Home Newsletter

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So who is the modern-day Rentvestor™?

Since the Rentvestor™ trend emerged in 2013, LJ Hooker has been keenly tracking the evolution of this market demographic.

Renvesting was originally defined as a savvy way for young first time buyers to get into the market; they live in a rented property while acting as a landlord of a property where other tenants help subsidise their mortgage repayments. Rentvestors typically purchase properties in more affordable areas, often where they grew up or have family members.

Over the last few years, LJ Hooker has seen rentvesting shift to be a popular investment strategy for an array of age groups and demographics, not just first time buyers.

LJ Hooker Head of Research, Mathew Tiller said the rentvestor trend evolved as a result of strong capital city growth, a more mobile and transient workforce and the preference for lifestyle over location.

"When LJ Hooker first identified the rentvestor trend we described it as a 'young couple in their late 20's or early 30's who love their lifestyle and don't want to relocate from where they were renting'," said Mr Tiller. "However, our latest research shows there are now two clear types of rentvestors.

"The first type is those who are driven by lifestyle choices and affordability constraints and the second category which is driven by work, study or other personal circumstances.

"There has been an evolution of the rentvestor not only by age bracket but also income."

LJ Hooker's own research now shows:

- 56% of rentvestors are aged between 35 and 55 years;
- 38% have a household income less than $100,000 per annum;
- 43% have become a rentvestor due to work or study.

These figures show rentvesting is no longer for the young professional or university student. Indeed, it's fast becoming part of the Australian dream for many.

So what's the outlook for the renvestor?

The number of rentvestors could increase for many reasons:

1. **Capital city price growth**: Strong growth recently seen in Sydney and Melbourne has created affordability constraints for renters in the inner city who want to buy in the same location, pushing them towards becoming rentvestors.
2. **Mobility**: As the mining and resource sectors slow, this workforce will move to other parts of the country and into different industries. History has shown these workers initially rent in the new locations and continue to hold either a family home or investment property in another part of the country.

What is title insurance?

Purchasers often think the property is theirs once settlement is completed. But this is not the case.

Between settlement and the time it takes for the property's title to be registered in the buyer's name, there is a period known as the 'registration gap'.

In the past, some purchasers have been caught out during this period – external parties have placed a caveat on the property; transfer documents have been lost, and other unforeseen obstacles.

LJ Hooker Settlements supports title insurance as a way for buyers to protect themselves during unforeseen issues during the ownership transfer. Title insurance covers against actual loss incurred by the insured as a result of any unknown title defect or other risk covered in the policy as at the date of settlement.

The insured is protected against actual loss incurred as a result of unknown risks or defects which existed prior to or at the date of settlement. Some of these covered risks include loss caused by:

- Illegal/unapproved building work;
- Boundary issues
- Fraud and forgery, including identity theft.
- Unpaid rates and taxes resulting in a charge on the land.

For a one small premium paid, lasting the life of ownership, title insurance is a great solution for this type of event and many others.

LJ Hooker is the digital leader

At LJ Hooker, we're very proud to announce that we're the industry's digital leader.

We recently won the award for Digital Presence of the Year at leading industry publication Real Estate Business' annual awards.

The award recognises the innovative use of our digital footprint throughout 2015, including a number of digital platforms to sell more properties.

Real estate is one of the industries undergoing considerable change in the digital era so keeping ahead of the pace is vital for our customers.

Real estate will always remain a people-driven business with you, our customer, at the heart of everything we do. But, increasingly, our industry is underpinned by world-leading digital support and innovation.

At LJ Hooker, we've concentrated on a two-tier digital strategy that connects our customers with real estate opportunities. It includes organic content like e-magazines, research reports, and property infographics as well as a social advertising platform generated through an exclusive arrangement with major digital players.

Our strategy is also underpinned by the strength of our website, email communications, search engine optimisation, social media presence and video content to ultimately help our customer connect with their real estate dream.

Capital gains slow but market still grows

So how is the market travelling? According to LJ Hooker's recently released Open Market Report, capital city property values increased by 1.6% over the first quarter of 2016. While modest, it's a move in the right direction following the1.4% fall recorded over the December quarter, last year.

While home values are still rising, some heat has come out of the market. Capital city dwelling values increased by 6.4% over the 12 months to March 2016, down from a recent peak of 11.1% annual growth recorded over the 12 months to July 2015.

For the first time since September 2013, not a single capital city recorded yearly growth of more than 10%. Sydney home values increased 7.4% over the past year, which is the city's slowest rate of growth since August 2013.

The slowdown in housing market conditions comes after a strong cycle of growth which commenced in June 2012, with Sydney and Melbourne the main recipients of growth.

Interest rates are set to remain around historically low levels for some time. Additionally, investment activity is likely to remain strong considering the low returns in other asset classes such as cash and bonds and the volatility in equity markets that discourages many from investing heavily in shares.

	HOUSE		UNITS	
	Median Price	Growth	Median Price	Growth
Sydney	$805,000	7.5%	$645,000	7.3%
Melbourne	$610,000	10.7%	$469,000	2.5%
Brisbane	$495,000	4.9%	$398,000	0.5%
Perth	$510,000	-2%	$420,000	-1.9%
Adelaide	$443,000	3.3%	$340,000	2%
Darwin	$540,000	-1.5%	$465,000	-2.9%
Hobart	$361,000	4%	$261,200	13.3%
ACT	$597,500	1.9%	$415,000	-0.9%

Table 1 - LJ Hooker Q2 Open Market Report 2016