

What you need to know as a first-time landlord

Building an investment property portfolio and becoming a landlord can be a great way of increasing your income or making a living, however being a landlord is not for everyone. While letting out property is a viable option for generating income, there is a lot more to being a landlord than signing lease agreements and collecting the rent.



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Many landlords underestimate the amount of time and energy it requires to ensure that a rental portfolio is maintained and tenants are kept happy. This does, however, largely depend on the tenants who are renting the property. There is also the matter of any legal issues and ensuring all legal requirements are adhered to and the right procedures are followed. This is especially important in the case where the tenant is not paying their rent. The correct steps need to be taken to deal with the delinquent tenant while protecting the landlord's interests.

It is imperative for prospective landlords, as well as those who are already landlords, to consider a few elements that will assist them along the way. There are five factors in particular that first-time landlords and those thinking about getting into the rental business should consider:

Plan and set a timeframe

Purchasing a rental property is not a get-rich-quick scheme. Property investment of any kind should be viewed as a medium to long-term investment. A property will appreciate over the long term and will generate a rental income, however, there might be costs that are not entirely covered by the rent, which is why the decision needs to be made with the future goals and plans in mind. There is a good chance that the rental property will pay for itself over time or when the market booms or when the bond is paid off, however in the initial stages there will probably be a cost involved.

Crunch the numbers

The monthly bond repayment is only one of a few monthly expenses that need to be considered. Affording a rental property is not just being able to pay the bond. When it comes time to crunch the numbers, landlords need to factor in expenses such as property insurance, rates and taxes, utilities, possible legal costs or collection costs, rental agent's commission and general property maintenance.

Ideally, landlords will also need to have a contingency fund in place to assist with any unforeseen circumstances such as issues that are not covered by the home insurance or for legal costs if the tenant defaults on the rental agreement. There are also general legal fees for drawing up lease agreements or advice on the landlord's legal rights and responsibilities. A lettings management agency can also be a highly effective tool for landlords to make use of. A rental agent can assist with vetting potential tenants, collecting rent and general management of the property.

Selecting the right tenant is crucial

Each prospective tenant should be put through a vetting process before they can let the property because the tenant will largely dictate the financial success of the rental. The tenant selection process is where the services of a rental agent will really pay off, as they will provide the landlord with the professional vetting of potential tenants. Factors that will need to be considered are the tenant's previous rental history, reasons why they are moving, their place of employment and income. Landlords should verify the information given by contacting the references provided by the tenant.

Contracts should be as detailed as possible

A highly detailed lease agreement that contains all the necessary stipulations upfront will help landlords to avoid any complications or misunderstandings regarding the responsibilities of each party. The more that is covered in the contract, the smoother the rental should run as each party knows exactly what is expected of them. No aspects of the rental agreement should be left open to interpretation, with the document covering aspects such as acceptable tenant behaviour, breakage costs, the preferred method of payment and date that the rental is payable.

Equally important is for the landlord to have a detailed agreement with the management agent should they decide to use one. The landlord will be able to sign a mandate with the rental agent which outlines all terms and conditions of the agreement, such as the commission structure and what is expected from the agent.

Having a checklist can save both time and money

The landlord should make a checklist of all the items that they need to look at and check before a new tenant moves into the property. The list will ensure that all potential problem areas can be sorted out and that a snag list can be drawn up with the tenant in a comprehensive manner.

In conclusion, although owning a rental property and becoming a landlord can be hard work, it can also be the foundation to creating wealth over the long term. The key element to success is to always view property investment with the future in mind.

