



RENOVATION: PART THREE

IS IT RIGHT FOR YOU

If two or more of these apply to your property, you could consider the benefits of furnishing it:

- Is it a central city apartment?
- Is it in a block of apartments?
- Is it up a flight of tight stairs?
- Is it down a long pathway?
- Is it suitable for tourist accommodation?
- Is it a premium property?
- Is it more suitable for short-term rentals?
- Is it a boarding house?

FURNITURE FOR FLATS

More tenants than ever before are seeking furnished accommodation. **Sharon Newey** looks at the options – and the returns.

FULLY FURNISHED RENTAL properties are a relatively new feature in New Zealand, where the tradition has been that the tenant supplies everything – furniture, whitewear – the lot.

But the changing face of the tenant pool, more transience and influences from immigrants with differing expectations means that some local landlords are now supplying furnished properties. Certainly, most inner-city Auckland apartments are currently advertised as furnished.

There are three degrees of furnishing a rental – with just whiteware; with whiteware and bulkier items of furniture; or with both of those, plus a fully equipped kitchen and with small appliances like vacuum cleaners.

The number of properties equipped with whiteware is on the increase. In fact, it's fast becoming the norm. It's a situation that suits both landlords and tenants.

Fridges, washing machines, dryers and microwaves are fairly hardy and hard to

wreck (good for landlords), and for tenants they are a purely practical and welcome, visually inoffensive addition. They are also expensive and awkward for tenants to transport. Whiteware would include a refrigerator, washing machine, dryer and probably a microwave.

Fully furnished properties are more prevalent in the inner-city apartment sector, where landlords are seeking to offset on-going costs like body corp fees by maximising returns. It also responds to a more transient population of people who travel light, and an increasing expectation that these types of properties will come furnished.

Moving a house-lot of furniture up an apartment building elevator is not a cheery prospect for many tenants.

Another sector of this market is fairly high-end properties advertised as accommodation for short to medium term corporate rentals, plus those that straddle the line between serviced apartments and



**THE
RESENE
EASY
DECORATING
GUIDE
PART THREE**

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up-market holiday accommodation.

Another sector is the boarding house arena, which is a different ball-game – boarding houses carry special consents and requirements by local councils but are now covered by the Residential Tenancies Act.

Providing furniture will increase your work load as a landlord. You not only have to select, buy and set up the furniture, but also maintain it. Do you want to be called out every time a bed breaks or handle snaps?

A furnished flat will make your job trickier and more protracted when tenants change over. You will need to thoroughly inspect all of the furniture, as well as the actual property to determine if a full bond refund is applicable. Any damaged items will need to be fixed or replaced, and a new and full inventory, detailing the condition of the items, given to the new tenant.

Tenants should be required to sign the inventory and both tenant and landlord should hold a copy. Without such safeguards, it will be impossible for you to prove any loss or damage to the property or the furnishings.

Remember to make sure your insurance covers contents, or that you have a policy specially designed for furnished rental properties.

Of course, all of this extra work needs to be reflected in the rent. Some industry sources put the premium at around 25% while others describe it in dollar value terms – \$100 to \$150 on top of the unfurnished price. Another trade-off is depreciation allowances. Any unfixed item, such as furniture, can be depreciated at 20% a year. And the property will probably be easier to rent which means shorter

periods of vacancy between tenants.

Having prospective tenants walk in and be able to instantly picture themselves in the property, or know that all they need is their suitcase and a few boxes, gives your property the edge.

If providing furniture doesn't increase your rental income or improve your chances of finding tenants, don't bother. But if your property is one that would benefit from being furnished, there are a couple of ways of going about it – buy your own furniture or rent it (see box for costings).

Consider who you are renting to. An apartment rented to a professional couple will need lounge furniture, a dining table and chairs and bedroom furniture as well as whiteware. If your market is students, throw in a desk. Always go for a queen rather than a double bed. Simple yet sturdy furniture

with a contemporary look will appeal to most prospective tenants.

Furniture is going to suffer more wear and tear with tenants, no matter how selective you are and when it comes to re-letting the property, future tenants will be put off by scruffy furniture. A healthy schedule of landlord inspections would be highly recommended to keep a more regular check on your possessions and property.

It pays, therefore, to choose furniture that is fairly bullet-proof. That doesn't mean it has to be made of concrete, but do be aware of how quickly it can deteriorate. Leather sofas may seem a luxury, but leather is hard-wearing and there are some good deals available. Microsuede or velour are also pretty good at resisting marks and can be easily cleaned. It's all very well knowing you can keep some of the bond paid for damage done, but re-covering or replacing furniture for every tenancy will soon become tiresome.

Buying second-hand is a tempting way to save money, but unless you choose very



carefully, such items will look shabby and be unappealing for potential tenants. Don't just go for a mish-mash of your own old second-hand furniture. That may be fine for a bach, and maybe for a student flat, but not for most tenants who seek furnished accommodation.

Buying second-hand appliances, however, is a very viable option as there are

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many good, fairly new fridges and washing machines on the market, either through auction websites, at auction houses or through specialised second-hand dealers.

You will need to charge more bond for a furnished property to cover the likelihood of greater wear and tear. While two weeks' bond is traditional for unfurnished properties, you are legally able to charge up to four weeks.

DOING THE MATH

Outlaying a rental property with good furniture doesn't have to be that expensive. Stores like Target Furniture, for example, have good, fashionable but affordable (in other words, easier to replace) pieces. A cruise through its online catalogue shows that you can furnish a two-person apartment, for example, for around \$3,500,



In a serviced apartment, tenants expect a hotel-like environment.

which includes a two-piece lounge suite, coffee table, entertainment unit, five-piece dining suite, queen-sized bed, bedside tables and chest of drawers.

Click over to Harvey Norman for your appliances and choose a fridge, washing machine, dryer and microwave for a total of \$2,000.

If you want the more carefree option, consider renting the furniture.

Mr Rental has various New Zealand outlets and has, for example, packages for the same items as above that tally up to around \$115 a week. Whiteware can also be rented from specialist companies.

A year's worth of rental equals the buy-new price but, of course, you must factor in the lower stress and hassle of renting off someone else, as well as the ability to change out items more easily. ■

NEXT STEP: **SERVICED APARTMENTS**

So once you have made the move to furnishing your apartment, the next step is to enter the serviced apartment market, where you not only supply whitewear and furniture but a fully equipped kitchen, linen, cleaning services, TV and stereo, as well as electricity, phone lines and Sky connection.

It's a whole different market with its own pros and cons. There will be higher operating costs, advertising costs, a higher risk of periods of vacancy and a higher risk of tenants being careless with your property and furniture.

You can, however, expect to charge a 70 to 100% premium on the unfurnished price. Because it's such a high-maintenance market, dealing with clients (not 'tenants') who expect a hotel-like environment and service, it's highly recommended that you use a specialist property management company.

And not every property suits using in this way, according to franchise manager of Quinovic Viaduct David Graham. The property needs to be in a good location, probably have views and garaging, be sunny, near amenities, and be well presented. His top performing properties have a 72 to 80% occupancy rate with an average stay of 21 days.