

...your shot of property  
management news  
for May 2011



## THREE ELEMENTS THAT MAKE A TENANCY AGREEMENT

When letting your investment property it's important to secure a lease that will not only maximise the return but also underpin the security of your investment. There are essentially three elements of making a good lease.



### 1. QUALITY TENANT

Always number one on any list, is quality. Everything will fall into place once the quality of something (in this case a tenant) is established.

*To ensure a good tenant is found and subsequently selected, it's critical for your property manager to thoroughly check references before passing on the final selection duties to yourself.*

Written references are fast becoming a requirement for this process and you should consider those applicants above all else, it proves these applicants are above all else, organised and considerate of not only a property managers time, but yours as well. If, in the case of the prospective tenants being young or void of a rental history, a co-signature (like a parent) adds to the security of the lease.



### 2. LEASE PERIOD

In this age of short attention spans (are you still reading?) finding someone willing to lease a property for 12-months or more is a god-send.

*A tenant that suggests a lease period of 12-months or more should be considered over anyone else.*

Longer term tenants make for a solid lease, as much of the wear and tear on a property comes during the process of moving in and out. You'll also avoid the changeover costs of new tenancies like the letting fee, advertising costs, lease preparation fees and the loss of rent that can occur between the end date of the old tenant and the start date of the new one. If you're concerned about achieving market-rate rent at all times, get your property manager to work 6-monthly rental increases into the tenancy agreement.



### 3. ACHIEVABLE RENT

In theory all parties (except for the tenant) want maximum dollar for the asset. This is eminently achievable in markets with very low vacancy rates where there is active competition for the property between prospective tenants.

Rent flexibility is common in markets where demand for rental properties is lower but the key to maximising the yield lies in ensuring regular rent reviews with minimum escalation clauses.

Offering the property in a cosmetically attractive fashion is also important in ensuring top dollar for rent.

*Considering each of the three above elements before the letting process begins should ensure a positive outcome.*



**For Sale \$715,000**  
**56/12 Bank St, Wollongong**  
 sit back & enjoy the view

With sweeping views of the ocean and Wollongong's pristine Golf Course, this level 7 apartment is ready to simply move in and relax.



Featuring 3 bedrooms with ensuite and walk-in robe to main | Built-in robes to bedrooms 2 & 3 | Timber & granite kitchen with stainless steel appliances and plenty of storage | Internal laundry with clothes dryer | Double parking and storage cage | Restricted access building with onsite swimming pool.

Just minutes from City Beach, Wollongong's Golf Course, WIN Entertainment Centre and the CBD, you'll want for no more!

Phone 4228 8400 to organise your inspection.



[www.citybeachproperties.com](http://www.citybeachproperties.com)

**You go in through one hole, you come out through three holes. Once you're inside you're ready to go outside, but once you're outside you're still inside. What is it? (answer at the bottom of the page)**



**DID YOU KNOW?** The expression to 'knuckle down' originated from playing marbles due to the fact that players used to put their knuckles to the ground for their best shots.

# ESPRESSO

## EMILY INTERVIEWS



**This month we met landlord Kate\* to find out whether she has had the experience of a long term tenant and if so did she find this to be a positive investment strategy.**

**How long has your longest tenancy in occupation been?** 6 years

**Was the entire period a fixed term?** No, it initially commenced as a 12 month lease and then it ran as periodic for a couple of years. The tenants requested a fixed term period of six months somewhere in the middle and when that ran out they continued on month to month until they vacated after six years.

**Did you consider in this time that you could request the tenants to commit to a fixed term or did you attempt to negotiate this?** I did consider it but flexibility for rent increases or possible sale of the property were important to me during this time. I always wanted to be able to keep my options open.



**Did your property manager suggest to you that you could include a rent increase in a fixed term agreement and did you consider this?** Actually it was not until the property manager changed that this was brought to my attention. Once I knew this I did consider it but the tenants would not agree to a fixed term. For me, they had been there a long time and proved to be good tenants so I was happy not to push for this.

Now that I am clearer about my investment strategy and I know I will hold onto this property, I will always try for fixed terms and include rent increases to ensure I don't fall behind the market with the rent.

*\*Not her real name*



**eco tip**

If you haven't already, it's time to put a dishwasher in your investment property. A recent study by Australian market research agency Colmar Brunton found that washing dishes by hand uses up to five times more water and 60% more energy when compared to using a 4 star dishwasher for the same quantity of dishes.

**Answer: a sweater**