

PROPERTY MANAGEMENT GUIDE





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LIFE IS FULL OF DECISIONS – RELATIONSHIPS, CHILDREN, CAREER AND LIFESTYLE.

A well-maintained investment property can offer distinct advantages, including income and capital growth. Many investors are able to use their investment property to reduce the tax payable on their assessable income. Property is also an important component of an entire investment portfolio, particularly, for people who do not need immediate access to their money and wish to protect themselves against inflation over the long term.

It is important to be aware, however, of the responsibilities of managing an investment property and assuring its proper care. As considerable sums of money are involved, you should take the time to develop a comprehensive understanding before you act. This booklet is the first step in the process and is designed to provide an overview of the considerations required for any owner of an investment property.

WHY INVEST IN PROPERTY?

THERE ARE SOME GOOD REASONS TO INVEST IN PROPERTY:

- Property is a solid, long term investment
- Property investment can reasonably be expected to provide capital growth in the long term.
- Property market information is easily accessible and easily understood.
- Property is tangible – you can actually see and monitor your investment.

TIPS

1. Some people choose an investment property by accessing whether they would be happy to live there themselves. Think with your head and not your heart when it comes to choosing the right investment property. For it to properly serve your needs, it must be capable of appealing to the widest possible market of potential tenants.
2. Talk to an accountant or financial adviser before beginning your property search. It's important to fully understand what type of investment property is most likely to serve your financial goals appropriately. Investment properties may be purchased using many different financial methods, all of which have differing tax implications and long-term impacts.



USING HOME EQUITY

IF YOU DO NOT HAVE, OR PREFER TO USE CASH FOR A DEPOSIT, YOU CAN BORROW AGAINST EQUITY IN YOUR HOME.

A home equity loan may be used to cover your deposit as well as other costs of purchasing such as stamp duty, legal fees etc.

NEGATIVE GEARING

Negative gearing is a common term associated with property investment. Put simply, it refers to the situation where your outgoings may, particularly in the early stages, exceed the incoming rent on the property. Where this occurs, there may be the opportunity to gain tax advantages. If you are a PAYE taxpayer, you may not have to wait for the tax advantages as you may be eligible for a tax reduction. Nonetheless, negative gearing is not for everyone because there are risks. Property values may decline from time to time, the flow of rental income may be interrupted, interest rates may rise or your ability to finance the cost of borrowings may suffer. Investors need to take into account their ability or willingness to deal with these risks and discuss them with their adviser before negatively gearing and investment property.

TIPS

1. If you already partially own your home, or have paid off your mortgage fully, tapping into your equity provides a viable method for launching yourself into property investment.
2. If your home was valued at \$700,000 and you owed \$350,000 on your mortgage, you might consider investing 10% of the equity (or \$35,000) into another property. You could do so provided that you can comfortably afford the repayments.
3. Affordability should be your main consideration. If you have any doubts, consider the advantages of pooling resources with people you know in order to get into the property market. There is a myriad of home loan options that cater to multiple ownership arrangements.



CHOOSING AN INVESTMENT PROPERTY

MOST FIRST TIME INVESTORS CHOOSE TO INVEST IN RESIDENTIAL PROPERTY. IT IS MORE FAMILIAR AND THEREFORE, EASIER TO UNDERSTAND THAN THE SHARE MARKET.

We all expect our investment property to grow in value. Therefore, a choice needs to be made on two important criteria: location and quality. Keep in mind that this is not a property that you will be living in so always look at the property through the eyes of a potential tenant. A property located close to transport, schools, places of work, shops and recreational facilities will be in greater demand and command a higher rent.

The property needs to be desirable and of a size that suits the area's average family. If located in a family area and nearer schools, a three or four bedroom house or apartment may be more in demand than a smaller property. The property should be attractive and as low maintenance as possible. As a general rule with apartment investment, modern buildings require less upkeep and are usually more desirable to tenants. However, concierges, excessive numbers of lifts, pools and gymnasiums all add significantly to strata maintenance levies and these can heavily erode bottom line investment returns.

A WELL-CHOSEN PROPERTY CAN PROVIDE A GOOD, STEADY RETURN ON INVESTMENT WHICH OVER TIME, IMPROVES ALONG WITH THE PROPERTY'S VALUE.

The income from good reliable tenants will assist you to increase equity in your property. With the assistance of a good real estate agent, the management of the investment from the landlord's point of view is relatively easy and little time is required.

To be successful in property investment your goal should be to increase the property's value and rental return in the long term. Investment in property, for many is not ideal in the short term, even though it sometimes can provide a benefit.



GET A GOOD PROPERTY MANAGER

ALL PROPERTY REQUIRES ONGOING MAINTENANCE AND DAY TO DAY MANAGEMENT.

There are landlords who take an active hands-on role in the management of their property and there are those who prefer to have an agent professionally manage their investment. Obviously, those who manage their own property must be prepared to look after their own reports, do their own cleaning, collection of rent, preparation of leases and tenancy agreements etc.

In addition, they are required to:

- Ensure the premises are clean/secure and fit for occupancy at the beginning of the tenancy
- Ensure that all repairs are completed by licensed tradesmen to appropriate standards.
- Ensure all appliances and facilities are in good working order and safe.
- Be available to arrange urgent or essential repairs or reimburse the tenant for the same.

It is vital that all landlords who manage their own property are completely familiar with the legislation in their state that governs residential or commercial tenancies.

Frequent changes to Acts of Parliament in each state mean changes to the way the property must be managed. Many changes affect administrative duties like record keeping, receipts, access notices for inspections, Tribunal hearings and bond lodgements/refunds.

Landlords who engage an agent to professionally manage their investment are not required to stay abreast of changes to Acts of Parliament – this responsibility passes to the agent.



LANDLORD INSURANCE

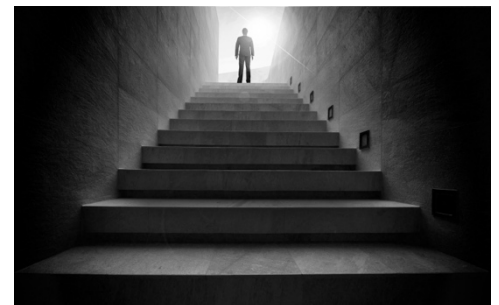
NOT ALL TENANTS ARE BAD, BUT YOU DO NEED TO MAKE SURE YOU ARE COVERED SHOULD SOMETHING GO WRONG.

While most tenants take good care of the property they are leasing, those that don't may intentionally cause extensive damage. Intentional damage is not covered by many standard home insurance policies nor is the failure to pay rent.

The valuable common features of a Landlord Insurance policy include:

- Malicious or intentional damage to the property by the tenant or their guests.
- Theft by the tenant or their guests.
- Loss of rent if the tenant defaults on their payments.
- Liability, including for a claim against you by the tenant.
- Legal expenses incurred in taking action against a tenant.

It's important to remember that not all landlord protection policies are the same. Some for instance are designed to be implemented in addition to a typical home and contents or strata title policy, while others are more comprehensive. Some policies allow cover for the contents of the property. This is particularly important if you rent a partially or fully furnished property.



THE TENANT

SELECTING A SUITABLE TENANT FOR YOUR PROPERTY IS EXTREMELY IMPORTANT.

You need to select someone who you believe will look after your investment and be in a position to pay rent reliably. Remember, you will use your rental income to offset your investment loan. Privacy legislation prevents you from gaining credit checks, however real estate agents have additional processes in place that make them experts in guiding your decisions.



When tenants default on their rental payments, it's important to understand that a managing real estate agent must follow a legislated process and corrective action can take time. Unfortunately, your financial obligations continue and investment property owners must be prepared to meet their ongoing commitments.

If you choose to self manage, you may need to perform the following tasks:

- Repairs and maintenance
- Arrears control.
- Inspections of the property to prospective tenants.
- Legislation may require the provision of a trust account for the keeping of the rental bond with an independent authority such as a rental bond board.
- Condition and inspection reports.
- Rent collection.
- Payment of rates and other outgoing costs.
- Attendance at statutory tribunals where required.
- Prepare applications and arrange for the serving of notices, in compliance with the relevant legislation or tenancy agreements.



THE ROLE OF THE PROPERTY MANAGER

MOST REAL ESTATE AGENTS HAVE A PROPERTY MANAGEMENT WHICH IS SOLELY ESTABLISHED FOR MANAGING INVESTMENT PROPERTIES.

Different agencies specialise in different styles of rental properties. Primarily, your real estate property management services will include:

- Establishment of an appropriate rent.
- Marketing of the rental property.
- Showing prospective tenants through the property.
- Receipt of applications and assessment of appropriate tenants.
- Discussion with Landlord of applicants.
- Completion of all relevant documentation required.
- Receipt of rent monies.
- Follow up of arrears in rental payments.
- Organisation of repairs and maintenance.
- Provision of regular payments and statements.
- Payment of accounts.
- Initial, final and routine inspections of the property.
- Organisation of and representation at tribunal hearings.
- Bond collection and the first months' rent in advance prior to tenant moving into the property.
- Lodgement of bond with the appropriate body.
- Personal service from property management team.



TIPS

1. Keep up appearances, before offering your property for rent, a property manager will recommend your property must be clean and secure, and that all appliances and facilities are in safe working order. Once your tenant moves in your property manager will ensure all repairs and routine maintenance tasks are carried out quickly and satisfactorily.
2. Finding the appropriate tenant can be more difficult than it seems. You will need to decide on an advertising strategy after listening to the advice of your property manager. Your property manager will arrange and conduct open and/or private inspections.
3. When deciding what you will charge for rent, it is important that you find the right balance between what you would like to be receiving and what the market will deliver. Your property manager will make a recommendation. Alternatively, you may prefer to inspect nearby vacant properties that are similar in terms of size, quality and location, and get a feel for what other landlords are charging.

LANDLORD AND REAL ESTATE AGENT AGREEMENTS

LANDLORDS ARE REQUIRED TO COMPLETE A MANAGEMENT AGREEMENT WHICH ENGAGES THE AGENT TO MANAGE THE PROPERTY ON THEIR BEHALF.

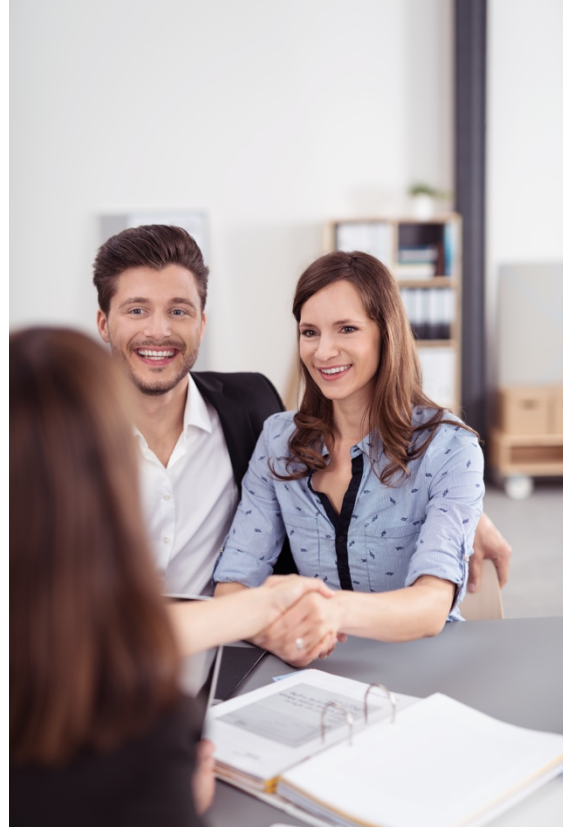
The agreement documents all aspects of management and outlines performance responsibilities of the agent. Agreements may be altered or updated as circumstances change.

Included in the agreement will be:

- Agency fees.
- Regularity and reporting of inspections.
- Details of payment to landlord.
- Level of expenditure and process in relation to maintenance/reports.
- Notice required for cancellation of agreement.
- Rent reviews

YOUR GUARANTEE OF SERVICE

A progressive real estate agent will offer a guarantee of service as an important part of their genuine commitment to meeting the needs of their client.



LANDLORD AND TENANT AGREEMENTS

A LEASE/TENANCY AGREEMENT WILL BE PREPARED THAT SPECIFIES THE RIGHTS AND OBLIGATIONS OF THE LANDLORD, AGENT AND TENANT.

This is a legally binding document, enforceable under the relevant state legislation. The legislation is designed to protect the consumer and is open to interpretation and change. It's therefore important to have a sound working knowledge of the Act and also to be experienced in dealing with tribunal in the event of a dispute. Leases can be of varying terms but are generally set as six months or one year.

The lease has standard and special conditions, as required, and will include the following:

- Rental payments.
- Term of the lease/tenancy.
- Requirements of the landlord is clearly stated, and obligations of the tenant fully outlined.
- Details of how vacation notice must be given, either by the landlord or tenant.
- Rental bonds.
- Special conditions as presented by the landlord/agent and agreed by the tenant.



SCHEDULE OF FEES AND CHARGES

LETTING FEES

All New Leases.....1 weeks rent + GST
(Letting fees cover tenant selection and screening, lease signing, bond and rent processing and full property condition reporting)

MANAGEMENT FEES

Provision of Management services.....8.8%
(Management fees include all monies collected for rent, water and maintenance)

OTHER FEES

Tenancy Agreement Preparation.....\$44.00

Internet Advertising.....\$55.00

Monthly Statements.....\$6.60

Annual Income & Expenditure Report.....\$22.00

Tribunal Attendance.....\$165.00

Tribunal Preparation.....\$55.00

Tribunal Application.....At cost

Service Of Nay Notice Or Summons.....At cost

Insurance Claims Over \$5000.00.....5% of project cost

WHAT WE CAN DO FOR YOU

BIANCA BROWN REALTY PROPERTY MANAGERS OFFER A COMPLETE PROPERTY MANAGEMENT SERVICE FRO PROPERTY INVESTORS, BACKED BY MARKETING CERVICES, SYSTEMS AND PREFESSIONAL TRAINING.

Bianca Brown Realty Property managers are well known for attention to detail. For the care of your valuable asset, Bianca Brown Property Managers prepare a written inspection report with supporting photos at the commencement of each tenancy and ensure that a rental bond is lodged.

An inspection of the property when the tenant vacates is a standard procedure at Bianca Brown Realty and bonds will only be released if the condition of the property is deemed satisfactory.

Inspections are conducted during the tenancy and important repairs and maintenance will be arrange with your approval.

Financial transactions are conducted with efficiency and receipts issued for all monies received on your behalf. You are accounted to regularly and monies are paid by direct deposited into and institution of your choice.

By maintaining your asset in good repair and ensuring it is well presented, you will maximise rental income, reduce vacancy periods and attract a high standard of tenant. Vacant properties cost money and are a security risk.

Bianca Brown Realty can assist in building your property investment portfolio as a secure means of investment for your future. Our Property Management services cover residential properties and can offer services anywhere and attract tenants from far and wide.



**WE AT BIANCA BROWN REALTY
LOOK FORWARD TO ASSISTING YOU
IN MANAGING YOUR INVESTMENT**



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