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Should you become a DIY landlord?

29/07/2011

Self-managing your investment property can help you save a pretty penny in management fees – but dealing with tenants, coordinating repairs, conducting property inspections and chasing up rent can cause a few headaches.

Many investors automatically engage a property manager to look after their rental property, arguing that it is worth the cost. But the rapid rises in interest rates has forced landlords to try and claw back expenses wherever they can, including self-managing their property as a DIY landlord.

Why DIY?

There are several pros and cons to weigh up when deciding whether to be a DIY landlord, or to engage a professional property manager.

The obvious benefit of cutting out the middle man is the cost-saving: you won't have to shell out 5-9% of your weekly rental income to a managing agent. This means that if you live locally and can be available to the tenant on a fairly regular basis, being a DIY landlord could save you hundreds, if not thousands, of dollars per year.

Even if you've bought interstate or far from your property, you're now able to select a tenant and manage your property from afar through websites that allows DIY listings such as rent.com.au.

"Rentals placed on in our website in the current market, whether by agents or private landlords, are experiencing immediate letting results, with only a short period of advertising required," Woschnak says.

The flipside

Mark Woschnak, CEO of tenant website directory www.rent.com.au, advocates the use of a property manager by all landlords, because of their experience, the level of related services they can offer both the landlord and the tenant are usually more extensive than what you may think is best practice.

"This includes better ways for renters to pay their rent on time, reporting methods, and the proper procedures to manage bonds and other legal obligations of landlords," Woschnak says.

There is a lot more to property management than simply sourcing tenants and collecting the rent – a good property manager will:

- Market your property to minimise vacancies and maximise rental income
- Screen and select suitable tenants
- Deal with the legalities of leases and the rights of tenants
- Keep up to date with tenancy legislation
- Lodge the bond with the relevant authority
- Ensure the property is well maintained
- Handle and coordinate routine repairs as well as emergency repairs
- Respond to tenant requests and deal with problem tenants
- Conduct regular inspections
- Review rents on an ongoing basis
- Track expenses and income

He adds that property managers can act as a professional medium when things go wrong, removing a lot of potential stress, time and confusion, especially as tenants often find it easier and less intimidating to discuss matters with property managers. By having an unemotional "third party", a better level of communication can be achieved between all parties.

"While there is a potential saving in rental management fees for DIY landlords, I believe the advantage of using a professional property manager outweighs benefits of doing it yourself, once the full range of issues are considered," Woschnak says.

"Unless a landlord is up to date with their legal obligations, has the time and resources to respond and act efficiently to potential issues, and can make themselves available to renters, I think any landlord is better off appointing a professional property manager."

If you are weighing up whether or not to DIY, you might consider setting a benchmark to help you decide. Perhaps you might determine that once you have more than two or three properties, or when you buy an investment property that is located outside your local area, you will hire a professional. A good method to help you figure out which option is right for you is to consider how much time you spend managing your investment property.

Woschnak believes that the market is ripe for property owners who are undecided as to whether they should DIY or employ a professional to negotiate a good deal. Vacancy rates across the country have fallen to historically low levels, at the same time, demand is surging amid deteriorating housing affordability.

"Real estate agents are in desperate need of more rental listings to fulfil the renter enquiry they have, which means they need to target more owners of rental property to obtain more rental property managements," Woschnak says.

"This demand allows private landlords to take advantage of current market conditions and attain professional services on market competitive management terms."

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