

API eREPORT

50 ways to increase your rental yield

Thinking laterally can help improve the cash flow from your property portfolio.

Michaela Ryan

Consider the total rental income you earn from your property investment(s). Does this offset all of your expenses? Or are you left short at the end of each month?

If you're left short, then you're negatively gearing your property. For some people this is a strategy employed for tax reasons. However, many investors would prefer to increase their cash flow each month, as this frees up more funds for further investments.

In order to improve your cash flow, you have to do one of three things:

- decrease your expenses;
- increase your rental income; or
- decrease the vacancy period (that is, any period without tenants, and therefore without rental income).

Here we outline 50 cash flow improvement ideas. Obviously the effectiveness of these strategies will depend on the type of property you own, its location and the type of tenant you're trying to attract.

Before implementing any of these ideas it's worth getting an opinion from an expert (an accountant, mortgage broker, tradesperson or local property manager as applicable) about whether the strategy is likely to improve your cash flow situation, or whether it might just end up costing you more money.

Before implementing any physical improvements to a property, also check whether you'll need council approval.

1. Increase the rent

If it's been some time since you've raised your rent, it could be worthwhile seeking rental appraisals from a number of local property managers and comparing what they say. You might find you're undercharging, particularly in the current climate of low vacancy rates.

2. Decrease the rent

The lost rent from a few extra weeks of vacancy can outweigh any gains you'd make by charging a higher rental. If you're finding it hard to get a tenant, research rentals in the area and ask local property

managers for their opinion so you can set a rental price below market value that's likely to attract a tenant in the shortest possible time.

3. Switch to an interest-only loan

With interest-only loans you can reduce the size of your repayments, which in turn improves cash flow.

4. Refinance on a lower interest rate

Sometimes the fees incurred for taking your loan from one lender to another are prohibitive. But it might be worth speaking to a mortgage broker to see if you'd be better off refinancing at a lower interest rate with a different lender.

Alternatively, you could ask your current lender whether they can reduce your interest rate. The lender is likely to be more accommodating if you have a large loan, or if it's clear they might lose your business.

5. Buy a low-maintenance property

If you buy a low-maintenance property to start with, you won't need to worry about the cost of constant repairs and improvements decreasing your yield. Newer homes tend to require less maintenance.

6. Self-manage

You can avoid paying property management fees if you manage your own property, though you should make yourself aware of the pros and cons of self-management before taking this step.

7. Maximise tax deductions

Consult a tax accountant specialising in property investment to make sure you're claiming all available tax deductions. And keep receipts for absolutely everything.

Deductions you can claim immediately include: advertising for tenants, bank charges, body corporate fees, council rates, land tax, insurance, legal costs, repairs, cleaning.

There are also tax deductions you claim over a period of years. These include borrowing expenses, declining value of depreciating assets and capital works.

8. Prepare a depreciation schedule

Both older and newer buildings have depreciation benefits that can be claimed. A quantity surveyor can prepare a depreciation schedule for you to ensure you're maximising your claim.

9. Rent out furnished property

A furnished property will attract a higher rent than an unfurnished property. However, the furnished rental pool has a lot of short-term tenants, so you need to allow for higher vacancy. A property manager specialising in furnished properties is advisable.

One property manager in Perth explains that furnished apartments target either the corporate market (and therefore need to be located in inner-city areas) or the overseas student market (these rentals need to be located close to universities and transport). She says such furnished apartments can attract significantly higher rents on shorter-term tenancies than standard leasing agreements.

The rental amount will depend on the property's location, size and age, as well as the standard of the furniture.

10. Lease by the room

You might rent out a four-bedroom house for, say, \$350 per week. Or you could advertise "rooms for rent" and ask for \$100 per room (\$400 in total). This strategy can work well in student areas, and you can often advertise through university websites/noticeboards. Try contacting the uni's housing office to see if they have a listing service.

Find out whether any laws, such as boarding house regulations, will apply if you rent out a property by the room.

11. Make the property attractive to students

If you're trying to attract students as tenants, ask local property managers what they think students are looking for in a rental property.

Catherine McCann of the University of New South Wales housing office says students are looking for space and proximity to the place they're studying, as well as to shops and transport. They also like lots of power points, "because they have a computer, hairdryer, the works". And security is a big factor.

Another drawcard for students is to pay for a broadband connection with unlimited downloads.

12. Add extra bedrooms

The more bedrooms, the higher the rental. Consider whether the layout of your property lends itself to the addition of an extra bedroom.

Geoff Doidge, one of the Reno Kings, turned one of his investment properties from a two-bedroom house into a four-bedder. The entrance to the house was a large area, so he put in an internal wall so that a small hallway remained and a new bedroom was created. There was also a dining room that could

be converted into a bedroom by putting in a wall and door. Doidge says that paying someone to put in a wall will cost around \$2500. He believes an extra bedroom will add between \$70 and \$100 to your weekly rental, depending on the location.

If you have a garage that sits within the structure of the house, you might also consider converting it into a bedroom.

13. Paint inside

Sam Vannutini, author of *Renovate for Profit*, believes a fresh coat of paint inside your property is the most cost-effective improvement you can make in order to attract a tenant and increase your rent. However, he advises investors not to let their personal taste come into the equation. Stick to neutral colours – off whites and creams – that will appeal to the majority of tenants.

14. Polished floors

If you have old carpet or floor coverings in your property, Doidge believes there are some people who just won't want to rent your property. He believes polished floorboards attract a higher quality of tenant in a shorter time.

You can sand and polish existing boards or you can install floating timber floors or laminated fake timber floors.

Floating timber floors can cost between \$40 and \$110 per square metre (installed) or \$30 to \$70 per square metre for self-installation. Underlay can cost extra.

Laminated floorboards are cheaper (starting at around \$25 per square metre) but don't last as long.

15. New carpet

Like floorboards, new carpet also has a 'wow factor'. Keep the colour scheme neutral so it appeals to the majority of tenants, as well as hard-wearing so you don't need to replace it too soon.

Vannutini points out that you can purchase carpet cheaply at some auctions.

16. Kitchen reno

It's hard to get a decent return on your investment if you spend \$10,000 or \$20,000 on a new kitchen.

If the kitchen is in reasonable condition you can just replace obvious eyesores such as cupboard doorknobs, tap fittings or benchtops. Replace them with inexpensive but neat items. Cupboard doors can be painted or recovered.

A really tired, old kitchen can be ripped out and replaced with a smart-looking second-hand kitchen you purchase at an auction. Vannutini has also had good results with a 'kit' kitchen from IKEA.

17. Range hood

David Thomas, a Coffs Harbour-based buyers agent, installs range hoods in every kitchen he renovates. The cost ranges from about \$130 to \$500. They reduce the amount of steam in the property and landlords reduce their future maintenance bills by preventing mould from building up.

18. Dishwasher

A new dishwasher will probably set you back between \$500 and \$1000.

Vannutini says installing a dishwasher is always a good idea if you can afford it. He suggests that this could add up to \$10 per week in rent.

Thomas suggests that a dishwasher would only be of benefit in "nicer" suburbs, "as the more entry-level investments would be too price competitive to justify a \$10 (rent) difference".

"Conversely, in times of high vacancies a dishwasher or dryer or air con would always attract a tenant to your property first over others in the area that did not have these features," he says.

19. Lease whitegoods to tenants

You have to be careful including whitegoods in your kitchen or laundry as you may have some tenants who don't require a fridge, for example, and ask you to remove yours so they can bring their own.

However, Scott and Sandie Elsom, profiled in the October 2004 issue of API, offered tenants a lease on whitegoods including a washing machine, dryer, fridge and dishwasher. This turned the property from negative to neutral cash flow.

20. Bathroom reno

Vannutini sees a bathroom facelift as a must-do when you're making a property more attractive to tenants. He says the bathroom above all should look "bright and clean". Therefore installing bright lights, and make-up lights, can make a big difference.

You can cheaply update tap fittings, towel racks, the bathroom mirror and the shower curtain or screen.

Thomas says something as simple as a \$20 toilet seat can make a huge difference to a tenant. He also suggests AAA-rated showerheads, which can be bought for around \$20.

"They look good in chrome and most councils give a rebate for the showerhead install," he says.

21. Paint over tiles

If you can't afford to redo the tiling in your bathroom or kitchen, Thomas suggests you paint over daggy old tiles using tile paint. He converted some old brown tiles into sparkling white tiles using a one-litre tin of tile paint costing \$48 and a \$38 tin of primer.

22. Put in a bathtub

If you have the space, a bath can be a real drawcard – especially for young families. A new acrylic bathtub (excluding tapware and installation) can cost anywhere between \$185 and \$1000.

23. Exhaust fan

Exhaust fans for bathrooms are inexpensive and they're practical from a tenant's point of view. They'll also reduce your maintenance costs by preventing a build up of mould.

24. Air-conditioning

The significance of air-conditioning will depend on the local climate. Melbourne-based Vannutini says he wouldn't bother with it. However, in Thomas' experience, the installation of a split-system air-conditioner in a Brisbane townhouse can increase the weekly rent by \$10 or \$15. The unit will cost between \$500 and \$800 and installation can cost about another \$1000.

25. Ceiling fans

If you can't afford to install an air-conditioner and your property is in a hot climate, then ceiling fans are a cheaper alternative. They can cost between \$30 and \$100 plus installation.

26. Heating

Vannutini says heating is a priority in cooler cities like Melbourne. It's a "liveability" issue, he says. Ducted heating can be expensive to install, so Vannutini opts for electric panel heaters that can be installed for around \$400 per room.

27. New blinds

Doidge believes that new blinds attract a better quality of tenant, and reduce your vacancy period.

"I like timber blinds that go with the timber floors," Doidge says.

Vannutini agrees that timber blinds or slim lines are the way to go. However, he believes it might be hard to get a decent return on timber blinds in rental properties, since they can be pricey.

He advises to stay clear of vertical blinds since they don't look great and they often don't work properly.

28. Security

Security is an important issue to many tenants. Vannutini recommends checking that all doors and windows can be locked properly. He also says that security doors with flyscreens not only improve security but allow for breezes.

Thomas installed an exterior sensor light in one of his recent renovations.

29. Skylight

A dark property can be difficult to rent out. Installing a skylight can add a tremendous amount of natural light to a property.

30. Built-in robes

It can be costly to install built-ins, but this is something many tenants look for in a property. So this might be a useful addition in times of high vacancy.

At the cheaper end of the spectrum are sliding mirror doors or Melteca doors, which can be installed for about \$950 in a small bedroom.

31. Install laundry taps

Without laundry facilities, you'll probably need to discount your rent accordingly.

You don't need to build a whole new room, and you don't even need to supply a washing machine. You can just install laundry taps in a bathroom, or even in a cupboard, to solve this problem.

32. New internal doors

If your internal doors are old and daggy, it can be cheap and effective to install new ones. You can purchase a new door for as little as \$50. Higher quality doors can be bought for around \$175.

33. New door knobs

Something as cheap and simple as putting in new door knobs can spruce a property up a great deal and improve its "tenantability".

34. Fix up obvious defects

Stand back and look for the little things that might put potential tenants off – and fix them immediately.

For example: peeling paint, big cracks in the floorboards, cigarette burns on the carpet, a leaky tap or dirty blinds.

35. Lifestyle appeal

Consider your target tenant, based on the area your property is in, and their ideal lifestyle. What improvement or appliance could you supply to make your property appeal to that target tenant over the property next door?

For example, Vannutini suggests that for a trendy apartment in a suburb such as Brisbane's New Farm or Melbourne's South Bank, you might provide a cappuccino maker. Many investors would not bother paying for a cable TV connection. However, if this is a good selling point for the type of tenant you're looking to attract, then it might be worth doing.

36. Give the tenant a 'wish list'

You can give new tenants a list of improvements that could be made to the property, along with the corresponding rental increase. The tenant could elect to have air-conditioning installed, and pay an extra \$10 per week in rent, for example. You might offer a garden shed, or whitegoods such as a dishwasher.

37. Paint outside

Potential tenants will often judge your property from the outside and will move on if they don't like what they see. An external coat of paint can do wonders for a property's street appeal.

If you can't afford to have the whole building painted, Doidge suggests that you at least paint the part of the property that's visible from the street.

38. Roof

A good-looking roof helps make a good first impression with a potential tenant.

You can get rid of a build up of scum on your roof with a high pressure cleaner. You should also repair any damaged tiles or guttering, as these are obvious eye-sores.

In the case of corrugated iron, Vannutini suggests, "Replace any sheets that are affected by rust."

39. Mail box

A new mail box (or a coat of paint on an old one) can be inexpensive and can lift the street appeal of a property by a surprising amount. Again, this is about creating positive first impressions.

40. New front door

A new front door can also do wonders for the street appeal of a property if your existing door looks cheap or ugly. For just under \$200 you can get yourself a hollow builders grade door. Top-of-the range doors can cost up to \$1500.

41. Landscaping

A neat garden will create a good first impression at a rental open-for-inspection. But tenants will tend to prefer a low-maintenance garden. A few garden beds with hardy, colourful annuals and a bit of mulch can do the trick.

42. Privacy

“Privacy is huge. It’s hard to quantify, but people love having their own space,” Doidge says.

He owns a building with three flats in it. Previously there was a grassy communal area out the front and out the back of the property. However, the property was able to be rented out much more quickly when he: erected a fence along the centre of the back garden, allocating a private garden space to two of the flats; and placed a fenced-off area in the front garden that became a courtyard for the third flat.

43. Plant a hedge

Doidge owns two neighbouring properties that previously looked right on to each other. It would have been expensive to build a fence, so he put a hedge between the two properties. The hedge provides complete privacy for the two properties and adds an attractive bit of greenery.

44. High fence

For properties on a main road, putting in a high fence can keep out noise and provide privacy. This in turn should decrease your vacancy rate.

45. Clothesline

If you can provide a private clothesline for a tenant in a flat, they won’t have to use the communal clothesline. This provides convenience and privacy. You can buy clotheslines that can be neatly folded away against a wall for as little as \$45.

46. Decks

Providing people with an outdoor area is particularly important in warmer climates.

Doidge believes that a property will always rent faster if it has an outdoor area. He estimates that a deck might add an extra \$10 or \$15 per week to the rent.

If you have an existing deck, a fresh coat of stain can jazz it right up.

New decks start at around \$2000 (for 5 x 3 metres), fully installed. You'll need council approval in most areas.

47. Paved area

A paved area is a good alternative to a deck. Doidge says that ideally the paved area would be under a roof, although this sort of addition will usually require council approval. A pergola or shade sail can often be a cheaper alternative.

48. Make the property pet-friendly

"If you can provide for pets, you're never vacant," Doidge says. "A lot of (pet owners) are desperate to have a place."

To attract pet-owners your fencing needs to be pet-proof, so the animal can't escape.

49. Car port

For a lot of renters, their car is their most expensive asset. To provide a place to protect that car can make a rental property more appealing.

50. Provide a gardening service

Vannutini suggests that you could offer to upkeep your tenant's garden or mow the lawns for a set monthly fee that's added on to the rental.

A paved area is a good alternative to a deck. Doidge says that ideally the paved area would be under a roof, although this sort of addition will usually require council approval. A pergola or shade sail can often be a cheaper alternative.