

Small cost, big yield!

Rob Farmer reveals secrets to keeping happy tenants while boosting your yield

We have all heard the stories about landlords renovating their properties and significantly improving their cash flow, but if you don't want to spend a lot can you still improve your yield? The answer is: absolutely!

The most important – and often overlooked – question is: what are we trying to achieve through a renovation or improvement in order to improve the yield? It is all about increasing competition. The more people who love your property the more people there are who will want to rent it. This in turn gives you higher rents, lower vacancies and the opportunity to choose a higher quality tenant.

Vendors usually pay considerable attention to presentation when selling their home. This can vary from a general spruce up and a dab of paint here and there, to major or minor refurbishment – or even a structural alteration of the property.

The rationale behind improving presentation is simple: it's designed to capture the imagination of a greater number of buyers. When there are more people interested in a property, competition for it intensifies and the vendor's chances of achieving top dollar are significantly increased.

Agents are aware of this fact, and usually provide vendors with detailed advice about how they can improve the presentation of their property inside and out. This often includes recommending that the seller engage experts to help with presenting the property or hire furniture, paintings and lamps to add ambiance and character to the interior.

But our experience shows that, although some landlords know the value of presentation, a large number rarely go to any lengths to make their properties more appealing to

prospective tenants. This is somewhat surprising, because the same principles apply to letting property as to selling it.

In many respects it is more important for an investor to work on improving the presentation of their rental property because, unlike the family home, it is an income-producing asset.

Despite the current record low vacancy rates in Victoria, New South Wales and Queensland, tenants continue to exhibit a distinct lack of interest in properties that are tired, shabby or lacking in presentation.

There is a direct correlation between the presentation of rental premises and the calibre of the people applying for a lease. A rental property that is presented well attracts better applicants who are more amenable to paying a higher rental to secure accommodation that meets their lifestyle requirements.

Experience shows that tenants are far more diligent in caring for a property that is attractively presented. This is very important to the owner, because a well-maintained house or apartment has increased potential to deliver greater capital growth in the years ahead.

Although a major refurbishment may be the most desirable course of action, not every landlord has unlimited resources – and a make-over costing tens of thousands of dollars can be out of the question for many.

There are, however, a number of relatively low cost improvements – many of which can be carried out by the average handyperson – that can be carried out to lift the presentation and appeal of any property

A client of our Richmond and Prahran office recently fully renovated the kitchen and bathroom, painted the interior throughout and replaced the carpet and blinds in her one-bedroom inner-suburban apartment for a total cost of \$10,000.

"The owner sourced her own contractors, did the painting and bought all the materials herself to

save money. The effort was extremely worthwhile because the rent increased from \$205 to \$280 a week, which after tax deductions and the interest substantially improved their cash flow," explains Betty Giacometti, manager of RUN PROPERTY Richmond and Prahran.

Under \$10,000: Five things tenants want



1 Get the basics right

It is a given that carpets should be professionally steam-cleaned, drapes dry-cleaned,

scuffed or grubby paintwork touched up and appliances checked to ensure they are operating efficiently between tenancies. These items should be regarded as maintenance, not improvements.

It is amazing how many landlords don't place any value on this, but a lot of tenants will not consider a property seriously if the property is not clean and well maintained.

According to Betty Giacometti, a fresh coat of paint throughout makes a world of difference. "An ageing property that has not been painted looks even older without furniture, and can be quite depressing to walk through. The brighter the property the greater the number of applications there will be for it – simple as that."



2 The kitchen

Surprise, surprise – the kitchen can have the biggest impact on the competition your property

receives. I also believe that someone who cares how the kitchen looks is more likely to take better care of your property!

Illusion is an integral part of the process if you don't want to spend a fortune. By creating visual effects that attract the eye of a potential tenant, attention is diverted from the not-so-desirable aspects of a property. For example, replacing a standard white upright stove with a stainless-steel appliance may lead to the impression that the kitchen is all stainless-steel.



Boost your rental return

Item	Approx. cost	Potential extra rent	Potential benefits
Fresh coat of paint, new lights, door knobs & carpet	\$4,500	\$30 per wk, \$2,600 pa	<ul style="list-style-type: none"> •lease quicker •attract higher quality tenant •increase depreciation / tax benefits
Kitchen & bathroom – basic improvement	\$3,500	\$50 per wk, \$2,600 pa	<ul style="list-style-type: none"> •potentially increase value by greater than \$10,000
Reverse cycle air conditioning	\$2,000	\$20 per week, \$1,040 pa	<ul style="list-style-type: none"> •one to two year payback on investment dependent on scenario
Total	\$10,000	\$100 per week, \$5,200 pa	

Example based on a typical apartment where the previous condition was dated or tired.

Painting kitchen cupboard doors, replacing kitchen door knobs and installing a new imitation designer kitchen tap can leave your prospective tenant feeling like they have a new expensive kitchen.



3 The bathroom

Like the kitchen, the bathroom can create the appeal that quality tenants are after. Typically

the bathroom is an expensive project to tackle, but there are some inexpensive but very effective things you can do.

Replacing taps, shower heads and other bathroom and laundry fittings with modern equipment can give wet areas an improved look. There are plenty of bathroom warehouses that produce very low-cost imitation European bath fittings, and they are

definitely worth a visit. New door and cupboard knobs, new mirrors as well as ripping out the old shower curtain and replacing it with a shower screen can make a massive difference.

For a little more money a tired bathroom can be brought to life by having the bath, basin and shower base resurfaced and old-fashioned or garish tiles painted. It only takes a short time and the results can be quite spectacular.

Anyone who has the time and is reasonably handy could reduce their costs by resurfacing the bath, show base and basin, and painting tiles themselves with one of the special coatings now available for this purpose.

A professional face lift can usually be carried out within 72 hours relatively inexpensively by one of the companies that specialises in this type of refurbishment. Replacing cupboard fronts and resurfacing bench



Renovating checklist

- keep the property clean
- replace white upright stove with stainless steel version
- paint kitchen doors
- replace kitchen & bathroom doorknobs
- replace kitchen and bathroom taps
- resurface old baths
- replace blinds
- install effective cooling and heating devices
- replace shower curtains with glass screens
- use tile paint to paint out old tiles
- get rid of fluorescent lighting

tops transforms a drab, old-fashioned kitchen and enhances the appeal of the property.

Resurfacing companies claim that savings of up to 70% can be made on a traditional bathroom or kitchen renovation as sinks, stove tops, baths, basins, vanity units and shower recesses remain in place, eliminating plumbing and other trade costs.



4 Livings areas and bedrooms

My pet dislike is cheap fluorescent lighting that is the living reality of too

many rental properties. The ambience of a property can be improved by replacing the fluro ceiling light with low-voltage fittings that plug into existing sockets without the need for an electrician. Modern pendants for bedrooms can also make a significant difference.

The ambience of a property can be improved by replacing the fluro ceiling light with low-voltage fittings

Light switches and door knobs can show the age of a property. Changing light switches and installing dimmer switches can create the illusion of a newly refurbished property.

Homewares and furnishing stores stock an extensive range of off-the-shelf blinds that provide privacy and, at the same time, improve the appearance of lounge room and bedroom windows immeasurably.

First impressions are lasting impressions, so it's worthwhile considering the installation of a floating floor or artificial timber flooring to the entrance hall and in high-traffic areas. These products not only capture the attention of prospective tenants and add to the appearance of the house or apartment, but are also easy to maintain and exceptionally durable.

Steven Erickson has tips for improvements that won't break the bank but are a hit with tenants and, more importantly, allow the landlord to raise the rent.

"Reverse-cycle air-conditioning attracts tenants and immediately results in at least a \$20 increase in rent, while ducted heating is one of the more sought-after facilities," Erickson says. "With the growing popularity of digital TV tenants want to be sure the antenna is compatible with their set. It's only a small item and doesn't cost much, but it is nevertheless an important selling point."



5 Laundry

It is amazing how many rental properties in Australia still have an external laundry. An

internal laundry is high on the agenda for tenants, and it usually dictates whether they will or won't apply for a property. It is feasible to build a front-loading washing machine, clothes dryer and trough into a large cupboard or behind a false wall for a relatively modest budget in an apartment located in a block which only has communal washing facilities. It requires the services of a plumber, but the outlay can be well worth it in terms of increased attractiveness to tenants and rental return.

One of the reasons I love investing in property is that there are things you can do to increase both the value and yield of your investment. It's amazing how even the little things can make a big difference! ■

Rob Farmer is CEO of Australia's largest Property Management Group, RUN Property. RUN manages over \$10 billion of property assets, in excess of 40,000 customers. For more information visit www.run.com.au

