PROPERTY MANAGEMENT FEE COMPARISON – UNITS

REPORT PRODUCED FOR DEFENCE HOUSING AUSTRALIA

JANUARY 2025

ABOUT OXFORD ECONOMICS AUSTRALIA

Oxford Economics Australia is a leading economic advisory firm. Following the acquisition of BIS Shrapnel in 2017, Oxford Economics Australia have unparalleled capabilities in helping clients to navigate local economic issues in the context of the global trends shaping the world economy.

Oxford Economics, the parent company, was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on more than 200 countries, 100 industries, and 8,000 cities and regions. Our best-in-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in New York, London, Frankfurt, and Singapore, Oxford Economics has offices across the globe in Belfast, Boston, Cape Town, Chicago, Dubai, Dublin, Hong Kong, Los Angeles, Mexico City, Milan, Paris, Philadelphia, Stockholm, Sydney, Tokyo, and Toronto. We employ 450 staff, including more than 300 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 2,000 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

JANUARY 2025

To discuss the report further please contact:

Geof Snell: gsnell@oxfordeconomics.com

Oxford Economics Australia

Level 6, 95 Pitt Street, Sydney, 2000, NSW, Australia

TABLE OF CONTENTS

TABLE OF FIGURES

EXECUTIVE SUMMARY

Defence Housing Australia (DHA) provides housing and related services to Defence members and their families in support of the operational, recruitment and retention goals of the Department of Defence.

To meet Defence housing obligations, DHA is active in Australian residential housing markets, acquiring and developing land, and constructing and purchasing houses.

DHA implements various programs to secure leased properties direct from private landlords. These properties are then used to house Australian Defence Force (ADF) members and their families.

As part of its lease agreement, DHA manages the property under the terms of the Property Care Contract. The comparison presented in this report is reflective of the DHA lease agreement edition 7. The fee for managing a flat, unit or apartment (where a body corporate or similar governing body is responsible for the general maintenance of the external property and common area) is 13% (inc. GST) of the gross rent. While this appears high in relation to quoted real estate agent management fees, in the range of 6.1% to 10.3% (inc. GST), DHA's service fee includes a number of costs that would otherwise be borne by a landlord on top of the fee paid to a real estate agent under a traditional agreement.

Under a traditional real estate agent management agreement, there are many fees, charges, and costs in addition to the percentage charged to manage an investment property. The landlord is responsible for any necessary repairs to the interior of the property in order to achieve market rent and, in order to achieve good capital growth, undertake other required maintenance (such as repainting, new floor coverings, etc.) through the life of the property.

Moreover, the landlord bears the cost of foregone rent if the property is vacant for a period of time, the cost of re-letting and finding a new tenant, costs of a delinquent tenant, and the hassle of approving and dealing with issues as they arise. DHA allows for most of these costs, including most non-structural repairs, in its lease agreement and Property Care Contract[1].

Fig 1 on the following page highlights the total costs that can be incurred with a traditional real estate agent's management agreement to match the benefits of a DHA leased flat, unit or apartment. This allows a direct comparison of the costs associated with the two management types. The table draws from the analysis in this report and considers four scenarios for rent achievable as well as a low, medium, and high cost scenario to allow for possible variations in costs. The medium scenario is around the mid-point of the range of costs identified, and is considered the most likely scenario.

The cost of managing a comparable investment flat, unit or apartment per annum is typically lower under DHA's service fee than a traditional real estate agent's fee. This is the case at four tested rent levels; $650, $800, $950 and $1,100 per week and under each of the low, medium, and high cost scenarios. Only under the higher rents and lowest cost scenario were DHA costs marginally higher than a traditional real estate agent management agreement. Under this scenario, all costs associated

[1] Refer to the DHA Property Care Contract for a full list of inclusions

with management totalling 12.4% and 12.0% of gross rent (compared to 13% for a DHA lease agreement) for properties in the $950 and $1,100 rent levels respectively. This represents only a $290 and $586 saving under each of these rent levels less than the fees associated with an equivalent DHA managed property. Please note that end of lease restoration services are excluded from calculations presented. If required, DHA, at its discretion, may re-carpet and re-paint the interior of the premises at its cost during the term of the lease if the premises is in a state of disrepair that was not caused by fair wear and tear.

The DHA service fee also compares well with the costs associated with alternative investment vehicles, such as managed funds. Managed fund fees are expressed as a percentage of member balance (akin to total assets under management), not as a percentage of gross revenue, which would be more comparable to the way management fees are expressed by a traditional real estate agent and DHA.

When expressed as a percentage of the estimated average value of assets under management, DHA's service fee (0.86%) is lower in general when compared to traditional real estate leases on units (1.41%), retail superannuation funds (0.96%), and industry superannuation funds (0.98%)[2].

Fig. 1. Real estate agent vs. DHA service fee costs for flats, units and apartments (per annum)

Weekly Rent	$650	$800	$950	$1,100
DHA property management fee ($ p.a.)	4,409	5,427	6,444	7,462
DHA property management fee (% of gross rent)	13.0	13.0	13.0	13.0
Low scenario				
Real estate agent fee plus additional costs ($ p.a.)	4,711	5,433	6,155	6,876
Net gain of DHA lease ($ p.a.)	**302**	**6**	**-290**	**-586**
Real estate agent fee plus additional costs (% of gross rent)	13.9	13.0	12.4	12.0
Medium scenario				
Real estate agent fee plus additional costs ($ p.a.)	7,172	8,182	9,191	10,201
Net gain of DHA lease ($ p.a.)	**2,763**	**2,755**	**2,747**	**2,739**
Real estate agent fee plus additional costs (% of gross rent)	21.1	19.6	18.5	17.8
High scenario				
Real estate agent fee plus additional costs ($ p.a.)	9,324	10,595	11,866	13,136
Net gain of DHA lease ($ p.a.)	**4,915**	**5,168**	**5,421**	**5,674**
Real estate agent fee plus additional costs (% of gross rent)	27.5	25.4	23.9	22.9

Source: Defence Housing Australia, Oxford Economics Australia
Note: Includes GST where applicable. Annual gross rent calculated over 52.18 weeks.

[2] The information contained in this Report is of a general nature and does not take into account your objectives, financial situation or needs. It should not be relied on as advice, nor take the place of professional advice. Before making any decision in relation to DHA or any particular financial investment strategy, you should consider your own financial position, objectives and requirements

In conclusion, after taking into account all the comparable costs of managing an investment property to the same standard, the DHA service fee of 13% per annum provides savings over total costs borne by the landlord using a traditional real estate agent management agreement.

1. INTRODUCTION

This report compares the cost of Defence Housing Australia's (DHA's) service fee under lease agreement edition 7 (referred to in its lease as DHA Property Care) versus the total costs of managing a flat, unit or apartment style dwelling - properties where a body corporate or similar governing body is responsible for most of the common areas, including external building surfaces - though a traditional real estate agent's management agreement. It also compares this cost with the cost of management of other managed investments.

DHA manages over 17,100 properties in Australia (of which just over 12,000 properties are leased from private landlords) in order to house ADF members and their family. More than 1,800 of these properties are classified as flats, units or apartments. DHA's leased properties are managed by DHA, for which it charges a service fee of 13% (inc. GST) of the gross rent (applicable to flats, units or apartments). At first glance, the service fee appears higher than the headline fees offered by traditional residential managing agents (typically 6.1%–10.3% inc. GST). However, traditional residential managing agents do not provide the same level of management.

DHA's service fee covers a number of typical costs and expenses which are borne by the landlord in a traditional real estate agent managed agreement. These include:

- most non-structural repairs;
- rent lost during periods of vacancy;
- administration and re-letting fees; and
- hassle (quantifying the cost of the time required by a typical landlord to address repairs and other issues that are covered under the DHA lease agreement).

As a result, the management fee charged by a real estate agent is not directly comparable to the fee offered by DHA. Similarly, the fee charged for other managed investments (percentage of assets under management) and the DHA service fee (percentage of gross rental income) are not directly comparable.

This analysis considers all the likely costs associated with traditionally managed residential investments to place them on par with the costs accounted for by the DHA service fee in order to enable potential investors to make a better "like-for-like" comparison across alternative investments. The second component of this report converts the DHA service fee to a fee as a percentage of the asset value to enable a better comparison with the management fees for an alternative investment such as superannuation funds.

As typical annual costs to a landlord can vary from year-to-year and from property-to-property, this report provides three cost scenarios for four indicative rental levels of an investment flat, unit or apartment. The medium scenario represents the middle, or indicative cost, while the high and low scenarios represent the upper and lower ranges.

2. COST COMPARISONS WITH A TRADITIONAL REAL ESTATE MANAGEMENT AGREEMENT

This section examines the additional costs borne by a landlord when renting out a flat, unit or apartment that are incorporated into a DHA lease agreement (i.e. but not covered by a real estate agent management agreement).

2.1 REAL ESTATE AGENT'S MANAGEMENT FEE

Traditional real estate agent management fees can potentially vary from location to location, as can the cost and inclusion of various administrative fees. Real estate institutes, who are the professional association for real estate agents, rarely provide advice to agents regarding their residential management fees, and therefore there is no standard recommended fee. Rather, real estate institutes provide ethical guidelines and advice as to the current legislation influencing the industry.

In order to ascertain an indicative real estate agent management fee cost structure and any other associated costs, BIS Oxford Economics contacted a sample of 20 local real estate agents spread across the locations in which DHA has concentrations of leased properties. The fees were indicated as a percentage of the gross rent received and ranged from 6.1% to 10.3% (rounded). The management fees (as a percentage of gross rent) for the locations covered are indicated in **Fig 2**. Prices were quoted either inclusive or exclusive of GST and we have adjusted all fees to include GST.

Additional fees included letting fees, which is largely expressed as between one to two weeks gross rent plus GST, and administration fees, which were found to range from $5.50 to $6.60 per month. This administration fee is for the preparation and provision of a monthly statement. In addition, a number of other fees are often charged over and above these fees and include advertising, database fees, preparation of lease fees, leasing renewal fees and others[3].

[3] Depending on the lease edition and property location, some additional fees may be charged by DHA. Please refer to the lease agreement for all inclusions.

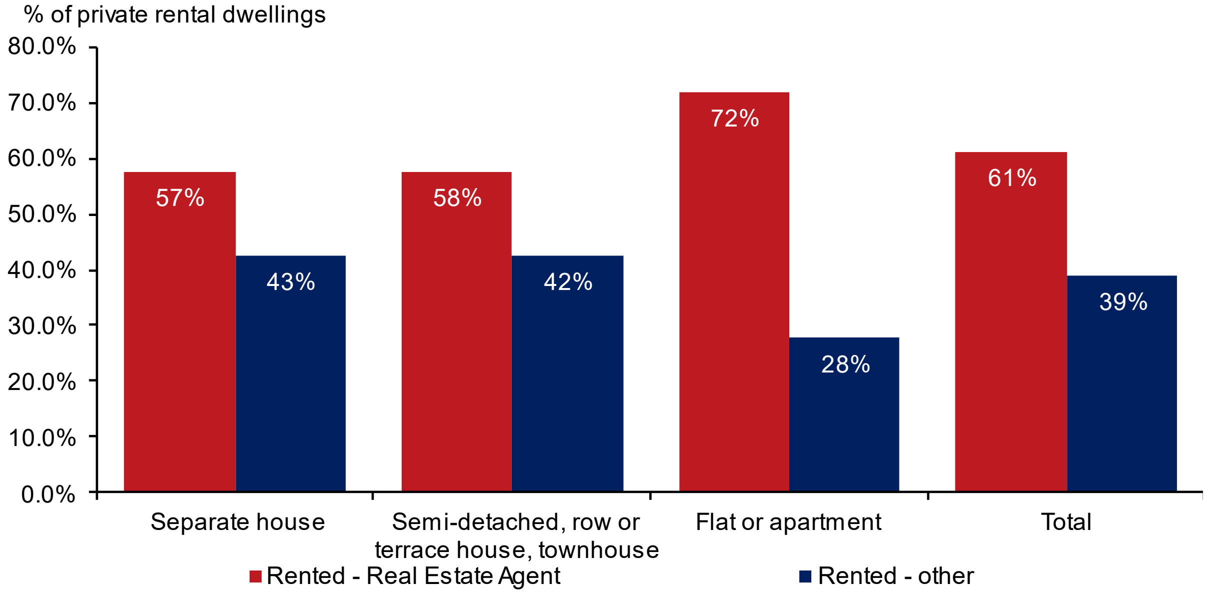
Fig. 2. Indicative real estate agent management fees (percentage of gross rent)

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

Source: Oxford Economics Australia
Note: Fees include GST

While there is the alternative for a landlord to self-manage the property, the majority of landlords use a real estate agent. Analysis of the 2021 Census indicates that 61% of privately rented properties were managed by a real estate agent, varying from 57% of separate houses, to 58% for semi-detached, row and terrace houses, and up to 72% of all flats, units and apartments (indicated in **Fig 3**). As a result, the analysis in this report is based on a comparison only with the costs of those who manage their property using a real estate agent.

Fig. 3. Property type by rental management, Australia, 2021



Source: Australian Bureau of Statistics, 2021 Census of Population and Housing

This report takes a bottom-up approach, whereby we break down the value that the DHA model provides to highlight the costs that a typical landlord may pay over and above a traditional agent's management fee, and which are absorbed by DHA.

2.2 RENT

The gross rent achieved by a typical rental property can vary significantly due to the quality of fixtures and fittings, number of bedrooms/bathrooms, overall size and location. An analysis of the flats, units or apartments that have been leased by DHA over the 2023–24 financial year (397 properties) revealed that the properties are largely clustered within four distinct rent bands:

- at or close to $650 per week;
- at or close to $800 per week;
- at or close to $950 per week; and
- $1,100 and above.

Therefore, we have used rent of $650, $800, $950 and $1,100 per week in each of our low, medium, and high-cost profile scenarios.

2.3 REPAIRS

Under a traditional real estate agent management agreement, landlords are responsible for any repairs to their property while tenanted and are likely to undertake further repairs during, or in-between tenancies, in order to keep their property competitive in the marketplace. DHA incorporates some of these costs – including most non-structural repairs - into its service fee.

DHA has comprehensive data of actual expenditure on repairs for their properties and at different rental price points. We have analysed this data to determine average costs and the magnitude of any potential variations. The data is based on approved expenditure for the 2023–24 financial year.

While DHA's property repair costs apply to its properties only, there is no reason why these would differ substantially from a traditional residential rental, assuming that the landlord would keep their property well maintained. Given the number of properties under management, DHA's sample should provide a strong indicative cost of repairing properties within Australia. The costs provided include only those covered under the Property Care Contract. There may be other costs which could be incurred by the owner in addition to this sample.

Analysis of actual repair costs in FY2024 suggests that such expenditures are relatively consistent across different rent levels. However, variation exists across location and the age of the flat or unit. Because of this variation, we have provided three scenarios in estimating the potential cost of repairs. These scenarios are based on the differences in actual repair costs paid across different locations of DHA leased properties, summarised as follows (costs inclusive of GST):

- Low cost scenario — $1,584;
- Medium cost scenario — $2,133; and
- High cost scenario — $2,540.

2.4 VACANCY

While a DHA managed property may be vacant in-between occupants, DHA continues to pay rent during this period, subject to the terms and conditions of the lease agreement. In contrast, rent is foregone under a real estate agent management agreement.

The loss of rent in-between tenants over a period is calculated by determining how often there is a change of tenant, and how long the property is empty in-between tenants. The state residential tenancy authorities keep data on registered leases, and we can estimate the turnover of tenants by the turnover of leases.

A consistent 9% of all rental bonds are refunded each quarter. However, in areas where there is an oversupply of properties, we have found that bonds turn over more frequently as tenants choose to upgrade their property to either newer or better-quality stock at a similar rental level. In contrast, in areas of undersupply and low vacancy, turnover is slightly lower, as tenants choose to stay in their existing property to avoid competing for fewer properties and paying higher rents. This suggests that a little over a third of all tenancies turn over every year. This is backed up by data sourced from bond authorities in NSW which indicates that approximately 30% of tenancies run for 12 months or less, a further 31% run for between 13 and 24 months, with the remaining 39% running for 2 years or more.

As a tenant turns over, a landlord under a traditional real estate agent management agreement would pay a letting fee and advertising fees would be charged at until the property is tenanted. Additionally, as the property turns over, the property is likely to be vacant. This could be due to the time taken to find a new tenant, or a natural gap between a lease expiry and the date that the new tenant will commence. In a weak rental environment, the landlord may undertake maintenance work or upgrade the property in order to secure a new tenant.

Since the beginning of the pandemic, typical tenancy durations have increased. Data from NSW, QLD and VIC indicate that the average tenancy for units increased from near 14 months to around 16 months from 2020 through to late 2022 and have remained elevated since. A combination of travel restrictions, supportive government policy and dwelling supply constraints are all likely to have contributed. However, recent data has suggested a slight moderation back towards the long-term average has begun as of the end of FY2024. To account for the recent increase in tenancy duration, we assume an 18, 16 and 14 month tenancy duration under the low, medium and high cost scenarios respectively.

Fig 4 shows the average vacancy from 2005 to June 2024 by capital city. Vacancy rate data is not separated by dwelling type and the data in **Fig 4** refers to vacancy rates for all dwellings. Vacancy rates fluctuate over time and by capital city. While results have varied across cities and there have been periods of notable fluctuations, average vacancy rates at a national level have been broadly similar over the 2015-2024 period compared to the decade prior.

Based on the average vacancy rate in each capital city between 2015 and 2024, the average period of vacancy ranges from 0.7 weeks in Canberra and Adelaide, to 2.5 weeks in Darwin. Across Australia between 2014 and 2024, an average property is vacant for 1.3 weeks per year.

Fig. 4. Average vacancy rates by capital city, 2005 to 2024

Financial year	SYD	MEL	BRI	ADL	PER	HOB	CAN	DAR	AUS
2005-2024	2.0	2.8	2.2	1.7	2.9	2.4	1.9	3.7	2.4
2005 - 2014	1.6	2.7	2.3	2.0	2.8	2.9	2.4	2.7	2.2
2015-2024	2.4	3.0	2.0	1.3	2.9	1.8	1.3	4.8	2.5
Average weeks vacant per year									
2015-2024	1.3	1.6	1.0	0.7	1.5	1.0	0.7	2.5	1.3
Vacancy cost ($)	963	876	615	392	963	503	445	1,590	775

Source: Oxford Economics Australia

Based on median unit rental levels at June 2024 in the capital cities, the average cost of vacancy to a landlord can be between $327 per annum in Adelaide and as high as $1,242 in Darwin. We have therefore based our low cost scenario on a vacancy of just 0.7 weeks per year, our medium and most likely cost scenario with vacancy of 1.3 weeks per year and our high cost scenario as 1.8 weeks per year.

2.5 HASSLE

An analysis of the repairs costs provided by DHA show that on average there are approximately 13 unique items per property per year requiring repair across the whole portfolio. This does not necessarily amount to 13 "call outs" per property per year, as a number of items can be fixed at the same time. Consequently, there are likely to be less than 13 actual "call outs" per property per year. Nevertheless, a landlord of a real estate agent managed property in most cases would be required to approve and sometimes organise this work, whereas most non-structural repairs are paid for and handled within the DHA service fee. Some properties would have no issues arise during the year, while others would have many and require a considerable number of hours of the landlord's attention.

To cost this 'hassle' component, we have determined three scenarios for landlords leasing their property through a traditional property management agreement:

- in a low cost scenario, there would be no time required by a traditional landlord;
- in a medium and most likely situation, a landlord would require three hours per quarter (12 hours per year) to manage repairs tasks; and
- in a high cost scenario, the time required would be six hours per quarter (24 hours per year).

Based on weekly ordinary earnings of a full-time working adult in Australia, the average pay rate is $49.9 per hour, which we have adopted as an estimate of the value of the time required by a landlord to fulfil the same duties performed by DHA when organising and managing repairs of an investment property.

2.6 COSTS OUTSIDE BOTH THE DHA AND TRADITIONAL REAL ESTATE AGENT MODEL

It should be noted that there are a number of costs that both the DHA lease and traditional real estate agent agreements do not cover. These include council rates, strata and sinking fund levies (where required), provision of service charges by utility companies, pest inspections and building insurance.

These are all costs which will impact on the final cash flow position of a typical residential investment. However, for identical properties, they will be identical whether they are under a DHA lease or a real estate agent management agreement.

3. RESULTS OF THE COST COMPARISON

By calculating all the identified additional costs that DHA's service fee covers and adding these costs to a traditional real estate agent's fee, we can determine the comparable 'like-for-like' cost of management of a flat, unit or apartment investment.

As discussed, there is considerable variation in costs, due largely to the location and age of the dwelling, but also in vacancy levels, quoted percentage of rent rates and additional charges by real estate agents, and rental ranges. Therefore, we have provided three scenarios, which provide a low, medium and most likely, and high range of costs associated with a residential investment property. We have also provided each of these scenarios for the four different rent levels, which most reflect the stock of properties leased by DHA, and are reflective of common rents across Australia's capital cities and regional areas.

Fig 5 shows the medium cost scenario (i.e., most likely) based on the assumptions discussed earlier for each cost item. It shows what the total (explicit and implicit) cost would be for a real estate agent to manage a typical investment property which provides all the benefits associated with DHA's lease, including GST where applicable:

- $7,172 per annum for a property earning $650 a week, equivalent to 21.1% of gross income;
- $8,182 per annum for a property earning $800 a week, equivalent to 19.6% of gross income;
- $9,191 per annum for a property earning $950 a week, equivalent to 18.5% of gross income; and
- $10,201 per annum for a property earning $1,100 a week, equivalent to 17.8% of gross income.

Fig. 5. Medium and most likely cost scenario (current dollars per annum)

Weekly rent	**$650**	**$800**	**$950**	**$1,100**
Gross rent per annum (52.18 weeks)	33,917	41,744	49,571	57,398
Cost item ($)				
Traditional agent				
Management fee (8.25%)	2,798	3,444	4,090	4,735
Vacancy costs (1.3 weeks p.a.)	845	1,040	1,235	1,430
Admin fee ($5.50 per month)	66	66	66	66
Letting fee (1.5 weeks rent every 16 months)	731	900	1,069	1,238
Repairs	2,133	2,133	2,133	2,133
Hassle (12 hrs per annum at full time average hourly wage)	599	599	599	599
Total	7,172	8,182	9,191	10,201
% of gross rent	21.1	19.6	18.5	17.8
Defence Housing Australia				
Fee	4,409	5,427	6,444	7,462
% of gross rent	13	13	13	13
Cost saving through DHA management agreement	**2,763**	**2,755**	**2,747**	**2,739**

Source: Defence Housing Australia, Oxford Economics Australia
Note: includes GST where applicable

Under all of these rent ranges the DHA service fee of 13% of gross income is notably lower, producing considerable cost savings per annum.

However, due to variations in potential costs it is important to consider the low and high cost scenarios. **Fig 6** and **Fig 7** show the summary outcomes of the low and high cost scenarios respectively, based on observed divergences in ranges of costs from the medium scenario.

Fig. 6. Low cost scenario (current dollars per annum)

Weekly rent	**$650**	**$800**	**$950**	**$1,100**
Gross rent per annum (52.18 weeks)	33,917	41,744	49,571	57,398
Cost item ($)				
Traditional agent				
Management fee (6.6%)	2,239	2,755	3,272	3,788
Vacancy costs (0.7 of a week p.a.)	455	560	665	770
Admin fee (none)	0	0	0	0
Letting fee (1 week rent every 18 months)	433	533	633	733
Repairs	1,584	1,584	1,584	1,584
Hassle (none)	0	0	0	0
Total	4,711	5,433	6,155	6,876
% of gross rent	13.9	13.0	12.4	12.0
Defence Housing Australia				
Fee	4,409	5,427	6,444	7,462
% of gross rent	13	13	13	13
Cost saving through DHA management agreement	**302**	**6**	**-290**	**-586**

Source: Defence Housing Australia, Oxford Economics Australia
Note: includes GST where applicable

In a low cost scenario, the real estate agent costs (including GST where applicable) to manage a typical investment property and provide the extra benefit covered by DHA Property Care are:

- $4,711 per annum for a property earning $650 a week, equivalent to 13.9% of gross income;
- $5,433 per annum for a property earning $800 a week, equivalent to 13.0% of gross income;
- $6,155 per annum for a property earning $950 a week, equivalent to 12.4% of gross income; and
- $6,876 per annum for a property earning $1,100 a week, equivalent to 12.0% of gross income.

Only under the higher two rent levels and lowest cost scenario were DHA costs marginally higher than a traditional real estate agent management agreement.

In contrast, the high cost scenario (**Fig 7**) shows that, at the opposite end of the spectrum, costs using a traditional real estate agent can become significant. Under a high cost scenario, the real estate agent costs (including GST where applicable) to manage a typical investment property and provide the extra benefit covered by DHA Property Care are:

- $9,324 per annum for a property earning $650 a week, equivalent to 27.5% of gross income;
- $10,595 per annum for a property earning $800 a week, equivalent to 25.4% of gross income;

- $11,866 per annum for a property earning $950 a week, equivalent to 23.9% of gross income; and
- $13,136 per annum for a property earning $1,100 a week, equivalent to 22.9% of gross income.

While these comparison rates seem high, they are not the most extreme. As stated previously some agents charge management rates above the 9.5% (incl. GST) rate used in the scenario above, admin fees and letting fees in many cases are higher, vacancy can often occur for more than 1.8 weeks per year and repairs, particularly for older properties, can be significantly higher. Therefore, while this provides a typically higher cost scenario, many properties would have higher costs than those illustrated.

Fig. 7. High cost scenario (current dollars per annum)

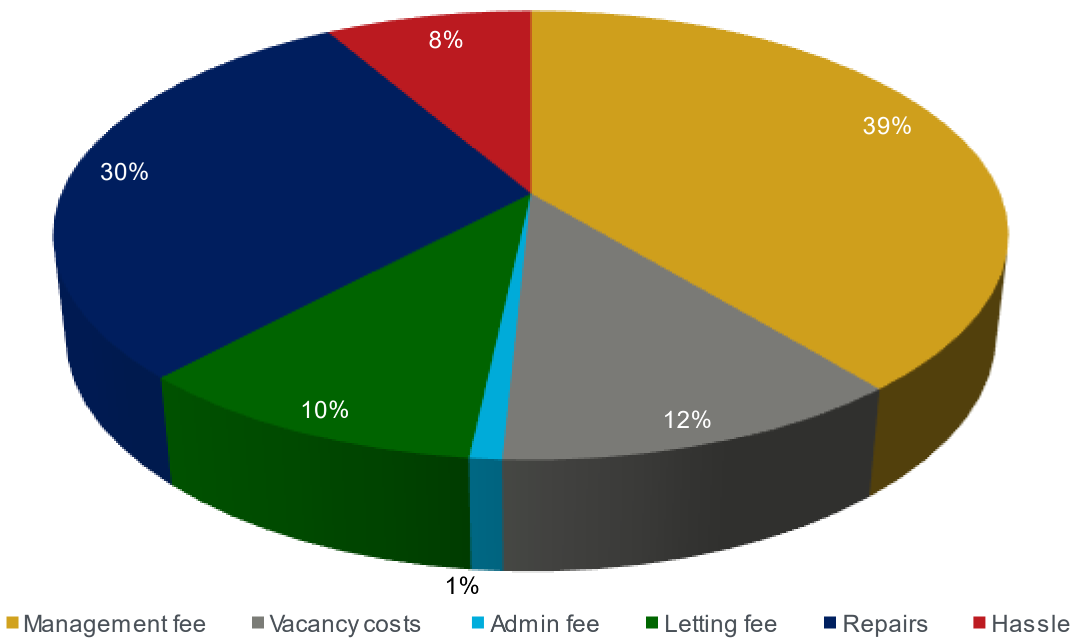
Weekly rent	$650	$800	$950	$1,100
Gross rent per annum (52.18 weeks)	33,917	41,744	49,571	57,398
Cost item ($)				
Traditional agent				
Management fee (9.5%)	3,222	3,966	4,709	5,453
Vacancy costs (1.8 weeks p.a.)	1,170	1,440	1,710	1,980
Admin fee ($6.60 per month)	79.2	79.2	79.2	79.2
Letting fee (2 weeks rent every 14 months)	1,114	1,371	1,629	1,886
Repairs	2,540	2,540	2,540	2,540
Hassle (24 hrs. per annum at full time average hourly wage)	1,199	1,199	1,199	1,199
Total	9,324	10,595	11,866	13,136
% of gross rent	27.5	25.4	23.9	22.9
Defence Housing Australia				
Fee	4,409	5,427	6,444	7,462
% of gross rent	13	13	13	13
Cost saving through DHA management agreement	**4,915**	**5,168**	**5,421**	**5,674**

Source: Defence Housing Australia, Oxford Economics Australia
Note: includes GST where applicable

Fig 8 shows the breakdown of costs for a $650 per week rental property assuming the most likely, medium cost scenario during each year of the lease term. It shows that while management fees make up 39% of the total costs associated with a traditional rental property, ongoing repairs make up a significant proportion at 30%. The value of the remaining expenses identified represent 31% of total costs.

Assuming the average vacancy rate experienced over the last ten years broadly continues, the cost of rent foregone during periods of vacancy will comprise an average 12% of total costs. The value of the landlord’s time to address issues in repairs and other incidental issues (i.e. hassle), contributes 8% to costs, and letting fees and administration fees make up a further 11%.

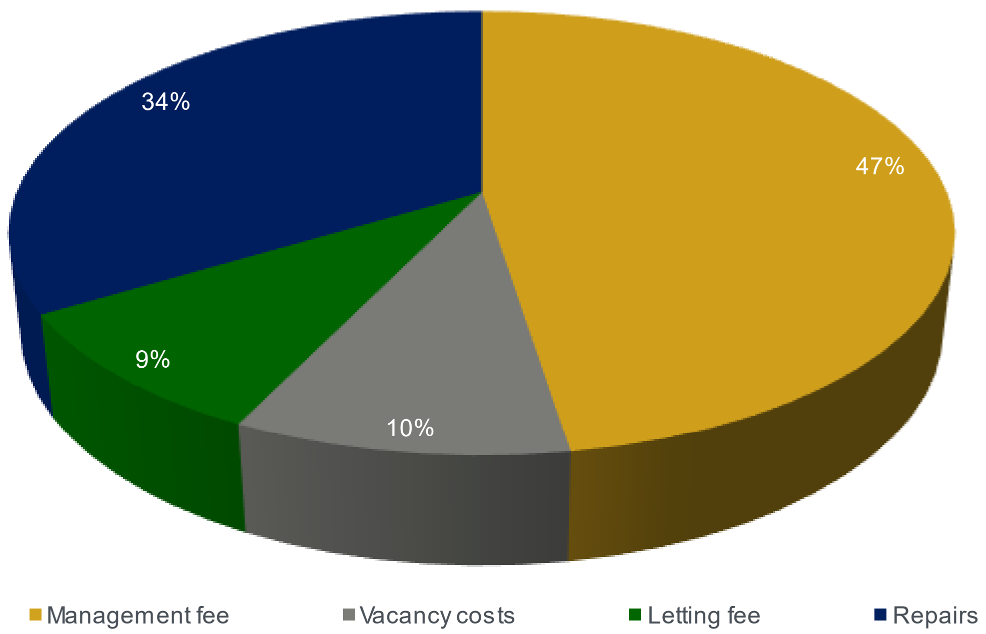
Fig. 8. Share of standard annual tenancy costs $650 per week - medium scenario



Source: Defence Housing Australia, Oxford Economics Australia
Note: includes GST where applicable

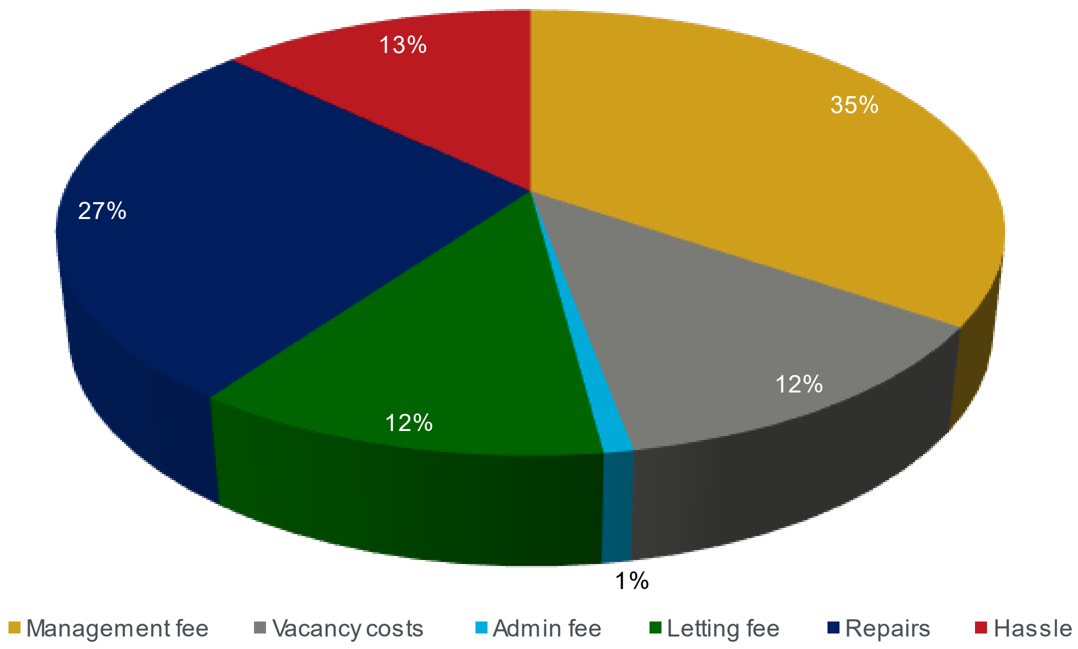
For additional comparison, the distribution of tenancy costs in the low and high scenarios are also shown below in **Fig 9** and **Fig 10**.

Fig. 9. Share of standard annual tenancy costs $650 per week - low scenario



Source: Defence Housing Australia, Oxford Economics Australia
Note: includes GST where applicable

Fig. 10. Share of standard annual tenancy costs $650 per week - high scenario



Source: Defence Housing Australia, Oxford Economics Australia
Note: includes GST where applicable

4. COMPARISON WITH MANAGED FUNDS

Investors have the option of other investments outside of residential property, including managed investments. These include various types of superannuation funds. This section compares the DHA service fee charges as part of a DHA residential investment with the fees associated with managed superannuation investments.

The fee structure of a DHA investment versus superannuation fund is not directly comparable as the DHA service fee is determined as a percentage of gross rental income, while the fees associated with a superannuation fund are determined as a percentage of member balance (akin to assets under management).

The Australian Prudential Regulatory Authority (APRA) published statistics reporting the statement of fees and other costs associated with MySuper superannuation funds for representative members.

The data below has been sourced from APRA Quarterly MySuper statistics publication outlining the average annual fees charged by various superannuation funds across the four main sectors. This data only represents fees charged as a percentage of member balance and does not include any additional activity fees that may be added on an ad-hoc basis, such as switching fees for example.

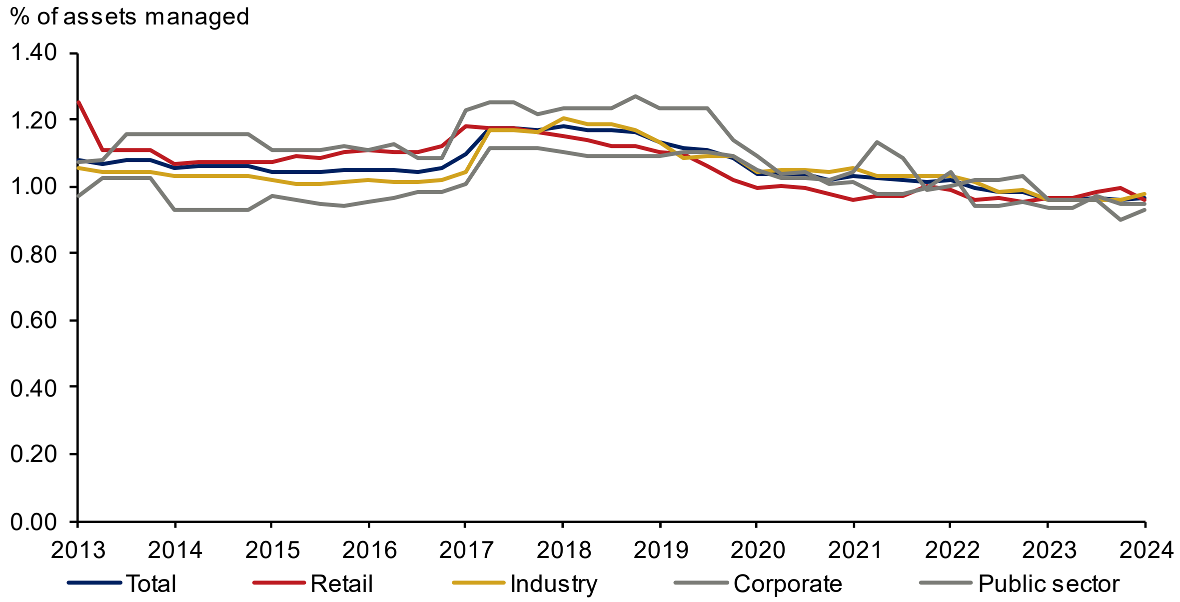
Fig. 11. Annual fees charged on member account balance by superannuation fund sector (%), 2014 to 2024

	June Quarter										
Sector	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Retail	1.11	1.07	1.10	1.12	1.16	1.12	1.02	0.98	1.00	0.96	1.00
Industry	1.04	1.03	1.01	1.02	1.17	1.17	1.09	1.04	1.03	0.99	0.96
Corporate	1.16	1.16	1.12	1.08	1.22	1.27	1.14	1.01	1.00	0.95	0.95
Public sector	1.03	0.93	0.94	0.99	1.12	1.09	1.09	1.02	0.99	1.03	0.90
Total	1.08	1.06	1.05	1.05	1.17	1.16	1.08	1.02	1.02	0.99	0.96

Source: APRA; Oxford Economics Australia
Note: includes GST where applicable

The research shows that superannuation fees increased dramatically in 2017 with the announcement of government reform to the sector. Since then, they have gradually decreased. Overall, the average fees charged by MySuper superannuation funds were 0.96% of member account balances as at June 2024.

Fig. 12. Annual fees charged on member account balance by superannuation fund sector (%), 2013 to 2024

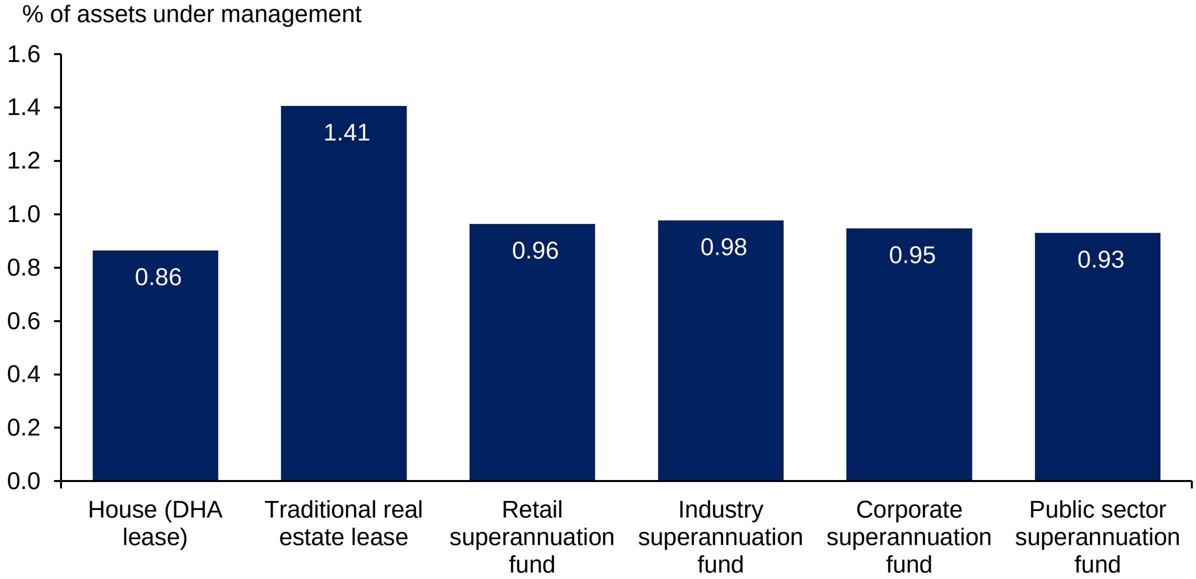


To provide a meaningful comparison with DHA's service fee, we have made an analysis of all the units that have been sold and leased back by DHA since the beginning of July 2018 through to September 2022 (over 500 properties). These properties have a recent market valuation and rental return and therefore the service fee charged by DHA (i.e. 13% of rent) can be compared to the value of the properties (i.e. the assets that are under management). The average value of all properties applicable to each rent range is escalated to a June 2024 estimate based on total Australian unit price growth since December 2022.

In order to make a comparison with these alternative investment options, **Fig 13** shows DHA's service fee and the total management costs of a traditional real estate agent management agreement (under a medium cost and rent scenario), calculated earlier, expressed as a percentage of the estimated average value of assets under management. In this instance, it represents an indicative value of the dwelling.

The chart indicates that traditional real estate leases on units and retail and industry superannuation funds have higher management fees in general when compared to DHA's lease.

Fig. 13. Alternative investment fees as a % of assets



Source: APRA, Oxford Economics Australia
Note: includes GST where applicable

OXFORD ECONOMICS
AUSTRALIA

Sydney
Level 6
95 Pitt Street
Sydney
NSW 2000
Tel: +61 (0)2 8458 4200

Melbourne
Level 22
120 Spencer Street
Melbourne
VIC 3000

Global Headquarters
Oxford Economics Ltd
Abbey House
121 St Aldates
Oxford, OX1 1HB
Tel: +44 1865 268 900

London
Tel: +44 (0)20 7803 1400

Belfast
Tel: +44 (0)2982 635400

Frankfurt
Tel: +49 69 95 925 280

Paris
Tel: +033 (0)1 78 91 50 52

Milan
Tel: +39 02 9406 1054

Paarl
Tel: +27 (0)21 863-6200

New York
Tel: +1(646) 786 1879

Philadelphia
Tel: +1 (610) 995 9600

Boston
Tel: +1 (617) 206 6112

Chicago
Tel: +1 (847) 993-3140

Los Angeles
Tel: +1 (424) 303 3449

Florida
Tel: +1 (954) 916 5373

Toronto
Tel: +1 (905) 361 6573

Mexico City
Tel: +52 155 5419-4173

Singapore
Tel: +65 6850 0110

Hong Kong
Tel: +852 3974 8842

Tokyo
Tel: +81-(0)3-4588-2798

Dubai
Tel: +971 56 396 7998

Email:
info@oxfordeconomics.com

Website:
www.oxfordeconomics.com.au