



the landlord's **book of FAQ's**







# Real answers to the **real questions**

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**Being a property investor 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 ebook 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.

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# When is the **best time of year to advertise** my property for rent?

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**The time of year that your property is either vacant or due for a lease renewal can have a considerable impact on the demand for your property and, therefore, the return on your investment (ROI).**

## **January to February**

This is the busiest season in the rental market and the time of year that people are most on the move. Their reasons typically include transferring for work, settling the kids into a new school, students starting university or simply renters who want a change in location or lifestyle.

As at 2016, the average length of tenancies in Queensland is 13.1 months and these first months of the year are when the majority of leases are due to expire.

Therefore renters are more likely to make a change due to no additional financial obligations that a break-lease might incur at other times of the year, when they are still bound by a tenancy agreement.

## **June to August**

This is the second busiest time of the year in the rental market. New university intakes are occurring and six-month tenancy agreements are due for expiry, so this is another optimal period to maximise demand for your rental property.

## **Key Takeaways**

While it is not impossible to find a suitable tenant at any time of the year, these two peak periods provide investors with more: more selection of suitable applications, more demand, more quality applications and more potential for the optimal rent to be achieved.

A common misconception about tenancy agreements is they should be either six months or 12 months. This is not a legal requirement in Queensland and if you are an investor who has a tenancy agreement due to expire in any other time of the year, it is wise to consider aligning your tenancy to end in any of the peak seasons.

Some tenants might find it odd that a lease being offered to them is not for a typical six- or 12-month period, so your property manager should communicate clearly the benefits to the tenant of ending a lease in a peak rental season.

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# What is best, fixed-term tenancy or periodic tenancy?

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**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 tenancy   | Periodic tenancy   |
|--|--|
| 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 to Leave of two months 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 if they are ending the agreement. | 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.

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# How to attract the right tenant

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## **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.

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# How much will **my property** rent for?

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## **It's a question every investor asks.**

While starting with a search of comparable properties on websites such as realestate.com.au or domain.com.au is great to see how much similar properties are being advertised for, it should not be the deciding factor of how your property is priced when going to market.

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.

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# How long will it take for **my property** to rent?

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**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 the demand from the market for properties such as yours.**

If your property is vacant it may require a different strategy to that of a property with a tenant already in place in order to minimise vacancy periods.

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.

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## **Key Takeaways**

The price and demand for properties similar to yours along with the pro-activeness of your property manager will determine how long it takes to secure a suitable tenancy application for your property.

# Which is best, open-inspections or private viewings?

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**Open inspections used to be considered a mandatory part of renting a property, but are now not quite as common as they used to be.**

In an open inspection, a specific time and date is set for prospective tenants to drop by and walk through the property for a viewing. This event is advertised publicly so interested potential tenants can plan ahead and arrive with questions. The downside to this type of viewing is that it opens the doors of your property to anyone who wishes to come through without you or your property manager having much idea of who is attending.

Inspections by appointment are becoming more popular than open inspections as tenants can be screened ahead of time to ensure they are serious and trustworthy. Many property management businesses now have software, such as Inspect Real Estate, which allows a tenant to book an inspection based on their own schedule and the property manager's availability.

The property manager is then provided with the prospective tenant's name, phone number, email address and booking time.

While inspections by appointment are based on a single party registering for an inspection, your property manager may allow other interested parties to register for the same inspection time or choose to cap the amount of people they show through the property for security reasons. If you have a tenant in place already, it is important to respect their privacy as well and ensure that the transition of tenants is as smooth as possible.

## **Key Takeaways**

You should choose an inspection method that best suits your needs. It is important to consider the privacy of your current tenant, the security of your property and safety of your property manager when you decide which method is appropriate.

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# What happens when a tenant applies for my property?

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**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 previous rental history, tenancy database and reference checks.

If the applicant's current property manager or landlord is wanting to remove the tenant, their reference could be tainted so at minimum, two previous rental references should be provided to check on the

applicant's history as a tenant prior to where they are living now. Tenancy databases such as Tica may hold records of tenant breaches for up to seven 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.

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# How can we best **prepare our property** for rent?

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**Aside from the obvious importance of presentation, functionality and cleanliness, there may be inconveniences to a tenant that can turn into disputes throughout a tenancy.**

However minor you feel they may be, the below list contains common issues that arise in residential tenancies that may quickly turn into disputes about whether they will be provided to the tenant.

If not provided to a tenant, you may very well lose what is a great tenant for the sake of providing these creature comforts that would have ultimately added significant value and appeal to your property:

1. Phone line to the property\*
2. TV points\*
3. TV aerial reliability\*
4. Location of electrical outlets around the property
5. Flyscreens/security screens
6. Airconditioning
7. Fenced yard
8. Ceiling fans
9. Dishwasher
10. Permission for pets

While some of these may not have been an inconvenience to you or your previous tenants, you should consider the long-term goal of attracting the best tenants who will be glad to look after your property and pay their rent on time if you look after them.

You don't need to go over the top and provide all of these features to your investment property, but you need to be prepared that an otherwise great tenant might request it as a means of them applying or staying because it happens more often than you think. The top three are critical to include right from the start.

## **Key Takeaways**

Provide as much value to the tenant experience in your property as possible, within your budget. Tenants these days are spoilt for choice and the attractiveness of your property may be the deciding factor in who you attract, how long they stay, how much rent you are likely to achieve and the experience you as the landlord have throughout the lifecycle of your investment.

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# What happens during the lease renewal process?

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**A tenant is required to be given the prescribed notice, under your state legislation, prior to the end of their fixed-term tenancy of an offer to renew their lease or a notice to vacate.**

Should you decide to offer a lease renewal to your tenant, a proactive property manager will commence the process at least three months prior to the end of your tenants fixed term. Your property manager will first prepare a Comparative Rental Analysis (CRA), which identifies how much properties similar to yours are rented for.

Combining this data with the consideration of what time of the year the tenant's lease will end and other measures such as the Consumer Price Index (CPI), your property manager should be providing you with this information to justify their recommendations of the new rent being offered to your tenant and how long the new lease should be.

Once you are happy with the new lease being offered, your property manager will prepare the necessary legal paperwork along with their new lease terms and present this to your tenant at least two months prior to the end of their fixed-term lease. Your property manager should also provide a strict timeline for your tenants to respond to your offer of a lease renewal to

ensure you can commence advertising for new tenants well in advance should your current tenant decline your offer.

Should your tenant accept the lease renewal offer, the contractual paperwork is signed and you should be formally notified of the acceptance from your property manager.

## **Key Takeaways**

There are strict timelines that relate to providing notice to end a tenancy. Should you consider offering a lease renewal to your tenant, you and your property manager need to commence the process in advance of these notice periods by discussing your intentions for the property, negotiate new lease terms and rent amounts to be offered and then provide the tenant with an offer with clear instructions and a deadline to advise of their intentions.

If your tenant decides to vacate the property at the end of their fixed-term tenancy, your proactive approach to working within the legal timelines will provide you with plenty of time to secure a suitable new tenant at the appropriate rent as to limit any chance of vacancy and maximise your return.

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# Property management structure and **why it matters** to you

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**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 the 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.

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# Property management structure and **why it matters** to you

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|                  | Pros   | Cons  |
|------------------|--|---|
| <b>Portfolio</b> | <ul style="list-style-type: none"><li>• One point of contact for all matters relating to the management of your property.</li></ul>  | <ul style="list-style-type: none"><li>• It may be difficult to get information or updates if your property manager is away sick or on holidays.</li><li>• 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.</li><li>• 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.</li></ul> |
| <b>Task</b>      | <ul style="list-style-type: none"><li>• If one team member is away you can still get information or updates from someone else in the office.</li><li>• 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.</li></ul>  | <ul style="list-style-type: none"><li>• 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.</li></ul>  |
| <b>Pod</b>       | <ul style="list-style-type: none"><li>• 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.</li></ul> | <ul style="list-style-type: none"><li>• 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.</li></ul>  |
| <b>Hybrid</b>    | <ul style="list-style-type: none"><li>• Property managers are more engaged with the tasks that matter to the client experience.</li></ul>  | <ul style="list-style-type: none"><li>• 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.</li></ul>   |

## Key Takeaways

The success of any relationship in property management is built on communication. If your chosen agency has a goal to provide the highest level of communication to you as their client and they can provide testimonials from previous clients attributing to this, it shouldn't matter which department structure your chosen agent has.

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# What is tax depreciation?

## What's in it for me?

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### 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](#) 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.

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# What happens if my property is vacant?

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**A vacant investment property does not produce income and unless your property is vacant for a specific purpose, such as renovating or selling, there is a need to generate money from that investment as quickly as possible.**

If a tenant has vacated or you have vacated the property yourself, there are strategies available to help you find a suitable tenant as quickly as possible to minimise the amount of income being lost.

If your property has been vacant for some time, consider the amount your property is being advertised for and whether this could be reduced on the basis that a shorter lease period is offered to a suitable applicant. In a time like this when your investment property is not producing income for you, this will help you secure a suitable tenant. You can then review the rent at the end of their fixed term, rather than prolong the vacancy in the hope more rent will be achieved. Here is a scenario to consider:

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## Example 1

It is the month of August. John and Wendy have an investment property that has been vacant for four weeks. Their property manager has it advertised at \$450 a week and has been recommending to the client that it be reduced to \$430 a week in order to be competitive in the current market.

John and Wendy aren't budging and ask their property manager to keep trying for \$450 a week. The property remains vacant for another two weeks until John and Wendy finally agree to reduce the rent to \$430 a week. The property is leased the following week bringing the total vacancy to seven weeks. The new lease period is for six months up to February next year.

If John and Wendy had taken the advice of their property manager to reduce the advertised price of their vacant property, they would have been \$3010 better off. If they did finally achieve the higher rent of \$450, an additional \$20 above what their property manager had advised, it would have taken them 150.2 weeks to recover the money they lost by holding out for more rent.

Roger and Simone, on the other hand, didn't take that risk and secured a new tenant before the property became vacant, locking in their income until a more appropriate time to review the rent amount.

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## Example 2

Roger and Simone have a similar investment property in the same marketplace that is about to become vacant next week. Their property manager suggests that they do not have much time to find a tenant before it is vacant, therefore they ought to price it competitively at \$430 a week.

The property manager also suggests that a six-month lease period be offered so the lease will end in a busy period, allowing the rent to be reviewed and an optimal rent achieved down the track as opposed to trying for the higher rent now and risk the property being vacant. Roger and Simone agree and the property is listed at \$430 a week and a suitable tenant is found the next weekend before the property becomes vacant.

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## Key Takeaways

A property rented slightly below market value is better than a vacant property with no rent. It takes a long time to recover any loss from a vacant property so consider pricing it appropriately and whether a shorter lease period than normal can be offered to align the next potential vacant period with busy market conditions.

# What insurance do **we need**?

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**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.

Bad things can happen to great tenants and a bad tenant is 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. Some proactive agencies even offer guarantees of no vacancy and no tenant damage - ask yours.

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## **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.



# Who is responsible for repairs and maintenance?

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**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 routine repairs. These may include anything from loose fixtures or fittings to faulty airconditioners or garage remotes.

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 lease 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.

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# When will our tenant's rent be **paid into our account?**

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**Tenants are required to be in advance with their rental payments, however the frequency with which they pay their rent can almost always fluctuate.**

More often than not, the frequency of a tenant's rent payments coincide with their employment wages being paid. This will vary from person to person.

Your property manager should suggest to any new tenant who is paying their initial rent payment to include any additional rent up to and including their next pay day. This will align each corresponding pay day to the amount of rent they owe to ensure a consistent calendar of rent payments is set up right from the start.

## **Key Takeaways**

Your tenant's rent payments may not always align with your mortgage repayments so to ensure there is no confusion during the tenancy, it is important to discuss with your property manager the frequency and estimated dates of each rental payment based on their discussions with the tenant.

Ask your property manager how often they disburse funds to their clients. Is it monthly, fortnightly, weekly? Often they can be flexible to your needs.

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# What happens if we decide to **sell during a tenancy?**

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**The rights and obligations of both the tenant and the landlord including notice periods differ depending on whether your tenant is on a periodic tenancy or fixed-term tenancy.**

A tenant cannot be forced to vacate the property just because you have a buyer. There are legal obligations that must be met to terminate 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 unco-operative 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
- The recommended method of compensation to tenants for rent is via a Rent Rebate
- Understand the following legislation, rebate concept and system involved for a Rent Rebate and discuss the process with the lessor so they understand how it would work
- Consider selling via your property management agency as they will have full maintenance history of your property which a new owner will appreciate

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. You should work very closely with your property manager to ensure the process is handled with utmost care.

Besides the benefit of having them communicate with your tenants on your behalf, there are numerous benefits that they can provide to potential buyers, such as copies of the maintenance history of rental appraisals.

# Who deals with any **body corporate issues** that arise?

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**Property managers do not engage in body corporate decision making, however it is their responsibility to report any potential issues that would impact on body corporate management to you directly.**

This might include repairs or maintenance, security concerns, resident complaints and issues surrounding common areas or equipment.

Often these matters will arise in communications from your tenants or during routine inspections when your property manager has made an observation. Your property manager may report these issues to you or the body corporate managers directly to resolve.

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## **Key Takeaways**

Your property manager cannot get involved in resolving specific body corporate matters but they are responsible for the management of your property, which may include reporting matters of concern to you or the body corporate managers directly to follow up.

If matters go unresolved, your property manager and your tenant are the best set of eyes to report back to you to follow up with your body corporate managers, to whom you pay significant costs to manage these matters.

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# Who is responsible for paying the utility bills?

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**One of the most common disputes in a tribunal is about the responsibilities of both parties relating to paying for utilities such as water, gas, electricity and telecommunications.**

These responsibilities will depend on a range of considerations including your dwelling type and council laws. The way in which your property is set up with relation to metering will also impact on the responsibilities of both the landlord and the tenant.

For example, in Queensland there are a set of steps that must be taken and fittings installed to have a qualified tradesperson certify your home as water efficient before you can charge your tenant for 100% of water consumption.

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## **Key Takeaways**

There are many deciding factors that will determine who will pay for utilities at your investment property. You should speak with your property manager about your legal obligations to understand what you can and cannot charge a tenant for your specific property.

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

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**Rent arrears can impact on the performance of your investment property and your emotional wellbeing 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 proactively 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 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.

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# How much **should a property manager cost me?**

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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:

- Rent collection and managing rental arrears
- Paying and recovery of water consumption from tenants
- Conducting regular rent reviews
- 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 special water readings when required
- Organising keys for inspections and tradespeople.
- Copying/scanning of invoices
- Attending to the payment of general property expenses such as council rates
- Liaising with owners and tenants
- Liaising with insurance companies
- Attending to daily telephone, email and fax enquiries
- Liaising with the strata company if applicable
- Processing notices to vacate
- Disbursement of the vacated tenant's bond
- Administration of advertising tribunal hearings
- Some advertising activities

## **Letting Fees**

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 generally paid by the outgoing tenant as compensation for ending their agreement early. The amount charged will depend upon the actual rent amount.

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
  - Adminstrating 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 including photos (approximately 200 photos are taken for a standard size house)
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# How much **should a property manager cost me?**

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**Other fees may be charged for important additional tasks relating to the management of your investment property.**

These may 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.

Property management teams with the systems and technology in place to maximise your return and minimise your exposure to risk must charge accordingly for their investment in such technologies.

These offices also tend to have a better staff culture and less turnover of staff, which means a much more enjoyable and profitable client experience.

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Explore  
Property

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