Professionals
Ryder Real Estate

Note

Average days on market:
Professionals 11 days
Market 33 days
If average rental is $350 pw, that saves landlords $900 compared to other agents.

Property Management NEWSLETTER

LAST MONTH'S MANAGEMENT STATS

TOTAL INSPECTIONS	REGISTERED RENTERS	APPLICATIONS RECEIVED	PROPERTIES LEASED	LEASES RENEWED
72	201	116	15	31

JUNE 2021

3 handy **finance hacks** every investor could use

Whether you have other investment holdings or solely rely on your investment property, understanding how to manage your finance is critical.

The key principle that underpins the effective management of your money, is making sure that once you've worked hard to earn your money, that you put it to work for you.

Here are three finance hacks every property investor should make use of to make sure your investments are working hard for you.

Don't cross-collateralise your investments
If you have a number of investment properties through one lender, the loans on these properties may have been cross-collateralised to help secure the mortgage on your next property. Sure, this can be powerful in helping you to grow your portfolio, but if you sell a property, your lender may need you to pay down the debt on your other properties to balance your LVR ratios.

To avoid a situation where your mortgages could be cross-collateralised, try going to different lenders for each property transaction or be specific with your lender about making sure your loans aren't cross-collateralised.

An Offset account is your best friend
Having an offset account is a great tool for reducing the interest on your loan and keeping funds in a separate account for tax efficiency.

With an offset account, you don't earn interest on your savings, but the balance is deducted from your loan balance. This reduction in your loan balance results in a decrease in the interest you need to pay on your loan.

Cash buffers are essential
This is an important one even if you're not a property investor, but it's especially important to make sure you don't end up financially strapped if an emergency arises. Build up and keep a cash buffer to cover any unexpected expenses that may need to be covered for your properties.

A solid cash buffer will mean you have the finance available, if needed, to cover unexpected expenses without using your savings or needing to refinance your property. Talk to your accountant to review the outgoings on your property and rental yield to determine the amounts of cash you should have set aside.

Effectively managing your money is crucial, so it's important you regularly speak with your trusted advisor not just about your property portfolio but your wider financial situation.

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The difference between **repair, maintenance** and **capital improvement**

Repairs are considered work completed to fix damage or deterioration of a property, for example replacing part of a damaged fence.

Maintenance is considered work completed to prevent deterioration to a property, for example oiling a deck.

A capital improvement occurs when the condition or value of an item is enhanced beyond its original state at the time of purchase. This must then be classified as either a capital works deduction and depreciated over time or as plant and equipment depreciation. An example of a capital works deductions could be replacing the kitchen cupboards. If any plant and equipment items are removed and replaced, for example an air conditioner, this will also be considered a capital improvement.

Investors considering completing any work to their property should contact a specialist Quantity Surveyor for advice before they start work.

THIS IS GENERALLY SOMETHING THAT IS AN ACCIDENT AND NOT PLANNED OR INTENTIONAL

Accidental damage vs **normal** wear and tear

Here's a quick guide to the difference between accidental damage, malicious damage, deliberate damage and wear and tear.

A common query we often receive from Landlords is 'what is accidental damage and how is this different to malicious damage, deliberate damage and/or wear and tear?' From an insurance viewpoint, we define them as per below:

Accidental Damage
An unexpected or sudden loss. This is generally something that is an accident and not planned or intentional. Examples include spills on carpet and damage to furniture.

Malicious Damage
Damage which was motivated by spite, malice or vindictiveness with the intention of causing damage. Examples include holes kicked/punched in walls and doors, graffiti and doors knocked off their hinges. A police report is required for malicious damage claims.

Deliberate Damage
An act that will alter the current state of an item, however the act is carried out without any spite, malice or vindictiveness. An example is putting picture hooks into walls without permission. This is not a vindictive act, it is however a deliberate action but generally with the intent of making the property more homely.

Wear and tear
Damage which occurs naturally and inevitably simply because people reside in the property. Wear and tear occurs just as much in an owner occupied property as it does in a rental property and may include scuff marks on walls, carpet in walkways appearing worn, small marks on lino etc.

Another area of contention sometimes can be 'poor housekeeping'. This is where a tenant maintains a property in a poor condition but where no damage has occurred. This can include tenants who do not clean up after themselves, who don't air their house, who don't regularly clean areas such as carpets, ovens and bathrooms etc.

Wear and tear and poor housekeeping are not generally covered in an insurance policy, even where a property may be brand new prior to being occupied by tenants.

A Property Manager can monitor this during routine inspections and outline to the tenants at the outset of the Lease the expectations of cleanliness, maintaining the property etc.

Ensure that they are aware that any damages or maintenance is reported to the office immediately and that these are rectified in a timely manner.

Landlords should expect fair wear and tear to their property, as would happen in any home that is being lived in.