

Property Management Fee Comparison Report Summary

Detached Houses



After taking into account all comparable costs, the DHA service fee provides savings compared to leasing through a traditional real estate agent.

Defence Housing Australia (DHA) provides housing and related services to Australian Defence Force members and their families in support of the operational, recruitment and retention goals of the Department of Defence. To meet Defence housing obligations, DHA implements various programs to secure leased properties direct from private landlords to house Defence members and their families.

This document prepared by DHA provides a summary of a comprehensive report provided by BIS Oxford Economics which compares the costs of leasing a property to DHA to managing a detached house through a traditional real estate agent’s management agreement. The full report is available to download at dha.gov.au/fee-comparison.

Differences between DHA’s service fee and Real Estate Agent fees

As part of its lease agreement edition 7, DHA manages leased properties under the terms of the Property Care Contract. The service fee for managing a detached house is 16.5% (inc. GST)¹ 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 under the terms of the Property Care Contract.

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 of the property in order to achieve market rent. The landlord also 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, 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 Contract².

Service fee inclusions - Real Estate Agent vs. DHA

| Service fee inclusions | Real Estate Agent |  DHA |
|--|-------------------|---|
| Coordinating repairs | ✓ | ✓ |
| Liaising with tenants | ✓ | ✓ |
| Managing payments (such as rent and water usage reimbursement) | ✓ | ✓ |
| Letting fees | | ✓ |
| Maintaining grounds if vacant | | ✓ |
| Non-structural repairs | | ✓ |
| Lease-end repair and clean | | ✓ |
| Annual rental reviews (by independent valuer) | | ✓ |

¹ For Flats, Units, Apartments; properties where a body corporate is responsible for some items DHA charge 13% (including GST).

² Refer to the DHA Property Care Contract for a full list of inclusions.

Comparing DHA’s service fee to Real Estate Agent fees

Analysis conducted by BIS Oxford Economics calculated the total costs that can be incurred with a traditional real estate agent’s management agreement to match the benefits of a DHA leased property. This allows a direct comparison of the costs associated with the two management types. The analysis considers six 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.

With the inclusions of the Property Care Contract, the cost of managing a comparable detached house investment property per annum is typically lower under DHA’s service fee than a traditional real estate agent’s fee. This is the case at six rent levels; \$400, \$450, \$550, \$650, \$750 and \$850 per week and under each of the low, medium, and high cost scenarios. Expressed as a percentage of gross rent, under the most likely, medium cost, scenario DHA’s 16.5% service fee is less than leasing through a traditional real estate agent across all six rent levels.

Comparison of the percentage of gross rent to deliver the benefits of DHA’s Property Care Contract for detached houses (most likely scenario)



Note: includes GST where applicable

Source: BIS Oxford Economics, Property Management Fee Comparison - Detached Houses, 2022

The table 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 property. This allows a direct comparison of the costs associated with the two management types.

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

Real estate agent vs. DHA service fee costs for detached houses (per annum)

| Low scenario | | Weekly Rent | | | | | |
|---------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | \$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 | | | | | | | |
| 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 | | | | | | | |
| 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 |

Note: includes GST where applicable

Source: BIS Oxford Economics, Property Management Fee Comparison - Detached Houses, 2022

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 (0.79%) is lower in general when compared to traditional real estate leases on houses (1.38%), retail superannuation funds (1.02%), and industry superannuation funds (1.01%)³.

In conclusion, after taking into account all the comparable costs of managing an investment property to the same standard, the DHA service fee of 16.5% provides savings over total costs borne by the landlord using a traditional real estate agent management agreement.

For more information or to download the full BIS Oxford Economics report

Visit dha.gov.au/fee-comparison

Call 133 342

³ 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.