

Special event

# Investor insights – the DHA way

28 October 2023



# Management fee

- › Percentage of gross weekly rent charged for the day-to-day management of a rental property.
- › There is no standard recommended or required fee.
- › Other common fees not captured in the management fees include Administration fees and Letting fees.

## Methodology

- › Sample of 20 local real estate agents spread across DHA locations.
- › Fees collected ranged from 6.1% to 10.3%.
- › Typical to see higher rates charged in locations with lower average rents.

## Analysis scenarios

- › Medium case scenario is set at 8.25% - the average fee of the sample.
- › Low and high cost were assumed at 6.6% and 9.5% - the average of the fees below and above the total average.

Indicative real estate agent management fees (percentage of gross rent)

Agent location	Indicative management fee
<b>Capital city</b>	
Sydney	6.1%
Melbourne	6.6%
Brisbane	8.0%
Adelaide	9.7%
Perth	10.3%
Canberra	7.7%
Darwin	9.4%
<b>Regional</b>	
Ipswich	8.8%
Toowoomba	8.8%
Townsville	9.9%
Wagga Wagga	8.6%
Hunter	6.6%

# Administration fee & Letting fee

- › Administration fees for preparation and provision of a monthly statement.
- › Letting fees occur only when a new lease is signed by a tenant.

## Methodology

- › Average tenancy runs for 18 months based on bonds data from rental authorities.
- › Letting fees typically range from one to two weeks gross rent plus GST.
- › Administration fees to range from \$0 to \$6.60 per month.

## Analysis scenarios

- › Administration and letting fee set at the bottom, middle and top end of the above ranges.

**Note:** Other fees are often charged including advertising, database fees, preparation of lease fees, leasing renewal fees and others. These were excluded from the analysis as, depending on the lease edition and property location, some of these additional fees may be charged by DHA. Please refer to the lease agreement for all inclusions.



# Non-structural repairs

- › Under a traditional real estate agent management agreement, landlords are responsible for any repairs to their property.
- › DHA incorporates some of these costs – including most non-structural repairs - into its service fee.

## Methodology

- › Comprehensive data of actual DHA expenditure on non-structural repairs covered under the Property Care Contract.
- › Cost analysed to determine average costs and potential variations.

## Analysis scenarios

- › Average costs (across a range of different rent price points) was taken as the medium scenario.
- › One standard deviation above and below average were taken as the low and high cost scenarios to exclude outliers.





# Hassle

- › Any maintenance and repair work under a real estate agent-managed property in most cases would be approved or organised by the landlord.
- › Most non-structural repairs are paid for and handled within the DHA service fee.

## Methodology

- › DHA repairs data shows on average there are approximately nine unique repair items per property each year.
- › Average national pay rate is \$46.6 per hour, adopted as an estimate of the value of the time required to fulfil the duties performed by DHA managing repairs.

## Analysis scenarios

- › Low cost scenario - no time required by a traditional landlord.
- › Medium (and most likely) scenario - three hours per quarter (12 hours per year) to manage repairs.
- › High cost scenario - six hours per quarter (24 hours per year) to manage repairs.



# Vacancy costs

- › DHA continues to pay rent each month even if the property isn't occupied\*. Rent is foregone under a real estate agent management agreement if the property isn't occupied.
- › Medium case scenario based on implied average weeks vacant per year based on average national vacancy rate (2014-22).
- › High and low case scenarios selected the lowest and highest implied national vacancy (ex. Darwin).

Average vacancy rates by capital city, 2005 to 2022

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Canberra	Darwin	Australia
<b>2005-2022</b>	2.1	2.9	2.3	1.8	3.1	2.4	1.9	3.7	2.5
<b>2005 - 2013</b>	1.6	2.7	2.3	1.9	2.6	2.8	2.2	2.2	2.2
<b>2014 - 2022</b>	2.5	3.1	2.3	1.7	3.7	2.1	1.7	5.4	2.8
<b>Average weeks vacant per year (2014-2022)</b>	1.3	1.6	1.2	0.9	1.9	1.1	0.9	2.8	1.4
<b>Vacancy cost (\$)</b>	782	705	585	409	891	586	576	1,599	710

\*Rent may be subject to abatement under certain circumstances such as loss of enjoyment or amenity, or breach of lease terms. Rent is paid where the property is habitable. Should a property become uninhabitable during the term of the lease, or lessor breaches the lease terms, the rent may cease or abate and lease may be terminated by DHA. Guaranteed rent is subject to the terms of the lease.

# Analysed rental price points

Analysis of the properties that have been leased by DHA revealed that the properties are largely clustered within:



## Detached houses

- › \$400 per week
- › \$450 per week
- › \$550 per week
- › \$650 per week
- › \$750 per week
- › \$850 per week



## Flats, units & apartments

- › \$450 per week
- › \$550 per week
- › \$650 per week
- › \$875 per week



# Key results: Real estate agent vs. DHA property management fee costs for detached houses (16.5%)

		Weekly Rent					
Low scenario		\$400	\$450	\$550	\$650	\$750	\$850
Real estate agent	\$ total cost	\$4,163	\$4,413	\$5,210	\$5,711	\$6,609	\$7,110
	% of gross rent	19.9%	18.8%	18.2%	16.8%	16.9%	16.0%
DHA service fee	\$ total cost	\$3,444	\$3,874	\$4,735	\$5,596	\$6,457	\$7,318
Net gain of DHA lease (\$ p.a)		\$719	\$539	\$475	\$115	\$152	-\$208
Medium (most likely) scenario		\$400	\$450	\$550	\$650	\$750	\$850
Real estate agent	\$ total cost	\$6,103	\$6,438	\$7,491	\$8,162	\$9,346	\$10,017
	% of gross rent	29.2%	27.4%	26.1%	24.1%	23.9%	22.6%
DHA service fee	\$ total cost	\$3,444	\$3,874	\$4,735	\$5,596	\$6,457	\$7,318
Net gain of DHA lease (\$ p.a)		\$2,659	\$2,564	\$2,756	\$2,565	\$2,889	\$2,699
High scenario		\$400	\$450	\$550	\$650	\$750	\$850
Real estate agent	\$ total cost	\$7,906	\$8,316	\$9,605	\$10,424	\$11,874	\$12,693
	% of gross rent	37.9%	35.4%	33.5%	30.7%	30.3%	28.6%
DHA service fee	\$ total cost	\$3,444	\$3,874	\$4,735	\$5,596	\$6,457	\$7,318
Net gain of DHA lease (\$ p.a)		\$4,462	\$4,441	\$4,869	\$4,827	\$5,417	\$5,375



# Key results: Real estate agent vs. DHA property management fee costs for units (13%)

		Weekly Rent			
		\$450	\$550	\$650	\$875
Low scenario					
Real estate agent	\$ total cost	\$3,548	\$4,230	\$4,731	\$6,061
	% of gross rent	15.1%	14.7%	13.9%	13.3%
DHA service fee	\$ total cost	\$3,053	\$3,731	\$4,409	\$5,935
Net gain of DHA lease (\$ p.a)		\$496	\$499	\$322	\$125
Medium (most likely) scenario					
Real estate agent	\$ total cost	\$5,232	\$6,124	\$6,795	\$8,552
	% of gross rent	22.3%	21.3%	20.0%	18.7%
DHA service fee	\$ total cost	\$3,053	\$3,731	\$4,409	\$5,935
Net gain of DHA lease (\$ p.a)		\$2,179	\$2,393	\$2,385	\$2,616
High scenario					
Real estate agent	\$ total cost	\$6,769	\$7,851	\$8,670	\$10,808
	% of gross rent	28.8%	27.4%	25.6%	23.7%
DHA service fee	\$ total cost	\$3,053	\$3,731	\$4,409	\$5,935
Net gain of DHA lease (\$ p.a)		\$3,716	\$4,120	\$4,261	\$4,872

# Examples of properties



Nowra



St Georges Basin



# Examples of properties



Seaforth



Surry Hills



# Examples of properties



Lewisham



Newtown



# Questions

- › Raise your hand and we will come to you.
- › If you have questions about specific properties or locations, please speak to DHA staff after the panel discussion.
- › If you have questions about leasing to a property to DHA after today, please call 139 342 or email [leasing@dha.gov.au](mailto:leasing@dha.gov.au).

