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# THE INVESTOR

## A QUICK AND EASY TIP TO INCREASE YOUR PROPERTY VALUE

There are so many aspects of a property you can change and improve to make it better while increasing the value.

However, have you ever considered something quite small, simple, and inexpensive that can have a substantial impact on your sale price?

### NAMING YOUR PROPERTY...

Residential units and townhouse complexes often do it, but rarely do house owners.

Did you know that naming your house correctly can create a perfect image of your property and add instant value when selling?

Research has shown that choosing the right house name can make the property more saleable, attractive, and increase the sale price.

Compare these examples:

4 Albert Close, or  
'The River House', 4 Albert Close  
'Tranquility', 4 Albert Close,  
'The Lodge', 4 Albert Close  
'The Retreat', 4 Albert Close  
'Panorama', 4 Albert Close  
'The Homestead', 4 Albert Close, or

You can even incorporate your own name, such as, 'The Brooks House'.

Get creative and discuss ideas with your family and friends.

Then the only step you need to take is to invest in creating a visual standout house sign for your home. You also might like to search online '*Naming your house tips*' and '*House signs*' to help with the process.



## THE TENANT PYRAMID

### PROPERTY SELECTION & WEEKLY RENTS

When making the decision to purchase an investment property there are many factors to take into consideration to achieve your desired investment goals, such as:

Do you purchase a house, townhouse, duplex, or unit?

Do you choose a property within the CBD district, suburbs, or rural areas?

Is a short-term return (yield) more important than a long-term return (capital growth)?

When purchasing an investment property, it is vital to understand the demographics of the area and do your research.

'The Tenant Pyramid' concept, relates to the supply and demand of a particular property type.

Think of a triangle or a 'Pyramid'. The peak represents a low supply of tenants, and the base represents an over-supply demand, with the middle being the equilibrium, or average centered line.

If you want a balanced investment portfolio the middle-line will more than likely give you a safe investment opportunity, which is an average property with an average medium rent, attracting the majority of enquiries.

Purchasing a property at the peak may give you greater yields or capital growth, but it can result in less tenant interest and increased vacancies.

Purchasing a baseline property may result in obtaining a less desirable property that is not in an A1 condition, attracting more enquiry, but resulting in greater issues of increased maintenance, rent arrears, and tenant disputes.

At the end of the day, how much you can achieve in rent for your property is based on how much a tenant is prepared to pay. P.T.O. >

# RENTAL DEMAND AND YIELD

Taking the time to research areas with strong rental demand and yield is an important part of assessing the financial viability of an investment property.

Rental yield is a calculation of how profitable a property can be, based on the expected rental income, balanced against the costs of owning and maintaining the property. These include mortgage repayments, strata fees, council fees, maintenance, and insurance, to name a few.

Rental yield can be calculated in gross and net terms. Gross rental yield is the total value of the property divided by the expected annual rent, multiplied by 100 to get a percentage.

For example, an investment property worth \$500,000 with expected rental income of \$500 per week gives you the gross rental yield of:

$$\$26,000 (\$500 \times 52) / \$500,000 = 0.052 \times 100 = 5.2\%$$

Net rental yield is slightly more complex, as it factors in all your costs and fees, such as council rates, strata levies, property management fees, depreciation, and insurance.

Using the same example above, assume the total annual costs to maintain the property are:

\$1200 council (\$300 per quarter \* 4), \$2000 strata (\$500 per quarter \* 4)  
\$520 property rental fee, \$1200 property insurance, (total of \$4,920)

The net rental yield of the property would be:

$$\$26,000 (\$500 \times 52) - \$4,920 / \$500,000 = 0.042 \times 100 = 4.2\%^*$$

\* This figure doesn't include your loan repayments, as this will vary

## WHAT IS A GOOD RENTAL YIELD?

Most financial advisers say the 5-8% range generally represents a good rental yield. However, the truth is there's no industry standard for measuring an effective rental yield. Generally, the higher the rental yield, the greater the returns. However, this isn't always true; low rental yield potential may simply mean the property is overvalued, and high rental yield potential could point to undervaluation. When owning an investment property, you should aim for high net rental yields that produce healthy cash flows where expenses are easily covered by rental income as this will leave you less vulnerable to market fluctuations.

## RENTAL YIELD Vs. CAPITAL GROWTH

Rental yield isn't the only factor you should be considering when weighing up an investment property. Another key variable is the value of that property over time, otherwise known as capital growth.

For instance, if your property increases in value by 20% by the time you sell, it could prove a more profitable investment than a property with a strong rental yield that depreciates or even stays the same in value.

The concept of yield Vs. capital growth is often debated when investing. Obviously, the ideal scenario would be to find a property that shows a high yield and capital growth, which is possible if you understand the two concepts and take the time to do your research.

However, depending on the market, you may need to choose one option based on your financial situation and investment goals.

Can you financially sustain a low rental yield to achieve a high capital growth return on the property?

Purchasing the right investment property for you, incorporates many factors, and we recommend that you seek advice from a financial advisor, or feel welcome to reach out to our knowledgeable and friendly team to guide you through the process.

## PROPERTY MARKET

### Rented in April

50 Hillardt St, **Robertson**  
5 Bed, 2 Bath, 2 Car  
\$680

Unit Granny Flat/11D Minerva St,  
**Rosedale**  
1 Bed, 1 Bath, 1 Car  
\$385

4 Grange Ct, **Capalaba**  
4 Bed, 1 Bath, 1 Car  
\$680

**Want To Take The First Step  
Towards Selling Your Home?**



**TALK TO YOUR LOCAL EXPERT NOW**

Robin Yu - Principal & Auctioneer

robin@remax.com.au 0404 087 566

Unit 10/23 Richland Avenue, Coopers Plains

<https://www.remax-masters.com.au/>

## SUDOKU COFFEE BREAK

Every row & column, and 3X3 box, must

5	3		7			
6			1	9	5	
	9	8				6
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