

REIA Consumer Fact Sheet

Renting a Property - Lessor

Choosing an investment property

Property investors would love to be able to buy in an area before it becomes “up and coming” in order to buy cheaply and reap the benefits of a subsequent increase in property prices. There are certain indications that a suburb may boom, but none of them are set in stone - you can never be sure.

Check the area for the following:

Does demand, for whatever reason, exceed or apparently exceed supply?

Is the area's increase in price significantly greater than the region as a whole?

Does the area have low prices, which are expected to rise in the near future?

Are neighbouring areas experiencing good capital growth?

Are there positive developments happening in the area (e.g. a new railway or arterial road to the city that will impact positively on capital gains?)

Choosing a property manager

When choosing a property manager you need to select someone who knows the law and is confident in applying the law. You need to choose someone who will pay attention to the finer details and continually strive to maximise the return on your investment.

Education, ongoing training programs and seminars are also important for a property manager to keep abreast of changing legislation and market conditions. Property management is no longer just collecting the rent; it is a comprehensive management service which should be provided by a professionally trained property manager.

What questions should I ask when engaging a property manager?

- How long have they been a property manager?
- How many properties do they manage?
- Do they engage external professional consultants to assist in taking the department to the next level?
- What formal training have they undertaken?
- What procedural systems do they have in place?
- (If possible, request to sight a copy of any standard forms or checklists used within the office to minimise human error)
- Do they attend regular training courses to keep abreast of legislation and industry changes?
- Are they a member of the Real Estate Institute?
- How do they communicate with Lessors? (i.e. regular newsletters, update letters when there has been a change in the tenancy, etc)
- Do they hand out keys to prospective tenants or do they accompany them to the property?
- Can they present you with testimonial letters from current and previous clients?
- What is their policy on managing arrears?
- When will you receive your money?
- How often do they carry out fair market rent reviews?
- How will they assist in maximising your return and optimising capital growth?

Tenants

Tenants should be treated with respect

There is significant competition to attract quality tenants. Tenants require, and have the right to, reasonable standards of housing and living conditions.

Relationships between tenants, lessors and agents should be built on respect. Tenants deserve to be greeted with respect at all times.

Anti-discrimination laws

Under federal and state anti-discrimination laws, real estate agents cannot accept discriminatory direction from lessors. Both the agent and the lessor are legally liable if complaints are made. It is neither fair nor lawful to pressure an agent to break the law.

When selecting tenants, the only requirements that can be addressed are:

- The number of people suitable to reside in the property
- The tenant must be able to prove that they have and can maintain the weekly rent
- The tenant must be able to prove that they have and can maintain a rental property in a clean and tidy condition

Unfair discrimination happens if you treat someone less favourably simply because of their sex, age, race, nationality, marital status, the fact that they have children, sexual preferences, disability or impairment, pregnancy, religion or political beliefs.

You do have the right to choose the most suitable tenant provided no unfair discrimination occurs.

Leasing your property

Why do properties remain vacant?

- **The rent is too high:** the market and the tenants determine rent. Your agent should monitor the market rent to ensure that you are receiving the maximum return on your investment. High rents can lead to long-term vacancies, which ultimately affects your income.
- **High vacancy rate:** if there is a high ratio of properties to tenants (more properties than tenants) it will have an effect on the vacancy factor. Tenants have more choices and are in a stronger position to negotiate on rents.
- **Poor presentation:** it is important that the property is maintained in an excellent condition to attract the same quality of tenant. A tenant will often have a choice between a number of properties.
- **Accessibility to local facilities and transport:** often the property can be maintained in an excellent condition, the rent is at market value and it still remains vacant. This could be due to its location. Tenants may require a property that is close to town, shops, clubs, beach, transport, schools etc.

Your agent should make every reasonable endeavour to locate a quality tenant to suit your investment property and should keep you updated on a weekly basis on the progress in obtaining a tenant.

Inspections

Routine inspections should be regularly carried out on rented properties to ensure that the tenant is caring for the property and also to ensure that the property is well maintained and safe for the tenant to live in.

A lack of maintenance on a rental property not only hinders capital growth of the investment, but also could lead to an injury claim if the property is not safe.

Engaging maintenance people

It is important that you engage tradespeople that are adequately insured and licensed to minimise your liability should a tenant injure themselves from faulty workmanship.

Keeping Records

Be sure to keep your investment property records (rental income statements and invoices) in a safe location. These will be required for taxation purposes.

Communicate

Keep the lines of communication with the real estate agent open at all times. Honest, open communication is the best way to maintain a happy and professional ongoing relationship.

Minimising risk

Landlord Insurance

Landlord protection insurance will provide you with peace of mind and ensure that you are protected in that unexpected situation for loss of rental income or property damage. Landlord insurance is a tax deduction. When choosing a landlord insurance policy, it is important to carefully read the terms and conditions.

Safety Switches and Smoke Detectors

Help save lives! Does your property have an electrical safety switch and smoke detectors? For a minimal fee you can have peace of mind that you are providing a safe environment for your tenants. When installing a safety switch ensure that you engage a licensed electrical contractor.

White Ants

They are small - but can cause big problems. It is recommended that you have an annual pest inspection carried out on your property by a professional. For a minimal annual fee, you will have peace of mind that your property is protected and safe.

Building Inspection

It is recommended that you engage a professional building inspector once a year to conduct a thorough inspection of the property to detect any potential building defects.

Engage Qualified Tradespeople

When carrying out maintenance at a property it is important to utilise a qualified tradesperson who is licensed to carry out the work and who has adequate insurance to protect you against poor workmanship in the event of a tenant injury from the work carried out.

Professional Pool Report

If you have a pool at your property it is recommended that you have at least one professional pool report carried out once a year from a reputable pool maintenance company to ensure that the equipment is in good condition and not corroding and to ensure that the pool surroundings, including the fencing complies with local council laws.

Promptly attend to maintenance

By promptly attending to maintenance you are reducing the risk of possible tenant injury and avoiding a small repair becoming a large costly one.

Budgeting to upgrade & improve a rental property

Over a period of time rental properties need to be upgraded. Taking the time to prepare a budget on your investment property will help you estimate the annual income against expenditure. You will also be able to put aside a set amount to save for maintenance and property improvements.