

What tenants want

Landlords are currently enjoying the best rental returns in years. Sarah Megginson investigates what tenants really want, and how to attract the largest tenant pool

To get the best rental returns, you should present a property which most appeals to prospective tenants. To do this, you need to take into account tenants' needs and wants.

Maximise your rent appeal

As an investor, you want your property to appeal to the maximum number of potential tenants, in order to minimise the periods of vacancy.

Chris Rolls, managing director of property management specialists Rental Express, explains that the amount of rent you can expect to get for your property is determined by the market demand for properties similar to yours.

"If you have the sort of property that appeals to many tenants, you'll have more interest and therefore will generate a higher weekly rent," he says.

"We find about 70% of our tenants are under the age of about 35," he says. "... [t]hey're usually not as settled in their career and they're more flexible in their living arrangements," he explains.

It is interesting to note that the Australian population comprises:

- 4.2 million Gen Ys (people born 1979–98). Primarily renters – they make up the bulk of the rental market
- 4.4 million Gen Xs (people born 1962–78). Mix of renters, owners and investors
- 5.3 million Baby Boomers (people born 1946–61). Primarily investors who own their own property. They comprise the smallest portion of the rental market

Source: Genworth Financial Spotlight report entitled 'Generation Y – Profile of the New Generation'

From this, we can deduce that the largest group of potential tenants are people who are middle-aged or

younger. For your property to appeal to this extensive pool of renters, John Edwards, property expert and CEO of Residex, suggests that landlords invest in properties that are entirely average.

"The key to selecting the right investment property is to choose a highly desirable property, as purchasing a home that everyone wants to live in will help ensure that you get good capital growth and rental returns," Edwards says.

"But the golden word for property investment is average; this may seem contradictory, as I just mentioned desirability, but having a desirable property means the majority of the population want to live there."

Rolls agrees that investors should "stay where the bulk of people can afford" to rent. "We've had clients who've invested in \$800,000–900,000 properties in Brisbane city as a rental but, while the quality of the tenant these properties attract is better, they can be very hard to rent out ... consequently, the landlord experiences greater periods of vacancy."

What tenants want

In order to enjoy long-term tenant relationships and the lowest possible vacancy rates, determine what tenants actually want from their rental home.

"It makes sense for landlords to learn about the sort of features that tenants most commonly ask for," Rolls says. "Obviously, the more money you can rent your investment property for, the higher your investment return is. So the most important thing to consider is which property features

will improve the rent you are likely to achieve."

According to Rolls, there are seven key areas that tenants assess:

- Number of bedrooms
- Number of living areas
- Number of bathrooms
- Outdoor entertaining areas
- Car accommodation
- Location
- Fixtures and fittings

Number of bedrooms

The number of bedrooms is the single biggest factor for renters, according to Rolls. "Extras like car accommodation and airconditioning have less impact than the number and the size of bedrooms, and this is particularly because you've got a lot of younger people sharing accommodation."

Edwards agrees, describing the number of bedrooms as being more important than the type of dwelling.

"Whether you're buying a house or a unit, a property with lots of bedrooms is sought after by renters. The more bedrooms you have, the more people can live there and share the cost of renting, which of course is very attractive for tenants."

The next most important aspect is the size of the bedrooms.

"The size of the bedrooms is equally important. In any property, typically one of the bedrooms is smaller than the rest. If it is significantly smaller, then it adversely affects the rentability of the property," Rolls says.

"If you've got a three-bedroom house that has two large bedrooms and one small bedroom, that is generally

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A numbers game —
bedrooms, living areas
and bathrooms



Photo: Pacific Lifestyle Property

less attractive to renters, as someone has to live in the smaller bedroom. However, if all three bedrooms are all the same size, it will rent for a slightly higher amount, as none of the tenants have to deal with a smaller room.”

Number of living areas

The next biggest factor is the number of living areas. “Sometimes you get houses with lots of bedrooms and even enough bathrooms, but there’s just one central living area,” says Rolls.

“The house doesn’t really work, because you’ve got three tenants and one wants to listen to music, while one wants to watch TV and the other one has friends over.”

Ideally, Rolls suggests that you look for two living areas that are situated a reasonable distance from each other, so that noise doesn’t become an issue.

Number of bathrooms

The number of bathrooms is very important, and should be in proportion to the number of bedrooms. As a general rule:

- One bathroom or ensuite is suitable for a one-bedroom property
- One bathroom is also suitable for a two-bedroom property, if it is not an ensuite attached to one bedroom

- Two bathrooms are preferred for a three-bedroom house; one bathroom can suffice

- Four or more bedrooms must have at least two bathrooms

“A bath is not a major factor for most tenants when deciding whether a property has suitable bathroom facilities. A shower is obviously essential,” Rolls says. “Female tenants also place more importance on bathroom facilities, and a bath.”

Another consideration for the bathroom is cupboard and bench space, Rolls says, particularly for bathrooms that are to be shared by two or more residents.

Outdoor entertaining areas

According to Rolls, properties that don’t have an outdoor living or entertaining area are more difficult to rent than those with one. Outdoor living and entertaining is a major part of the Australian psyche. A backyard or front courtyard offers tenants an alternative space to inside areas.

“Outdoor areas can act as another living area,” Rolls says. “Raised back decks are the most preferable type of outdoor living area.”

He adds that size is once again important, and that the area should

have enough room for a both barbecue and an outdoor setting that can seat four to eight people. “Also, to be considered an entertaining living area, it must be attached to the house, and be covered from the elements,” he says.

Car accommodation

Surprisingly, car accommodation is not a major factor with most tenants when selecting a place to live, Rolls says. However, some sort of off-street parking is a definite advantage in certain inner city pockets. It’s particularly valuable in capital cities such as Sydney and Melbourne, where street parking is scarce and secure off-street parking is highly-sought after – and tenants will pay a premium for it.

Location

Anywhere within 5km of a major city is gold, Rolls says – and once you’re that close to the CBD, “it doesn’t really matter where you buy, you’re going to be able to rent it really easily”.

“There are plenty of great investment properties further out than this, but this is where you have to do more research to be safe. Proximity to transport is more important as you move out from the city, but if you’re within a few kilometres of the CBD, you’re always going to be close to a bus or a train,” Rolls says.



“Proximity to a business district, where there are cafes, shops, restaurants and things like that is important, because that’s where people work and socialise.”

Suburban properties located 15km or more out of the city, however, will generally need to be located close to pockets of shopping and public transport nodes to appeal to renters.

Another consideration is road noise. However, Rolls believes that a spacious, well-presented property on a busy road will rent before a poorly presented property in a quiet location.

“Also, a property that fronts onto a busy road will take longer to rent than the same property that backs onto a busy road, because backing onto a busy road doesn’t affect access,” he explains.

“Outdoor living and entertaining is a major part of the Australian psyche”

If you are considering purchasing on a busy road, Rolls says the most important consideration is off-street car accommodation, along with the location of outdoor entertaining areas.

“If outdoor entertaining areas are noise-affected, the extra value they create in rental return won’t be realised,” he says.

Fixtures and fittings

Extra features such as airconditioning and stainless steel appliances are generally the tenant’s lowest priority. Ask most tenants whether they’d prefer an extra living area or a dishwasher, and you know the answer.

However, quality fixtures and fittings are comparatively inexpensive

to install. So if you’re looking to add value and increase the rental income, this is where you can maximise your outlay.

“Airconditioning, in comparison to adding bedrooms, is very cheap to add,” Rolls says.

“It’s quite a sought-after feature from tenants and while it will improve the rentability, you have to remember that once you get over about \$500 a week, airconditioning is considered standard.”

What landlords want

Historically low supply levels in most cities across Australia have caused tight vacancy rates across the country. As a landlord, you still need to protect your asset by getting the right tenant.

Leasing your investment to the wrong tenant can have a huge impact on your bottom line, says Elisa Woollard, co-director and property manager with Pacific Lifestyle Property. “Having a tenant who is not well suited for your property can cause undue anxiety, and can end up costing you a lot of time and money,” Woollard warns.

“There are many factors that need to be taken into consideration when deciding on the right tenant for your property. As well as a national tenant database check, previous ledgers, employment and referee checks, your property manager should also be aware of the property’s area profile and demographics.”

At the top of every landlord’s wish list is a quality tenant, but we’ve all heard the horror stories of how a dodgy tenant can turn a premium, income-producing asset into a major financial burden.

The Consumer Trader and Tenancy Tribunal receives tens of thousands of complaints each year. Landlords, not tenants, lodge the majority of the complaints. In 2005, for instance, the Tribunal received 46,125 applications to sort out disputes between tenants and landlords or real estate agents, and 39,928 of those complaints, or 87%, were lodged by landlords.

It is important that you or your property manager conducts a search of the relevant tenant databases for all potential tenants, as these contain details of tenants that have had problems associated with previous leases. Through these databases, real estate agents and landlords can check rental applications against the names of people who are listed in the database for either owing landlords money for rent or damage caused, or against whom the Consumer Trader and Tenancy Tribunal has issued a termination and possession order.

Presenting a desirable property will draw a pool of tenants, and making thorough checks will help you choose the right one to live in your asset. 🏠

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NTD - www.ntd.net.au

Barclays - www.barclaymis.com.au

Trading Reference Australia

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