

KEY

MORE DIVING IN

lose a tenant. Another is that property will spring an unexpected expense. Often this comes from a landlord not having insured after a property properly. Dalton says landlords are in the service business of providing tenants with accommodation in a competitive market place. If a tenant leaves and a property must be upgraded to attract a new one, it can prove expensive, depending on how long this takes. If it's a month, for instance, a landlord can't be without rent for six weeks before the agent often gets the first 'weeks' rent on a new tenancy. Heavy property investment will not include rent-default and all-expense insurance as part of building and contents policy. Insurance can also be obtained for electrical motor burnouts, which can be a problem for items such as dishwashers. The action by a smart landlord, Dalton reckons, is to put a dollar amount from rental income into a sinking fund. This is to create a pool of money to replace things that wear out. Sinking funds are particularly important for residential property owners with the risk of facing unexpected major expenses. To calculate how much should be set aside involves examining the likely life of items that may need to be replaced. For example, a hot water system is likely to last about 10 years. A plan to replace this would involve estimating the cost of the item by age and then dividing this by its likely life. A sinking fund can be used to plan for major tasks such as repainting or a renovation of the kitchen or bathroom. Dalton says a smart landlord is likely to order a detailed inspection every five years to verify the potential life of assets and are depreciating. Such inspections cost about \$500 but the money well spent if it heads off problems before they arise.

What investment return can you expect in a rental property?

The question, says Noel Dyett, depends on the type of property and where it is located. Returns in blue-chip residential areas can range from 2-5 per cent depending on the risk profile of the property. It comes down to local and market factors. Dyett says there is no such thing as a rule-of-thumb measure of property yields across the sector.

FRANCHISE: JUST LIKE MARRIAGE

Huge potential awaits those willing to do their homework, study the system, understand the law and, above all, put a lot of themselves into their franchise, writes **Bina Brown**.

The ageing population is predicted to make senior community services one of the fastest growing franchise categories this year. Takeaway food franchises may remain the hottest sector in the franchising industry – estimated to be worth 15 per cent of gross domestic product – but businesses that help people around the home in everything from changing light bulbs to palliative care present some of the greatest opportunities.

According to the most recent Franchisor Expansion Study by franchise research specialist 10 Thousand Feet, 20 per cent of franchisors expect takeaway food to be the biggest growth area. That is not too surprising, given that one in four franchisors are in food-related activities.

However, 11 per cent of franchisors forecast that senior services and aged care will be a category to experience the greatest growth in the next 12 months. Less than 1 per cent of franchisors are now in this category.

Home services and business and financial services are also considered strong growth categories. Franchise categories forecast to have zero growth include grocery and convenience stores, juice bars, automotive and pet services.

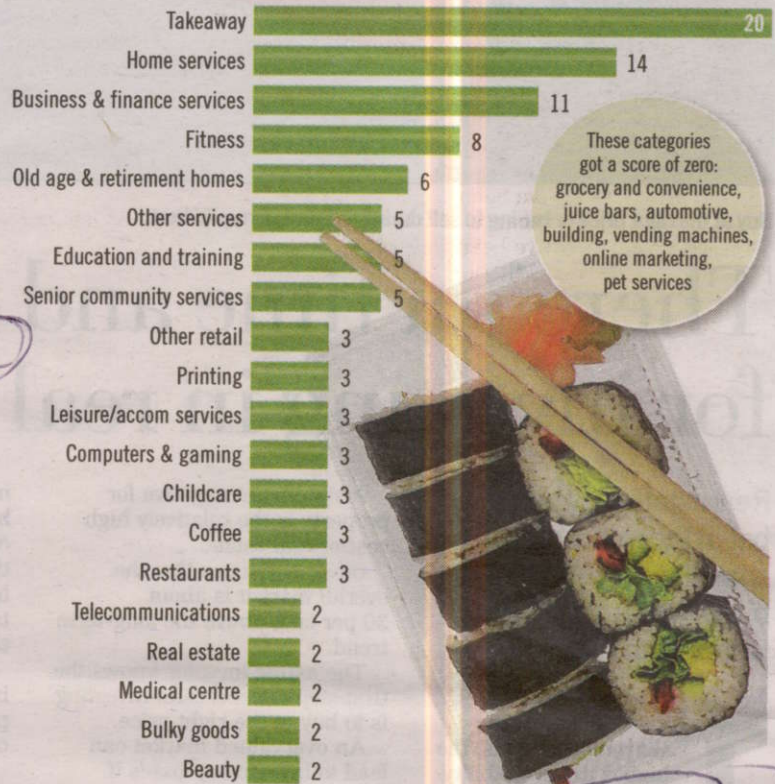
"There is a huge opportunity in the area of senior community services and aged-care facilities," says 10 Thousand Feet's head of intelligence, Ian Krawitz.

"Franchisees tend to put a lot of themselves into the business and in general will offer better customer service than a company-owned operation. Home care, by the nature of the industry, requires a lot of empathy and a high level of customer services so lends itself to a franchise model."

According to the Australian Bureau of Statistics, life expectancy will increase from the present 77 years for males and 82 years for females to about 84

Fast movers

Expected growth in franchises over the next year (%)



These categories got a score of zero: grocery and convenience, juice bars, automotive, building, vending machines, online marketing, pet services



SOURCE: 10 THOUSAND FEET

surrounding aged care and disability as well as the high level of empathy required.

"We are able to make sure the systems are in place according to the legislation which gives confidence to the individuals and other organisations that work with us that they will get the experiences they expect."

Given that more than half of all the disputes concerning franchises are to do with "compliance with the system", the clearer the system and the greater the understanding of what someone can and cannot do, the better.

With about 1000 franchise systems ranging from pet services

to car washes, there is potentially plenty to choose from. While a final decision may well come down to price – the lowest known entry cost is \$4000 including the initial franchise fee and set-up costs, while the highest is \$800,000 – personal interest and personality type should also play a part.

"Franchisors may not demand extensive experience in the particular area of operations, but it is always useful for the operator to have some relevant experience or knowledge," HLB Mann Judd's partner of business services, Craig Hughes, says.

"In some instances technical experience is essential."

Feeling passionate about the service or business is more likely