property navigators

Secrets of a Super Investor!

12 ways good rental management can boost yields & grow your property portfolio

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Introduction

"As a professional investor myself for the last decade, I know what it takes. I've bought and sold dozens of properties and over time the key to building a portfolio is superior property management. Most rental agents just don't get it – but we do, and I'm on a mission to help investors be more successful."

George Massouridis
Founder & Principal

If you're like most people, you're probably too busy working and trying to get ahead to put aside the time you need for a property investment plan that will secure your future.

It's a problem we see all the time. In fact it's common for people even with large incomes to make some very basic 'property mistakes' that cost them dearly in the long run. 'Secrets of a Super Investor!' aims to change all that.

In this guide, I share with you the hard-won secrets of property investing I discovered in buying and selling dozens of properties over the last decade.

Regardless of whether you're investing for the first time, or you're an experienced investor looking to get more out of your portfolio, you'll find some invaluable tips here. All you need is the will and the discipline to make permanent changes!

And this is where we come in. Managing property is hard work, and in our experience it's rare for a rental agent to 'think like an investor'. Our mission at Property Navigators is bring an investor approach to rental management so that landlords get a better deal.

I hope you enjoy 'Secrets of a Super Investor!' We're always up for chat so give us a call any time to discuss how we can help you get a better rental return and grow your property portfolio into an empire!

Regards,
George Massouridis

1. Do your research—know the local rental market.

With the great influx of property listings and investment opportunities in Australia today, it's easy to be swayed by marketing tactics and promotions. Whether you're a first-time buyer or a long-time investor, you need to watch these traps and avoid being tempted into buying quickly without first doing your own research. Are you buying for yield, capital growth or tax-effectiveness?

Remember, the most ideal property investment should fit your needs, your lifestyle, and investment goals. Are you buying for yield, capital growth or tax-effectiveness?

Research can be time consuming, but it is worth the effort. Checking out past and present growth rates of the local area you want to invest in will give you an idea if it is good location for investment. You should also examine the accessibility of amenities like parks, clubs, hospitals, schools, and public transport.

In doing your research, don't ever take shortcuts! Sometimes, especially when you are a seasoned buyer already, you feel like you know enough and to skip the basics and go straight to buying negotiations. But beware: all locations are different, and each local rental market will also change over time. Don't assume that a past investment experience you had in a suburb will be repeated in future. You need data on the current local rental market to make informed decisions and avoid future worries and headaches.

2. Buy well—target properties with untapped value.

Gems are often found in most unlikely places. When choosing a property, don't just look for the obvious, but instead look for some untapped value. Distressed real estate where the vendor must sell quickly can give you attractive financial returns if you are able to negotiate a low price for a fast settlement.

You can further maximise untapped value by targeting properties that need renovating, or upgrading with extra bedrooms or bathrooms. You can also look for areas which are relatively cheap now but that have high potential in the future. Common indicators of this include:

1. **Population**

Population growth is one of the main drivers of increase in real estate markets.

2. **Infrastructure Work**

provements in infrastructure usually generate more rental demand and therefore increases in market prices.

However beware of traps that can lure you into believing that you've found 'amazing' value. There is always risk in investing in property, but most risks can be mitigated with good research and planning. Talk to your property manager and discuss the pros and cons, as well as the expenses involved. It doesn't matter how great the deal is (e.g. super low price), if you then end up spending too much money to renovate or upgrade. Buy well and always be vigilant in choosing the right property.

To buy better, consider using Property Navigators buyer's agent service. We can help you find 'bargains' and to negotiate a low price.

3. Increase your rent—regularly.

You might have started with a low rental asking price so that your property can be leased quickly, but that doesn't mean the rent should stay that way. Ask your property manager for regular appraisals and increase your rent appropriately. Being content with what you are receiving in order to avoid expenses associated with a higher rent is not cost-effective: you may in the long run miss out on considerable revenue.

It's important to consider the big picture: a higher rental doesn't just deliver more income, it's also a key factor in generating a better capital value for your investment. This is a goal for most investors, so you should monitor your current rental price and work with your property manager to develop strategies for regular rent increases. It may need a bit of work on your side, such as improvements or maintenance to replace the bathroom tiles or clean the exhaust fan, but these will all be worth it. Make sure that you or your property manager pay attention to the little things that add value to the lives of tenants.

4. Seek quality, long-term tenants.

Attracting good applicants starts with a creative advertising of your property. Make sure to highlight the features of your property and use quality photographs. Post it in reliable web listings or ask referrals from relative and friends. Build your network and spot quality tenants through trusted and quality networks.

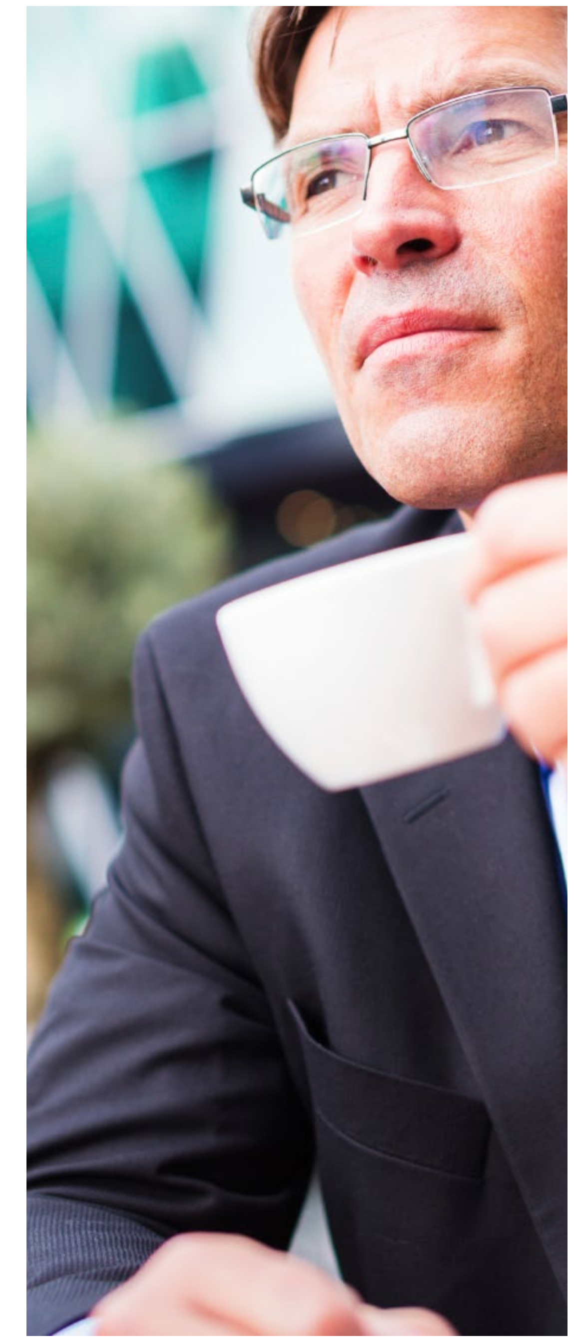
A good property investor takes time to vet potential tenants and to ensure they are trustworthy, quality, long-term tenants. If you are a landlord without a property manager, you'll have to do this yourself. Here are some basic tips that will help with applicant screening:

- → **Asking for a minimum of three references**
- → **Contact a previous or present employer to verify their details**
- → **Ask the previous landlord how long the tenant stayed in their property**

Whilst you may save some money doing this yourself, the professional managers at Property Navigators can offer a much more thorough tenant selection and screening process. Professional property managers access industry databases that collect and track information on tenants including rent arrears, property damage, and rental bonds.

The benefits of quality long-term tenants include less likelihood of property damage, and less time where the property is vacant and not earning income.

5. Appoint a professional, specialist property manager.



Property managers make property investment a lot easier by taking care of all the day-to-day details for landlords, including the finance side of it such as collecting rent and disbursement of expenses. It is important that you only get a property manager who is trustworthy and responsible. Ask for credentials and make sure they represent a good and reputable company with experience in the industry. Hire someone who has an extensive knowledge of the local market, and ensure they understand property investing, competitive rental pricing, and the type of tenants who are willing to pay for your rental property.

A property manager should also be knowledgeable of existing federal and state laws where your property is located and see to it that your property complies with all the local council requirements in the area. Your manager should be able to handle tenants' concerns and resolve or deliver their requests in a timely manner. As your property manager, everything they do is on your behalf so you should be sure they reflect a good image of you to tenants and local officials.

6. Maximise all possible tax deductions.

When investing in property, it is essential you know and understand all tax deductible costs associated with maintaining your rental. All landlords incur a range of taxes, levies, fees and changes – many of which it is NOT possible to claim as a deductible expense. However the true yield of your investment is only clear after allowing for running costs and allowable tax deductions, so make sure you do your homework before buying.

Strata levies are one example of investment costs that can vary wildly from one property to another. For instance, you may be considering two units in different buildings within the same suburb, of similar rent returns and capital value. However, one unit may have very high strata levies because of issues with the apartment building. This may be the wrong one to purchase because the high levies will be a drag on your yield, and therefore make it an inferior investment.

You should also be careful to keep receipts for all costs associated with your property, and consult with a qualified accountant to maximise your deductions. This will be particularly important if your property investment is 'negatively geared'. When your rental income is lower than your investment costs and the property runs at a loss, 'negative gearing' allows you to deduct that loss from your total income—which may then effectively reduce your income tax payable.

7. Organise depreciation schedules.

Depreciation is defined as "a reduction in the value of an asset over time, due in particular to wear and tear". As a landlord and investor, you may claim depreciation as a deductible expense of your property.

There are two types of depreciation: 'Plant and Equipment' where items inside the building or property like carpet, dishwashers, ovens, etc are considered, and 'Building Allowance' depreciation for construction costs of the entire building.

An organised depreciation schedule may help you pay lower tax; the amount reflected on your depreciation schedule adds to the deductible costs of your property.

If you think that your property is too old to claim for depreciation, you may be surprised, but all claims vary, depending on the construction date of your building. Your accountant can prepare your report for you, provided that your investment property was built before 1985. However after that time Quantity Surveyors are the only qualified professionals identified by Australian Tax Office (ATO) to make appropriate estimate of the construction costs.

8. Look after your tenants.

Keeping tenants happy is usually a wise investment of time and effort for landlords.

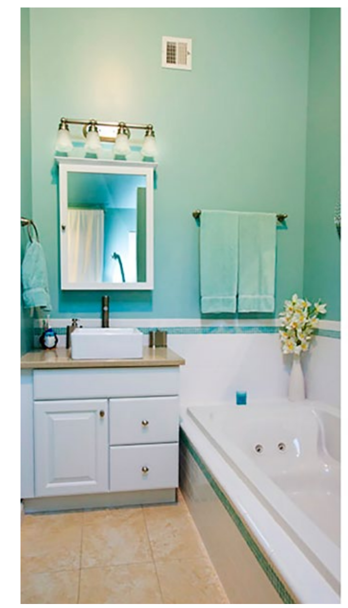
According to a recent study , Australian households are highly mobile. Tenants leave a rental property primarily because of poor condition of the property and poor level of service from the landlord. Finding a new tenant always triggers additional expenses for the investor, so to minimise turnover keep your tenants happy by looking after their concerns and requests and properly maintaining the property.

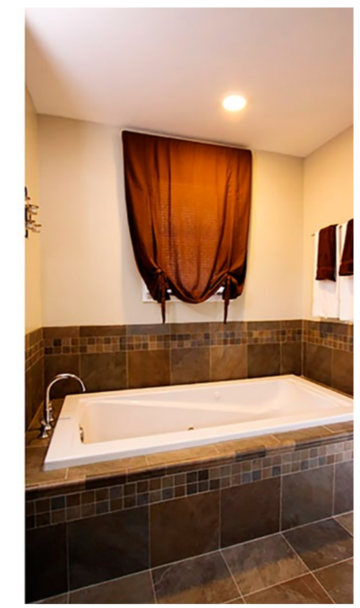
Keeping tenants happy and content also gives them motivation to take good care of your property. As a property owner, you want to increase the value of your property for a higher rental yield or eventual sale. Tenant satisfaction is one major factor that can affect the whole image of your property. Successful investors look after their tenants if they want to enhance the long-term quality and value of the property.

Secrets of a **Super Investor!**

9. Renovate the bathroom.

Oh, the bathroom! You can usually tell the lifestyle and hygiene of a household just by simply looking at their bathroom. A clean and properly maintained bathroom means healthy and organised living. Although renovating a bathroom can sometimes be overwhelming, costly, and time-consuming, the result is often worth it.





But before you jump in and head to renovate, there are few things you need to consider. First is budget: it's easy to over-spend and splurge the minute you see that lovely bathtub with matching tiles. The secret is to set a budget that will guide you in each buying decision. You also need to allot the expense for labour and the time it will take to complete the renovation process.

Sad to say, renovating a bathroom is not usually suitable for a DIY project (unless it's your job to make bathrooms). Leave it to professionals so you don't end up with future plumbing problems. A properly installed and renovated bathroom will function flawlessly and you can benefit from this for many years to come.

To Consider using the Property Navigators renovation service. Our licensed building team can look after your rental renovation from start to finish, on a fixed price contract.

10. Ensure good property security—to attract female tenants.

According to the Australian Bureau of Statistics (ABS) , changing demographics show that single-person households are growing fast and that single women now represent a significant portion of the rental market in many areas.

If your investment is in such a market and it needs to appeal to women, make sure that your property is safe and secure.

You can start with low-cost, effective methods such as placing wall decals or alarm stickers on your property. Another tactic is to install timers for automatic lighting so that even when no one is around the property, it will give an impression that someone is home. Make sure that door and window locks are working, and consider fencing where appropriate.

Don't grow trees or shrubs that make it easier for burglars to conceal themselves, and ensure good lighting on the street frontage. And if you invest in a security alarm system, it is better not to put "Protected by ADP" signage on your backyard. If the thieves know which brand of alarm system you are using, it is easier for them to disable it.

11. Renovate the kitchen.

Renovating the kitchen will not only add value to your property, but can also reduce the frequency of maintenance calls for faulty appliances and plumbing that landlords experience with older properties. Invest in top quality materials that will last you for years. Stay away from drawers that are made of particleboard and not properly stapled together. Choose simple and smooth surfaces, which are easy to clean and maintain. As much as people love textures, steels, and tumbled marble, these are more difficult to clean and will likely give you maintenance issues in future.

For the sake of budget and convenience, stick with basic appliances that are reliable. Instead of piling up lots of appliances and gadgets, you can just choose few pieces that would add value and appeal to your kitchen, and can be used for a long time. Those that are on top of the list are commercial-quality range ovens and stove tops.

As always, find professionals to do the renovation for you. Although you can be as involved as you want to be in the design and layout, leave the electrical, plumbing, and installation to the professionals.

12. Consider an interest-only loan.

An interest-only loan allows you to defer larger payments and maximise your cash-flow by paying the interest only for a certain period of time. After that period, you have variety of options—you can either continue to extend the interest-only period, convert to principle and interest, or repay your loan through a property sale. (Take note that while on the interest-only loan, your loan balance remains unchanged because you are not paying down any principal during that time).

An interest-only loan can also be useful for property investors who are negatively geared. This can help to keep deductible interest at a higher level than if the principal were reducing through amortisation (principal and interest repayments).

Another common strategy for investors is to take an interest-only loan, while pursuing a 'buy and flip' strategy. This may involve only holding the property for a short period after initial purchase, due to strong subsequent capital gains that encourage a quick sale for a higher price.

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