



Welcome

Happy Lunar New Year!

On 16 February we ushered in the Year of the Brown Earth Dog. The Chinese regard dogs as auspicious animals and if a dog comes to a house, it symbolises the coming of fortune. According to Chinese horoscope theory, this lunar year is the time to focus on real estate. In celebration of the Year of the Dog, we have some food for thought for landlords and PMs when it comes to the decision whether to go 'pet friendly'.



And speaking of dogs – did you know that having a dog is the number one deterrent to burglars? We take a look at security measures at rental properties in light of two recent rulings in the NT where the landlords were held responsible for tenant losses due to a lack of security.

Summer is coming to a close and many landlords might find the cooler weather an ideal time to spruce up their investment property so, those with an eye for the latest trends, may need to channel their inner Prince. As the stores fill with autumn fashions you'll no doubt notice the preponderance of purple. Ultra Violet is Pantone's colour of the year and it is set to dominate more than just sartorial choices in the months ahead – with many interior decorators anticipating homes across the land will embrace the hue. BTW: for those born in a Year of the Dog (1922, 1934, 1946, 1958, 1970, 1982, 1994, 2006, 2018), purple is a lucky colour!

We hope you enjoy this edition of *The RentCover Report*.

Sharon Fox-Slater

Managing Director, RentCover

Taking to the skies

Car keys, notebook, smart phone... drone?

The real estate industry has been one of the first to embrace new technology. So when drones hit the market, many PMs took to the skies. But as with all technology, along with the advantages come risks.

At EBM we are all about helping our clients mitigate risk, so stay tuned for details about a new product we can offer our real estate clients and their contractors who operate drones...



Celebrate the Year of the Dog – go pet-friendly

By embracing the Year of the Dog this Lunar New Year, landlords and PMs can reap the benefits of allowing pets in rentals.



For many Aussies, a house is not a home without a furry companion. Nearly five million or two-thirds of Australian households have pets, according to the Animal Health Alliance, and pets outnumber humans by a ratio of 3:2 (33 million pets to 22 million people). Figures from the Australian Companion Animal Council Report found 36 per cent of households have a canine fur baby and 23 per cent have a feline housemate. And with around one-third of all households renting, there is incredible demand for pet-friendly accommodation.

Yet many landlords and PMs are hesitant about allowing pets in investment properties. A REIA survey of landlords found just 32.4 per cent would allow pets, while 39.3 per cent would not and another 28.4 per cent were undecided. A tragic outcome of this reluctance is a shortage of pet-friendly housing, which in turn is forcing owners to make the heart-breaking decision to surrender their animals. According to the Australian Veterinary Association, 30 per cent of dogs and cats are surrendered by owners who are unable to find accommodation suitable for their pets. Devastatingly, approximately 79,000 pets are euthanised by the RSPCA each year.

It is well documented that having a pet can have very positive outcomes for owners including physical and mental health benefits. Recent research from the Uppsala University (Sweden) found that dog ownership is linked to a lower risk of cardiovascular disease and death, with single dog owners 33 per cent less likely to die from heart disease than non-dog owners. Owning a pet can also improve mental wellbeing – providing companionship, purpose, social interaction and sense of security. The upshot for landlords: a happier and healthier tenant, which can mean less problems and financial hiccups.

Other benefits in allowing pets in investment properties include:

- Increased prospective tenant pool (with more applicants, the landlord/PM can be very selective and choose the best tenants)
- Competitive advantage over those that have 'no pets' policies (especially in inner city locations where there are fewer pet-friendly properties on offer) – pet-friendly rentals can often receive up to twice as many enquiries
- Properties are highly sought-after and rent quickly (reducing time and costs of advertising)
- Short vacancy periods due to high demand (limiting pauses in cash flow)
- Higher rents can be realised due to supply (lack of) and (high) demand (tenants with pets are often willing to pay more for a home that fits their needs)
- Longer lease terms (tenants tend to stay longer due to the difficulty in finding another pet-friendly property)
- Lower turnover (tenants staying put equates to steady rental income for the landlord)
- Better upkeep (tenants who feel 'at home' are more likely to look after the property and may be willing to improve the home at their own expense)
- Responsible pet owners make excellent tenants who adhere to housing rules
- Safety and security (the presence of a dog at a property reduces the chances of it being burgled)

A survey by rent.com.au, which offers Pet Résumés, found dogs were the pet of choice for most renters across Australia. Based on the percentage of pets with a Pet Résumé, it was found that 74 per cent of all pets in the NT were dogs, 71 per cent in NSW, 69 per cent in Queensland, 64 per cent in WA, 63 per cent in Tasmania, 62 per cent in Victoria and 61 per cent in SA.

So, with 2018 being the Year the Dog, perhaps it's time for landlords and PMs to go pet-friendly. These tips can help make a property more suitable for renters with pets – and reduce the risk of damage (at RentCover we've found that while fear of damage is the main reason landlords don't want to allow pets, the reality is that it is uncommon for pets to damage property):

- Flooring: tiles or linoleum are more practical than carpet (easier to clean, do not pick up odours, fur or stains) or floor boards (less likely to scratch or stain)
- Window treatments: install blinds instead of curtains (less likely to be clawed or chewed)
- Fencing/barriers: ensure outdoor spaces are securely fenced off or feature suitable barricades such as on balconies in apartments
- Security screens with pet doors: installing doggie-doors/cat flaps can reduce the potential for damage as the pets don't need to scratch at the doors or windows to get in/out
- Wall finishes: use easy-clean paint
- Ventilation: improve ventilation (such as exhaust fans, whirly-birds, security on windows so they can left open etc.) to reduce the risk of odours lingering
- Outdoor areas: ensure outdoor areas are pet-friendly such as avoiding planting toxic species or installing easily-damaged items like water features
- Insurance: a landlord policy that specifically covers damage caused by domestic pets can be a great safety net if the tenant doesn't make good (a pet agreement can cover off responsibilities for the pet owner from damage to cleaning to more inspections and noise controls, specify the type and how many pets are permitted and where they are housed etc.). RentCover policies provide up to \$65,000 in cover for pet damage, which provides great peace of mind and may help tip the balance in favour of allowing pets.

Focus on: Security

A recent ruling by NTCAT highlights the need for landlords to provide adequate security.

When a tenant in Darwin had her home burgled for the third time in seven months the dire lack of adequate security at the property was evident –

and the Northern Territory Civil and Administrative Tribunal (NTCAT) held the landlord accountable. NTCAT ordered the landlord to compensate the tenant for more than \$5,000 worth of stolen possessions. It was the second case in six months that saw a negligent landlord forced to compensate a tenant for their losses. The first case resulted in \$3,234 being paid out by the landlord.



The two cases may set a legal precedent and highlight the need for landlords to provide “reasonable security” at their rentals. What constitutes “reasonable security” is not defined in all state/territory residential tenancy laws but when determining what level of security would be reasonable, factors such as the crime rate in the area, the minimum security requirements specified by various state/territory legislation (for example in relation to door locks, window locks and exterior lights) and the property’s history in terms of attempted/successful break-ins, should be taken into consideration.

Insurers will also determine the appropriateness of the security measures (e.g. locks and devices) when they assess the property’s risk profile at the time the landlord applies for building/contents cover or the tenant applies for contents cover. Maintenance of basic security is likely to be mandatory for cover to be provided for the property, whilst increased security may result in lower premiums.

Landlords and PMs have a duty of care to their tenants and many will want to provide a sense of safety by installing better-than-basic security measures. They also have a vested interest in providing good security – it can impact positively on insurance premiums, reflect positively on the management and care of the property and its desirability amongst potential tenants. It can also help mitigate the risk of damage from break-ins and the subsequent costs in terms of repairs, workload and impact on the financial performance of the premises, such as having to lower the rent while repairs are carried out, or having the property unlettable because of damage. The Australian Bureau of Statistics notes that almost half of all break-ins result in property damage in addition to theft of items.

So what security measures work best? The answer lies in the insights gleaned from those whom you are trying to keep out – the burglars themselves. Noting that most thefts are opportunistic (57.8 per cent) and that burglars tend to avoid difficult break-ins, a university* survey of offenders revealed the top deterrents to break-ins.

The number one deterrent to thieves? A dog (61.4 per cent cited this as the top deterrent). And it doesn’t need to be a big dog; it’s the barking that attracts attention, which is the last thing a would-be housebreaker wants.

* Survey of 168 Western Australian offenders in police custody, conducted by the School of Law and Justice at Edith Cowan University in 2012 as part of the Drug Use Monitoring in Australia (DUMA) project. Findings published by the Australian Institute of Criminology in October 2014.

Other top deterrents include:

- working alarm system (49.1 per cent deterred)
- functioning sensor lights (22.8 per cent)
- lights on within the property (19.3 per cent)
- security grilles on windows and/or doors (19 per cent)
- visibility of the property from the road (14 per cent)
- unknown area (14 per cent)
- presence of gates (12.3 per cent).

These security measures (where applicable) are not necessarily expensive or onerous to implement and could ultimately save landlords, PMs and tenants from the fall-out of a break-in.

Tenants and contents cover

Despite the two potentially precedent-setting NTCAT rulings, tenants should not assume that landlord liability for their possessions will apply in all cases of theft from a property. These cases relate specifically to the landlords failing to provide “reasonable security”, that is, having been found to have breached their obligations under the relevant state/territory legislation.

From an insurance perspective, the landlord/policyholder would need to be found negligent under the conditions of their cover to be held liable for a tenant’s losses. Depending on the circumstances, the insurer might determine that the policyholder failed in their duty of care and decline to pay for any loss, damage, liability or injury to which the failure to take reasonable care contributes.

The vast majority of landlords provide reasonable security at their rentals and would not be accountable for tenant losses in the event of a break-in.

To adequately protect their belongings, tenants should take out their own contents insurance. [TenantCover](#) covers contents up to \$25,000 in value against theft or damage by fire, explosion, storm and rainwater.

Purple reign

Toodle-loo Greenery, bye-bye Rose Quartz and Serenity, in 2018 purple will reign supreme in homes across the globe.

Closely associated with royalty[†], politics[‡], Prince[§], Fauvists, mysticism, David Bowie, The Phantom and 1970s-era Monaros and Valiants, purple is set to become the hue du jour.



Global colour authority Pantone has declared Ultra Violet (18-3838) is the 2018 Colour of the Year – and it's not a shade for the faint hearted. With opulence, extravagance and 'maximalism' at its core, the jewel-toned statement colour is set to make appearances in homes across the globe – on feature walls, in soft furnishings like sofas and accessories (cushions, throws, linens).

"In interiors, Ultra Violet can transform a room into one of extraordinary self-expression, or conversely its polish can tone down a room with subdued, modern pairings. Adding spice and brightness, Ultra Violet calls attention to a tufted couch, piece of art or accent wall. As a color that can take you in so many directions, Ultra Violet makes a statement in any space, whether it's one of tradition and elegance or unexpected boldness," the Pantone Color Institute stated.

Chosen as it is "the most complex of all colours, because it takes two shades that are seemingly diametrically opposed – blue and red – and brings them together to create something new", the blue-based purple "communicates originality, ingenuity and visionary thinking", a Pantone spokesperson told *The New York Times*.

Historically Pantone's colour of the year infiltrates everything from home décor to fashion and even film and television.

Landlords looking to appeal to the trend-conscious may find themselves reaching for Ultra Violet when they spruce up their rentals (if purple feature walls are a step too far, pots of petunias, verbenas, clematis, alliums, pansies, hydrangeas and irises tap into the zeitgeist). PMs with a penchant for purple will no doubt be in their element when they carry out inspections (those with an aversion to the colour might find Jimi Hendrix's lyrics "purple haze, all in my brain" on a loop in their heads!), as interior designers predict the shade will be wholeheartedly embraced in Australian homes.

[†] Due to the expense involved in obtaining the dye from a small mollusk that was only found in the Phoenician trading city of Tyre, the purple pigment was reserved for royalty and high-ranking clergy right up until the 1850s.

[‡] Purple was teamed with green and white during the suffragette movement and is favoured by the likes of Hilary Clinton today.

[§] Pantone released a purple shade in August 2017 as a tribute to the pop icon.

Critical back to school costs remain unchanged for a decade

Protecting families against sudden financial stress from childhood accidents

Families facing rising expenses to equip hundreds of thousands of Australian children returning to school for 2018 are taking advantage of a low-cost insurance product which can provide protection from financial stress when a child is injured – and its pricing has remained unchanged for ten years.



Families across Australia are taking up EBM's *StudentCover* policy, which in 2018 continues to be available for just \$29 per child per year. If entire schools take out the cover, the cost can be as low as \$9 per student.

Whilst prices for shoes, uniforms, books or fees continue to increase, the cost of safeguarding families against sudden large (and sometimes long-term) expenses resulting from childhood accidents has remained the same since 2009.

“Many parents mistakenly believe that accidents which happen to their children at school would be compensated by the school or government but in most cases, this is not the case. Negligence would have to be proven and being able to achieve this within the law is rare and expensive,” said Ward Dedman, EBM Managing Director.

“*StudentCover* provides 24/7 cover and includes almost all sports and activities – at school, home, or anywhere (some exclusions apply).

“No parent likes to think about their child being injured but accidents do happen, which can impose unexpected financial strain on families.”

Case Studies – students' covered

The majority of *StudentCover* claims are for broken limbs, dental, physio and emergency transport costs, however the risks remain for accidents resulting in major costs such as paraplegia, quadriplegia and many more which have a \$500,000 policy benefit. Previous claim examples include:

- **School camp emergency evacuation** – a student from NSW who suffered a snowboarding accident on a school camp sustained a broken wrist, damaged two front teeth, and needed evacuation from a mountain location to hospital, was compensated for the following:

○ emergency transportation	\$1,000
○ teeth	\$600 (\$300 per tooth)
○ wrist injury	\$250
TOTAL	\$1,850
- **School fees relief after family tragedy** – following the unfortunate passing of the parent of a student in Victoria, *StudentCover* paid the annual tuition fees for the year's remaining school terms, easing the burden on the family:

○ TOTAL	\$4,700
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“Many of these types of costs are not covered by public or private health insurance. Without this type of tailored policy cover, parents are left to foot the bill,” Mr Dedman said.

StudentCover provides for a large range of non-Medicare medical expenses for students from kindergarten to Year 12. Individual policies pay up to \$500,000 for major injuries, while whole of school policies can pay out up to \$1 million per claim (dependent upon level of cover selected).

Trampolines and sport are the most common culprits for children’s accidents

Mr Dedman said the rate and causes of childhood accidents across Australia can be gauged by an analysis of patient presentations at Princess Margaret Hospital, WA’s only paediatrics hospital, as detailed in the latest *Kidsafe WA Childhood Injury Bulletin Annual Report: 2016-2017*

[<http://www.kidsafewa.com.au/assets/files/Annual%20Report%202015-2016.pdf>] which showed:

- over a quarter of children’s accidents occurred at home and school, 15.1% and 10.8%, respectively;
- nearly a quarter of injury presentations were related to sport activities (23.3%), with trampoline mishaps the most common (12.8%), following by Australian Rules football (11.7%), cycling (11.4%) and soccer (10.1%);
- nearly 18,000 children presented at PMH as a result of preventable injuries (49 per day), which was 29.5% of all presentations, a rise of 2.2% of this proportion over five years;
- some 7,000 of those children (nearly 40%) required admission to hospital;
- children aged 5-9 represented one quarter (26.1%) of all injury presentations; and
- almost all injuries (99%) resulted from “unintentional circumstances”, i.e., accidents.

While PMH provides a large sample group, it covers only an estimated one-third of all children presenting across Perth, with the balance going to other hospitals and GPs.

Keeping policy cover costs down

StudentCover has been on the market since 1995 and is a specialist division of EBM Insurance & Risk Management. *StudentCover* presently provides financial protection for over 12,500 school aged children across Australia.

Mr Dedman said having individual *StudentCover* policies only available online had kept costs down and enabled EBM to keep the cover at an affordable level for families.

[See: <https://studentcover.com.au/>]

He said another advantage of the cover was that when children are injured and hospitalised, parents do not want the burden of having to deal with insurance companies during such a difficult time.

As Australia’s leading privately owned and operated broker, EBM assists with *StudentCover* policy claims on behalf of families, easing the task at a highly stressful time, to expedite the processing of payouts.

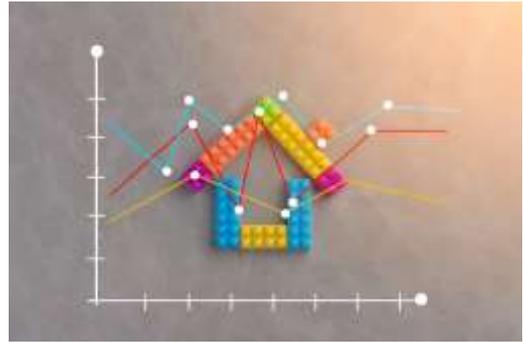
The above information is provided for your general information and does not take into account your individual needs. You should read the Product Disclosure Statement and Policy Wording prior to making a decision, these can be obtained at studentcover.com.au or directly from EBM.

Investment Property Market Snapshot

Latest industry statistics and analysis.

Rents up

SQM Research revealed capital city asking rents over January rose 0.9 per cent to \$555 p/w for houses, while unit asking prices rose 0.7 per cent to \$440 p/w: Canberra (\$606 p/w houses / \$442 p/w units), Sydney (\$730 / \$520), Darwin (\$549 / \$419), Brisbane (\$448 / \$368), Adelaide (\$378 / \$293), Hobart (\$383 / \$343), Melbourne (\$522 / \$396) and Perth (\$422 / \$322).



Canberra and Hobart record best yields

According to the *Domain State of the Market Rental Report*, Canberra recorded the highest gross rental yield for units in the December 2017 quarter at 5.8 per cent. Hobart recorded the highest yield for houses at 5.34 per cent: Sydney (3.08 per cent for houses / 3.83 per cent for units), Melbourne (3.2 / 4.41), Brisbane (4.64 / 4.92), Adelaide (4.53 / 5.18), Perth (4.18 / 4.36), Canberra (4.37 / 5.8), Darwin (4.91 / 5.67) and Hobart (5.34 / 5.52).

Vacancy rates rise

The national residential vacancy rate was 2.5 per cent in December, according to data released by SQM Research. All capitals, except Hobart which remained the tightest market at 0.3 per cent, recorded increased vacancy rates over the month: Adelaide (1.5 per cent, up from 1.4 per cent), Perth (4.6 / 4.5), Melbourne (2.1 / 1.8), Brisbane (3.8 / 3.4), Canberra (1.3 / 1.0), Sydney (2.6 / 2.1) and Darwin (3.5 / 2.8).

Investor loans continue to slow

Housing finance figures released by the ABS show investor housing commitments rose a seasonally-adjusted 1.5 per cent in November 2017 to \$12.185 billion (in trend terms, which excludes alterations and additions but includes refinancing, commitments were down 0.3 per cent). The value of investment loans was down 8.3 per cent compared to a year ago.

Growth in rental yields flat

Data from CoreLogic for the 2017 December quarter showed rental rate increases were flat for the combined capital cities, down slightly from 0.1 per cent growth in the previous quarter. Annual growth across the combined capitals was 2.6 per cent (higher than the 1.1 per cent growth recorded in the 2016 calendar year) while median rental yield was 3.32 per cent. Quarterly rental yields in regional areas were up 1.2 per cent on the quarter, with the median rental yield at 4.94 per cent.

Mortgage arrears lessen

According to credit ratings agency Moody's, the number of Australian borrowers 30 days behind on prime mortgages dropped to 1.54 per cent in the September 2017 quarter from 1.62 per cent in the June quarter. Non-bank mortgage arrears were also down from 2.85 per cent to 2.59 per cent, while non-conforming loan arrears were also down to 3.3 per cent from 3.55 per cent.

Perth becomes most affordable place to rent

A survey from the Property Club has revealed Perth is the most affordable capital to in which to rent. Based on the median weekly rent for a house at \$350, the proportion of full-time adult weekly earnings to service the rent was 19.4 per cent in WA. Adelaide was the next most affordable at 23.8 per cent, Brisbane at 25.6 per cent, Hobart at 26.4 per cent, Melbourne at 26.7 per cent, Canberra at 27.8 per cent and Darwin at 29.3 per cent. Sydney was the least affordable at 34.2 per cent.

Home values decline

National dwelling prices declined 0.3 per cent in December to a median value of \$548,817, according to CoreLogic's Hedonic Home Value Index. Overall, dwelling values rose 4.2 per cent for the year but growth was slower than in previous years (up 5.8 per cent in 2016 and up 9.2 per cent in 2015).

Building approvals jump

Figures from the ABS show building approvals rose 11.7 per cent in November, boosted by a spike in apartment and townhouse construction activity in Victoria, WA and Tasmania. Approvals for private houses fell 2 per cent while approvals for 'other dwellings' were up 30.6 per cent. Overall, total building approvals were up 17.1 per cent over the 12 months to November.

News in brief

Report sheds light on investor market

A [report](#) by the Australian Housing and Urban Research Institute has found that negative gearing is not responsible for high home prices. The international review also found that fears of increased tenancy regulation (such as capping rent increases and abolishing 'no grounds' lease terminations) harming the housing market were unfounded.

Australian property 'severely unaffordable'

Australia's five biggest capital cities have ranked amongst the world's least affordable housing markets in Demographia's 14th annual report. Sydney came in second worst (topped only by Hong Kong) with house prices almost 13 times higher than the median household income. Melbourne came in fifth (at almost 10 times higher) and house prices in Adelaide (16th), Brisbane (18th) and Perth (21st) about six times more than incomes.

On-the-spot conditional mortgage approval

Realestate.com.au has teamed up with lender NAB to allow potential homebuyers to search, find and complete a purchase online. Tools on the website enable users to stress-test their financial capabilities and determine if they can afford to buy the home. A survey by REA Group found 63 per cent of first homebuyers worry they will have their application for a home loan rejected and 58 per cent fear they will never be able to afford a property.

Melbourne median house price tops \$1M

According to SQM Research, Melbourne's median house price has surged 27.8 per cent over the past year to \$1,000,300. The median asking price for units was \$528,100 in January, representing a 15 per cent annual rise. Australia's median house asking price rose 9.7 per cent year-on-year to \$961,900 while the median unit asking price rose 6.4 per cent to \$568,900 in January.

Changes to Victorian agent reps' requirements

At the start of the new year, [Consumer Affairs Victoria](#) introduced changes to mutual recognition for agent's reps. Under the changes reps cannot work in the State unless they either requalify, have already been granted recognition or go through the RPL process with the help of an RTO.

3 million Queenslanders renovate property

A survey by finder.com.au revealed one in three Queenslanders renovated property in 2017. Kitchens topped the list of renovations, with owners spending an average of \$168,883 to spruce the room up and bathrooms came in next at \$12,460. Savings were used by 71 per cent to fund the renovations, while 28 per cent (one in eight) used equity in their mortgage and the final 1 per cent got the money from family or friends.

Complaints about 'end of lease' cleaners prevalent in NSW

Statistics from NSW Fair Trading reveal 199 complaints about end of lease cleaning services were received in the past two years. More than half of the complaints related to "unsatisfactory performance" of the clean as well as defective or incomplete work. Damaged property, "non or partial supply" and disputes about refunds were also common issues.

Good year for West Australian investors predicted

The Property Council of WA is predicting WA's "lean years" will end in 2018 with house prices set to rise and rents to increase as the oversupply of property eases. The Council also expects the apartment market to have a renaissance in 2018-19. Progress on strata law reform, local planning reforms and a Government promise to deliver an infrastructure plan together with the public transport blueprint for Perth in 2018 are expected to be catalysts for improved investment in the development industry.

1 in 4 South Australian homes test positive to meth

Testing homes for residue from 'ice' is becoming more common in SA, leading to discussions between real estate agents and regulators about whether a suite of regulations to deal with the issue is needed. One meth-testing company found 26 per cent of the homes it had screened returned a positive for meth contamination (above the safe level of 0.5 micrograms/100sq cm). In Tasmania, real estate agents are teaming up with meth testers to screen rentals for meth contamination in response to a growing ice epidemic.

Win for Airbnb in US

A judge in the US has dismissed a lawsuit brought by a major property management company (Aimco) against Airbnb in relation to subletting. Aimco alleged that Airbnb encouraged tenants to violate their leases by advertising their units on the platform without receiving authorisation from Aimco for the sublets. In keeping with the provisions of the Communications Decency Act, which protects websites and ISPs from being held responsible for user content, the judge ruled that Airbnb cannot be held responsible for giving tenants a platform to break their lease agreement as the Airbnb hosts, not Airbnb, are responsible for providing the actual listing information.