Your investment property – your business

with **Wendy Priestly** Property Millionaires Club President

To become a successful property investor, it is essential that you adopt a business mindset for managing your property investments.

Many investment property owners start out by treating their first investment property as if it is an additional home they will look after and care for. Many first timers (and even multiple property investors) set off with the wrong mindset and then don't understand down the track why things are so hard and why so many things go wrong. This leaves them feeling discouraged and disappointed, and often they make the decision to sell because it all becomes too difficult a task to manage.

It is important to realise that as a property investor, you are also a landlord. Being a landlord puts you in a different legal and financial position, and makes you responsible for your asset/s and your tenants. Your investment property is for your tenants and needs to work for your tenants. This is why you need to treat your property in a business-like manner in order to be successful as a property investor.

Here are my six tips for making your investment property your business.

1. Develop a business mindset

Develop a mindset that is concerned about your asset and your tenant. Your tenants pay you rent 24/7, no matter what the weather, interest rates, season of the year or how old you are. Essentially, you are selling a product and they are your customers. So why not treat them as such from a business perspective? Do whatever you can to enhance your property's rental and value return over time. Any business person wanting to improve their business looks for additional opportunities to grow their business over time. From a return on investment (ROI) perspective, look at improvements and additions you can make to your property, e.g. is it time for a fresh coat of paint, new carpet, an air-conditioner, a pergola or a pool? Ask yourself what return per week you would get for each improvement. The point here is to make your property an attractive product that will generate an increasing return.

2. Maintain your business asset

Look at your rental property as a business. This means keeping track of its value and rental growth, maintaining accurate records, conducting an inspection at least once a year and attending to any council or strata matters that affect your value and rental growth. You would not own a business vehicle and then neglect its annual inspections and servicing. Given that the average property could cost 10 times more than that of a company car, it is vital that you maintain your property by minimising any possible damage that could occur to such a valuable asset.

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3. Finance for a growth business

When looking for investment property finance, many investors look for the cheapest loan, believing a low-cost loan is the best approach. Interest rates are important, but like the price of a vehicle in your business, you want to ensure that it has the features which will provide for suitable growth of business. In some cases, lower service costs may be a better approach than finding the cheapest price. It is the same with property investment financing; the lowest interest rate may require you to pay principal and interest, and the loan may not include the flexible features you need to grow your portfolio easily. This is why smart investors use a broker. We recommend speaking with a Club Loans mortgage professional, as they have a wide exposure to various loan products from a myriad of lenders and understand the business of property investing.

4. Leverage your property business

Successful business owners looking to grow their business do not try to do everything themselves. They engage specialists with the required expertise and consider that paying them for their professional time makes good business sense. After all, you get what you pay for. Likewise, engaging a property manager who is well-versed in the legal requirements of tenancy management and property management is a much smarter option for your business than spending your own time confronting tenants or conducting repairs and maintenance yourself.

5. Understand your legal requirements

Every business owner must be aware of the legal arena they operate in and ensure their business meets these requirements. Property investors should be aware of the tax rules (see *Rental Properties 2011 NAT 1729* from www.ato.gov.au); state land tax thresholds and ownership charging arrangements; state tenancy requirements; state legislations for smoke alarms and pool inspections; deadlock installation; and Energy Efficiency Ratings (an ACT study of house sales in 2005 to 2009 showed that house prices increased with ratings by almost 2 per cent for each half star).

If you are a strata owner, are you aware of the requirements for workplace health and safety inspections, lift maintenance, regular insurance valuations, and five to 10 year sinking fund forecast reports?

6. Risk cover management

Like any business, when you own an investment property, you as a landlord must cover and insure for risk which can include property damage, rental loss, rental default, income loss, trauma and death. You need to insure your own position and that of your property.

Based upon my experience, I view investment property owners as being in the business of selling a service (i.e., rental accommodation) and, as such, you need to take it seriously. Adopting a business mindset towards this valuable asset will enable it to grow and deliver to you the rewards of capital and rental growth.

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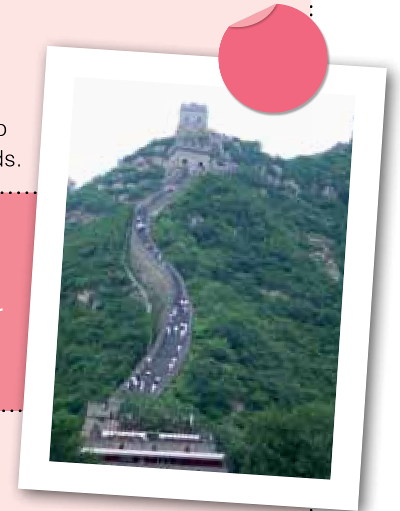

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