

# When to raise the rent

## GOT TENANTS? HOW TO TACKLE THE TRICKY ISSUE OF SETTING RENT IN THE COVID ERA

### PROPERTY

ANTHONY KEANE

**R**ents are rising rapidly but many landlords remain shy about asking for more money in a pandemic. While it pays to be a landlord as tenants compete desperately for rental housing in many cities and regions, real estate specialists say existing rental relationships should be treated with care.

The latest data from CoreLogic shows property rents rose 6.6 per cent nationally in the past 12 months. All capital cities have climbed more than 7 per cent, apart from Sydney, which is up 3.2 per cent.

And in Melbourne, where rents have dropped 1.4 per cent because of last year's long lockdown.

CoreLogic's head of research Australia, Eliza Owen, says it's the biggest lift in rents in more than a decade.

It has been driven by factors including a rebounding economy, increased government stimulus and a lack of rental supply in some markets.

### GROWTH WILL SLOW

"Very high rental growth is unsustainable while income growth remains subdued," Owen says.

"The result will likely be more subdued growth rates in the coming quarters, especially as investor participation trends higher, delivering more rental supply."

During 2020 rents had their first annual fall in 47 years, and property specialists are urging landlords and tenants to keep cool heads.

Real Estate Institute of Australia president Adrian Kelly says supply has been squeezed.

"It's tenants themselves causing rents to rise because they know there's a shortage and are offering above the asking rent to secure a property," he says.

"I'm not seeing large volumes of landlords being super-greedy in the current environment."



Property manager and investor Prue Muirhead advises that knowledge is power for both tenants and landlords. Picture: Mike Burton

### SECURITY VERSUS PROFIT

Kelly says rental agents are urging landlords to raise rents "and many landlords are saying no".

"Good landlords always want the security of good tenants," he says.

"If they lose a tenant they're probably going to lose two or three weeks' rent when the property remains empty, and extra charges from their agent.

"That's money they will never get back."

Kelly says applying for a property can be like a job interview.

"Make sure you have superb references... because references are gold," he says.

It's tough for people without a rental history, and while some may need to consider staying at home with mum and dad, others can supply employer and personal references.

"Most tenants wanting to get into their very first property



completely understand this is their first and only chance," Kelly says.

"If they do the wrong thing they won't get another shot."

Property manager and investor Prue Muirhead says tenants should be aware of the current market and can check asking rents on websites such as realestate.com.au and

## Who pays what

### Median weekly rent

Sydney .....	\$582
Melbourne .....	\$444
Brisbane .....	\$476
Adelaide .....	\$430
Perth .....	\$472
Hobart .....	\$499
Darwin .....	\$548
Canberra .....	\$620
Regional .....	\$441
<b>National average .....</b>	<b>\$476</b>

Source: CoreLogic

rent.com.au. "Knowledge is power," she says.

"Be aware that there are costs to an owner when you move out, so these are fees that the owner does not need to pay if you stay renting their property.

"This could be used as a negotiation tool.

### ADVICE FOR TENANTS

"Nothing is set in concrete, so if you feel that you are being overcharged, say something and provide the examples."

Muirhead says Covid rental pauses and restrictions mean many properties have not had a rental increase for two years.

"Just last month we arranged a lease renewal with a 14 per cent increase, and this was still 5 per cent under the current market for that particular property," she says.

It is always good for landlords to offer existing tenants rental renewal at least \$5 below current market levels, but they should not fall too far behind, Muirhead says.

"I have found a simple explanation to the tenant with links to current rentals is enough for them to understand the jump," she says.

Landlords should respond quickly to maintenance issues and could also consider adding solar panels.