



PATHWAY TO
MANAGING YOUR
INVESTMENT
PROPERTY



Professionals



Rental properties
are in demand.

In recent years there has been a surge in property investment throughout Australasia. Rental properties in most major cities are in demand and the opportunities for both high returns on rentals, as well as continued strength in housing property prices in the medium to long term is excellent.

At the same time, there needs to be a considered approach on how best to maximise and manage your property investment.

There are many aspects to property management that you'll need to consider including services offered, finding a tenant, property condition and inspection reports, security bond, periodic inspections, repairs and outgoings, setting a fair rental price, insurance, tax deductions and more.

The most important steps you need to take are outlined in this booklet.

Why choose Professionals

Professionals are a corporate marketing group of over 300 offices with experience in the real estate industry spanning over 30 years.

All our offices are required to abide by the Code of Ethics laid down by the Real Estate Institute in their region.

Professionals group offer its staff continuous ongoing sales and property management training to keep their members abreast of changing legislation and market conditions.

We incorporate an effective referral system, that assists sellers, buyers, landlords and tenants alike.





Selecting the right property manager

Selecting the right property manager is one of the most fundamental decisions you'll make and can make a difference not only to your overall returns, but also the enjoyment of your investment.

Over the last few years, property management has undergone a significant transformation, from simply a rent collection service, to a dynamic investment management and service system. This changing scene has brought about the need to appropriately manage new legislation and the consequences to ensure fairness for both owners and tenants alike. This includes, in some regions, the Strata Titles Act, Residential Tenancies Act and deregulation of fees charged.

It is important to realise that together with the legislation comes a greater onus on owners and agents to follow the requirements of these laws.

Now more than ever, it is prudent to ensure that your property is professionally managed by entrusting it to a manager who is trained, experienced and equipped to meet these ever changing needs.

Property managers work within a licensed Real Estate Agency. It is therefore the agency owner who is ultimately responsible for the property, so it is essential you choose a reputable name you trust when selecting the business for management of your property. It's a big decision that creates a medium to long term working relationship and you need to feel comfortable with the company you're dealing with. Rest assured, when you choose Professionals, you will be joining thousands of happy Australasian property investors and owners who have put their faith and confidence in us to professionally manage their property.

Our property management services

Once you have entrusted a Professionals agent to manage your property, you will be exclusively authorising that agency to act on your behalf. We will then appoint experienced property managers, who will be responsible for the day to day management of your property and tenancy.

Your property manager/s will act as guardian/s of your property and will provide a range of 'personalised' services that include:

- Professionally screening and selecting tenants
- Providing a detailed explanation of the owners/tenants rights and obligations
- Receiving rents and issue receipts
- Arranging for repairs and maintenance to the property
- Paying of accounts such as water services and council rates
- Processing any insurance claims
- Exercising the owners/tenants rights to terminate leases and tenancies
- Reletting the property at the end of each tenancy in the event of a vacancy
- Preparing and checking the property's inventory
- Doing all such lawful things as may be directed by the owner in writing from time to time
- Professionally and accurately reporting on the condition of the property at the inception, during and end of each tenancy

Such authority is given for a period of time and thereafter until appropriate written notice is given to terminate the management by either party.

Tenancy agreement

Your Professionals property manager will prepare the recommended documentation (Tenancy Agreement, Property Condition or Inspection Reports and Bond Lodgement), being aware of the legality of current legislation requirements.

Our property managers are fully trained in all aspects of property management and understand the obligation of landlords and tenants contained in the relevant legislation.

Selection of the right tenant ensures that your investment is protected.

Finding a tenant for your property

When you buy an investment property, or rent your home, it's important to secure long term tenancies where possible to maximise the investment returns. As your selected agent, we will use all our experience, knowledge and data resources to find you a suitable tenant in the shortest possible time, who will treat your property well.

A good quality, long term tenancy proposition is far more attractive, than constant turnover in tenants.

OPEN HOMES - With the increasing demand for rental properties, your property manager may suggest opening the property at an agreed time to ensure a sufficient pool of candidates view and apply for the property at one sitting.

ADVERTISING - Your agent is constantly monitoring the best medium for advertising your property, for the purpose of attracting a suitable tenant and ensuring the best result for your dollar.

To ensure that your property is leased to the best possible tenant, your property manager will select the most appropriate medium to promote the vacancy, which may include website advertising, print media and office rental lists.

Your property may be advertised in all or some of the following:

- Rental search websites
- "For Rent" classified sections of newspapers
- "For Rent" signboards
- Office window displays
- Brochures distributed from the agency
- Email newsletters distributed to an agents mailing list
- Professionals inter-office referral system

An accurate account for the advertising costs is submitted at the commencement of each new tenancy, as these costs are tax deductible.



How we select tenants

A good tenant can make your investment property a positive, stress free experience. A poor tenant can make life difficult for both manager and owner.

At Professionals, we're meticulous with our selection process for tenants. Tenants are required to complete an 'Application for Tenancy' to formalise their interest in leasing or renting your property. The details and past performance of the applicant are checked thoroughly and a reference check is made with the information supplied to us by the applicant.

At the same time, your property manager will request employment details and personal referees for checking. The successful tenant is secured once a lease agreement has been completed indicating the agreed terms and conditions.

Should you wish to discuss tenant selection with your agent, it will be necessary to specify this in your instructions.

Your asset will be managed professionally

We understand that handing over the keys of your property to an agent requires a degree of trust and faith. At all times, we aim to manage your property with respect and diligence, applying proven systems and procedures, to ensure your asset is managed professionally.



Property condition or inspection report

Your property manager will compile a detailed property condition or inspection report of the premises. The report must be checked by both the tenant and the property manager, with any changes amended within the legislated number of days prior to occupancy. The original report is kept on file.

A final inspection of the property, using the original property condition or inspection report, is carried out at the end of the tenancy prior to the security bond being released.

Bond

A bond, usually equal to four weeks rent or as otherwise agreed, is collected from the tenant and held against any damage that may occur in the normal course of the tenancy. The bond is lodged with the appropriate bodies.

A bond can only be released by mutual agreement between tenant and agent on behalf of the owner once all obligations have been fulfilled at the end of a tenancy. Any dispute regarding the disposal of bond is referred to the Magistrates Court or Tenant Tribunal (dependant on region) for adjudication.

Why periodic inspections are important

One of the conditions of the tenancy agreement is conducting periodic inspections to ensure the property is being maintained to a satisfactory standard.

Periodic inspections are conducted as instructed by the owner and a full report is submitted to owners during the course of the tenancy. The tenant is notified of any defects in the property which they may be considered responsible for.

Periodic inspections convey to our owners the state of the property, making maintenance recommendations or submitting quotations for upgrading that may be necessary in order to maintain the ongoing value of the property.

How to manage repairs and other outgoings

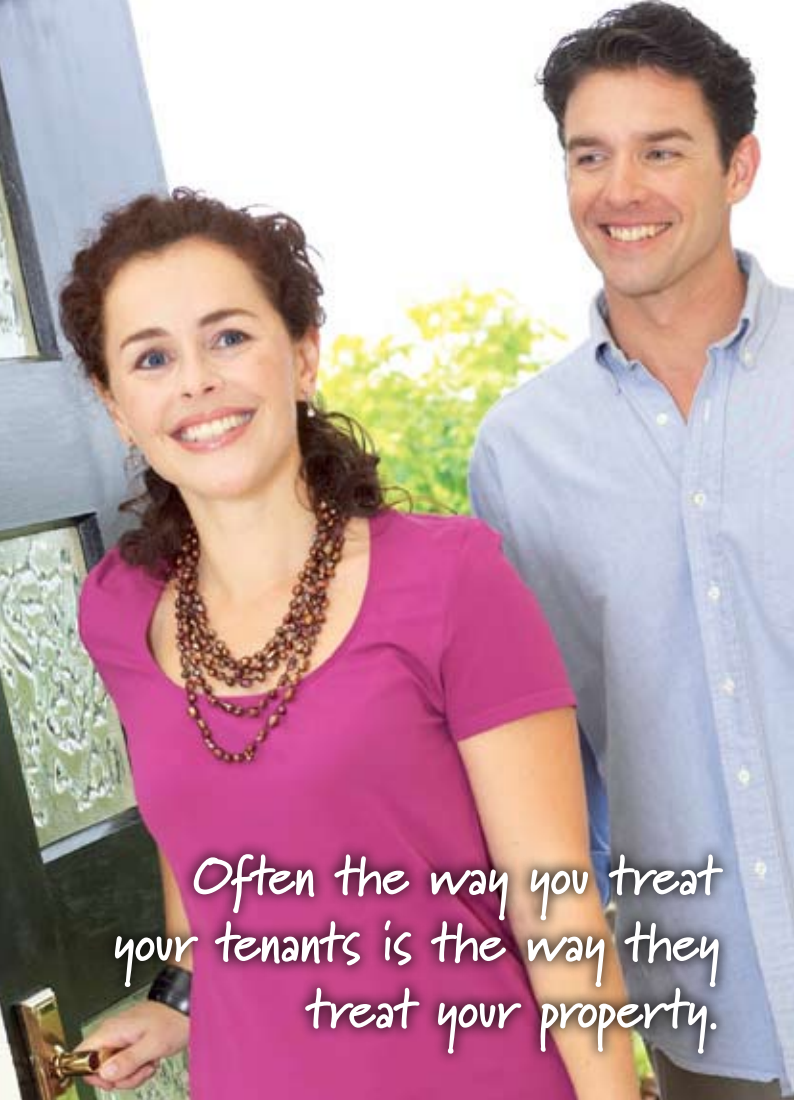
Under the Residential Tenancies Act, it is incumbent upon the owner of the property to maintain the property in good and tenable repair.

It should be noted that if the property is not adequately maintained, this can be deemed a breach of the agreement and in some cases, the owner may face legal ramifications. It is far better to do the right thing and maintain the property in a good rental condition.

You can elect to authorise your Professionals property manager to initiate repairs and maintenance to an amount stipulated by you.

More expensive repairs would be referred to you for your consideration and further instruction.

Our property managers don't just collect rent, they take pride in ensuring properties are fully cared for.



Often the way you treat your tenants is the way they treat your property.

Building and contents insurance

Owners should have adequate building and/or contents insurance. Depreciation on furniture or soft furnishings must be expected, especially when it is not new or is not of high quality.

Your insurance broker is best able to advise on this aspect, and additionally on such matters as public liability insurance and workers compensation which applies under common law.

Typically, the underwriter will recommend you, as the owner, to take out a replacement/reinstatement type policy.

We also recommend that you consider the extra peace of mind provided by Landlord Rental Protection Insurance. This cover is available to owners whose property is managed by an agency and also covers acts of malicious damage by a tenant. The premium is affordable and is also tax deductible.

Your responsibilities as the owner

Owning an investment property is one of the most popular methods throughout Australasia for acquiring wealth.

However, you'll need to be aware of the sorts of responsibilities that you will have as an owner. The most obvious responsibilities are:

- To provide the premises in a reasonable state of cleanliness and repair having regard for the age, character and prospective life of the property.
- To comply with all requirements in respect of health, building and safety laws so far as they apply to the premises.
- If you are the handy type, you may wish to carry out some repairs and maintenance yourself to the required standards.
- The owner is responsible for ensuring that the property is kept in good condition. Some expenditure incurred for repairs (not of a capital nature) can be an allowable tax deduction against rental income.

Garden maintenance

Tenants can be required, under the terms of the agreement, to maintain the lawns and gardens in a condition comparable to that at the commencement of tenancy. Tenants are under no obligation to improve the garden areas.

A responsible owner will also attend to pruning of trees and shrubs on an annual basis. Your manager will be happy to attend to this requirement on your instruction.

As the owner, you'll be expected to maintain the property and allocate funds to prevent deterioration (eg. painting when necessary). Carefully read the periodic inspection reports that your manager sends to you, and if there's anything you're not sure about, call your property manager.

If you're planning to travel or reside overseas for a period of time, you should appoint a Power of Attorney to act on your behalf. Remember, the managing agency authority is specific and may not cover all eventualities. Within the law, a manager is not permitted to exceed this authority.

How to set a fair rental price?

Setting a rental price is one of the most critical decisions you will make as the owner of the property. Your Professionals property manager is best qualified to assist you with determining a fair market rental value for your property.

The condition of the property must be considered when assessing rent. Location of the property is also relevant, as is the length of term offered.

Some owners make the mistake of setting the rent too high and consequently not attracting a tenant. This will waste your advertising dollar, along with the loss of potential rent whilst trying to secure a suitable tenant willing to pay the higher rate.

A range of tax deductions

As an owner/ part owner of a rental property, income tax legislation requires you to declare any rental income you may receive.

Importantly, tax legislation also allows you to claim expenses relevant and incidental to the derivation of that income. Deductible expenses include the following:

Agent's Fees – Include property management commission, inspection fees, and any other incidental fees an agent may charge for managing your property.

Borrowing Expense – Expenses incurred in borrowing money solely for income producing purposes including valuation fees, broker's commissions, application fees, survey fees and any other incidental expense charged by the lending institution.

Depreciation – If the property is leased furnished or equipped, depreciation on furniture, fittings, floor coverings, white goods, etc, are all deductible.

Repairs – Any expenditure on repairs and maintenance to the leased property are deductible. However, these do not include alterations or improvements to the property. For example, replacing a sheet of iron on an old roof may be a deductible expense. On the other hand, replacing an old iron roof with a new tile roof is a capital expense and not deductible. Although expenditure on improvements and alterations are not deductible, it is advisable to keep all records of this expenditure as they can be included in the cost base of the property when calculating the gains on the sale of that property.

Travel – Generally, all travel expenses on collecting rents or in connection with maintenance and repairs are deductible. An accurate record of the dates and distances travelled should be maintained.

Write-off Construction Cost – A tax deduction is applicable for capital expenditure incurred on the construction of new buildings used for the purpose of producing assessable income. Capital expenditure includes alterations, extensions and improvements to the property. You should consult with your personal tax advisor as they will best be qualified to confirm your allowable deductions.

Ask your Professionals property manager to put you in touch with a tax depreciation expert for a depreciation schedule.

Always seek the advice of your accountant or taxation expert when making decisions regarding investment and depreciation.

Rent reviews

Recommendations are made to our owners from time to time, regarding the market rental value. Legislation provides that rents can be reviewed six monthly, providing it has been noted in the tenants agreement, although this may differ by law and location and should be confirmed with your property manager. Professionals are well informed of the current rental value in your area and have found that prospective tenants are also well educated on current weekly rents.

It's important to remember that an overpriced rental property is difficult to let and does not always attract the best tenant. At the end of the day, we can only guide you, but the ultimate decision is yours. Our aim is to keep your property tenanted for the maximum time by responsible, caring tenants.

Accounts

This is the part of property management that our owners are most interested in. Rents are collectable in advance and submitted to the owner, at minimum on a monthly basis, together with a statement of rents received and all expenditure items.

Disbursements, such as unit levies, rates and taxes, insurance premiums, pest control, lawn mowing and even mortgage repayments, can be paid on your behalf out of rents received.

Your agent is only able to make these payments when there are sufficient funds to hand. Where you require a regular amount (eg. mortgage repayment) to be paid on your behalf each month, it is prudent to keep a buffer amount in the account in the event of a vacancy period.

If required, monthly rent remittances can be paid directly into a financial institution of your choice.

Why Choose Professionals?

Professionals Real Estate Group have over 300 offices situated in major centres throughout Australasia, with over 30 years of experience in the real estate industry.

While we've incorporated the innovations, technology and systems into our businesses, we remain proudly old-fashioned in delivery of service and believe the relationships we build with our clients are critical to the long-term success of our business. Professionals offer experience and knowledge of the local market, because each business owner is independent and fully committed to the community they serve.

Together, with our understanding of property management we can help you to find the right tenants and maintain your property for you.

We are sure to have a Professionals office near you, so if you're looking for a property manager, call or drop in to your local Professionals office today or visit our website. Talk with the real estate group whose name says it all - Professionals.

