inspired living

SUMMER 2018

Apps to help househunt & decorate ▪ Home loans with a baby on the way ▪ Eco government rebates for investors ▪ Market Update

Welcome

Welcome to our summer edition.

In this issue, we highlight some of the pros and cons of buying a property to list online as a short-term rental. We share our favourite apps to help you house-hunt, renovate and decorate.

Plus, there's tips for buyers with a baby on the way and for investors on how to access government rebates by including eco-friendly features in their property.

You can also find out what's been happening in the real estate market, with our updates on national and state property values.

BUYING TO RENT ON AIRBNB: PROS AND CONS

There's no denying that websites like *Airbnb* and *Stayz* have turned the holiday accommodation industry on its head. Anyone with a property, or even just a room to spare, can potentially make some handy cash from this new segment of the travel market.

If you're thinking of buying an investment property with the express purpose of listing it as a short-term rental, here are some things to keep in mind.

Ask first, rent later

Before you buy an investment property and sign on with a third party like *Airbnb*, make sure your planned short-term rentals will be legal. Check that your listing doesn't breach any home owners' association or body corporate rules and that you're complying with applicable zoning laws.

The laws around hosting paying guests vary greatly from city to city, and between local governments. In some cities, landlords are required to obtain permits and licences. As there is such variance in laws and requirements, do your legal research thoroughly or your plans might have to do a swift 180.

You're the agent

When you rent through a third-party website, you're doing the work that a real estate agent would normally do – advertising the property, responding to emails, coordinating bookings and payments, arranging cleaning and maintenance. It's not a set-and-forget investment.

The upside is that you'll have more flexibility. For instance, you might choose to adjust the rental price to respond to the market – when demand is high, there's an opportunity to increase your price. Alternately, you may only want to rent out the property when you're not using it for your own holidays.

Not all insurance is created equal

You will, of course, want to protect your property and its contents while you're renting it out. Consult an insurance broker about this, as regular home and contents insurance doesn't cover you for paying guests. You may need landlord insurance if you're not going to use the property yourself during downtime, or you may need a combined policy.

Some people might think that *Airbnb* will protect them, however Airbnb's Host Guarantee is not insurance. Ensure you properly read up on all the terms and conditions so you're 100% aware of what's required of you.

Income vs expenditure

An investment property provides the opportunity to boost your income, whether you rent to holiday-makers or longer-term tenants. However, if you do go with the short-term option, owner costs might only be deductible during the percentage of the year the property is available to be rented.

A short-term rental means a higher tenant turnover. You'll therefore need to budget for when the property is vacant, particularly during off-peak times, so you can manage any cash-flow disruptions.

Holiday rentals are usually fully furnished, which means you may need to spend some money before you even start advertising. As with any business, big-ticket items should be depreciated over time. Talk to your accountant about creating a depreciation schedule for items such as furniture and whitegoods.

While there are many benefits to 'rentvesting', these particular short-term rental markets are volatile – the laws aren't always clear and there they're changing regularly. It's important to do your homework, and to understand your rights and responsibilities. For more information about buying an investment property, contact your mortgage broker today.

Sources: www.airbnb.com.au

The best apps to help you househunt, renovate and decorate

These days finding the perfect location to buy a property – and some great options for decorating it – is as easy as flicking through your phone. This list of our favourite Australian location and decorating apps will help you both before and after you move in.

Houzz

Buying a house is just the start. Once you moved in, you're going to want to make it feel like home. *Houzz* is a one-stop interior design shop, with ideas, tips and suggestions for turning your house into a home. Highlights include eye-popping photos, helpful articles, an online furniture store, community forums and recommendations for professional help. *Houzz* has every room covered.

MagicPlan

This ingenious interior mapping app has lots of uses, including crime scene investigation! But chances are, you're using *MagicPlan* to renovate or decorate. Create a floorplan of your home simply by taking photographs of its rooms. Draw up your own space on the app, then save it as a PDF or JPG file, or upload it onto a website. Easy.

Paint My Place

The days of swatches and sample pots are over. *Paint My Place* lets you take photos of your house and apply commonly-available commercial paint colours to the image. It's designed to give you a sense of how the final result will look before the brush goes anywhere near the wall. It's free, but the premium version lets you try multiple colours and save your experiments.

AroundMe

Moving to a new area means familiarising yourself with all the places you need to survive and thrive. Simple, effective and free, the *AroundMe* app helps you instantly find nearby points of interest by common categories, including restaurants, hotels, theatres, parking, hospitals and much more. View as a list or on a Google map. An ad-free, premium version is also available.

Walk Score

From supermarkets and cafes to schools and parks, Walk Score gives you a list of nearby attractions and tells you how far away they are, lets you compare suburbs, and gives every address and suburb an overall score out of 100. Especially useful if you're new to the area.

FAMILY PLANNING: APPLYING FOR A HOME LOAN WITH A BABY ON THE WAY

A new baby completely changes your life. Are you also prepared for how a new baby might affect your chances of buying a home? Here are some things to consider before you submit your application.

When a lender assesses your home loan application, they look at your income, assets, debts and expenses before deciding whether they think you can make the repayments. Those figures are likely to change when you have your first child. That means your eligibility for a home loan could also change.

Changes to your income

A lender needs to know that your income will cover your mortgage repayments, even while someone's taking time off work to be a new mum or dad.

If you're the primary carer and you plan to leave employment temporarily or indefinitely, the loss of your income will affect your household income. When you're applying for a loan and planning to take an employment break, you may need a letter from your employer confirming your return-to-work income.

Both parents may be eligible for parental leave. In many cases the parental leave pay will be lower than your regular income. To get an idea of what your new income will be, figure out how much parental leave you plan to take. Also speak to your employer to find out whether they offer any additional entitlements. A financial planner will be able to discuss your personal situation, including any tax benefits you might qualify for.

Cost of raising a child

When you calculate your expenses, you'll need to factor in the cost of raising your child. As a guide, a University of Canberra study estimated that low income ($1,160/week) families spend on average 7.4% of their earnings to raise a child aged 0–4, whereas high income ($4,984/week) families on average spend 4.6%[1].

Whatever your income, when you have a child your ongoing expenses will go up. This means you'll have less money to make home loan repayments, so the amount you'll be able to borrow may be less.

Cost of the loan

Before deciding on a home loan product, research the likely cost of the loan and the size of the repayments. Many lenders, brokers and real estate websites have free tools and calculators.

The following items will affect your repayments:

- The amount you borrow.
- The length of the loan; the average home loan is 25–30 years.
- The interest rate.
- Whether the interest rate is fixed, variable or combined.

Your financial commitments

A mortgage is a financial commitment – and so is a baby. When you're preparing to take on both at the same time, it's a good idea to look at the whole picture.

First, assess your current financial situation by pulling together information about your income and expenses, including any existing loans. What repayments can you afford?

Then, using this information, adjust the amounts to reflect your income and expenses after having your child. What does that do to your home loan repayments?

Although raising a child will be an added expense, you may find that you can reduce your discretionary costs – such as dinners and holidays. Depending on how much you can reduce, this may even give you about the same financial capacity. Or perhaps you can still afford to service a mortgage but may not be able to borrow as much as you first thought.

You'll need to decide whether a mortgage is a worthwhile debt, given that your household income and expenses will change when your baby comes along.

Do you want to start a family now, or do you want to build a nest? An informed decision might make both possible if you understand the financial changes a child will bring. To discuss your home loan options, contact your mortgage broker.

Source: The AMP.NATSEM Income and Wealth Report Issue35 – Childcare Affortability in Australia
www.natsem.canberra.edu.au/publications

ECO GOVERNMENT REBATES FOR INVESTORS

Upgrading your property so it's energy-efficient is not only good for the environment, it can also benefit your bottom line. Australia's federal and state governments offer a number of rebates and incentives[1] to investors and home owners who include eco-friendly features on their properties.

Renewable energy systems

Your property can generate its own power if you install renewable energy systems such as solar photovoltaic (PV) panels, solar water heaters or air source heat pumps. The federal government's Small-scale Renewable Energy Scheme[2] offers an incentive to install eligible systems.

Once the system is in place, you may be entitled to small-scale technology certificates (STCs)[3]. When your property's renewable energy system generates more power than it requires, STCs are created. These STCs can then be sold for cash to businesses, such as power retailers, who have a legal obligation to purchase them to meet their renewable energy obligations. The incentive scheme is managed by the Clean Energy Regulator[4], who also sets the market price for STCs.

Some states and territories provide additional incentives for renewable energy, including feed-in tariffs[5] for supplying excess power to the electricity grid. The amount of the tariff varies from state to state and between individual electricity retailers.

The user enters into a fixed-term contract with the electricity distributor, so the tariff is usually paid to the person responsible for the electricity account. As an investor you might not get the direct advantage, but you may find a tenant willing to pay higher rent due to the reduced power bills and environmental feel-good factor.

Battery storage rebates

If your investment property is within the City of Adelaide, there's the opportunity to take advantage of grants up to $5,000 for installing a battery-based energy storage system[6]. This recently announced initiative is aimed at encouraging people to reduce their carbon footprint. Other local governments are considering similar schemes.

Rebates for efficient energy use

There are a variety of rebates and financial incentives offered in each state and territory to encourage home owners to switch to more efficient-energy options. These include:

- Choosing to connect your hot water or a pool pump to an economy electricity tariff[7].
- Installing energy-efficient cooling and heating systems.
- Switching to LED downlights[8] or compact fluorescent light bulbs.
- Installing water-saving showerheads[1].
- Replacing wood heaters or open fireplaces with mains-supplied gas heaters[9].

Eco-friendly properties are attractive to both tenants and investors. Not only do they help the environment, they can save money with the wide range of rebates currently on offer. In addition to federal and state programs, many local councils also operate energy-efficiency schemes. To discuss the options for your property, contact your mortgage broker.

Sources:

[1] http://yourenergysavings.gov.au/rebates

[2] www.cleanenergyregulator.gov.au/RET/About-the-Renewable-Energy-Target/How-the-scheme-works/Small-scale-Renewable-Energy-Scheme

[3] www.cleanenergyregulator.gov.au/RET/Scheme-participants-and-industry/Agents-and-installers/Small-scale-technology-certificates

[4] www.cleanenergyregulator.gov.au

[5] www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1314/QG/Tariffs

[6] www.cityofadelaide.com.au/your-council/funding/sustainable-city-incentives-scheme/

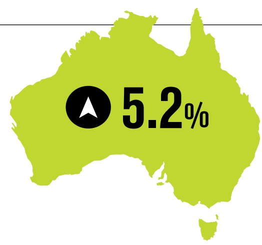
[7] www.energex.com.au/home/control-your-energy/save-money-And-electricity/economy-tariffs

[8] www.environment.act.gov.au/energy/smarter-use-of-energy/energy_efficiency_improvement_scheme_eeis/how-the-scheme-works/eeis-activities

[9] www.actsmart.act.gov.au/what-can-i-do/homes/wood-heater-replacement-program

REAL ESTATE MARKET WRAP-UP

NATIONAL PROPERTY VALUES IN 2017



National dwelling values were unchanged for the second consecutive month in November 2017, according to the CoreLogic Home Value index. This also follows unchanged values in August and October 2017. Values fell by -0.1% across the combined capital cities over the month, the first monthly fall in the combined capitals index since March 2016. Values increased by 0.2% across the combined regional markets. Dwelling values fell over the month in Sydney and Darwin, were unchanged in Adelaide and rose elsewhere. In fact, it was the largest monthly fall in Sydney since February 2016.

Over the three months to November 2017, national dwelling values have increased 0.2% with the combined capital cities index recording an increase of 0.2% and the combined regional market value rose 0.4%.

Across the individual capital cities, values have increased over the quarter in Melbourne (+1.9%), Brisbane (0.6%), Adelaide (+0.1%), Perth (+0.3%), Hobart (+3.3%) and Canberra (+1.3%). Values have fallen over the past three months in Sydney (-1.3%) and Darwin (-2.7%). Perth's 0.3% rise in values is the largest quarterly gain since the three months to June 2014. In Sydney, the -1.3% decline in values is the city's largest fall since the April 2016 quarter.

Nationally, dwelling values have increased by 5.2% over the past year, their slowest annual rate of growth since December 2016. Combined capital city values are 5.5% higher over the year, while combined regional market values are 4.2% higher. At an individual capital city level, only Perth (-2.6%) and Darwin (-5.5%) have recorded value falls over the past 12 months.

Hobart (+11.5%) and Melbourne (+10.1%) have recorded double-digit value increases with more moderate increases recorded in Sydney (+5.0%), Brisbane (+2.4%), Adelaide (+3.4%) and Canberra (+5.8%).

The market is now clearly slowing, with the rate of growth decelerating nationally, and in most capital cities. Perth is the one exception: with values having increased over the past quarter, the market may now be slowly improving after ongoing declines since 2014.

Source: The information provided via this article has been prepared by RPData Pty Ltd ABN 67087 759 171 trading as CoreLogic Asia Pacific ('CoreLogic RPData') and National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686 ('NAB'). CoreLogic RP Data is not related to NAB and PLAN Australia.