

Working Australia: Nine Things New Property Managers Need to Know

Written by Rory Cowles



16 September 2014. Holly Johnson is a 32-year-old wife and mother of two. Back in 2006, her and her husband purchased their first rental property. They tell their story here. What's most amazing about their experience is their commitment to the business. You see, they treated it like a real business - because it was.

That's something many property managers and landlords don't do. It doesn't always feel like a business because you're not sitting at a desk or doing the usual business activities. For many property managers, it's a balancing act between babysitting tenants, repairing the property, and managing the financials.

The tenant component can be absolutely draining - especially when land-lording and property managing comes as a moonlighting project (something you do after your day job). The Johnsons found out the hard way - one of their tenants completely trashed the house and Holly spend the entire month of December both pregnant and knee-deep in rental repairs.

Even now, the couple remains hopeful, but they admit that it will take 14 years to pay off the mortgage. That's a long time to be committed to a loan where the income may be very variable. To many property owners, rentals are like chasing dreams. But you shouldn't be chasing dreams. You should be living in the moment. Here's how to do that.

Be a Businessperson

Don't make the mistake that most new property managers make. Run your real estate adventure like a business. When the Johnsons first started out, they didn't take it seriously enough, and it cost them some money in lost rent.

Keep Your Property In Immaculate Condition

One of the best ways to start off on the wrong foot with your tenants is to keep your apartments in less-than-optimal condition. For example, when it's time to paint the home, do you try to do it yourself, or have a professional paint your apartments? Or, do you just let the outside deteriorate over time?

How can you command high rents without making your house or apartments look like they deserve the rent you're asking for? Yet, this is what many landlords and property managers try to do. Make your apartments look immaculate. Keep up on the maintenance, and you'll get higher rents and more loyal tenants. Most landlords won't do this, so you should have very little competition.

Always Review Rents

Periodically review the real estate market. Are you charging what you should or could be? Sometimes, you have to raise rents on tenants. Every year, you should review the state of the industry. Don't be afraid to increase prices. Just make sure you give a little value-add to the tenants when you do so.

Educate Your Clients

If you're working with a landlord, make sure that they understand your procedures and policies. If you're a landlord/property manager, have a list of procedures you follow and stick to it. Make sure tenants understand it too. According to Tenant Verification Services, Inc, educating tenants is one of the most important things you can do to help make sure that rents are paid on-time and that they understand all of the rules and conditions for renting.

Don't assume that tenants will read the documents they sign - many of them don't.

If you have restrictions on how the rental is used, for example, make it clear prior to the tenant moving in. You may not want the tenant using your apartment for business purposes, for example. It may be restricted by law.

Also, make it clear what the penalties are for late payments, non-payments, repairs, and vacating. If tenants don't pay, they may (and probably will) not treat you with the greatest amount of respect, but you can mitigate disaster by starting the relationship off on the right foot.

That means keeping your property in good working order and creating a space that feels like a home, not like an apartment.

Keep The House Nice

When repairs need to be done, do them. Most property managers get caught up in the landlord's dream of unlimited profits and "passive income." The truth of the matter than real estate isn't passive income. You have to do a lot of manual labour to keep a home looking nice. Now, maybe you can outsource a lot of low-paying work to someone else, but you still need to have it done.

And, maintenance costs money. According to some experts, you can expect to pay between 1 and 4 percent of your home's value, annually, on maintenance and repairs. Budget for them and you should be fine.

Build A Cash Reserve Right Now

Most property managers and landlords never think about cash reserves. They live for the rents and equity. But, having cash in the bank is still better than cash flow when you need to make repairs or when you need more money than what a bank will lend you.

Expect Problem Tenants

The Johnsons discovered that even the best tenants can be problematic - depending on where your apartments are located. Expect no-pays, late-pays, damaged interiors, and accidents.

A Background Check Doesn't Tell You Everything

The Johnsons discovered that even background checks don't always turn up everything. Yes, you'll catch the people with multiple evictions on record, a criminal record, and those that are unemployed who collect benefits.

However, what you won't discover are people who have managed to secure apartments in the past, and yet always pay late. Even if it's a 5-day-late-payer; that can seriously interrupt your ability to pay your own mortgage on time.

If your mortgage is due on the 15th, for example, and you collect rent on the 30th or the 1st.

Always Charge a Late Fee

The Johnsons' major mistake just starting out was that they didn't charge a late fee on rents. You're not friends with your tenants. You're in a business relationship. Don't encourage late-pays. Always charge a late fee.

Rory Cowles is a retired property manager of many years. He now likes to spend his days reading and writing articles for the web. You can find his interesting posts on a variety of websites and blogs.

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