

## IS SELF MANAGEMENT WORTH IT?

Many folk with one or two investment properties and plenty of time on their hands choose to manage their property themselves. Particularly when the income yield on residential property investment is low, the key motivation is to save the modest property management fees we charge for professionally managing your property. In some circumstances that is fair enough, but there is often far more to good property management than meets the eye.

**In the pro-forma letter below we outline the many benefits gained, and the considerable risks avoided, by using our professional property management services for about the cost of one good cup of coffee per day!**

Dear Prospective Landlord ...

Thank you for giving consideration to using the professional property management services of Highlands Property. We understand you are unsure about the benefits of professional property management and about the risks we can help you avoid.

We understand that your property is an important investment and that it is our job to help make it a financial success for you. Our business is dedicated to property management. Collectively, our team has nearly 50 years property management experience: therefore we can confidently say that we can save you a lot of time and worry while we do all the work.

The **benefits** to you allowing us to manage your rental property are significant:

- Due to our size and volume of business, **we know the current rental market-place better than anyone.** We know how much your property is worth for rent, who will want it, and how to market it successfully, including to tenants who are on our automated internet based alert system and on our waiting list.
- We are **better placed to attract more prospective tenants** and save you considerable time in the process.
  - As the largest provider in the district, tenants know to approach us when looking for rental property: they can use our automated alert system and wish/wait list.
  - We have access to internet advertising, now the major search tool used by prospective tenants.
  - We have regular extensive press advertising at lower cost and with better exposure than casual advertisers.
  - Our alliance agents (without a rent roll) refer enquiries to us.
  - Our staff can conduct open house and specific inspections at all times, including whilst the outgoing tenant is still in occupation.
- Having found suitable potential tenants, we take a very detailed written application and **thoroughly check their identity and tenant credentials:**
  - With other property managers
  - With employers
  - With other financial and personal referees
  - With Tenant Reference Databases that property managers only can access.

This is a much smoother and more reliable process for us **acting as your agent**, than it is for you acting very occasionally as a principal. Our objective experience also makes us alert to potential issues and pick the good from the bad tenant at the **tenant interview**.

- Prior to commencing a lease we do a thorough inspection of your property, completing a Residential Premises Condition Report that will form part of the lease and that records in detailed words and digital images the condition of the property at the commencement of the lease. This documented objective evidence is used as the benchmark for assuring the proper condition of property at end of the tenancy.
- Once we have **agreed with you on the selected tenant**, we attend to the drawing of the lease, and to the collection and preparation of other documentation. **We require the tenant to attend our office for the lease signing and tenant briefing**. In that briefing we articulate the “rules of the game” thus **setting the right expectations for a good tenancy**. Refer to [Tenant Information](#) on our website.
- We have sophisticated and automated processes in place to **daily check**, and if necessary **chase rental payments**. Notices are sent immediately that the law allows should a tenant fail to meet their commitment to pay rent on time.
- We organise (and where necessary) chase along all **repairs and maintenance** (including emergency call outs), with a carefully accredited team of trade professionals who we use daily: Tradespeople we know and trust to do a quick, efficient and cost effective job. We then pay their bill out of your collected rent and account to you at month end.
- For your added convenience **we can pay many of your property expenses** from the rent received:
  - Council rates;
  - Council water and sewerage usage charges – we will also collect the usage charges from the tenant and then refund them to you;
  - other regular payments such as landlord insurance.
- We **monitor the maintenance** of your property with 2 internal **routine inspections** a year and regular drive-by inspections of the external areas. These inspections give us the opportunity to make sure your investment is being maintained to our high standard and highlight to you any maintenance that maybe required. The routine inspections are followed up with a written report to you. The fact that we do thousands of such inspections a year places us in the right position to be **objective and fair** to you and the tenant **about property condition and wear and tear**.
- We are experienced in dealing with the ever-changing legalities of leases and the rights of both tenants and landlords. The body of legislation that affects landlords and tenants is very large and constantly changing; indeed we find that the vast majority of landlords are not fully aware of some of even their most basic responsibilities and (lack of) rights. **For the not fully aware and untrained landlord the law can look like a minefield**: we have many examples of landlords stumbling into trouble that we could have helped them avoid. As professionals we receive alerts and regularly attending training to keep updated on this body of legislation.

- **There are heavy penalties on Landlords under NSW law**, here are some of them:
  - Entering residential premises with the intention of recovering possession - **\$20,000**
  - Taking possession of a property without an order of the Tribunal - **\$20,000**
  - Failure to comply with a Rent Order of the Tribunal - **\$5,000**
  - Attempting to contract out of the provisions of the Act - **\$2000**
  - Failure to give the tenant a copy of the Residential Tenancy Agreement at or before the time of signing and a copy of the Agreement signed by both Landlord and Tenant as soon as reasonably practicable - **\$500**
  - Failure to increase a tenants rent in accordance with statutory requirements - **\$500**
  - Failure to provide the Tenant with quiet enjoyment of the property - **\$500**
  - Entering property in any way other than the ways provided under the Act - **\$500**
  - Requiring a Tenant pay rent by post dated cheque - **\$500**
  - Failure to keep proper rent records - **\$500**
  - Failure to cooperate with an investigator from the Tenancy Commissioner's Office - **\$500**
  - Unlawfully disclosing information - **\$500**
  - Failure to give notice to a tenant of the Landlord's or Agent's address or change of ownership and address - **\$200**
  - Removal of a lock or security device at the property - **\$200**
  - Failure to give the tenant a written statement of costs relating to the Tenancy Agreement prior to signing that Agreement - **\$200**
- Most good tenants will only rent through a professional property manager as the process is more **detached, private, streamlined and convenient**. Rental payments can be made electronically, questions answered quickly, and **we are always available** to assist with routine matters and emergencies.
- **Rent payments**, less any expenses, will normally be **paid electronically directly into your bank account**, thus eliminating any fuss and time collecting your revenue. A statement is then emailed or posted at the end of each month and a detailed financial statement showing all your income and property expenses is issued at the end of the financial year for taxation purposes.
- **Your privacy is protected** as we act as an objective agent and liaison between you and the tenant.
- We collect and deal with the administration of the rental Bond (4 weeks rent) which is retained by the Rental Bond Board. Only after we are satisfied with the condition of the property (by reference to the in-going Condition Report), is the Bond released to the tenant at the end of their lease. As **this is the time in a tenancy that gives rise to the most disputes**, our objective agency involvement at this time can be very important: we are often able to mediate a fair solution at a time when tempers often run hot.
- Should there be a substantial problem with a tenant over rent payments or property maintenance, **we will manage the whole resolution process** including:
  - dealing with the tenants (sometimes a pretty confronting activity)
  - preparing and conducting a CTTT hearing (no substitute for comprehensive knowledge and expertise here)

- if necessary arranging tenant eviction
- settling down the aftermath

**This is territory for experienced professionals only:** even your solicitor is likely to have only casual experience with the Tribunal and tenant eviction. In this regard

**Highlands Property has a superb record and experience:** because of the size of our business we attend Tribunal frequently and consequently have considerable “local knowledge” unparalleled in the Southern Highlands.

As you can see above, there is more than meets the eye with managing a rental property.

We also want to alert you to some of the possible **risks and downsides** of managing your property yourself:

- You must make sure that you are up-to-date with all the tenancy legislation. There are no less than 10 NSW and Commonwealth Acts that are relevant to property management. **You need a working knowledge of all this law: do you have that?**
- The required lease documents are quite comprehensive and must be approved by the Office of Fair Trading: they set out the rights and obligations of both the landlord and tenant and are a legally binding and enforceable contract.
- The Condition Report is a vital and necessary element of the lease contract, and suitable digital photographs are vital evidence if there is dispute later. Do you know exactly how to **complete the Condition Report** so it is “bullet-proof” and take photographs that will be **suitable as Tribunal evidence?**
- You will have to interview and check out your tenant’s references usually without the benefit of a Tenant Database: this face to face process can be **quite personal and confronting.**
- Once a tenant is found, you should collect a rental bond which secures you against the failure by a tenant to observe the conditions of your lease. This must be forwarded to The Office of Fair Trading within (7) days of receipt and refunded at the end of the lease after the final inspection. As described above this **final inspection is the time when there is frequent disputation:** most landlords don’t want to deal with this personally, and **how you treat the tenant contains many risks.**
- You will need to keep and keep secure **detailed and accurate records** of all financial transactions with your tenant in case of any disputes that may need legal action. You will also of course need to keep records of money paid out by you in relation to your rental property for taxation purposes.
- Many things can go wrong with properties day or night: you must be (or have someone reliable) **available on call to arrange any emergency repairs and maintenance.** This is very difficult if you want to go away for holidays or for business purposes or are working full time.
- You must also be aware that your property could be vacant for a period of time while you attract and select a new tenant, each time a tenant vacates your property.

If you manage your property yourself you may save yourself a small management fee but is it really worth it? A few weeks avoided vacancy, a well resolved dispute with a tenant over unpaid rent or maintenance, or **a good cup of coffee per day** will probably pay our management fee, and you are worry free!!

We would like the opportunity to manage your property and provide you the excellent service needed to give you **peace of mind**.

**Property Management should be left to the experts.....**

Should you have any question or would like anything clarified, please do not hesitate to contact us on **(02) 4861 0666**.

Yours faithfully

Geoff O'Reilly  
Principal and Director