

6 tips to help first-time landlords navigate the property rental business

With the economic effects of the Covid-19 pandemic still being felt, many South Africans are turning to a side hustle to bring in some extra cash. One way to earn a bit more is by becoming a landlord, either by investing in a rental property, or by moving on from a smaller 'starter' home and converting it into a rental.



Andrea Tucker, director of MortgageMe

“This is a long-term investment strategy that can provide a steady income, as long as you keep in mind that ‘passive’ does not entirely describe what it is to be a landlord. It does require some work. If you’ve ever said “oh no, the geyser has burst, let me call my landlord”, you know what you’re in for,” advises Andrea Tucker, director of MortgageMe.

Here are some tips from the experts at the online bond originator to help first-time landlords navigate the property rental business.

1. Understand the legalities

Familiarise yourself with the Rental Housing and Amendment Acts and the Consumer Protection Act (CPA). You will need to have a written lease agreement that is understood by all concerned parties.

“The lease needs to contain all the information pertaining to the tenancy, such as the tenant’s start and end date, the rental amount, deposit details, the use of the property and conditions around how disputes will be addressed,” says Tucker.

You will need to provide your tenant with a copy of the signed agreement, and also issue the tenant with a receipt for every payment received. Also inform your insurer that you’re going to be renting your property to ensure that you’re covered for every possible eventuality in the future.

2. Factor in all the costs

Do some research on what you can charge for rent on the property and then take into account what your expenses will be to calculate your profit. Remember to include costs like bond payments, insurance, levies, maintenance and cleaning into your calculations.

Make sure you are in a relatively secure position financially as unforeseen circumstances can deal a blow to your finances. Tucker’s advice is to have money kept aside in a contingency fund for unanticipated expenses such as payment defaults or issues not covered by home insurance. If you have an access bond on the property, you can use this to cover any larger-than-anticipated expenses that need to be covered in an emergency.

3. Screen potential tenants

It is vital to do a proper credit and background check on a new tenant. If you’re managing the rental yourself, ask the prospective tenant for a certified copy of their ID, three months of bank statements, proof of income and references from previous landlords. You can also approach an online data aggregator to do these credit and background checks after you’ve received consent from your prospective tenant.



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4. Consider hiring a rental agent or property manager

If you want your passive income to be a bit less active, hire someone to do the hands-on management of your rental. A professional will know all the legalities involved in renting a property, how to screen tenants, deal with disputes and collect payments. This comes at a cost, so it's completely up to you about how much time you think you'd need to set aside to manage a property.

5. Create a network of contractors

You may be handy around the home, but repairs on your rental may take up more time than you're willing to give, and some repairs are likely to fall out of your area of expertise. Tucker advises creating a list of trusted maintenance people, such as electricians, plumbers and painters, who you can call on to assist in times of need.

6. Understand your responsibilities

Your first responsibility is to ensure that your property is fit for rental purposes and well maintained. You also need to be available to your tenants whenever issues regarding the rental arise. If you receive an emergency request for a repair, you are obligated to attend to the issue in a reasonable amount of time.

“Keep the lines of communication open to ensure a happy tenant. Let them know about any scheduled maintenance in advance and be on call for any concerns they may have, however small. This will ensure a good relationship between you and your tenant, which will go a long way to ensuring your job as a landlord is trouble-free,” counsels Tucker.

Most importantly, make sure you keep on top of maintenance. Don't let months go by without popping into the property to ensure that your tenant is keeping it clean – not everyone is as tidy as you. This will make a future transition to a new tenant less onerous on you, and less costly in the long run.

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