property west realestate

PROPERTY INVESTOR NEWS

JULY 2022

How to **spruce up** your investment property while **saving money**

Here are some ways you can add some extra "wow" factor to your property without breaking the bank.

Reduce, reuse, recycle

If you're quite handy with DIY projects, you might be able to create some renewed things for your investment property without breaking the bank. This might include light fixtures, building materials that can be recycled and other larger items that can be repurposed for the property. Even if you haven't completed a DIY project before, you can get some great tips and inspiration from local hardware stores and online videos.

Make one big change

Investing in one big improvement to your property and accompanying this with smaller updates is a great way to make an impression without going over budget. You might decide to open up a ceiling through an attic, add some high-quality timber shutters or invest in some French doors. Whatever option you choose, make it something that will transform a highly used space in the home, such as the kitchen or living and dining area.

A fresh coat of paint

When your property has had a few different tenants, the walls can start to look knocked around, and the property will show signs of wear and tear. Adding a fresh coat of paint to the walls between tenancies is a great way to tidy up your property while keeping costs to a minimum. Stick with neutral colours that will appeal to most people and don't forget to keep a record of your paint colours for any touch-ups that might be needed in the coming months and years.

Keeping your property looking well presented with some low-cost renovations will ensure you attract great tenants. Not only will this help keep your property in good condition for the long term but securing tenants who love living in your place can mean you don't have to find new tenants for a long time. The investment is worth it, so take your time and make a few small updates that will have a big impact.

13C Lakeside Drive, Joondalup

LEASED

18 Cherokee Green, Clarkson

LEASED

16 McPharlin Avenue, Quinns Rocks

LEASED

101/44 Key Largo Drive, Clarkson

LEASED

How much do you need to **budget** for?

Our research indicates that you should allow in the vicinity of 20% of your annual yield to cover your regular statutory costs (excluding land tax) and / or strata levies as well as any minor incidental repairs and maintenance expenses that could arise throughout a year.

Of course this will vary depending on the age and condition of the property. Remember, tenants are not expected to tolerate the minor annoyances that a homeowner might "just put up with".
If you have recently purchased an older investment property that has never been rented before, you might find that you will receive an initial surge of repair and maintenance requests. But don't worry, this will eventually settle down. As hard as you might try to prepare a property for your tenants, it's important to accept that some things can only be experienced when living in a property.

While 20+ % of your gross annual yield may sound like a lot, as far as a business goes (and that's precisely what your investment property should be treated as), it's actually not bad at all! The key to success is not to allow yourself to be caught short. Schedule a meeting with your Property Manager to see how they can help you budget for your known expenses and help to ensure a positive experience for you, your Property Manager and your tenant.

INCOME WILL BE TAXED AT 25 PER CENT FOR SMALL COMPANIES

Your options when creating **a structure** for your property

In Australia, over 65 per cent of buyers purchase their property in their own name. But other ownership structures may be suitable for you, depending on your intentions with the property investments and how it fits into your wider portfolio. Below, we outline a few different property ownership structures and when each structure may be suitable.

Individual

The simplest ownership structure for a property is owning the asset as an individual. This means you buy the property in your name. For a property that is your main residence, buying it in your name can be beneficial as you'll be eligible for the capital gains tax exemption. Getting finance for a property purchased in your name is also straightforward as you can use payslips and tax returns as your proof of income. On the downside, buying a property in your name doesn't offer asset protection if you are personally sued.

Company

A company structure is a good option for property developers or full-time property investors. As a separate legal entity, the company is run by the appointed directors and owned by shareholders. Under this structure, the property and mortgage would be under the company name. Income will be taxed at 25 per cent for small companies with turnover below $25 million.

You get increased asset protection under a company structure, but you don't have access to the capital gains tax discount. If you don't intend to hold your properties for a long time, a company structure may not be worth the time and cost to establish and maintain.

Trusts

Trusts are a popular option amongst property investors. The most common trusts used by property investors are a family trust or a unit trust. Similar to a company structure, a unit trust gives you a defined interest in the trust, so your profit from the property will be the same as your ownership within the trust. Unit trusts can be a good option for unrelated parties investing in property.

A family trust differs slightly. It doesn't have defined unit holders, providing flexibility and asset protection. The complexity of your trust structure may impact how much you can borrow, so you need to speak to your accountant about this when you apply for finance.

Joint venture

If you have an end date for your property investment, a joint venture can be a good option. This is a more common structure for developments as in a joint venture the parties share in the proceeds, not just the profit. For example, each party may own adjacent blocks of land, and the proceeds will be the property that is built on the land.

This article is for general information purposes only. There's no one size fits all when it comes to property ownership structures. Make sure you speak to your accountant for tailored advice about structuring your property investments and how different ownership structures affect your tax obligations.

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