SELECTING THE RIGHT TENANT

Selecting the right tenant for your property is crucial. Whilst the agent has a right to offer a view of the prospective applicants, ensure that the final approval rests with you as the landlord.

When you are selling, attaining the highest possible price is the only game in town. However, when you are leasing your investment, there are a number of additional factors to consider to ensure that you select the right tenant.

The key to success with investment properties is to remain conscious of market fluctuations and consult with your property manager. Constantly arguing against your manager's advice won't benefit you and delegating the entire process to them is less of a solution.

Tenant pro le

Find out as much as you can upfront about the tenants that apply for your property. In many cases, a shared household may offer more than a couple or family. However, your property may not suit or work well with 3 or 4 independent parties who are sharing. Even though the income may be lower with a couple, the fit may be better for all concerned. If the Brady Bunch intends to lease your studio apartment, you know it's an unsustainable circumstance, therefore don't enter into it in the first place.

Reliable payer

A high weekly rent from a slow or non-payer is just not worth it. Property is an intensive investment without sweating on rent from a tenant in arrears. Practically speaking, the bond is not much of an insurance against a non-payer, so don't fall into the trap of thinking it is.

Pets

Allowing pets can increase the rent that you are likely to get and can be a smart move, at times. In some cases upon vacating, you would never know that the tenants had pets. In other cases, the house has been scratched pillar to post and smells like a neglected farm. If you are allowing pets, find out the details in advance. A bullmastiff in an apartment is only going to end in disaster, regardless of well-meaning assurances from the tenant or the agent.

Tenure

A lower paying tenant that is prepared to stay for the long term may be better than a tenant who only needs a 6-month lease. Rolling over tenants is expensive. The benefit of a slightly higher rent is quickly offset in vacancy periods and letting fees. Regardless of the rent, the best performing investment properties are leased! Vacancy is the true enemy of landlords.

3. CONDITIONING

Conditioning is a tactic where the agent praises a home to gain the listing and then systematically bombards the owner with negative feedback to get the price down once on market. Owners are often shocked and disheartened to find their overly positive agent is suddenly negative about everything from the size of the bedrooms, to the market conditions, to the weather on Saturday. Don't fall for it! Fire an agent that conditions you with systematic negative feedback.

Solution – only sign a short exclusive agency agreement. There are no 'standard agreements', everything is negotiable. If the agent is conditioning you with manufactured negatives, fire them.

4. UPFRONT EXPENSES

Agents want a 'motivated vendor'. One of the most common and easiest ways for agents to get the vendor motivated, is to have the sellers spend huge amounts of money upfront. Newspaper/print advertising, expensive internet advertising, renovations on the house, stylists, vacate the tenants (this is obviously reducing the income, not the expense), video tours, you name it. If it costs money, some agents will recommend it, provided the vendor is paying.

Solution – tell the agent at the outset that you will only pay for the marketing on a settled unconditional sale. If the property does not sell for any reason, the agent wears the expenses. More importantly, the agent may produce an economical campaign that gets the job done just as effectively with less financial risk to the client.

5. SIGNING A LONG AGENCY AGREEMENT

Time heals all wounds. It also wears down all objections and objectors. Auction agents love adding a clause to their exclusive agency term that reads along the lines of 'the agency shall be granted exclusive selling rights for 90 days after the auction date'. If the agent really 'has buyers' and feels that your home 'would do really well under the hammer' why do they need 90 days on top of the 30-day auction campaign? The agent's talk is tough and confident, but is quickly diluted by the need for 120 days to sell one property!!

Solution – read the agency agreement carefully. Many people only scrutinise the agency agreement when they are trying to work out how to dismiss the agent. This is the worst possible time to learn that you are committed to the wrong agent for 120 or 150 days. Give the selected agent an all up maximum 60 day exclusive agency period. You can and should be able to extend their term by 14 or 21 day periods after the exclusive period expires, if they are doing a good job. Above all, maintain control of your home and the agency it is listed with.
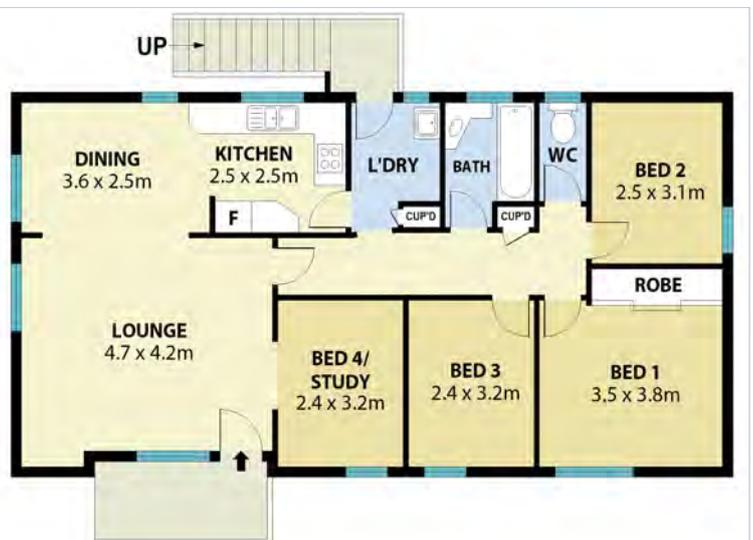
44 Warwick Rd, Dundas Valley **SOLD** for **$1,075,000** - $25,000 over the price guide.
45 buyers inquired about the home highlighting the underlying demand from buyers.

REAL ESTATE BOOK TELLS ALL
ABOUT HIGH INTERNET ADVERTISING COSTS

In the past decade, internet advertising costs have skyrocketed. Just like the old days of print, agents are asking their vendors to spend big money upfront in the name of finding a buyer.

The recently released best-selling book *Inside Real Estate* blows the lid on agents' selling tactics. Strategies used to convince home sellers to needlessly spend thousands on advertising can cost the unsuspecting consumer thousands in fees.

The book cautions home sellers against tired clichés used to sell newspaper ads now being used to sell expensive internet campaigns. 'Bigger photos means more buyers' and 'you can't sell a secret' are being used to talk owners into wasting precious money that essentially promotes the agent's brand.

Inside Real Estate outlines the path a typical buyer will take during their search. At no stage of their search is the buyer influenced or impacted by secondary issues such as the size of the ad or the website they are viewing the property on.

As website costs have consistently risen by more than 10% annually, agents are intent on passing these costs onto the consumer. Some agents will benefit from a rebate (kickback) if they are able to convince the home seller to pay above the cost price.

There is also a detailed explanation of how agents use expensive advertising campaigns to motivate unmotivated vendors. The author Peter O'Malley is a real estate agent that has been studying selling tactics for over 20 years. He writes 'The sunk cost syndrome allows agents to sell unmotivated vendors a poison pill in the form of increased exposure. Once the vendor swallows that pill in the form of increased exposure (and expenses) they have unwittingly increased their motivation to sell tenfold'.

There are many strong points in the book that will ensure you either make or save at least $25,000 the next time you transact.

INSIDE REAL ESTATE
Buy, Sell, and Profit in any Property Market
PETER O'MALLEY
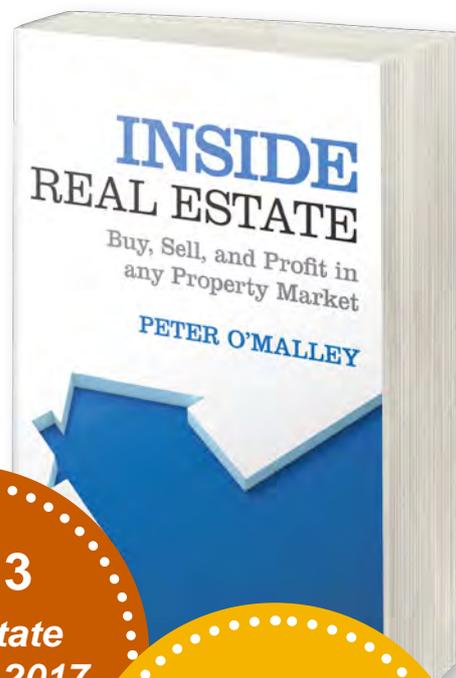
TOP 3 *Real Estate Books in 2017*

TOP 100 *Best Selling Business Books in 2017*

#1 *New Release Real Estate Book in 2017*

We have **50 complimentary copies** of the book for those looking to sell in 2018. To receive your copy, simply contact us on **(02) 8006 2114.**

Reading **Inside Real Estate** will be the best return on investment you can make in 2018.

BOOK OFFER