

The Landlord's Handbook





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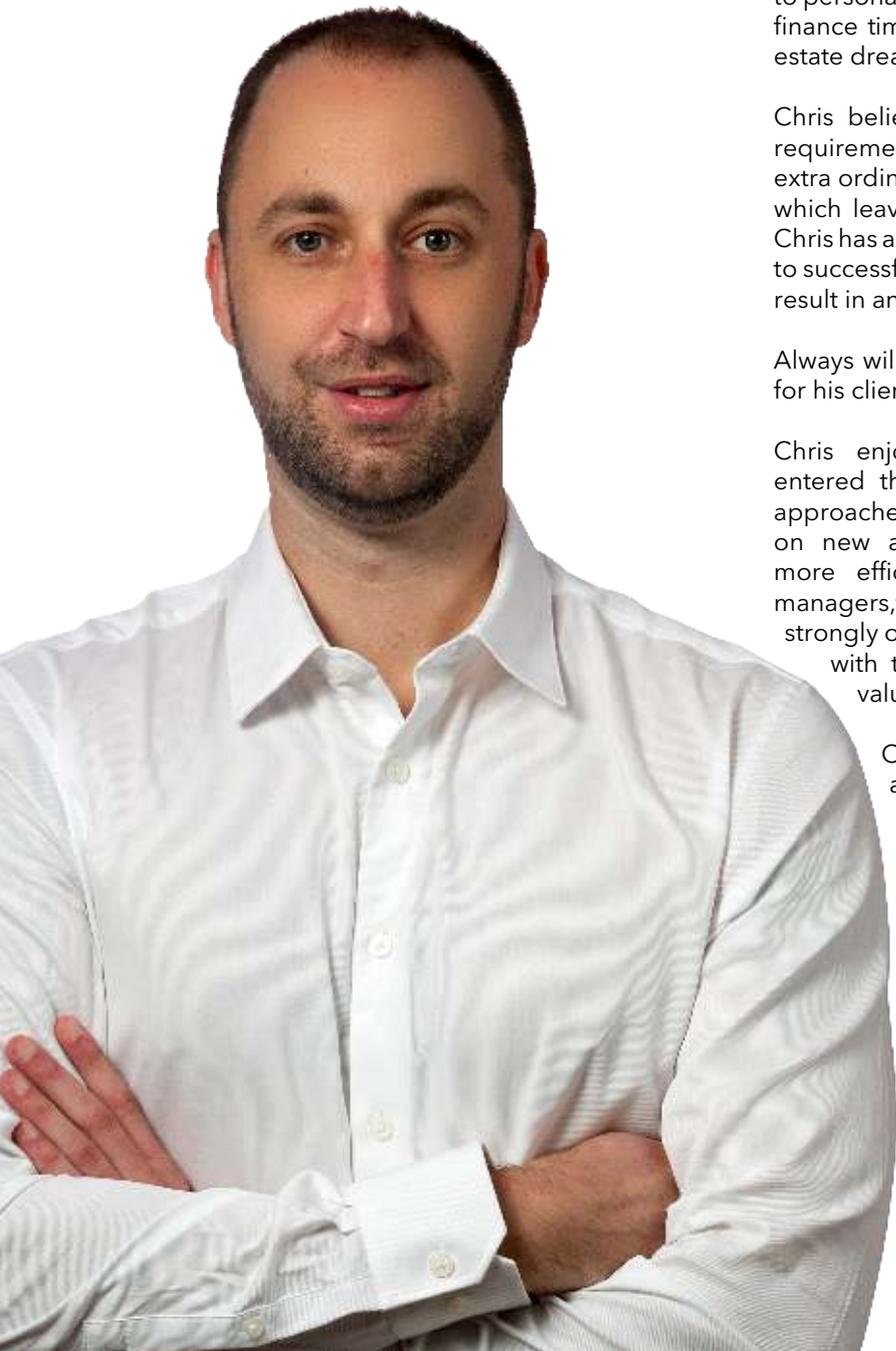
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Chris Brown is the founder, director & senior property manager of *New Vision Real Estate* - A boutique independent agency with a purpose to provide exceptional personalised property management service to the Sydney property investor community. The aim is delivering old school customer service but using the latest property management technology available in the market place to deliver great outcomes to both landlords & tenants alike.

Chris is a property investor and understands the care, attention & mindset required to meet the expectations of his clients. A real problem solver in an industry that demands a quick response time, innovative cost effective management solutions, ongoing property safety compliance needs, understanding of the ever expanding legal requirements of tenancies, New Vision Real Estate delivers expert level service that won't break the bank.

More about Chris:

Chris is an industry professional who has been over 15 years of experience in Real Estate & Finance. His remarkable local knowledge, marketing savvy, exceptional results and veracity has driven intense customer loyalty with clients choosing Chris to personally handle the sale of their properties & manage their finance time and time again. Committed to making your real estate dreams come true, energetic, enthusiastic.

Chris believes in a personalised approach to each client's requirements. His proven success in the Finance industry and extra ordinary sales skills make him a champion of both worlds which leaves his clients with peace of mind and satisfaction. Chris has an intimate understanding of all the elements required to successfully achieve not just a sold sign but the best possible result in any market condition.

Always willing to go the extra mile to achieve the best results for his clients.

Chris enjoys the rapidly evolving technology that has entered the property management industry and has been approached on numerous occasions by companies to consult on new and innovative service applications that provide more efficiency and streamlines processes for property managers, tenants, tradespeople and landlords. He focuses strongly on building relationships within the property industry with the end result of delivering exceptional service & value to his clients.

Chris is very passionate about lobbying for fairness and equality in legislation, defining and setting higher standards for the industry and has made several submissions to government departments on matters such as residential tenancies, strata, retail and the building and construction sectors. He adheres to the highest standards of professional practice in accordance with the Code of Conduct of the Real Estate Institute of NSW & Office of Fair Trading guidelines for real estate agency business. Chris likes to get involved in the spirit of community's and uses his auctioneer skills to raise funds for charity organisations.

One of the few real experts in the field of property management, Chris welcomes your inquiry.

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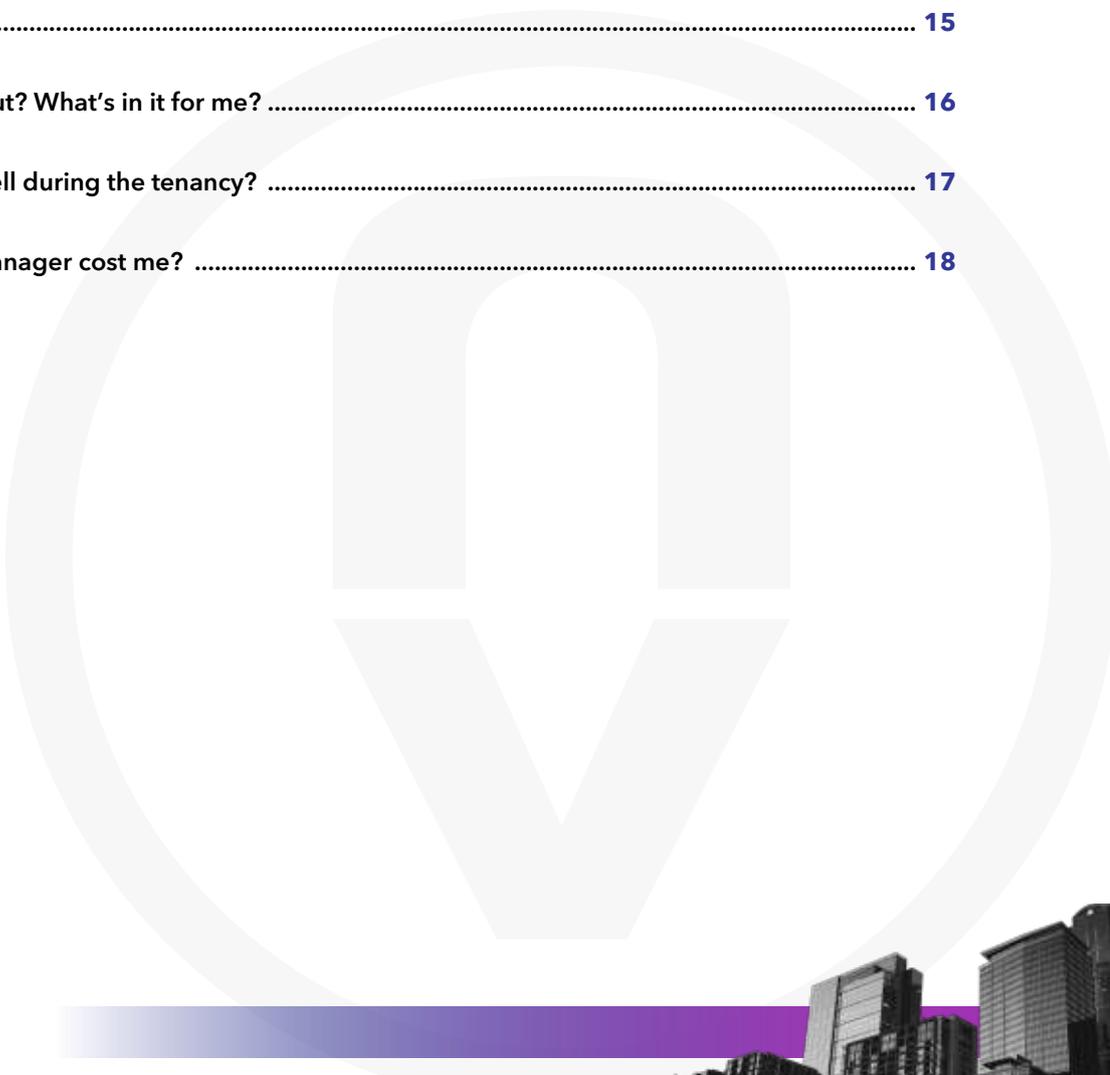
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Real Property Manager answers to real questions that every landlord asks.

Being a landlord can be financially rewarding but there are many questions that every investor wants to know about the day-to-day management of their investment.

We would like to answer each of these questions before you think to ask them, so we have put together this helpful e-book to do just that.

This guide is an open book, full of transparent information and data to arm you with the confidence that your selection of a property manager is the right one and the management of your property is in good hands.



How can we best prepare our rental property to maximize the rent return?

Majority of tenants will take pride in their new home. The way the property is handed over to them is indicative of how you as the landlord will care about their needs during the tenancy. Where applicable, the following should be done to your property prior to any property viewings and occupancy:

- Professionally shampoo carpets. If you have had pets at the property deodorize the carpets as well and carry out flea control both inside and outside the property.
- Professionally clean the stove, oven (including racks) & range hood, thoroughly. Ensure all elements and/or gas hobs are working and replace if necessary.
- Check that all appliances are working and clean, where necessary. Provide any instruction booklets & warranty's (we will photocopy them for the tenants).
- Arrange for pest control (spiders, cockroaches, ants etc).
- Check there are no leaking taps and the shower is free from cracks, mold and soap residue.
- Check power points and light bulbs - replace bulbs and repair/replace any defective points.
- Install a safety switch, if you don't already have one.
- Install smoke alarms in appropriate areas. If you are not sure how, discuss with your property manager.
- Check and clear gutters and storm water drains.
- Mow lawns, weed gardens, trim edges, and remove all rubbish from garden and under the house.
- Carry out tree maintenance as necessary ensuring there are no branches that could cause injury.
- If you have a pool or spa at the property, are they registered and certified? Discuss with your property manager if you are not sure.



- Obtain full sets of keys & any security devices, fobs & garage remotes. Label them (one for the tenants and one for us). We will cut any extra entry keys that may be necessary for more tenants.
- A professional property should guide you



Key Takeaways

Provide as much value to the tenant experience in your property as possible, within your budget. Remember that in a competitive market place like Sydney tenants are a wide selection of choice and the attractiveness of your property may be the deciding factor in who you attract, how quickly, how long they stay, how much rent you are likely to achieve and the experiences for both you as the landlord & your tenants will have throughout the lifecycle of your investment.



How long will it take for my property to rent?

The length of time a rental property is on the market will reflect how it is priced with comparable properties, how it is presented to prospective tenants and how the property will be promoted to the market. We call it the 3 P's.

Price, presentation & promotion are the 3 crucial ingredients in determining how quickly your property is going to be tenanted.

Your property manager should advise you of the current "days on market" figures for their clients and for similar properties to yours. You can then discuss with them the best approach to pricing your property in order to secure a suitable tenant in a time that matches your needs.



Key Takeaways

The asking price (listed price), the presentation (physical condition of the property) and the promotion (marketing quality) of your property together with the pro-activeness of your property manager will determine how long it takes to secure a suitable tenancy application for your property.



How much money will my property rent for?

It's the question every investor wants to know. While most investors start with a search of comparable properties that have been listed on rental websites it should not be the deciding factor of how your property is priced when going to market. Advertised prices are not the final result of what the property has rented for and how long it took to rent. In other words given that a high asking price may be attractive to a landlord, if there property has been on the market for several weeks, its end annual return is diminished.

The agency you appoint to manage your property should have access to property data software that allows them to produce a Comparative Rental Analysis (CRA) prior to your property being advertised for rent. A CRA will show exactly how much similar properties rented for and how long they took to rent.

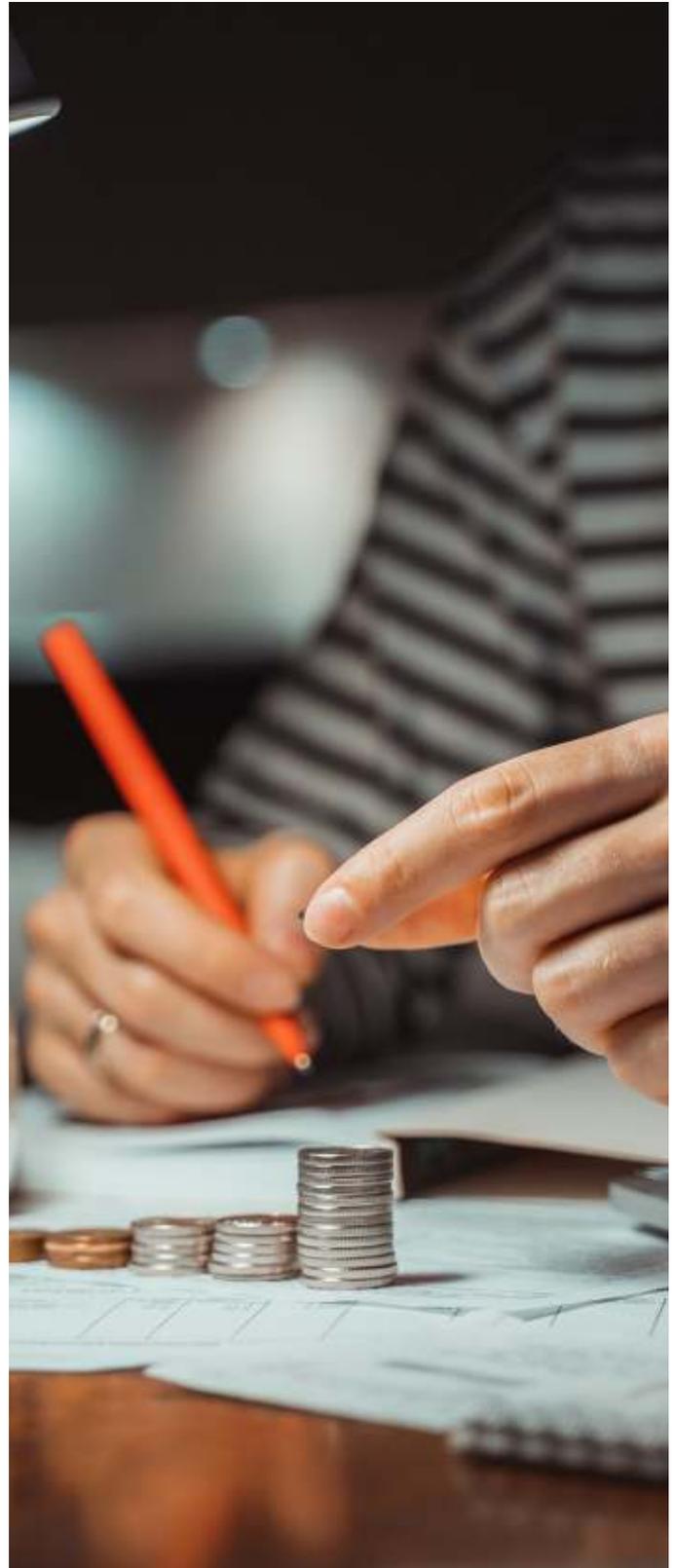
More importantly, this report will show any difference between the original advertised price and the price it eventually rented for, which can sometimes be quite a gap.



Key Takeaways

While current rental listings provide a view of competing properties to yours, they should not be the only source of data for how you price your property for rent. How much a property is advertised for is not always the price it rents for and sometimes the difference can be quite significant. It is important to also consider how long comparable properties are taking to rent, especially if your property is vacant.

Combining the data from a Comparative Rental Analysis (CRA) that your property manager has provided along with current rental listings is key to pricing your property to rent for the maximum amount the market is prepared to pay.



Finding the right tenant: how to attract them.



For landlords, finding the right tenant is crucial to the success of your property investment. The right tenant is one who pays their rent on time and takes care of your property as you would. It's important to remember property features that appeal to a tenant are not necessarily the same as features you would look for yourself. Therefore, you must consider the type of tenant that is suitable for your property and market it accordingly.

Factors that may affect the type of prospective tenant who applies for your property may be the time of year, presentation of the property, advertised price and the systems and processes in place to handle enquiry and qualify each enquiry.

Once you have secured a suitable application, a thorough tenant screening process should always be conducted, including full rental history, tenancy database checks, references, rent payment history and condition of their previous rental properties during routine inspections.



Key Takeaways

When it comes to applications from prospective tenants, quality is better than quantity but you can certainly have both by looking at the factors above.



What happens when a tenant applies for my property?

So your property manager has just received an application from a prospective tenant who wants to rent your property and they have provided everything from previous rental ledgers to bank statements and a list of references. It all looks great, so you should let them move in right? Wrong.

Providing they have supplied all of the required documentation with their application form, the prospective tenant is about to undergo a thorough check of 3 main criteria:

1. Personal identification checks
2. Financial situation/ stability
3. Rental or property ownership history

Tenancy databases such records of tenant breaches for up to 3 years and there are now strict regulations for how a property manager or landlord can list a

tenant on one of these databases. When presenting an application to you, your property manager should inform you of the results from their database search along with any details surrounding a database listing.



Key Takeaways

Even if your property is vacant and you require a tenant as quickly as possible, it is critical to determine by all means necessary that an applicant is the right tenant for your property.



What is best: fixed agreement or periodic agreement?

A fixed-term agreement has a definitive start and end date, while a periodic tenancy is known typically as a month-to-month arrangement and does not have an end date. There are pros and cons for both, and you should consider them carefully as they might affect you as the landlord.

Fixed-term agreement	Periodic agreement
Provides security and peace of mind knowing you have a fixed income for the period of the agreement.	The tenant is in control and can dictate when they wish to end the tenancy.
Enables you to forecast and budget accordingly for any expenses or refurbishment required.	The tenant is not committed to a period of tenancy other than the period required for the notice.
Rent increases can be written into tenancy agreements.	The option of increasing the rent is often missed as the tenancy continues unless the agency is particular about following through with monitoring all periodic agreements
The term of the agreement can end at a time when the market is at its premium, therefore giving you greater control	Tenant may terminate the tenancy at a slow time, ie. Christmas, therefore the property may be vacant longer. This equates to loss of income to the lessor and to the agent as commission income.
To end a fixed-term agreement, a notice of vacate of 30 days is required to be provided to the tenant. A tenant cannot leave prior to the end of the fixed term but does need to give 14 days notice to the landlord if they are ending the agreement on or after the end of the fixed term date.	The lessor/agent has to provide two months Notice to Leave without grounds if vacant possession is required.



Key Takeaways

Consider your objectives for your investment property before deciding which term is best for you. While a periodic agreement may provide you with more flexibility if you are considering selling or developing the property, a fixed-term agreement will provide you with more peace of mind, security and control of your investment.

Discuss your investment plans with your property manager and if you don't have any immediate plans that require vacant possession of the property, consider aligning the lease term with the peak rental periods throughout the year.

Who is responsible for repairs and maintenance?

As an investor you need to be comfortable with the fact things need fixing or replacement, and you will need to budget accordingly. Repairs that are proven to be the fault of the tenant are of course at the tenant's expense. However, there are two types of repairs as described in legislation that are entirely a landlord's responsibility: urgent repairs and routine repairs.

Urgent repairs require immediate action by both the managing agent and the landlord, and include:

- A burst water service or a serious water service leak.
- A blocked or broken lavatory service.
- A serious roof leak.
- A gas leak.
- A dangerous electrical fault.
- Flooding or serious flood damage.
- Serious storm, fire or impact damage.
- A failure or breakdown of the gas, electricity or water supply to the property.
- A failure or breakdown of an essential service or hot water, cooking or heating appliance.
- A fault or damage that makes the property unsafe or insecure.
- A fault or damage likely to injure a person, damage property or unduly inconvenience a resident of the property.
- A serious fault in a staircase, lift or other common area or premises that unduly inconveniences a resident in gaining access to, or using, the property.

Failing to attend to urgent repairs in the appropriate time as deemed by legislation can result in significant compensation being awarded to the tenant in court that may well exceed the cost of the repairs. It is always wise to budget for things going wrong and act fast if they do. Otherwise it may cost you above and beyond what the repair would have cost alone.

All other repairs apart from those above are considered by legislation to be non-urgent repairs. These may include anything from loose fixtures or fittings to minor leaking tap washers, painting touch ups through to other types of repairs that are considered non threats to the health & safety of the tenant. These kind of repairs should not be ignored as there have been numerous cases of compensation awarded to tenants in court for amenities that were included in their tenancy agreement that were proven to be faulty during a tenancy



Key Takeaways

Investors should not bury their head in the sand when it comes to repairs and maintenance.

Depending on the type of repair, tenants may be permitted under legislation to arrange for repairs to be carried out and the costs to be invoiced back to you as the property owner.

There have also been numerous cases in tribunals where tenants have been awarded considerable compensation for the loss of certain amenities so delaying or neglecting repairs and maintenance at your investment property can be costly.

What happens if my tenant doesn't pay their rent?

Rent arrears can impact on the performance of your investment property and your emotional well being if not managed correctly.

Bad things can happen to good people and should your tenant find themselves in financial struggle or stop paying their rent for any reason, a diligent rent monitoring system will ensure that you as the landlord are not out of pocket. This includes checking rent payments daily and issuing the appropriate notices as permitted by legislation.

The software your property manager uses should provide a daily report of any rental arrears. The legislation is clear about when the formal notices can be issued, however your property manager should have a detailed arrears follow-up process and should be working with the tenant pro-actively to resolve any rent arrears from day one. Some tenants genuinely may have forgotten to pay their rent if they don't have an automatic payment set up so if it is left until when a notice is issued, the relationship with the tenant can become quite negative.



Key Takeaways

The key to effectively managing rental arrears is to have a daily monitoring system, an easy method to pay rent and proactive communication with the tenant. Handled with negativity, the tenant may end up causing more headaches for you than just rental arrears. Insurance payouts or court orders may be affected if the correct notices are not issued in line with the legislative requirements, so a thorough knowledge of the timelines and proactive approach to handling rental arrears is critical.





Property management structure: why does this matter to me?

There are numerous ways a property management department can be structured and it will be different in almost every agency. This matters to you as the client because your experience with your selected agent should be in line with how you wish to be served. The most common structures include:

Portfolio Management:

Traditionally the most common way properties have been managed, portfolio management is where a single property manager looks after every task to do with the management of a property. That property manager is then a central point of contact for all matters relating to the management of a property. The property manager is usually allocated an amount of clients to service depending on their skill level and industry experience.

Task Management:

This is when all of the tasks relating to the management of your property (ie: maintenance, rent collection,

inspections and leasing) are divided up and allocated to specialists within a property management team to take care of.

Pod Management:

Pod management consists of small teams managing a portfolio of properties and the tasks are either rotated between team members or there is one central point of contact for the client, and the other team members are assigned various tasks to manage a property.

Hybrid Management:

In modern years, hybrid management has become more popular. A mix of other structures is used or certain administration tasks are outsourced to allow property managers more time to focus on the tasks most important to the client experience and their investment goals.

	Pros	Cons
Portfolio	<ul style="list-style-type: none"> One point of contact for all matters relating to the management of your property. 	<ul style="list-style-type: none"> It may be difficult to get information or updates if your property manager is away sick or on holidays. Inexperienced property managers who are assigned to manage all of the tasks themselves can become overwhelmed quickly and may not provide the same level of service to all clients. Usually an office like this can have a high turnover of staff and you might find you are regularly being assigned a new property manager.
Task	<ul style="list-style-type: none"> If one team member is away you can still get information or updates from someone else in the office. Allocating tasks to specialists means that not one property manager is trying to be all things to all people, allowing more focus on the task at hand. 	<ul style="list-style-type: none"> Task completion, follow-up or follow-through can become a problem if communication among team members is lacking. Everyone needs to be talking the same language and in sync with everything happening at a particular property.
Pod	<ul style="list-style-type: none"> Depending on how your Property Management team has this structure set up, you may be provided with one central point of contact that oversees a small team of specialists. Like task management, if one team member is away you can still get information or updates from someone else in the office, including your central point of contact. 	<ul style="list-style-type: none"> Like task management, task completion, follow-up or follow-through can become a problem if communication among team members is lacking. Everyone needs to be talking the same language and in sync with everything happening at a particular property.
Hybrid	<ul style="list-style-type: none"> Property managers are more engaged with the tasks that matter to the client experience. 	<ul style="list-style-type: none"> Again, task completion, follow-up or follow-through can become a problem if communication around the office or with outsourcing partners is lacking. Everyone needs to be talking the same language and in sync with everything happening at a particular property.



Key Takeaways

The success of any relationship in property management is built on trust, transparency & communication. If your chosen agency has a goal to provide the highest level of service to you as their client and they can demonstrate experience,

knowledge & skills together with testimonials from their current clients it shouldn't matter which department structure your chosen agent has.



What insurance do we need?

It is compulsory for investors to have the appropriate level of cover for public liability insurance for their investment property. The standard rules regarding building and contents insurance still apply for your dwelling type, although it is a tenant's responsibility to insure their own personal property.

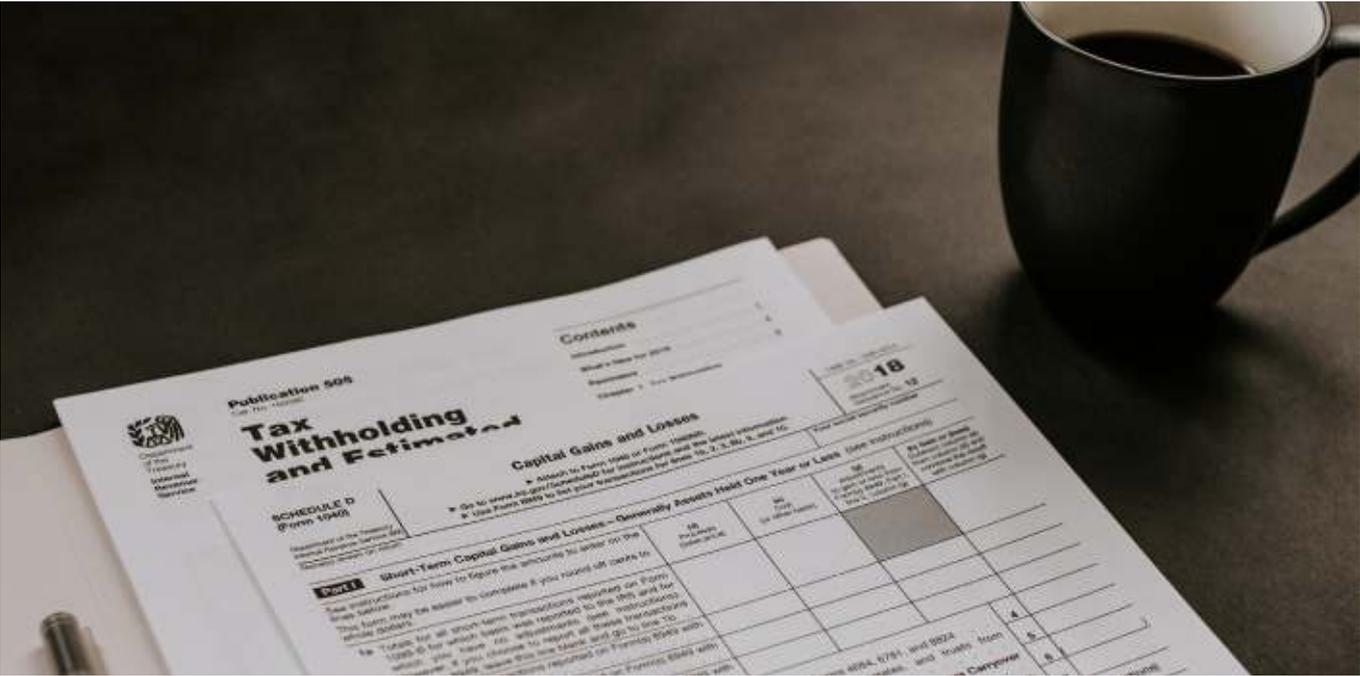
Landlord insurance is optional, however it should be considered whether it is right for you. Landlord insurance covers you for tenant-related risks including loss of rental income and loss or damage to your contents and building by the tenant. Events can occur whether you have a good or poor tenant. Such as burst pipes and fire. Accidents are unpredictable. There are numerous very affordable policies available and you should speak with your property manager about the level of cover that is right for you.



Key Takeaways

There are hundreds if not thousands of horror stories about investors being left with huge costs due to little or no insurance cover. The cost of insurance far outweighs the cost of little or no insurance. If you have just purchased a property, the best time to start is straight away – especially if the property is vacant and being advertised for rent. As a landlord, you have a liability exposure from the moment you or your agent begins showing potential tenants through the property.





What is tax depreciation all about? What's in it for me?

The short answer to this is **a lot**.

Tax depreciation (also known as property depreciation) is a legitimate deduction against assessable taxable income, generated by a residential or commercial investment property. Tax depreciation experts **BMT&Associates** estimate that between 70%-80% of property investors aren't claiming tax depreciation and may be missing out on large amounts of cash that should be back in their pocket.

Most people do not claim for property depreciation because either they do not understand that they are allowed to do so or they do not realise how much money they are missing out on by failing to claim.

Typically the value of depreciation that can be claimed for a residential property may range between \$1500 and \$15,000 a year. For someone in the top marginal tax bracket, the effect of tax depreciation is to put between \$650 and \$6500 a year back in their pocket in the initial full year of claim alone.

You can claim tax depreciation for most parts of a building that is related to the creation of assessable income, however there are some exclusions such as the cost of landscaping and retaining walls that do not play an inherent part of the buildings function.



Key Takeaways

You don't need to know everything about tax depreciation, you just need to know it exists. Your property manager can put you in contact with a quantity surveyor who are the experts in this area. They can provide you with an estimate of how much money you could put back in your pocket at the end of each financial year.





What happens if we decide to sell during the tenancy?

In NSW tenants have rights and landlords and their agents have obligations whether your tenant is on a periodic tenancy or fixed-term tenancy. There are legal obligations that must be met including notice periods, duty of disclosures, rights of entry & termination of both a fixed-term and periodic agreement.

The sale process can impact on the tenant's "quiet enjoyment", a term referred to in tenancy legislation as a right of the tenant during their tenancy. The sale process can often result in an unhappy tenant who may become un-cooperative during the time the property is for sale.

To encourage the tenant to co-operate fully with the marketing strategies and inspection times, and to have the property clean for inspections, these popular options may be considered:

- Consider offering the tenant a cleaner to come once a week before the open for inspection. It is money worth spending and a good way to keep the tenant on side.
- Offer compensation to the tenant by reducing the rent payable for the selling period.
- Consider selling your property in conjunction with your property management agency as they have already established a working relationship with your tenant/s ,have built up trust & can negotiate access for open house inspections. They are also familiar with maintenance history of your property.

If you know there is an intention to sell the property prior to a tenant moving into your property, you must advise your property manager as there are legal requirements relating to notices that must be issued prior to the tenant signing their agreement.



Key Takeaways

The selling process with a tenant in place is a delicate and sometimes unpredictable situation that can either go right or very wrong depending on how it is handled. You should work very closely with your property manager to ensure the process is handled with utmost care & respect to your tenant.

Besides the benefit of having your property manager communicate with your tenants on your behalf, there are numerous benefits that they can provide to potential buyers, such as history of the tenancy, rental rates comparisons & maintenance history of the property.

How much should a property manager cost me?

Fees and charges vary from one company to the next. Below is a list of the common fees that a property manager will charge:

Management Fees:

Management fees are charged on a percentage basis of the total rent monies collected. The amount charged will depend upon the actual rent amount.

The management fees are associated with general management duties including but not limited to:

- Arranging property marketing, advert copy & photography
- Rent collection and managing rental arrears.
- Paying and recovery of water consumption from tenants.
- Conducting regular rent reviews.
- Property inspections & collating reports
- Preparing statements for the owner and collating supporting information for the owner's statement.
- Organising maintenance repairs and quotes.
- Liaison and regular follow-up with maintenance contractors.
- Organising access & co-ordination of various trade's people.
- Processing & collating & scanning invoices.
- Attending to the payment of general property expenses such as council rates & strata levies.
- Liaising with owners, tenants & other stakeholders such as banks & valuers
- Liaising with insurance companies when processing claims.
- Attending to daily telephone & email enquiries.
- Liaising with the strata company's on common area matters
- Processing notices to vacate.
- Disbursement of the vacated tenant's bond.
- Preparation of & attendance of tribunal hearings.

Letting Fee

The letting fee is based on the weekly rent and only charged when a new tenant is found. If a tenant breaks their fixed term tenancy agreement prior to the end date, the letting fee is paid by the outgoing tenant as compensation for ending their agreement early. The amount charged will depend upon the actual rent amount & time left on the tenants fixed term agreement.

The letting fee is associated with, but not limited to:

- Arranging, placement, recording and administering advertising.
- Arranging, taking and uploading photographs of your property.
- Arranging and conducting personal viewing appointments with prospective tenants.
- Administrating and processing applications for tenancy 100-point checks.
- Processing the application for tenancy, including checking of all references.
- Negotiating the terms of the lease with both owner and tenant.
- Attending to the preparation, execution and processing of lease documentation including the bond lodgement form, general information for tenants, photocopying keys and the emergency plan for tenants.
- Compiling the ingoing inspection report including photos



Other fees may be charged for important additional tasks relating to the management of your investment property. This will also vary from one agency to another. These additional fees may include:

- Administration fee - also referred to as a statement fee.
- Advertising fee.
- End-of-financial year statement fee.
- Lease renewal fee.
- Routine inspection fee.
- Tribunal representation fee.
- Maintenance project fee.



Key Takeaways

While cheaper property management companies may appear to be an ideal option to maximise your income by saving on expenditure, this can end up costing you far more if your property is being managed by an amateur. Property management businesses with the systems and technology in place to maximise your return and minimise your exposure to risk must charge accordingly. Their expertise & technologies used in the day to day running of property portfolio's is your protection in the long run. Comparison of property managers based on fee's is a mistake first time investors make when appointing their property manager.



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