheartening, especially after a couple of years of boom times. However, if you have owned your place for a while, it's likely you will still make some profit.

What's more, if you are selling a home with a plan to upsize, you will shortly be in the market as a buyer. All those factors that seemed painful when you were trying to sell your home are suddenly in your favour.

Why it pays to upsize in a downturn

Houses that would have been out of the question in a growing market may be more affordable than you thought during a market downturn.

Here's a hypothetical example:

Let's say you own a two-bedroom apartment that has dropped in value by 5%. It was valued at \$500,000 at the peak of the market so it is now worth \$25,000 less. That's not the best news, but now think about the home you want to buy.

Your ideal home was valued at \$1,000,000 last year and has dropped by the same percentage as your apartment. Now, when you buy that property, you are saving \$50,000. The saving is greater than the loss and you now have yourself in the door of a larger home.

Many savvy buyers make a plan with their real estate agent and broker to 'zig' when the rest of the market is 'zagging', buck the trends and find ways to benefit from a downturn. If you have a deposit saved up and a clear plan, you don't have to pay attention to negative headlines about market movements.

The long game

If you're selling in a downturn, keep the long game in mind.

Buyer's and seller's markets always come and go, but real estate always trends up in the long term. The bigger home you stretch your budget to buy now when the market is low will eventually grow in value.

Snatching a higher-value home in a low market will also help you build your equity and deliver the potential to build an investment portfolio that can contribute to long-term wealth.

Need to sell?

Sometimes you simply need to sell, regardless of what is happening with prices. If the market isn't where you want it to be, talk to your real estate agent about how to maximise the value of your property and make it as appealing as possible to the buyers who are interested. Even during a market downturn, there are ways to generate competition and get a healthy price.

Need help selling to upsize? Contact your local Professional representative today.



WHAT GIVES A HOME ITS VALUE?

Owning a home is the Great Australian dream. For many people, achieving this goal is their number one priority. But when you're buying, it helps to know exactly what adds to and subtracts from the value of a place. This will help you make a decision with your head rather than your heart.

As real estate agents, we want to help you pay the right price for the home you have your eye on so you feel happy about your next move. Here is some information to keep in mind:

How are homes valued?

- **Location, location, location**

Homes in certain postcodes will sell for more than others because they are near the beach, close to the CBD or within walking distance from quality schools.

While some suburbs are always sought after, others can experience changing levels of demand.

For example, a quiet semi-rural area may rise in value when it is earmarked for development and growth. New railway stations, hospitals or shopping centres can help a less sought-after postcode to increase its appeal. When you're a buyer, this can affect the value, however it's always good to get in as early as possible so you can benefit as prices rise.

Keep the future of a location in mind when you're shopping for homes; some areas have the potential to go backwards, for example if a major jobs provider shuts down or if the council allows overdevelopment without the necessary infrastructure.

- **Curb appeal and beyond**

A home with curb appeal will often sell for a little more. However, when determining the true value of a home, far more than first impressions are taken into account.

The property's structural soundness must be considered before you make an offer. If the home looks fantastic from the front but is actually falling apart, the value will change because of the money that's needed to repair it.

Having a building inspection is key so you know you're not overpaying for an attractive front garden. The report the inspector gives you will help in your negotiations; it doesn't mean the house isn't worth buying; just that the price should come down.

- **Size and scale**

This is probably the most self-evident factor. A larger home with more bedrooms, a study and a separate living area will be more valuable than a similar one on the same street with a smaller floor plan.

Before you buy, think about the cost of upkeep for the house. If you can afford the mortgage but can't keep the place in good condition, it won't remain in line with market value and may become a money pit.

- **Competition**

Heavy competition for a property will raise the asking price. In an overly competitive environment, many people get excited and overpay. The risk is that it will then take longer to get return on investment.

When you're looking for a home, the demand in the area will always factor into the final price.

Two tips are to be careful before you pay a figure that exceeds market value, and to develop a good relationship with your real estate agent so they can let you know about properties coming available before they hit the market.

- **Do your research**

You'll have a better idea of the right price to pay if you do plenty of research before you start making offers. Speak to agents about what properties are selling for and take a look at some homes that fall within your budget. If you really want to be well-informed, you can start following the per-square-metre price point of homes; it will give you an idea of how value is determined.

So many factors contribute to the value of a home and some of them are less obvious than others. By building your knowledge of the local property market and enlisting the help of a reliable real estate agent, you'll become a more savvy buyer.

Want to learn more about buying a home? Get to know your local Professionals real estate agent.



Visit professionals.com.au