



## INVESTOR SUCCESS

A guide to getting the most out of your investment property.

## DEAR HOMEOWNER

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There is no denying that we Australians just love our real estate! Year after year residential real estate continues to be one of the top ways in which we strive for our financial freedom

Whether you are adding to your existing portfolio or just starting out, an investment property is an important financial accomplishment. Like any of the goals we strive for, investing in property does not come without hard work and challenges.

I personally approach owning an investment portfolio like owning a small business. To be successful, it pays to be educated, know your market, and have trusted advisers like accountants and property managers on your side.

*Ben Broadley*

# INTRODUCTION

The team and I at Paragon Property have combined our collective years of industry experience into this guidebook to arm our clients with the right tools and knowledge to achieve investor success!

### IMPORTANT AREAS TO ACHIEVING SUCCESS

1. The benefits of having a property manager
2. What to look for when appointing an agent?
3. Attract and retain quality tenants
4. Understanding rental returns
5. Getting the right advice to maximising returns
6. Your responsibilities as a landlord
7. Preparing your property for rent checklist

# DO YOU NEED A PROPERTY MANAGER?

One of the first decision you will need to make is who will look after the day-to-day tasks of owning an investment property. If you are a first time or inexperienced investor, then you may not be aware of the many things that are required to successfully manage an investment property.

Things like account keeping and receipting of rents, tenant selection, maintenance, and repairs, as well as ensuring you are compliant with all the associated legislation are all things that will require regular attention. The two options are to appoint a property manager or to go it alone and self-manage. The main reason investors decide to self-manage is to save money by not having to pay for leasing and management fees.

While in the short term this is true, as we all know the more money that you earn, the more tax you pay. A lot of inexperienced investors are not aware that the bulk of property management fees are tax deductible. Either you have an agent manage your property and claim it as a tax deduction or you do all the work yourself and pay the tax man a premium for the pleasure of doing it.

Over the years I have met investor who have managed their properties themselves without issue, however this is usually because their tenants are known to them to begin with. If you have a friend or family member that would like to rent your investment property, then this may be an option for you. Otherwise, I would always recommend appointing an experienced property manager.

Self-managing your investment property is fine if everything goes according to plan. I look at property managers as a kind of an insurance policy or a lawyer who knows all the rules of the game if things go wrong. There can be serious and costly consequences that arise from tenancy issues so having an experienced property manager is well worth the expense.



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# THE BENEFITS OF HAVING A PROPERTY MANGER

By engaging a property manager, you benefit by having an experienced and accredited person take on the responsibility of the day-to-day management of your property. You purchased an investment property for financial gain, not to become a property manager.

I don't think property managers get enough credit for the work they do. They are often seen as people that just collect rent and call you every time you need to spend more money, this is an unfortunate assumption and hugely underestimates their worth.

Property management is a difficult job and encompasses a huge variety of tasks. Residential tenancy legislation is vast and complicated, and therefore property managers need to be accredited and complete ongoing training.

A property manager is like a help desk, they are the first point of call when problems arise. Your property manager is always working behind the scenes, so you only need to be involved when necessary.

If you have any doubts about the benefits of having a property manager, here is a list of just some of the tasks they can complete for you.

- Writing advertising copy, organising photography, and running the campaign
- Holding open for inspections and interviewing potential tenants
- Tenant application processing, checking references and rental history
- Lease preparation as per RTA
- Lodgement of bonds as per RTA
- Tenancy induction and informing tenants of their responsibilities under the lease
- Preparing a comprehensive Property Condition Report in prescribed format
- Collecting or rent and arrears management
- Account keeping of all property income & expenses and monthly statements
- Conducting regular routine inspections
- Organise maintenance and repairs
- Attending to any tenancy requests or issues
- Available 7 days a week in the case of emergencies
- Negotiating lease renewals and implementing rent increases
- Speaking with insurance companies and strata companies as required
- Issuing legal notices and court applications as required
- Keeping the property compliant with the Residential Tenancies Act.













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# WHAT TO LOOK FOR WHEN APPOINTING A MANAGING AGENT

So, you have now decided to save yourself the hassle and have your property managed by a professional. When it comes to selecting a property manager there are a few points to look out for as not all agencies are the same and provide the same level of service.

In my experience I have found that some inexperienced investors look only to find the cheapest fees when appointing an agent.

I have always found it a bit perplexing that people spend hundreds of thousands of dollars on an investment property only to hand it over to the cheapest agent they can find to manage it for them.

When it comes to selecting a quality agent here are a few things I look out for.

## **REPUTATION**

Has an agency been in your area for a long time? Checking Rate My Agent and Google reviews are a good way to see what their clients say about them. Having an agent that know the local area and have a history of providing great service is going to give you a lot of peace of mind.

## **EXPERIENCE**

Not all property managers have the same level of experience. It doesn't hurt to ask who your property manager will be and what is their experience and qualifications. Hopefully you will have the same property manager for a long time and form a good working relationship. Getting to know a little bit about them before they start and making sure they are a good fit for you is a good idea.

## **ATTENTION TO DETAIL**

It is important that your property manager has enough time to properly look after your property. If your property manager has a large portfolio, they can be spread too thin, and you become just a number. In some agency it is left up to your Property Manager to handle everything from rental leasing campaigns, home opens, inspections, account management plus all day-to-day management tasks.

*A good agency will ensure your property manager has a manageable portfolio volume and is supported by team to ensure your property is given the attention it needs.*



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## **ATTRACT AND RETAIN QUALITY TENANTS.**

As a property investor attracting and retaining good tenants can vastly affect your rental return, minimal turn over means less agency fees, more rental revenue, and income consistency.

Before you hit the rental market it is a good idea to look at anyway you can improve the value or appeal of your investment property. This is an opportune time to do any maintenance or repairs so there are no issues at the beginning of the tenancy. Having the property hit the market in good condition shows you care for your property and sets the expectation going forward.

A well-maintained property is going to appeal to good long-term tenants, and these are worth their weight in gold. Good tenants do more than just pay rent on time, they care for your property like it was their own and give you great peace of mind.

Having a tenant that is the right fit for your property is what every landlord hopes for. While an experienced property manager will thoroughly screen applicants and assess their suitability, there are still several things that landlords can do to attract quality tenants.

Getting a quality tenant in your property, takes more than just putting a for lease sign in the front yard and hoping for the best. Here are some things you can do to attract great tenants;

### **STANDS OUT FROM THE CROWD**

Make sure you hit the ground running with professional photos and a strong leasing campaign. Professional photos are not expensive and can be reused if need be. A well-presented property listing will lease your property quicker and can save you hundreds of dollars per week in lost rent, so it is well worth the expense.

## **THE PRICE IS RIGHT**

It is really important that the asking rent is in line with the current market. A property priced too high can sit vacant for an extended period, while if you price the property too low you will not be getting the best possible rental return. It takes an experienced property manager to get this balance right. Tenants spend a lot of time looking for the perfect property, they do their research and have a good idea of market rents.

## **PRESENTATION**

Presentation matters, I can't stress this enough! A fresh coat of paint or a garden tidy up can work wonders. Don't forget that property maintenance is usually tax deductible, it also increases the value of your property so don't be afraid to spruce the place up a bit when need be.

## **BE FLEXIBLE**

In WA more families now have dogs than ones that don't. We just love our pets. On the flip side, less owners will allow pets in their rental property than ones that do, so this means a lot of pet owners can struggle to find a rental property.

While there is much debate on both sides of the argument, I believe that a well-managed property with tenants that have a good history pose little risk. Being flexible on allowing pets may open you up to some great long-term tenants.

## **DEAL BREAKERS**

I can't live without my dishwasher or my air conditioning, these are my deal breakers. Most potential tenants will have things that they can't live without either. If possible, it is a good idea to look at what extras can be added to your property to boost its appeal. Your property manager should be able to give you some tips on what tenants look for. It doesn't always need to be major items like split systems, sometimes even some extra storage or new blinds can go a long way.



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# UNDERSTANDING RENTAL RETURNS

As not all properties are the same, it stands to reason that they are not all going to offer the same rate of return. To be able to determine if a certain investment is right for you, it is a good idea to be able to calculate rental yield.

This is also important as not every dollar you make in rent is profit, you will need to factor in things like property maintenance, management fees, rates, levies etc.

Yield is determined by calculating how much rental income that is received minus any expenses incurred.

### **To do this:**

1. Figure out your yearly rental income
2. Divide you annual rent by the value of your investment
3. Multiply by 100 to get the percentage figure of gross rental yield

Now to calculate net rental yield - Bond

1. Figure out your yearly expenses
2. Calculate the annual rental income
3. Subtract the total expenses from the yearly income
4. Divide this figure by 100

Now you can calculate rental yields how much should you expect?

Generally, in our market in Australian capital cities a good rental yield would be between 3-5% Gross.

To increase this figure, you will need to either lower your expenses or increase your rental income.

This is where an experienced Property manager comes in handy as they will be able to suggest to you a number of ways to do just that.

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## GETTING THE RIGHT ADVICE TO MAXIMISING YOUR RETURN.

Your number one goal as an investor is of course, to maximise the return on your investment. When it comes to investing in real estate, maximum return on investment is not just achieved by having a tenant in place paying high rent. There are several other factors that will also contribute to the success of your investment.

As I have said before, to invest successfully it pays to have the right advisers to guide you on your journey. This is important when it comes to setting the financial foundation for your investment to grow. While your needs may vary, below are some professionals you may wish to employ to help you along the way and ensure your investment is performing as well as it can.

### **Key Terms:**

**Property Manager:** Makes sure you are receiving market rent; A well-managed property means low tenant turn over and saves you money. A good property manager will make sure your property is well maintained and can save on repair costs by suggesting preventative maintenance. It is the responsibility of your property manager also to find reliable tenants to ensure consistency of rental income.

**Mortgage Broker:** Ensure you are receiving the best rate on your loans.

**Insurance broker:** Makes sure the property, yourself and your income are covered if any unexpected issues arise.

**Accountant:** Make sure you are receiving the full tax benefits of depreciation, tax deductions, negative gearing.

**Financial Planner:** Will help you set financial goals and a plan to achieve them.



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# YOUR RESPONSIBILITIES AS A LANDLORD



As the owner of a rental property, you are required by law to adhere to minimum standards and compliances. These should be taken seriously as you run the risk of facing fines for non-compliance.

One of the many benefits of employing a property manager is that they will be able to advise you on what is required and ensure you are fulfilling your obligations as per the relevant legislation.







# BASIC PRINCIPLES FOR COMPLIANCE

## ELECTRICAL SAFETY AND SMOKE ALARMS

Mains powered smoke alarms and two RCD's must be installed. Electrical safety check should be completed by a licenced electrician every three years.

## SECURITY COMPLIANCE

The lessor is responsible for the rental property having a minimum level of security in place. Minimum security standards apply to door locks, window locks and exterior lights.

(For full details <https://www.commerce.wa.gov.au/consumer-protection/rental-property-security-standards>)

## BLIND CORD COMPLIANCE

Blind cords must be secure and out of reach of children as they have the potential to cause injury. (For full details <https://www.commerce.wa.gov.au/consumer-protection/blind-and-curtain-cord-safety>)

## POOL AND SPA COMPLIANCE

Landlords must ensure a pool or spa is appropriately fenced according to local government building laws and residential tenancy laws.

(For full details <https://www.commerce.wa.gov.au/building-and-energy/swimming-spa-and-portable-pools>)

You will also need to maintain the property in a reasonable state of repair and attend to any maintenance issues in a timely manner.

I find there is often some confusion around who is responsible for what when it comes to things like maintenance and cleaning.

I have included a helpful table by the Government of Western Australia Department of Mines, Industry Regulation and Safety as reference guide.

## LANDLORD RESPONSIBILITIES

The premises being provided in a habitable and reasonable state of cleanliness and repair; complying with building, health, and safety laws (such as smoke alarms and pool fencing).

Major repairs (like plumbing) and maintenance.

Major garden maintenance (such as tree lopping, maintenance of fire breaks). Provision and maintenance of sprinklers etc.

Any swimming pool or spa meeting safety standards and being clean and chemically balanced at the start of the tenancy. Provision of maintenance equipment (such as vacuums, scoops).

Costs arising from fair wear and tear (such as carpet wear, paint flaking).

Repair of damage caused by a third party or events outside the tenant's control (such as breakins, traffic accidents).

Annual water services charges (water rates).

Minimum levels of securities.

Payment of local council rates.



## TENANT RESPONSIBILITIES

The premises being kept clean and tidy and handing it back in a similar condition to that which it was in at the start of the agreement.

Basic household maintenance (such as replacing light globes, replacing smoke alarm batteries where practical).

General garden maintenance (such as mowing, weeding, light pruning).

Day-to-day maintenance of any swimming pool or spa. (if applicable).

Carpet stains and burns or breakages etc.

Loss or damage to their personal property unless caused by a problem with the premises.

Payment for electricity and gas used.

Payment of water used unless agreed otherwise.

Pest infestations such as fleas caused by their pets. Prevention of pests by proper storage of food and by using sprays and baits.



## MAINTAINING YOUR PROPERTY

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I have found over the years that some landlords seem resentful or even surprised when they have had to undertake maintenance to their property. An investment property is not a set and forget investment, it can require regular maintenance and upkeep.

Maintenance shouldn't be something you fear, it protects the value of your investment while also being another deductible come tax time. Even the best managed properties will require maintenance, a new hot water system, a collapsed fence or in the case of strata property, a special levy can come as a shock if you don't have any money in your maintenance fund.

It is a good idea to try and put aside one month's rent as an emergency/maintenance fund, so you don't need to worry should problems arise.

Keeping on top of any maintenance will also keep your tenants happy and hopefully translate to a long-term tenancy.

# PREPARING YOUR PROPERTY FOR TENANTS' CHECKLIST:



## KEYS & ACCESS

*Make sure you have a key for all locks on doors and windows. You will need to provide your property manager with a full set of keys as well as two sets to give to your tenants.*

## CLEANING

*General full property clean including windows, walls, floors, windows, treatments and carpets.*

## LIGHTS

*Check all light globes are working and replace any faulty globes.*

## APPLIANCES

*Check all appliances are in working order. If the property has air conditioning it is advised to have it serviced if not recently completed.*

## PET FUMIGATION

*If you have had pets in the property, it is advised that you complete a pet fumigation.*

## GARDENS

*Mow and edge lawns. Weed and tidy any gardens Check reticulation and replace any faulty sprinklers.*

## BELONGINGS

*Please make sure all your personal items have been removed from the property, storeroom, garage etc.*

## COMPLIANCES

*Have you provided your property manager with an electrical safety certificate. Are all blind cords secure as per legislation? Are any pool and spa fences secure and compliant with legislation.*

## PARKING

*Please provide your property manager with any garage remotes or parking space numbers for apartment complexes.*

## STRATA

*If you own a strata property please provide your property manager with details of any applicable strata company, manager, by laws.*

## INSURANCE

*Have you taken out landlord insurance? If not, your property manager may be able suggest some options. Always make sure your building insurance is up to date.*

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## FURTHER RESOURCES

### **Residential tenancies Act 1987**

[https://www.legislation.wa.gov.au/legislation/statutes.nsf/main\\_mrtitle\\_821\\_homepage.html](https://www.legislation.wa.gov.au/legislation/statutes.nsf/main_mrtitle_821_homepage.html)

### **Residential Tenancies Regulations 1989**

[https://www.legislation.wa.gov.au/legislation/statutes.nsf/main\\_mrtitle\\_1992\\_homepage.html](https://www.legislation.wa.gov.au/legislation/statutes.nsf/main_mrtitle_1992_homepage.html)

### **Renting Tools and checklists**

<https://www.commerce.wa.gov.au/consumer-protection/rentingtools-and-checklist>

### **Common renting terms**

<https://www.commerce.wa.gov.au/consumer-protection/common-renting-terms>

### **A tenant's guide to renting in Western Australia**

<https://www.commerce.wa.gov.au/sites/default/files/atoms/files/tenantsguide.pdf>

### **All about rental agreements**

<https://www.commerce.wa.gov.au/consumer-protection/rental-agreements>





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