

Deciding to use an agent

Information for landlords

Once you have decided to rent out your property, one of the first decisions you will need to make is whether to find a tenant and manage the property yourself or employ a real estate agent to do it for you.

It needn't be all or nothing. You can decide just to use an agent to go through all the applications, find a suitable tenant and do the necessary paperwork. Once this is done, you can then take on the day-to-day management. However, it's not as easy as just collecting the rent.

Managing the property yourself can save you the cost of the agent's fees and help build a more direct relationship with your tenant. This may be an option to consider if you live nearby, have a good knowledge of the tenancy laws and have the spare time to do all the work (such as inspecting the property, organising repairs or going to the NSW Civil and Administrative Tribunal when needed).

If you don't live near the property, are busy or don't know the laws very well, then using an agent may be a better and more practical option.

Whichever way you go, remember that owning a rental property, just like any other form of investment is not without risks. It is important to ensure that the premises is adequately insured. You might also want to consider taking out landlord insurance. This may cover you for losses of rental income if, for example the property becomes uninhabitable, your tenant leaves owing more than the bond or there is a vacancy for some period.

Use a licensed agent

If you decide to use an agent to let and/or manage the tenancy on your behalf, check that they are properly licensed. All property managers must either hold a licence or have a certificate of registration and work under the supervision of a licensed agent. In a large block of units, the agent may be an on-site residential property manager. If you have any doubt that the agent you are interested in using is properly licensed, you can

do a licence check on the Fair Trading website or call 13 32 20.

Selecting an agent

You don't have to engage the services of the real estate agent from whom you purchased the property. The choice is completely yours. It is worth putting some time and effort into choosing the right agent to manage your property. Speak to at least three different agents before you decide. Don't just base your decision on who is the cheapest. You should also think about what services they are going to provide and how well your investment will be looked after. Choosing the wrong agent may cost you a lot of money if they don't do their job properly.

Consider asking the following questions before you decide:

- How long have they been a property manager?
- How many properties do they currently manage themselves?
- How long has the property manager been with that particular agency?
- How do they handle requests for repairs from tenants?
- Do they check repairs once they have been carried out?
- What systems are in place for locating and screening prospective tenants?
- What steps do they take if the tenant is late with the rent?
- How many times have they been to the Tribunal and what is their success rate?
- How much are the management fees and what is included and excluded?

Agency agreement

When you engage an agent you will need to sign a written contract called a management agency agreement. The fees and conditions of the agreement are negotiable.

Make sure all matters you want the agent to handle, and any specific conditions, are listed clearly in the agreement to help avoid misunderstandings between you and the agent. For instance, you should consider these questions:

- How often do you want inspections to take place?
- Do you want a copy of inspection reports and other documents to be forwarded to you?
- Do you want to be contacted about all repairs or should the agreement say only repairs costing more than a nominated amount (eg. \$200) require your prior approval?

Management agency agreements usually contain a clause stating that a notice period applies if either party wants to end the agreement (eg. 30 days or 60 days written notice).

What to expect of an agent

A managing agent's responsibilities include:

- finding suitable tenants
- ensuring the tenancy agreement is correctly completed and signed
- lodging the rental bond
- managing the tenancy for you on a day-to-day basis, including:
 - arranging repairs
 - collecting the rent and maintaining rent records
 - conducting regular property inspections
 - handling disputes that may arise
 - paying bills on your behalf (eg. water and council rates).
- paying the rent to you, less any costs and agency fees, either into your nominated bank account or by cheque. This is usually done monthly.

Agency fees

Most agents charge a letting fee (eg. 1 week's rent) and a management fee based on a percentage of the gross weekly rental (usually between 5 - 12%) plus other fees

set out in the agreement. This could include advertising costs, preparing the tenancy agreement and representing you at the Tribunal in the event of a dispute.

Changing arrangements

If you choose to manage the property yourself and things do not work out, you can always decide to go with an agent instead. If you use an agent and you are not satisfied with their services, you can choose to either take over managing the tenancy or find another agent. There may also be a change of agent if the property is sold to a new landlord. Naturally, the tenant needs to be advised of the change and NSW Fair Trading notified so that the bond records can be updated.