



PROPERTY INVESTOR

NEWSLETTER

MAY – JUN
2017

This newsletter has been designed to keep you updated on what is happening within the industry and our real estate agency

FRIENDSHIPS AND VERBAL AGREEMENTS

Friendships and verbal agreements entered into by the landlord directly with the tenant [without the agents knowledge] start out with the best intentions; however, from experience it can ultimately affect the relationship between all parties, if there is a dispute during the tenancy.

Renting a property should be considered as a business transaction not a friendship. That is not to say that when inspecting the property you cannot be friendly and appreciative of the tenant.

You should avoid providing the tenant with your direct contact details to avoid the possibility of things going wrong.

Communicating with the tenant on matters such as, rent reductions, payment plans, approval of pets or additional tenants, new inclusions to the property, tenant/s conducting their own maintenance or alterations at the property or regular access to the property are verbal agreements that are often governed by legislation and can be a potential risk to landlords if things go wrong.

It is important that your first point of contact is to your property manager, allowing them to ensure that the agreement is in writing, and in accordance with legislation requirements.

WHEN PREVIOUSLY GOOD TENANTS CAN TURN BAD

It is one of the greatest fears for a landlord – having a bad tenant in the property potentially resulting in lost rent, property damage and delayed periods of time to gain vacant possession of the property.

We see it often in the news and media 'The tenant from hell'.

Appointing an agent is a wise choice in owning an investment as the 'bad tenants' pray on the private landlords who are not skilled in the selection process, reference checking and have no access to national tenant databases to determine if a tenant has defaulted in previous tenancies.

While we conduct the most thorough reference checking, there are times when previously good tenants can turn bad, that can sometimes cause undue stress for landlords.

Examples of tenant changes in circumstances:

- Loss of employment
- Sickness, stress, pressure or mental illness
- Change in partners or friends
- New addictions or involvement in illegal activities

These changes can take place at any time. As your managing agent we are constantly working towards minimising your risk with regular inspections and constant rental payment follow-up when required.

However, if a good tenant turns bad, you need to ensure that you are covered. Landlord protection insurance is there to 'protect' you when unexpected things go wrong. The reality is that renting a property is never a guarantee of ongoing good tenants as circumstances can change.

CHANGE OF BANK DETAILS

IT MUST BE IN WRITING

If you want to change your bank details, it's our agency's policy to receive the request in writing signed by all the registered property owners. This is to protect our clients. There have been cases of landlords separating or family disputes where one party has requested the change without the other parties being aware.

We are focused on maximising your rental income and optimising your capital growth

THE HIGHER RENT LOWER INCOME MISCONCEPTION

Many landlords who lease **their** property often have a mindset of 'holding out for the highest rent', thinking the sky is the limit in a competitive rental market. Many even do this if it means losing several weeks of rental income, with an over-priced and sometimes assumed rent without substantiating evidence.

What does 'holding out for the highest rent' mean for the overall return on the property?

Experienced investors report that the best way to maximise the return on their investment properties is to keep the property let – in other words, it is important to minimise vacancy periods. For many, it is not always easy to make a decision to lower the rent, especially when it can have an impact on the overall income and mortgage payments. It is tempting to hold out for 'just another week' and before you know it, another week has passed by. Experienced investors say that doing the sums shows that 'holding out for the highest rent' can be counter-productive. If the property is over-priced at \$450 a week, [with the rental market and feedback from tenants suggesting \$420 a week] losing the \$420 for two weeks vacancy is \$840. Spread over a year, this will lessen the weekly return to less than the \$420 that the property will eventually rent for.

When we provide feedback to landlords on the weekly rent, we first carry out extensive research comparing the property to other properties on the market at the time, known as a CMA [Comparative Market Analysis]. It is our duty of care, as a professional managing agent to work towards achieving 'the highest' possible rent, as well as minimising vacancy periods.

Tenants talk to relatives, friends and other people in the rental market and the tenants paying top dollar are the first to notice a downturn in the rental markets or over-priced rent, often reacting by moving out to a cheaper property when their lease expires. This then becomes a further risk of a vacancy period and lost income/rent if the landlord chooses again to go for top rent before accepting the changed circumstances. It becomes an ongoing loss of income from tenancy to tenancy.

The aim for tenanting a property is to ensure that the rent is within the market expectations to reduce lost income and high tenancy turnovers. If a vacancy period does occur, you may like to work by the rule that [provided the property is clean and presents well and is well-maintained] if a tenant is not secured by day ten of the leasing campaign, the asking rent should be reduced by five-ten percent, which has been a tried and tested system.

THINK BEFORE YOU THROW DISPOSING OF APPLIANCES

More often than not a rental property will have the inclusion of appliances such as a dishwasher, microwave, fridge, dryer, air conditioning and heating units, to name a few. When they breakdown or attract large repair costs, landlords can suggest disposing of the appliance/s without replacement. When a tenant enters into a tenancy agreement, there is an outline of the inclusions in the tenancy agreement. As the appliance forms part of the tenancy, it must be included and maintained by the landlord throughout the tenancy. If it became necessary to dispose of the appliance without replacement, the tenant would have to agree and possible compensation paid to the tenant for the loss of the appliance by way of a reduction in the weekly rent.

TALK TO THE PROPERTY EXPERTS

BUYING, SELLING & PROPERTY MANAGEMENT

Call us if you are thinking about buying or selling or know of someone that is

Properties Recently

RENTED

Keeping you updated on the local rental market

HOUSES

34 Price St, Bowral

3 bed, 1 bath, 1 car \$450 pw

8 Banksia St, Colo Vale

5 bed, 2 bath, 1 car \$530 pw

2/7 Beresford St Balaclava

4 bed, 2 bath, 2 car \$550 pw

27 Arthur St, Mittagong

3 bed, 2 bath, 1 car \$560 pw

7 Bold St, Renwick

4 bed, 2 bath, 2 car \$600 pw

60 Highland Dr, Bowral

5 bed, 2 bath, 1 car \$625 pw

130 Colo Rd, Colo Vale

4 bed, 2 bath, 4 car \$850 pw

NEWS Update

As your managing agent it is our obligation to visually inspect the property only. We are not licensed 'professional experts', such as building, pest, electrical or pool inspectors.

What we look for visually:

Leaks, doors and windows working, tears or ripples in carpets, fixtures and fittings working, marks, chips or holes, locks working (just to name a few) and the overall condition and presentation of the property.

We strongly recommend that professional experts undertake the necessary tax deductible annual inspections to protect your investment.

If work is required following an inspection it is important for all landlords to actions these requests as quickly as possible.