



The RentCover Report

Industry News and Views from EBM

December 2009

RentCover Report – we've got you covered

Welcome to the December *RentCover Report* and the last edition for 2009.

Less than a month until Christmas and we hope all the preparations are going well for the upcoming festive season.

As we prepare to say farewell not just to 2009 but the first decade of the new millennium, what have been among the year's standout trends and stories?

The rebounding of world stockmarkets following the gloom of 2008 has been nothing short of remarkable. The Australian All-Ords Price Index has increased nearly 30% in the space of 12 months, while the Reserve Bank's quarter-percentage point rise in October was the first interest rate rise among the developed world and took many by surprise (followed by consecutive rises in November and December).

Locally, the rental market continued to suffer an acute shortage of available accommodation, provoking steep increases in most capital cities. Look out for our article on the tightening of rental markets which sheds further light on likely rent increases up until 2012.

But with a gradual return of confidence, we know that investment property owners are likely to be focussing on finding their next investment rather than the protection of their current rental assets, so we've included a helpful checklist to assist in planning for the holiday season and smooth the way into a new decade of opportunity.

We hope you enjoy this edition and look forward to updating you again next year!

Best wishes for the festive season from everyone here at EBM!

Sharon Fox-Slater
General Manager, RentCover



Record Rent Rises Raise the Roof

Low levels of new housing starts combined with surging demand are expected to fuel sharp rent rises across all major Australian cities for at least the next two years.

Record numbers of first-home buyers are a major contributor to predicted average annual increases of nearly 6% from 2010 to 2012, according to forecaster BIS Shrapnel.

As well as first home owners, cashed-up young adults who are staying at home longer are now entering the market with higher levels of income meaning they can also afford to meet higher rent levels.



The embattled housing supply market will only begin to improve with healthier levels of new starts arriving in 2010, following a slump of 30% in new medium and high-density apartments in 2009. Demand caused by net migration is also contributing to rising rents. Growth in rents will mean rented households passing an extra \$1.9billion to landlords every year.

Rental growth (%)

	Average annual 2002-08	Forecast calendar 2009	Forecast average annual growth 2010-12
Sydney	3.5	6.2	7.1
Melbourne	3.3	4.8	5.6
Brisbane	6.9	5.2	5.0
Adelaide	4.3	4.3	3.4
Perth	6.5	6.6	3.2
Australia	4.4	5.7	5.8

Source: ABS Data, BIS Shrapnel forecasts

Record numbers of tenants entering the market for the first time will create additional pressure on the sector as a whole and rent increases will lead to landlords seeking more protection for their increasingly valuable rental properties.

During the first 10 years of the new millennium, the housing component of the Consumer Price Index (CPI) has risen by 56%, well above overall CPI inflation of 36%.

The trend underlines the need to recognise the appreciating value of rental properties and for owners to satisfy themselves that adequate insurance is in place for their appreciating assets. RentCover offers a range of affordable insurance solutions for landlords and tenants to help them cover themselves, and their assets.

RentCover General Manager Sharon Fox-Slater said with increased competition in the rental market, landlord's insurance remains an important part of owning an investment property.

"Increased demand for rental properties will mean higher rental yields will be enjoyed by property owners in the years to come," Ms Fox-Slater said.

"This makes having adequate protection all the more important. The last thing landlords want is to miss out on higher returns either because tenant-related damage eats into their revenue or their property is unlettable due to unforeseen circumstances.

"RentCover delivers a variety of options for landlords to protect their assets and will help them protect their investments ahead of a return to more profitable times."

For more information about RentCover, call 1800 661 662 or visit www.rentcover.com.au

End-of-year Checklist

With the festive season fast approaching and many individuals winding down for a well-earned break, now's a good time to make sure your landlords are fully covered for what promises to be another challenging year ahead. Then you can escape on that much-needed break with the peace of mind that only the thoroughly-prepared can enjoy!

Before you sail off into the sunset or step aboard that jet heading for far-off places, take a moment to browse our special *RentCover Report* checklist to help make sure your landlords are enjoying the full benefits of having adequate protection and processes in place while you're away.



1. Review your process for dealing with rent arrears. Don't let tenants slip through the net – ensure your arrangements are sufficient to protect your income and that of your landlords while you're away. Landlords can obtain inexpensive insurance for both rental loss and property cover. For more information about RentCover, call 1800 661 662 or visit www.rentcover.com.au.
2. Repairs and maintenance – are you confident they will be handled efficiently and cost-effectively while you're away? What would you do if you suspected the answer was 'no'?
3. Do your landlords have someone looking after their property when they're gone? A nominated deputy or other responsible person 'looking after the shop' can mean the difference between a holiday enjoyed or a holiday wrecked.
4. Ensure landlords have a means of contacting you directly in the case of emergencies. Also, ensure you have an effective, quick means of contacting them should the need arise.

Law changes would create 'Perfect Storm'

Proposed amendments to NSW rental legislation would force out residential investors, drain the market of much-needed rental accommodation and leave tenants with skyrocketing rents, claims the state's peak real estate body.

Real Estate Institute of NSW president Steve Martin said proposed amendments to the *Residential Tenancies Act* would "deliver carnage" to both mum and dad investors and tenants.



"These changes are nothing short of investment vandalism and will leave NSW a wasteland as investors flee to other states," Steve Martin warned in a recently released statement by the Institute.

Among concerns raised by the Institute are:

- allowing poor performing tenants to not pay rent until served notice by the Sheriff at the 11th hour;
- ability for tenants to terminate leases ‘at will’;
- the unfettered right of tenants to modify premises as they choose; and
- the disincentive to offer long term leases.

Additional changes included new conditions imposed on landlords. These could see the introduction of “rent controls”, according to Mr Martin, delivering a blunt warning that extra powers and discretion awarded to the Consumer Trader and Tenancy Tribunal could allow tenants to successfully argue that rent increases could be deemed excessive.

REINSW is predicting the cumulative cost impact of the proposed amendments could easily exceed \$5,000 per residential tenancy in the first year of the new Act, as a direct result of new conditions imposed on landlords.

‘Mum and dad’ investors will simply drop out of the residential tenancy market and look elsewhere to invest, most likely outside NSW, said Mr Martin.

“For those that do stay in the market, these costs will be passed directly onto tenants.

“On an average rental of \$500 per week, these new costs could be as high as \$100 per week, a 20% increase. For struggling families in rental accommodation, this could push them beyond their financial means.

“I don’t understand why the government is targeting tenants like this. What we will see as a direct result of these amendments will be fewer rental properties because there are fewer investors; and this will push rental prices even higher.”

Opposition fair trading spokesman Greg Aplin has previously said that stakeholders with whom he had communicated were frustrated at the Bill’s introduction during a period of severe shortage.

NSW Minister for Fair Trading Virginia Judge expressed her disappointment at the Institute’s broadside, saying that consultation with interested parties was at an early stage.

As this issue progresses, RentCover will keep you up-to-date on all changes that could affect the rental market in NSW, as well as the possible ramifications in other states.

Meet a member of the RentCover team...

This month we meet Leah Schlitz from EBM’s RentCover team in Melbourne.

Leah is an Assistant Account Manager, processing customers’ queries over the phone as well as managing policies and claims. She has been with EBM for three and a half years.

Here are a few other things you might not know about Leah:

1. **What do you like most about your position at EBM?**
I love the great bunch of people that I work with.
2. **What aspect of your role do you find most rewarding?**



Being able to help the customers and to fulfil their needs.

3. **When not at work I...** Love to go out with friends and to shop when possible.
4. **If I had a three week holiday planned, I would...** Definitely go back to Europe and see a lot more places.
5. **I like to splurge on...** Clothes and going away.
6. **One piece of advice that stays with you?**
Follow what your heart tells you to do.



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