

Rental Reviews

The Residential Tenancy Act allows for periodic rental reviews that may be implemented after a fixed term rental period, but no more than once every 6 months.

However, a rent review is also an opportunity to review the tenancy as a whole.

Under the Residential Tenancies Act, a tenant must be given a minimum 60 days' notice of a rental increase using the prescribed form. Therefore, we like to raise this with our Landlords 90 days before the opportunity to implement a rental increase.

This leaves 30 days to review the current market rental amount for the property based on similar rental properties, and the strength of the rental market in order to ascertain any potential vacancy period that may result in looking to achieve the market rental.

With the Market rental then established, attention should be focused on the quality of the tenant. Any number of paraphrases come to mind – Better the devil you know.... a bird in the hand....., however the fact is what you have is a known tenant, and regardless of how perfect they are, there is value in this knowledge.

To retain an existing tenant will save you a vacancy period, letting and advertising fees, and of course the unknown risk that comes with a new tenant. Let's consider this over an annual period;

Rental	= Assume \$500/w
Vacancy Period	= \$1000
Letting Fee	= \$1100 (2 weeks + GST)
Advertising	= \$385
Annual rent (gross)	= \$26,000
Annual rent (net)	= \$23,515
Weekly rent equivalent	= \$452/w

What this example demonstrates is the ability to retain a proven tenant is worth almost \$50/w to a landlord.

However, a tenant also needs to consider the cost of rejecting a fair rental increase, and vacating instead. It's difficult to put a \$ value on the inconvenience related to a move, but realistically could expect around \$2500 would be a fair estimate by the time removal costs, mail redirection, etc., are taken into account. In addition, the reality is a tenant will then be looking at properties for lease at the current market rental, the very same market rental a landlord considered when reviewing their rent in the first place.

Now of course this value proposition can be weighted either way by the individual characteristics of the tenant. Do they pay on time? Do they take care of the premises? Are they long term?

These characteristics need to be considered, and will hold varying degrees of influence depending on the landlord's circumstances.

As your Agent, we receive a letting fee for successfully finding you a tenant. Despite this, our preference would be to retain a quality tenant where possible. As our management fee is a percentage of the rent collect, an increase in your rent results in an increase in our fees, but we are conscious 7% of nothing will help no one.

Taking all these factors into account, MYPM will offer our landlords advice on how to maximise the income on their property.