Renting out an Investment Property

1. Who are you renting to?

Are you renting out your property commercially or to family members?

If you are renting commercially, it may be beneficial to engage a property manager (PM). Engaging a PM reduces the time and stress associated with managing your investment property by offloading management responsibilities.

If you are renting to family or friends, a PM may not be necessary. You may want to consider whether you are renting out at market value, at mate's rates, or for dual purpose (i.e., renting out a room in your home). Specific consideration needs to be given to this before you lock in an agreement, and it is worth noting Stamp Duty and personal tax consequences of your agreement.

2. What is your property worth?

There are generally two types of investment property acquisition; you can acquire an investment property or convert your primary place of residence to one.

If you are converting your primary place of residence, it may be beneficial to get your property re-valued. Drawing a line in the sand at this date will likely reduce the tax on future Capital Gains as your property increases in value. Your loan provider will generally provide this revaluation service free of charge. Alternatively, a local agent can provide a sales appraisal. It is important to keep this on file for future tax calculations.

If you purchase a property solely for investment purposes, a valuation will not be necessary.

3. Are you covered?

Engaging with a property manager will provide you with detailed references around potential tenants – but you can never judge a book by its cover. Landlord insurance covers you for events that may result in a loss of rental income, theft, or damage to your property. We recommend obtaining a quality landlord insurance policy prior to a lease agreement.

4. Are you getting the most out of your investment property?

Investment properties are a particularly popular investment choice as they usually result in significant tax-deductions.

Keep receipts! Most expenses associated with your rental property are tax-deductible, including:

- Advertising
- Bank fees
- Body corporate fees
- Cleaning
- Council rates
- Depreciation
- Electricity and gas
- Gardening
- Insurance
- Loan interest
- Property management fees
- Repairs and maintenance
- Water rates

Depreciation on the building and assets can be calculated via a Quantity Surveyors Report (QSR). The potential benefit is dependent on the establishment costs in construction, the subsequent additions/improvements to the property, and the time elapsed thereafter as the two depreciate. This ongoing depreciation is generally quite substantial and can result in consistently significant tax deductions. The fee for a QSR is also tax-deductible. If you are interested in a QSR, get in touch with our team.

5. Future planning...

Your investment property is a key stakeholder in your long-term financial goals. Therefore, it is important to consider the impact of potential future events.

Before you consider repairs or improvements to your property it is important to consider that improvements are not deductible. Repairs are only tax-deductible when they return the aspect of the property to its original state.

It is also important to stay up to speed with the ever-changing market. You may consider annually reviewing the structure of your loan and the effective life of your current terms with respect to your future objectives. Our Financial Planning team can assist you in making lending decisions.