



## Welcome

Hej, Hallå, Hallo, Hei, Halló – do you speak Nordic? There's no doubt that all things Scandi are hot right now and landlords preparing their holiday homes for winter visitors might like to channel their inner Viking and embrace *hygge* and *lagom*.

Keeping with the Scandinavian theme, we also take a look at *döstädning*, or Swedish death cleaning. And while it might sound like something out of a Nordic Noir (deeply disturbing and dark dramas), it's actually not as morbid as you might think. It's really a way of decluttering – and post-declutter is a great time to assess your contents insurance cover.



EOFY is fast-approaching and in addition to the changes to tax deductibles for property investors, the ATO has fired a warning shot that it has the rental market in its sights. Each year, the ATO singles out some sectors for special attention and, this year, deductions related to holiday homes are on its radar.

But it's not just short-stay landlords that need to be on alert: "Incorrect rental property claims will not go unnoticed, whether it is a genuine mistake or a deliberate attempt to over-claim, new technology, data matching and other systems allow the ATO to identify unusual claims. Property owners whose claims are disproportionate to the income received can expect scrutiny from the ATO", said assistant commissioner Kath Anderson. A heads up for PMs and agents – the tax office has also set its cap at work-related expenses claims.

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

**Sharon Fox-Slater**  
Managing Director, RentCover

## Get hygge with it

All things Nordic are hot right now – food, fashion, TV shows, design. With Scandi style often perfect for holiday lets, embrace *hemtrevliga* (homey) and *ombonade* (snuggly) when refreshing furnished short-term rentals in time for winter guests.



Beyond Volvos, pastries, Abba/Aha/Roxette/Ace of Base/Aqua/Ylvis (take your pick based on your generation), H&M, fjords, Nordic Noir, vodka/aquavit, saunas and IKEA, Scandimania has moved into our collective consciousness – and our homes.

It's little wonder so many are keen to embrace the spirit of the land of the midnight sun, with Nordic nations consistently being rated the best countries to live in. According to the UN's *2018 World Happiness Report*, Finland is the happiest country in the world. Finland rose from fifth in last year's rankings to the top spot. Norway was second (1<sup>st</sup> last year), followed by Denmark in third place (2<sup>nd</sup> last year), with Iceland coming in fourth (3<sup>rd</sup> last year). Sweden rose in the rankings (10<sup>th</sup> last year) to take out the ninth spot.

Scandinavian design has become a staple for interiors, with the natural timber tones, distinctively shaped yet functional furniture with streamlined profiles, clean monochromatic (black/white/grey) colour schemes (the favourite accent colour is blue) and geometric shapes with an industrial edge. Well suited to the Australian taste and climate, Scandi style is often ideal for holiday homes in both summer (pared back simplicity) and winter (made cosy with plush cushions, throws and rugs). Scandi style is so popular now that the most creative agents are managing to convince tenants that 70s era faux-wood panelling, evoking Swedish saunas, is actually bang on trend!

Recently, the Scandi vibe has moved from furnishings to lifestyle philosophies or ways of living. Two of the most popular – *hygge* and *lagom* – are worth considering for your winter-time holiday let.

*Hygge* (pronounced “who-guh”) is a Danish word (the Norwegian equivalent is *Kos*, in Sweden *mys*). It is used to describe the concept of inner warmth and contentment or cosiness. “It means the sublime state of inner warmth or satisfaction you feel when you are spending time with loved ones and nothing else matters. *Hygge* can be enhanced by the addition of a log fire, a good movie, a cup of something warm and a sweet treat,” according to author Brontë Aurell. Or simply explained by Meik Wiking, CEO of the Danish Happiness Research Institute, as “the pursuit of everyday happiness”.

To bring a little *hygge* to a holiday home in winter, update the soft furnishings with faux-fur throws on sofas and beds, soft, shaggy rugs for the floor and tactile, cable-knit cushions to add a chunky feel to sofas. Monochromatic bedlinens tap into the Scandi vibe and adding in thick blankets and extra pillows brings in the cosiness.

Mood lighting is also important. Illuminate rooms with table lamps, floor lamps and pendant lights. As Wiking puts it, “no candles, no *hygge*”, so leaving out quality scented candles (think spices for that Scandi feel) on the dining table, coffee table, kitchen benches, bathrooms and sideboards for guests to use might be worth considering (unless of course you prohibit candles on the property due to fire risk).

Create the feeling of a warm, earthy Nordic log cabin using wooden furnishings and decorations. A fireplace stacked with firewood is the ultimate, but making sure the home is well heated, but also not devoid of fresh air, is important. Strategically hang mirrors to reflect natural light and keep the rooms feeling light and warm. Stocking the kitchen with baking equipment can also encourage guests to indulge in *hygge*. Consider setting up a *hyggekrog* (*hygge* corner), near a window so guests can relax and watch the rain/snow fall, with a comfy armchair/couch, lots of pillows and throw blankets, a floor lamp and a small table.

While *hygge* is about savouring moments of pleasure – just what people on holiday are looking for – *lagom* is more of a lifestyle, with a design aesthetic that can be applied to a short-term rental.

*Lagom* (pronounced “lar gom”) is the Swedish concept of ‘not too little, not too much, just the right amount’. It expresses a sense of balance and satisfaction with having your needs met without needing excess.

To visualise *lagom*, think about Scandinavian furniture – it’s practical and functional, its components are essential and unadorned, and ultimately it’s comfortable, timeless and versatile. Holiday homes can be ideal embodiments of *lagom* as the concept relies on the home only having what is essential; every element should have a purpose and a place, which is precisely how to furnish a short-term rental.

Uncluttered rooms are key and once the clutter is gone, everything in each room should be considered – and there should be a place for everything (think smart storage solutions). Interiors should look and feel light, airy and pared back, while still being warm and inviting. Decorate with calming colours and limit the palette to a few key colours – complementary groups of neutrals are ideal as they provide elegance, simplicity and, importantly, won’t date. Choose natural materials that are organic and long-lasting – solid wood, soft cotton, woven linen. Take advantage of natural light and fresh air, and bring the outdoors in with some indoor plants. *Lagom* also embraces sustainability, which should guide furniture, fittings and homewares choices. Tech-free spaces also embody the concept.

With the holiday let now channelling the Scandi vibe, it’s also important to make sure that the property is protected with the right landlord insurance. [RentCoverShortTerm](#) provides comprehensive cover for contents, financially safeguards the property from damage caused by a range of defined risks, protects the owner’s liability and even covers loss of rent if the property can’t be let due to an insured event.

Word to the wise: If the property is being switched from a standard lease to a short-term let, whether as a holiday home or an Airbnb rental, it’s important to ensure to that the landlord insurance is also switched. [Talk to one of our team](#) about landlord cover to suit the type of rental, because without the right insurance neither landlord nor PM will feel much *lykke* (happiness) if something goes wrong and the property is not covered.

## Move over Kondo

Decluttering fads are everywhere, from Oprah's 'let it go' guru Peter Walsh, to Japanese organisational doyenne Marie 'Spark Joy' Kondo. The latest incarnation is 'Swedish Death Cleaning'.

These days most of us have a lot of 'stuff' – our homes and offices often overflow with 'things' we have accumulated. And it's the culture of 'too much' that has led to the birth of an entire decluttering industry.



The latest decluttering exponent is Margareta Magnusson pushing the concept of *döstädning* – translated as *dö* meaning death and *städning* meaning cleaning. Swedish death cleaning might sound morbid, but it is simply a way of decluttering, where you are encouraged to take your time going through possessions and deciding what to do with them. For anyone who has had a spurt of decluttering and later regretted disposing of something, it's an idea that appeals.

*Döstädning* is a word that is used when you or someone else does a good thorough cleaning and gets rid of things to make life easier and less crowded. "It does not necessarily have to do with your age or death. Sometimes you just realise that you can hardly close your drawers or barely shut your closet door," explains Magnusson. "It's about a permanent form of organisation that makes your everyday life run more smoothly."

Death cleaning isn't about throwing away all of your stuff; instead it's about streamlining your life so you're only holding onto what makes you happy and brings you joy (an idea shared by other decluttering experts like Walsh and Kondo).

Magnusson advocates a methodical, thoughtful process, perusing the contents of each room in your home at your own pace before deciding whether to gift, recycle or dispose of an item.

Key principles of the system:

### *This is not a quick fix*

It will take time to make decisions about how to get rid of things. You also need to continually keep tabs on yourself to make sure you aren't accumulating more stuff as time goes on. You might need a bit of *sisu* (okay it's Finnish not Swedish) – focus on having grit, perseverance and courage in the face of challenges.

### *Avoid the emotional minefield when starting out*

Don't start with photographs, letters or personal papers as it is easy to get bogged down taking a trip down memory lane. When it's time to tackle these items, look at ways of downsizing, for example you could digitise old photos and videos. Try to limit yourself to one box of keepsakes that are truly important to you.

### *Tackle non-emotive items first*

Start with clothing and accessories – most people have many garments that they seldom wear, don't fit, no longer like etc. Check spare rooms, garages, basements, attics or cupboards by the front door – as these are places where you 'temporarily' store excess things but which have more than likely actually been there for ages and you'll probably realise you won't miss them. Then move onto the kitchen cabinets, linen closets etc.

### *Decide what to keep*

To frame the inner monologue debate that will go on in your mind when you start to declutter, ask yourself if anyone will be happier if you save a particular item, or if anyone would actually want it if you weren't around. "My motto is, if you don't love it, lose it. If you don't use it, lose it", says Magnusson. Only keep what you love and what makes you happy in the moment.

### *Appreciate objects*

Spend one last time with the objects you want to rid yourself of and then dispose of them. Each item has its own history and remembering that history is often enjoyable – you may find that you don't need to hold onto the object to trigger a memory. Take the time to reflect on your life and what is important to you, relive the best memories and archive your most precious treasures.

### *Gift items*

Instead of simply throwing objects away, think about those close to you who might appreciate them and give them as a gift – Magnusson suggests instead of taking flowers to a friend's place, take a book or other item you know they would like to have. Let people know what you are doing and invite them to take things that they'd like before you donate or toss them. Magnusson also recommends selling as many items as you can. Donate items you can't sell or family don't want. Having others know what you are doing also helps keep you accountable and on track.

### *Reward yourself*

When you finish with an area or part of your life, treat yourself – just not by going shopping and accumulating more stuff!

Whether you opt for the efficiency of the Kondo method or take the relaxed approach with Swedish death cleaning, once the decluttering is finished, it's often the perfect time to review your insurance, particularly contents cover – this applies for landlords, tenants, homeowners and RE professionals who have cleared up the office! If you need to update your contents cover or [OfficeCover](#), contact your RentCover relationship manager.

That sorted, treat yourself to another Swedish tradition – *fika* (to meet up for a chat over a cup of coffee or tea and something delicious, often a *kanelbullar*, that is, a cinnamon bun).

## 'Claytons' rentals

**The ATO has warned landlords that it is focussing on deductions made for properties that are not actually available to rent.**

Holiday homes that are only available for family and friends, and other investment properties that are not rented or genuinely available for rent, are in the sights of the ATO this financial year.



The tax office has announced it is clamping down on the large number of mistakes, errors and false claims made to it by rental property owners who use their own property for personal holidays.

Private use by family and friends of a holiday home is entirely legitimate, but it does reduce the owners' ability to earn income from the property which in turn impacts the deductions that can be claimed.

"You cannot claim for times when you were using it [your holiday home] for your own personal holiday or letting friends and family stay rent-free", said ATO assistant commissioner Kath Anderson.

"Holiday home owners also need to remember that if their property is rented to friends and family at mates' rates, they can only claim deductions for expenses up to the amount of the income received."

More than one million Australians claim deductions on rental properties each year. There are a number of [possible expenses](#) that investment property owners can potentially claim against income generated from leasing out the property, such as mortgage interest, repairs and maintenance costs, depreciation, capital works, property management fees, advertising charges and the cost of insurance policies. However, deductions can only be claimed for times when the property is rented or genuinely available for rent (and expenses may need to be apportioned).

According to the ATO, while some investors claim their property is available for lease and therefore qualifies for tax deductions, investigation often reveals that the owner has little intention of actually renting it out. Red flags include:

- Placing unreasonable conditions on prospective renters
- Setting above-market rental rates
- Failing to advertise a rental in a way that targets people who would be interested in it
- Failing to keep the property in good condition
- Refusing to rent out the property to interested people without adequate reasons

Where a taxpayer's claimed deductions are disproportionate to the income received from the property, this is likely to trigger investigation activity, the ATO warned. Taxpayers should also be aware that different rules around tax deductions apply when renting out a private residence, for example on Airbnb.

The ATO announcement serves as a timely reminder for landlords and their agents to maintain sufficient records – expenses, all income and the efforts taken to rent a property, plus accurate records of the times when the property is used personally by the taxpayer or their family/friends. Deductions should only be claimed for periods that the property was rented or was genuinely available for rent at market rates.

Remember: landlords can usually claim the cost of their [RentCover insurance policies](#) as a legitimate tax deduction (check with your tax accountant).

*Note for our Millennial readers: Claytons was a non-alcoholic drink available in the 70s and 80s which had the slogan “The drink you have when you are not having a drink”. The use of the word “Claytons” to describe something that was but wasn’t really (i.e. not the real thing) has been part of the Aussie vernacular ever since.*

## Staff profile: Peter Hazelager

### A family affair

For Peter Hazelager the decision to change careers and enter the insurance industry was influenced by his brother.

“I studied and worked as an animal technician before looking for a new challenge. My brother Luke was already working for RentCover when I applied for a Client Services Consultant position. He really enjoyed the workplace and it sounded like a great place to work,” Peter said.



Five-and-a-half-years after following his brother into our Melbourne office, Peter has firmly established his career in insurance, moving from his consultant role to become our Client Services Training Co-ordinator.

“My job involves training new staff and organising training sessions for existing Client Services team members. I also create and update training materials and manuals, which means I need to have a great understanding of RentCover and our products so that I can update documents accurately and also answer any questions that come up.”

Appreciating the huge learning curve that is needed to work effectively in the insurance industry, having made the transition himself, Peter relishes the challenge of taking each new recruit under his wing and preparing them for their Client Services duties.

“Every new trainee is different so I need to adapt the training to suit their strengths and make sure they are ready for the job,” said Peter.

“There is a lot of variety in what I do. Updating processes and materials or training new starters who are all different to organising training sessions to target areas for improvement.”

Firmly believing that clients choose RentCover due to the level of service that is provided, Peter can boast playing a part in helping to forge our stellar reputation in this area.

“We hold ourselves to high standards as we want to be the best, so we are always trying to go the extra step for our clients, whether it be timeframes for processing applications and claims or providing as much accurate and timely information as possible to educate our clients on different matters,” he said.

“When we can, my fiancée and I like to go out for dinner and a movie,” said Peter when asked how he likes to spend his time away from the office.

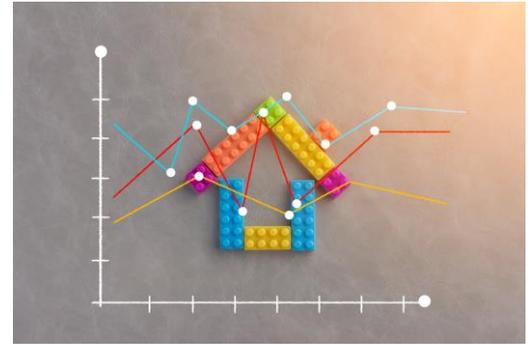
Peter also enjoys catching up with friends and family – and when he meets up with his brother Luke they promise not to talk shop!

## Investment Property Market Snapshot

### Latest industry statistics and analysis.

#### Rents on the rise over the quarter

Across the country, rental rates rose by 1.1 per cent over the March quarter, according to CoreLogic's *Quarterly Rental Review*. Median rent for March was \$427 p/w – \$426 p/w for houses and \$430 p/w for units. Rental growth over the first quarter was higher in the regions (+1.2 per cent) than in the capital cities (+1.0 per cent). All capitals except Darwin (-0.3 per cent to \$474 p/w) recorded rises over the quarter: Hobart (+5.0 / \$410), Canberra (+2.3 / \$528), Sydney (+0.5 / \$582), Melbourne (+1.2 / \$442), Brisbane (+1.2 / \$436), Perth (+1.7 / \$377) and Adelaide (+1.0 / \$374).



#### Asking rents rise

SQM Research found asking rents for April rose nationally by 0.5 per cent to \$563 p/w for houses and 0.2 per cent to \$443 p/w for units: Canberra (\$617 p/w houses / \$439 p/w units), Sydney (\$737 / \$523), Darwin (\$559 / \$403), Adelaide (\$383 / \$287), Hobart (\$408 / \$356), Melbourne (\$537 / \$406) and Perth (\$423 / \$326).

#### Vacancy rates dip

The national vacancy rate slipped to 2.1 per cent in March from 2.2 per cent in February, according to SQM Research. Rates fell in Brisbane (to 3.2 per cent from 3.4 per cent in February) and Canberra (0.6 / 0.8). Vacancies held steady in Adelaide (1.4), Perth (4.1), Melbourne (1.4) and Sydney (2.3). Slight rises were recorded in Hobart (0.6 / 0.5) and Darwin (3.6 / 3.3).

#### Rental yields on the up

CoreLogic's *Quarterly Rental Review* also found rental yields had increased nationally by 0.1 per cent over the 12 months to March to 3.68 per cent: Darwin (5.83 per cent), Hobart (5.01), Canberra (4.55), Brisbane (4.40), Adelaide (4.28), Perth (3.92), Sydney (3.20) and Melbourne (2.93).

#### Dwelling values steady

Over the three months to March 2018, national dwelling values were down 0.5 per cent, according to CoreLogic's April *Housing & Economic Chart Pack*. The combined capital cities recorded a fall in values of 0.9 per cent, while the combined regional markets recorded an increase of 1.1 per cent.

#### Housing investor credit moderates

According to the private sector credit figures released by the RBA, credit to investors grew by 0.6 per cent in February, up 6.7 per cent from the year earlier.

#### Investor loans rise

Figures released by the ABS revealed that (seasonally adjusted) investment housing commitments rose 0.5 per cent in February (to \$12.030 billion) compared to January, while owner-occupier loans rose 1.3 per cent (to \$21.494 billion).

#### APRA drops investor lending restrictions

On 27 April, APRA announced that it was set to remove its cap on investor loan growth. A 10 per cent cap on investor lending was introduced in December 2014 and in response banks introduced higher rates for investor loans. From 1 July 2018, lenders that have been operating below the 10 per cent investor lending growth benchmark will no longer be required to do so, provided APRA is satisfied with their policies and practices. The 30 per cent limit on interest-only lending will continue to apply.

### **Perth cheapest capital to rent**

Despite the first rental price rise since 2013, Perth remains the cheapest capital city to rent a home. According to a Domain report, the median rent is \$355 p/w for houses and \$300 p/w for units. Median weekly house rental costs grew by 1.4 per cent in the March quarter but were still 4.1 per cent cheaper than they were a year ago. Sydney continued to be the most expensive place to rent a house at \$500 p/w, while Canberra had the highest rent for units at \$450 p/w.

### **House prices tipped to drop**

The *NAB Residential Property Survey* for Q1/2018 has indicated that house prices Australia-wide will decrease 0.8 per cent this year, down by 4.8 per cent. The capital city the bank expects to see continued price rises compared to last year is Perth, rising 3.6 per cent to 1 per cent. Hobart, despite falling 6.4 per cent, is predicted to be the best performing capital with prices expected to rise by 6.5 per cent. Brisbane is tipped to experience the smallest decline at 1.4 per cent to see prices rise by 1.7 per cent. Adelaide follows (-3.3 per cent to see prices remain steady), then Sydney (-5.5 per cent to see prices slide by 3.4 per cent) and Melbourne (-9 per cent to see prices rise by just 0.1 per cent).

### **Investor interest in apartments waning**

Analysis of ABS data by the HIA has revealed that investor demand for new apartments has fallen due to the impact of regulatory interventions on local investors and additional taxes on foreign investors. ABS data for building activity in Q4/2017 recorded a 0.7 per cent rise in commencements for detached houses, but a fall of 11.2 per cent for other dwelling types. Multi-unit dwellings declined 5 per cent for the quarter and 8.3 per cent for the year.

### **Mortgage arrears stable**

Nationally, the mortgage delinquency rate decreased 0.07 per cent to 1.45 per cent in November 2017, according to Moody's Investors Service. The proportion of residential mortgages that were more than 30 days in arrears declined in all states except NSW. WA recorded the highest rate at 2.5 per cent (down from a record high of 2.76 per cent in 2016). The ratings agency also noted that household debt as a proportion of disposable income was 188 per cent in September 2017, compared with 161 per cent in September 2012.

### **Investor sentiment rises**

According to the latest *NAB Residential Property Index*, overall market sentiment rose for the March quarter. The market sentiment index sat at +23, nine points higher than the long-term average of +14. WA recorded the strongest positive change in sentiment, rising 20 points to +7, followed by Queensland up 13 points to +31. NSW, Victoria, SA and the NT all saw sentiment decline.

## News in brief

### **NSW real estate agent reforms**

The *Property, Stock and Business Agents Amendment (Property Industry Reform) Bill 2017* had its third reading in Parliament in March. If the Bill is passed, agents in the state will be subject to far-reaching training reforms, with a higher entry level and tougher annual training requirements. Changes include the need for every staff member to hold a Class 2 licence or be considered an “assistant agent” and have their statutory functions restricted, and the need for at least one staff member to be a Class 1 license holder to comply with supervision and management responsibilities. It is anticipated the new legislation will be passed on 1 July 2018.

### **New pool and spa requirements in Victoria**

The Victorian Government has announced new pool requirements that are expected to be introduced into Parliament in June and come into effect by next summer. The new water safety in homes measures will include registering pools and spas with the local council for inclusion in a database and declaring that the safety barriers are compliant, effective and in good working order. Another change is set to be the introduction of barrier inspections and the requirement for all pool and spa barriers to be improved to at least 2010 standards, even if the pool or spa was constructed before then.

### **Change to e-conveyancing in WA extended**

The WA State Government has announced that the conveyancing industry has been granted a seven-month extension to prepare for the transition to digital lodgement. Electronic lodgement for certain documents relating to the registration of interest in land now applies from 1 December 2018. The original start date had been 1 May.

### **Tech watch: new apps**

The REXY app enables agents to input a buyer’s preferences at events like open homes, a push notification is then sent to other agents with suitable properties and the potential buyer receives notification of upcoming inspections of relevant open homes.

The first product in realestate.com.au’s new suite of personal branding products – Agent Edge – has been launched. Agent Elevate enables agents to improve their profile on the website.

By using public information available on sites like LinkedIn and Google to create a personality profile, email app Crystalknows helps users write emails in a tone that connects more specifically with their recipients.

Aabode.com is a digital accommodation booking platform that charges no listings fee and no host fee. The private accommodation portal for short-term and holiday rentals charges guests a booking fee of between five and eight per cent.

### **NFP agency tackles affordable housing**

HomeGround Real Estate Sydney (a spin-off of Melbourne-based Launch Housing’s social enterprise) has been launched by community housing provider Bridge Housing to drive investment in and supply of affordable housing in “the most difficult housing market in Australia”. According to Bridge Housing, less than one per cent of private rentals in greater Sydney are affordable for people on low incomes and homelessness is growing at an annual rate of 27 per cent.

**Legal corner: fraudsters jailed**

A South Australian couple has been jailed for six years after being found guilty of “obliterating” their rental property for insurance money. After increasing the insurance coverage on their investment property, the husband and wife planned to burn down the property. However, when the husband ignited the petrol he had poured throughout the house, instead of simply setting fire to the property, the whole house exploded, with the blast also damaging neighbouring properties.

**Agent uses crowd-funding to help renter**

When an elderly man in Darwin had his pension cut, his property manager stepped in and arranged crowd-funding to take care of his \$1,350 in rental arrears. The PM alerted the man that his direct debit for his rent had been cancelled and then helped him with the paperwork to try to get his pension reinstated. The PM then turned to the internet to help the pensioner pay his rental arrears, raising hundreds of dollars through crowd-funding.