

Strategies for keeping Tenants Happy

Do you want to ensure your investment maximises your returns and continues to bring you the income you intended year round? Perth offers huge opportunity for property investors. With the strongest population growth across Australia and major work being done to expand its airport, local roads, shopping districts and residential buildings, with a little planning, you can ensure that you do not lose unnecessary rent when economic lows are imminent and vacancy rates are climbing.

1. Have a Committed Property Manager

A run down property can cost you in rental income as well as high maintenance bills. It is essential your property manager conducts regular inspections to ensure your property standards are kept high. There is nothing worse than a property that decreases in value or becomes vacant whilst you are conducting avoidable maintenance such as pest control and minor repairs because of poor quality control.

2. Reward your Current Tenants

An empty property results in loss of income so it's essential that you keep your tenants for as long as possible. Depending on the current economic cycle, changeover of tenants can become a very costly exercise. You must manage and understand all costs associated with a vacancy loss and minimise these where possible. Here are our tips on how to encourage tenants to extend a lease.

- Offer a short period of weekly rental discounts before renewal is due if the tenant has made it clear they are going to be moving. This can be more cost effective than seeking a new tenant. See "Calculating your losses" below for an example
- Include additional services in the renewed lease such as gardening or pool maintenance
- Provide them with new amenities such as dishwashers and dryers that you can claim depreciation on at tax time. It will add value to your rental property and it may even allow you to slightly increase the rent to cover their costs
- Get to know your tenants. This relationship will build rapport and trust and in turn they will better look after your property and perhaps increase leases when due

3. Attract Future Tenants

If you do end up losing your tenant, acting fast is crucial. Here are our tips on attracting new tenants and reducing the amount of weeks your property is empty at the end of a lease.

- Make sure your property manager knows that the current lease is not going to be extended and is ready to advertise your property as soon as possible
- Know and understand the 'value' of your rental property and price it according to current economic and market cycles
- Additional appliances or fittings inside the property can give you a competitive advantage over your competitors. Don't forget to advertise your properties assets and research the competitors
- Keep things simple to attract the time or resource poor tenant. Offer to organise additional services such as lawn mowing or pool maintenance and bill them back to the client. It allows you to have more control of your property maintenance and also takes away added hassles for the tenant

Calculating your losses

To calculate the total cost of obtaining a new tenant, estimate the amount of rental income you will lose from the changeover and add this to the amount your property manager will charge you to process a new lease. For example if your property is being rented at \$500 per week and you estimate it will take 3 weeks to find a new tenant, you will lose 3 weeks x \$500 = \$1500, in addition your property manager will charge you a leasing fee of around two weeks rent, so in total it will cost you \$2500 to find a new tenant.

By providing half of this amount as a discount to the tenants to stay on, you win and so does the tenant. For example, give them 12 weeks rental discounts of \$1250; therefore \$105 discount off the rental for 12 weeks, amounting to \$395.

Note: Vacancy rates will help you estimate how long your property will be vacant (see <http://reiwa.com.au/The-WA-Market/Perth-Metro>) or ask your property manager.

Looking after your tenant is crucial, but if you've tried everything and your property still becomes vacant, you need to ensure you have the right loan structures in place to see you through the tough times. In our next blog, we will tell you how you can do this.