R&W

PROPERTY MANAGEMENT **NEWS**

MAY 2022

If only I'd taken out **insurance**

One of Australia's leading landlord insurers recently settled more than 5,000 claims – with a total value in excess of $16.5 million. For the mathematically inclined, around $3,300 paid out per claim.

Of course, that's an average and many claims were of lesser value while others were substantially more. And while many landlords would be able to 'find' the $1,175 one policyholder was paid to fix a broken window and other minor reparations, few could foot the $746,000 bill another landlord faced after a fire.

Owning an investment property comes with a unique set of risks – not only is there the risk the rental could be damaged due to fire, flood, storm or any number of other insured events, there are specific risks, like tenant-related damage (accidental, malicious and deliberate) and loss of rent, that also need to be factored in.

Last year alone, more than 1,300 (or 26 per cent) of paid claims were for tenant damage. This covered everything from wine spilled on carpets to homes having to be decontaminated.

A rental property is an investment from which the owner expects to derive an income. So, when a landlord suffers rental losses, it can have a devastating effect on their cash flow and personal finances – banks generally insist on mortgages being repaid, regardless of whether the landlord actually received any rent.

Almost 3,000 claims (or 58 per cent) for loss of rent were settled in one year. Sometimes the result of bad tenant behaviour (absconding, rent default, breaking leases), other times the non-payment was the result of circumstances beyond the control of tenant, landlord or agent – such as relationship breakdowns, domestic violence, job loss, serious illness, or tenant death.

While prudent landlords often factor in a few weeks each year when the property will not generate an income, unexpected damage or loss of rent frequently derails even the best plans. This is when the financial security blanket that is landlord insurance comes into its own.

To all the mothers "Happy Mother's Day! May your day be filled with love, joy and laughter.

Hendra Wijaya
Principal

RECENT RENTALS

2205/43 Wilson Street, Botany
2 Bed 2 Bath 2 Parking $700 pw

4/36A Prince Street, Randwick
1 Bed 1 Bath 1 Parking $565 pw

27/95-97 Mason Street, Maroubra
2 Bed 2 Bath 2 Parking $620 pw

RECENT SALES

281/116 Maroubra Road, Maroubra
3 Bed | 2 Bath | 2 Parking
Sold for $1,350,000

604/747 Anzac Parade, Maroubra
1 Bed | 1Bath | 1 Parking
Sold for $750,000

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

Depreciation deductions can make a difference to cash flow

The Australian Taxation Office (ATO) allows property owners to claim depreciation, or decline in value, as a deduction.

As a non-cash deduction, depreciation is often missed. With tax time approaching, property owners should be sure they are claiming all the deductions to which they are entitled.

Owners of income-producing properties can claim depreciation deductions related to the building's structure as well as the plant and equipment assets within the property.

Depreciation related to a building's structure can be claimed via capital works deduction. As a general rule, residential homes in which construction commenced after the 15th of September 1987 and commercial properties in which construction commenced after 20th July 1982 are eligible for the capital works deductions.

Depreciation on each plant and equipment item, or fixtures and fittings within a building can also be claimed. These items include hot water systems, carpets and blinds.

Generally, newer properties with newer fixtures and more expensive construction costs will attract more depreciation deductions simply because they have not depreciated in value as much as older properties.

However, older properties still attract depreciation. It is always worth inquiring about the possible depreciation deductions available on an investment property.

To maximise depreciation deductions, property investors should engage a specialised Quantity Surveyor to complete a tax depreciation schedule.

The schedule has a one-off cost which lasts the life of the property and will ensure the property owner claims their deduction entitlements.

The fee for a tax depreciation schedule is a 100 percent tax deductible.

WE HAVE A VERY THOROUGH TENANT SELECTION PROCESS IN PLACE

How do we **select a tenant** for a property?

Some express concern that we may choose someone unsuitable or that the landlord may not have any say in it whatsoever. Rest assured we don't just put anyone in your property. We have a very thorough tenant selection process in place, as outlined below.

All prospective tenants who apply for a property with our company are required to complete a detailed application form and provide employment and rental references together with solid points of identification, such as a driver's license and passport. We will not process any application that fails to meet these criteria.

All applications are checked thoroughly. This includes making checks against several credit checking agencies and tenancy tribunal records to determine the prospective tenant's credit history.

Once our detailed screening processes have been completed, we contact you to advise the outcome. You have the freedom to be involved as much as you wish in the final selection process, however we have found that most landlords prefer to leave that process in our capable hands.