Vacancy rate

Meaning;

How to Calculate Vacancy Rate?;

Disadvantages of High Vacancy Rates;

How much does a vacancy cost?

vacancy rate is the percentage of  all available units in a rental property.

so let's  say somebody has an apartment building, they have  eight units so out of the eight units if two are  vacant then that would be our vacancy. so it's a percentage  of all the units that are available in the rental  property.

how do we calculate the vacancy rate. we will take a look at

vacancy rate= available units/ total units

example there's  an apartment building which has 200 units, out of  which 120 are occupied. so calculate the vacancy  rate how do we do that

so first step would be to  figure out what the vacancy is. in this case they  have told us how many units are occupied so this  is where you need to be careful if they ask you  a similar question on the exam make sure you read  the question carefully.

here they have given us how  many are occupied not how many are vacant so first  step will be to calculate how many are actually  vacant so our vacancy in this case would be-

vacancy= 200 – 120= 80 units that are unoccupied which means they  are vacant.

now in order to find the vacancy rate we will  take the 80 units and divide it by the  total number of units that are available in the  apartment=

vacancy rate=80/200= 0.40

so we multiply by 100, to convert it into percentage.

so our vacancy rate= 0.40\* 100 = 40%

Example-

there's a  commercial building where we have 12 000 square  meters available space for rent now. by the end  of the year 9 800 square meters is leased out . so what is the vacancy rate?

We need to find out is how much is vacant so in this case we have 12 000  square meters and out of which 9 800 is  leased out which means our

Vacancy= 12,000- 9,800= 2,200 square meters.

vacancy rate= 2200/12,000 = 0.1833

we convert that into percentage  so we multiply that by 100

vacancy rate= 0.1833\* 1000= 18.33%.

one key indicator of the value of your property

is vacancy rates.

So what in the world is a vacancy rate?

Well, it's a simple metric used to figure out

how many units are available in a particular apartment complex

or across town.

So, what is the average vacancy rate for a particular city?

Understanding the vacancy rates of an area is an important step to take when you are doing your research, not only will it help you understand whether or not it is going to be easy to rent your property and you are going to get the rental income that you are expecting but it can also be an indicator of future growth, because its vacancy rates are extremely low, that means demand is greater than supply.

They say that healthy vacancy rates of an area tend to hover around that 2-3% mark or lower, so if you see upwards of 4 or 5 or even higher percentage of a vacancy rate,then that would be a red flag for me, it’s not that it is going to be a bad investment, but it just means that I would need to do more research before I would go ahead.

So to find out vacancy rates of an area, you can do it two ways, you can do it old school and you can do it new school, so the old school way is to grab a property magazine like thi sone as trying Property Investor, this is the April 2014 edition that I am going to be usingin today’s video.Now, towards the back of the magazine, they actually have a section which I will actuallyshow you, you can see it’s called ‘Vacancy Rates’, so it actually shows you all thevacancy rates of the suburbs here, so let me turn the camera around and we’ll havea look at some vacancy rates of an area.Okay, so here we are, let’s just zoom in so that you can see what data you are getting.It is firstly organized by postcodes, it will give you an example of suburb which may bethe only suburb in that postcode, well there might be a couple in there and it’s onlygoing to show one and it also shows you December 2012, December 2013 and these dates may bedifferent depending on what magazines you buy, but it gives you the amount of vacanciesand the vacancy rates for both years so we can see this top one Wattle Grove – 19 vacanciesat 1.5% and then 20 vacancies at 1.5 percent, so basically it stays the same.So whatever your postcode is you can go and have a look, you can see here Bass Hill 0.4%,Georges Hall 0.7%.A healthy vacancy rate is generally somewhere between 2-3% or less, we can see Kingsgroveis 5%, so I want to do more research before going into Kingsgrove and investing in there,just to make sure that all the figures are looking healthy, and we look at this one herewhich is Willala, you can see vacancy rate of 11% and 12% and over a small of properties,so it must be a small area, so basically that is how you find vacancy rate in a magazines,really really simple to do.The other way to find out vacancy rate is online and I am going to jump on my computerwhich is over there and show you how to do that.The best tool I found online to find vacancy rates is this tool by SQM research, so youcan find this tool by goingto www.sqmresearch.com.au/terms\_vacancy.php . The other way that you can find it is tosimply go to google and to type in ‘sqm research vacancy rates’ and if you searchthat then the top one that comes up will be that one that I just told you the addressof.The other way is if you are an On Property Plus member then on any page, look down thebottom and you have all your icons, there is one called vacancy rate so if you clickon that, then that will simply take you to this sqm page and so it’s really easy to,you guys don’t have to remember anything if you are part of On Property Plus, so touse the tool simply click I’ve read the terms and conditions, then click here to seevacancy rates by suburb or postcode, so that way you can go really granular and then allwe do is simply type in your suburb or postcode, so let’s do chronologically 2230 and clickgo and it will then show you the vacancy rates for that suburb.You can see here starting January 05, well that’s not a great deal useful to us butif you scroll across to the side then you can see you’ve got data up to March 14,as I am recording this, it’s actually May 2014, so it’s only two months old so that’sreally good to have that data and you can see here the trend of vacancy rates over timeand how things progress so its super easy to use, all you need to do is type in thesuburb that you want and you will get vacancy rates and obviously if you see a graph likeit’s going like this for years and just consistently going up and up, then maybe that’ssomething you should be worried about but, I know that Quenella is a pretty vibrant areaand you can see here ranges between 1? % to 4% on the bad months.So that’s how you find vacancy rates, super easy to do.And inside On property Plus which is my exclusive members area, I am also going into more detailsabout how to research an area, how to find out about the demographics of an area, whattype of houses people want, how to find government housing, and how to look at a bunch of otherfactors that are really important when you are researching an area.Basically, what I want us to do is to put together everything you needed to become confidentenough and know the area well enough to go ahead and invest, so if you are not a memberyet, then you are crazy and you need to head over to www.onproperty.com.au/plus right thissecond, check out the video over there, find out what it’s about and sign up today, becausememberships are limited and they are filling up fast, I expect to sell out within the nextmonth or two.