R&W

PROPERTY MANAGEMENT NEWS

OCTOBER 2020

According to a recent report, the number of Australian renters will rise

A new report produced by researchers from Swinburne University of Technology, Australian home ownership: past reflections, future directions, looks at the levels of homeownership in Australia since World War II and what we can expect in the future.

Owning a property, for many Australians, is still one of the key things they want to accomplish in their life. It's still the great Australian dream, but for some, in the decades to come it could remain a dream as up to 40 per cent of Australians could rent in the future, according to the report.

51 PER CENT OF RENTERS WILL BE IN THE 25 TO 55 YEAR OLD AGE BRACKET

The expected increase of renters in Australia in the coming years is expected to be driven by several factors, including ongoing affordability challenges. Interestingly, the report found that homeownership levels in Australia have been relatively stable. In 1976, approximately 68 per cent of people were owner-occupiers, and in 2016, around 67 per cent of Australians were owner-occupiers.

According to the report, approximately 50 per cent of Australian households under 60 years old will rent from private landlords over the next 20 years. At the same time, owner-occupiers are expected to decrease to 63 per cent. Of those people who will be renting, it's expected that 51 per cent of these people will be in the 25 to 55-year-old age bracket.

So, what does that mean for property investing?

While the report is interesting, it's important to remember that these numbers are all forecasts. In any case, the changing proportion of owner-occupiers and renters will likely happen steadily as it has over the last four decades.

Keeping these changing demographics in mind and balancing this with your priorities as a property investor is key as you look forward over the coming years. The fundamentals in the property market are unlikely to change. People want to live close to amenity, decent infrastructure and close to employment opportunities. If you can find properties that tick these boxes, while structuring your investments in a way that helps you meet your long-term goals, you'll be well on your way to building a strong portfolio for yourself.

The important thing for investors right now, and all the time, is to regularly check-in and ensure your portfolio is working towards meeting your long-term goals. And if it's not, that's ok. It's a timely note to shift things around to make sure you're building sustainable, long-term wealth.

Dear Valued Clients,

As we have entered Spring Season, let's hope some improvement on property market in the next few months.

Hendra Wijaya
Principal

RECENT RENTALS

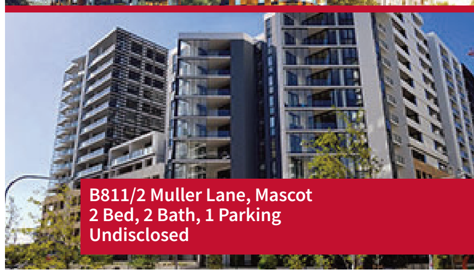
205/140 Maroubra Road, Maroubra
2 Bed 2 Bath 1 Parking $570 pw

8A/343 Anzac Parade, Kingsford
2 Bed 2 Bath 1 Parking $550 pw

303A/144 Dunning Avenue, Rosebery
2 Bed 2 Bath 1 Parking $540 pw

RECENT SALES

437/1 Finch Street, Eastgardens
3 Bed, 2 Bath, 2 Paking
Undisclosed



B811/2 Muller Lane, Mascot
2 Bed, 2 Bath, 1 Parking
Undisclosed

894 Anzac Parade, Maroubra NSW 2035
info@rwmaroubra.com.au | **www.rwmaroubra.com.au**

Tenant profiles are changing

Statistics recently released show that the current profile of a typical tenant is a female aged between 35 and 49 who earns more than $60,000 per annum.

The statistics also show that less than 30% of tenants looking to rent a property today are men.

The study undertaken by website portal realestate.com.au revealed that less than 17% of prospective tenants today are under the age of 25.

It is also interesting to note that over 12% of tenants are also property investors themselves.

When preparing your property for lease, we recommend that you not only take current market conditions into account, but also the likely profile of your incoming tenant.

This information will allow you to style your property accordingly in order to achieve maximum rental return.

TYPICAL TENANT IS A FEMALE AGED BETWEEN 35 AND 49

The benefit in lender's mortgage insurance

Lenders' Mortgage Insurance (LMI) is typically seen as an additional cost when people buy a property. Some experts, however, think that investors can make LMI work for them. LMI is critical for the lender as it protects them if you're no longer able to pay your mortgage. But, how can LMI work in your favour as an investor? In this article, we're taking a look at how LMI comes into play for investors.

The LMI logic

If your loan-to-value ratio is higher than 80 per cent of a property's value, your monthly repayments will be higher than someone who paid a larger deposit, and you may be at higher risk of defaulting on your loan. This is the key reason why lenders require LMI — to ensure they are protected by the increased risk exposure of properties with high LVRs.

How is LMI calculated?

LMI is calculated in different ways, depending on the insurer. Your premiums will vary based on your loan amount, deposit amount, loan type and your employment status. Some property investment websites have LMI estimators, which can help you weigh up different options. Your mortgage broker may also be able to assist.

If you work in a high-demand and well-paying industry, you shouldn't have too much difficulty finding an LMI provider. Some LMI providers consider professions such as doctors, dentists and lawyers to be low risk and may waive the LMI on a loan.

Viewing LMI as an investment

While LMI is a lender's safety net for people who borrow more than 80 per cent of a property's value, some property investment experts believe investors should see LMI as an investment rather than a cost.

For investors, LMI can help you buy a property when your deposit is lower than 20% of the property's value. This can help you to buy a property quickly instead of waiting to save up a deposit and missing out or being priced out later down the track. In these cases, it's helpful to calculate and analyse the cost of capital growth and LMI versus staying out of the market to keep saving a deposit and missing out, which can cost more than the LMI premium.

A good way to grow your portfolio

If you're an investor looking to grow your portfolio, LMI can help you secure your next property without using too much equity from your current property. This can help you add more properties to your portfolio faster and with a smaller deposit.

Remember, this is general advice only. Be sure to get specific advice from your own financial adviser before making any financial decisions for yourself.