

MASTERCLASS SELF MANAGING YOUR PROPERTY

Property Management
What To Do After Your Property Has
Settled.

3 PARTS TO THIS MASTERCLASS

1. Managing Your Commercial Property
2. Applying Rent Increases
3. Market Rent Reviews



BEFORE SETTLEMENT... HERE'S WHAT TO DO...

- Before settlement - You will need to decide if you are going to self-manage your commercial property or not.
- You can always change this later on by writing to the tenant
- But to start with, you need to first make a decision if you want to self-manage the property... or get an agent to manage it for you.

AFTER IT'S SETTLED... HERE'S WHAT TO DO...

Self Manage

- First Steps and Letter To send
- How to invoice your tenants - Letter version & Zoho Invoicing
- Rent increases & Market Rent Reviews

Or Agent manages tenant

- They will Manage Rent Increases, Market Reviews and Collection of Rent, plus Terminations etc.

AGENT TO MANAGE

- Ask local agents, or the agent that sold you the property to refer someone.
- Ask the Agent to give you a management proposal.
- This will list their fees and responsibilities.
- There is a Form 6 sample for you to review
- The fees for an agent to manage the property is usually between 5% to 7% plus GST.
- ...So that's how much you will be saving if you decide to manage the property yourself.

AGENT TO MANAGE

Property occupations Form 6



Appointment and reappointment of a property agent, resident letting agent or property auctioneer

Property Occupations Act 2014

This form is effective from 1 August 2016

ABN: 13 846 673 994

Part 1—Client details

Client 1

Note: The client is the person or entity appointing the agent to provide the services. This may be the owner (or authorised representative of the owner) of the land, property or business that is to be sold or may be a prospective buyer seeking to purchase land or a property.

Client name DNR PROPERTY NO 1 PTY LIMITED ACN 629 569 768 AS TRUSTEE FOR DNR
PROPERTY TRUST

ABN ACN

Are you registered for GST? ☐ Yes ☐ No

Address

Suburb State Postcode

Phone Fax Mobile.....

Email address.....

Client 2

Note: Annexures detailing additional clients may be attached if required.

Client name

ABN ACN

Are you registered for GST? ☐ Yes ☐ No

Address

Suburb State Postcode

Phone Fax Mobile.....

Email address.....

Part 2—Licensee details

Licensee type

☒ Real estate agent ☐ Resident letting agent ☐ Property auctioneer

SELF MANAGING

- Have a letter sent from your solicitor.
- Then send your own introductory letter
- Arrange for your attornment notice = A letter which must be given to the tenant, advising them of the new property owner, the new owner's details and where to pay rent.

SELF MANAGING – STEP 1

- Before settlement ask your solicitor to draft a letter to be sent out to your tenants upon settlement.
- This letter will detail to your tenant, that you are now the new landlord and that you are going to manage the property going forward.
- It should detail your contact details and bank account details for rent and inform the tenant when the rent is due per the lease

SELF MANAGING – STEP 2

- After settlement, email or call the tenant directly
- Introduce yourself and let them know how to contact you in case of any issues in the property and if you have a preferred tradespeople they can call in case of an emergency.
- Ask your tenant for the following details if you don't have them already:
 - Name of the business the invoice to be made out to (if it is not the business name they are operating under currently)
 - The Tenant's ABN
 - Email address (if you don't already have it)

SELF MANAGING – STEP 3

Set up an invoice for your tenant (a template you can amend each month) with the following details:

- Invoice Date
- Invoice number (you can start with 001 or the year/001 – whichever format suits)
- Your name or business details
- Your ABN or CAN
- Your contact details

SELF MANAGING – STEP 3

Set up an invoice for your tenant (a template you can amend each month) with the following details:

- Your tenant's business details, contact details
- Write out the month the rent is for (usually a month in advance)
- The amount for the rent without GST
- Add GST to the amount
- The total that is due for the rent inclusive of GST
- Your bank details
- Due date for the rent (per the lease – the lease will say when the rent is due each month or week)

SELF MANAGING – STEP 3

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INSERT YOUR DETAILS AS A HEADER
E.G. NAME, ADDRESS, PHONE NUMBER AND EMAIL ADDRESS

ABN: (insert your ABN)

Date: (insert invoice date)

TAX INVOICE

Invoice No:

Attention: (insert tenant name)

Insert rental property address

Description	Amount Due
Rent for the period: (insert rent period Eg. 1 September – 30 September 2016	(insert base rent amount)
Plus GST	(insert GST Amount)
Total Due	(insert total due including GST)

The payment of this invoice is due (insert rent due date).

SELF MANAGING – STEP 4

- Email the invoice to your tenant at the 1st of the month/first working day of the month... or 14 to 21 days prior to rent being due
- Save a copy of the invoice in a special folder set up for your tenant under their name (this helps with tax at the end of financial year)

SELF MANAGING – STEP 5

- You can ask your tenant to confirm the receipt of the invoice by replying to your email or...
- You can just wait to see if they deposit the rent into your account by the due date or not. (some tenants do automatic direct deposits)

SELF MANAGING – STEP 6

- For the first payment that the tenant pays, you may want to confirm with them via email that you have received the rent, because it means all systems are now set up

SELF MANAGING – STEP 7

- Put a reminder in your diary to send your tenant an invoice beginning of every month- or 14 to 21 days before their due date.
- Add into your calendar the rent increase dates and the option dates (6 to 3 months before the lease ends)

SELF MANAGING – STEP 8

- Every 6 or 12 months you may want to send them a statement which just details the rent they have paid, over the last 6 or 12 months.
- This just helps both you and the tenant to know that they have not missed any rent payments (also helps you at tax time)

RECOVERY OF OUTGOINGS

- You need to send your tenant a separate invoice for any outgoing they are responsible for.
- You need to setup an invoice template for this (sample included in resources)
- You need to put on the invoice the following:
 - Invoice Date
 - Invoice number (just follow the number sequence you have for your rent invoices)
 - Your name or business details
 - Your ABN or CAN
 - Your contact details
 - Your tenant's business details, contact details
 - The outgoing (strata, water, rates, etc)
 - The amount due (separate GST from the total amount if possible)
 - Due Date
 - Your bank details

RECOVERY OF OUTGOINGS

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INSERT YOUR DETAILS AS HEADER
E.G. NAME, ADDRESS, PHONE NUMBER AND EMAIL ADDRESS

ABN: (insert your ABN)

Date: (insert date of invoice)

TAX INVOICE

Invoice No:

Attention: (insert tenant name/company name and property address)

Description	Amount Due
(insert particular outgoing) Owners Corporation Admin Contribution for the period to 31 December 2013 as per attached invoice	(insert amount without GST)
Plus GST	(insert GST)
Total Due Including GST	(insert final amount due)

The payment of this invoice is due by (insert due date)

RECOVERY OF OUTGOINGS

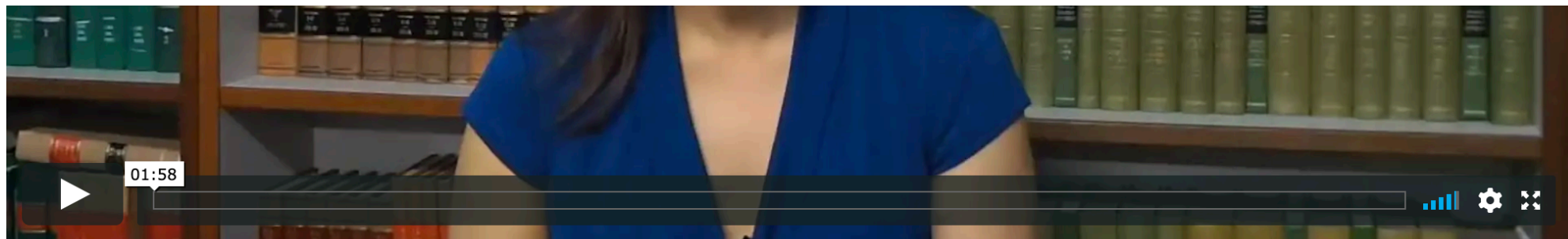
- You need to attach with your invoice a copy of the notice (rates, strata, etc) with the invoice (scanned copy attached to the email is enough)
- Email the invoice with the attachments to the tenant and ask for confirmation
- Wait to see payment of outgoing and respond to tenant to confirm receipt of payment
- Save a copy of the invoice in your tenant folder for future reference

RECOVERY OF OUTGOINGS

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ADDITIONAL TRAINING – ZOHOO INVOICING











- PDF guide to Zoho Invoicing
- Separate Masterclass on using Zoho Invoicing



ADDITIONAL TRAINING – ZOHO INVOICING

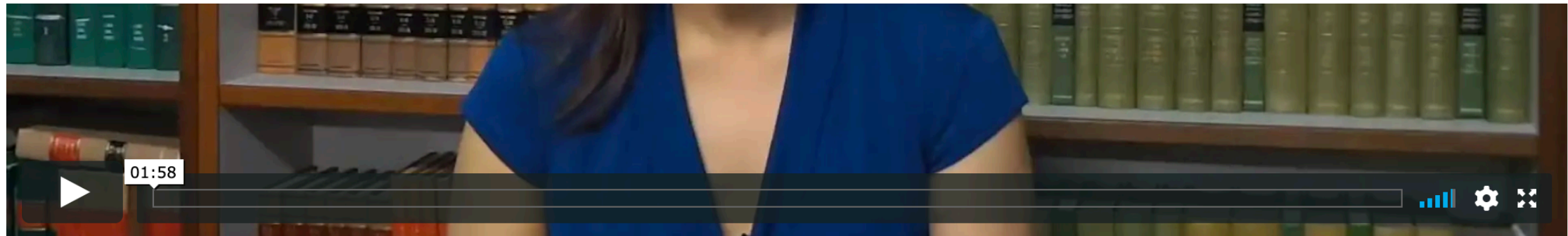
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➤ Separate Masterclass on using Zoho Invoicing

 LAND TAX Access it now!	 INSURANCE Access it now!	 ATM LICENCE Access it now!	 PROPERTY FLIPS Access it now!	 AREA RESEARCH Access it now!
 DEAL COMPARISON Access it now!	 RESIDENTIAL COMPARISON Access it now!	 INVOICING TENANTS ON AUTOPILOT USING ZOHO Access it now!	 DUE DILIGENCE Access it now!	 PROPERTY UPLIFT Access it now!

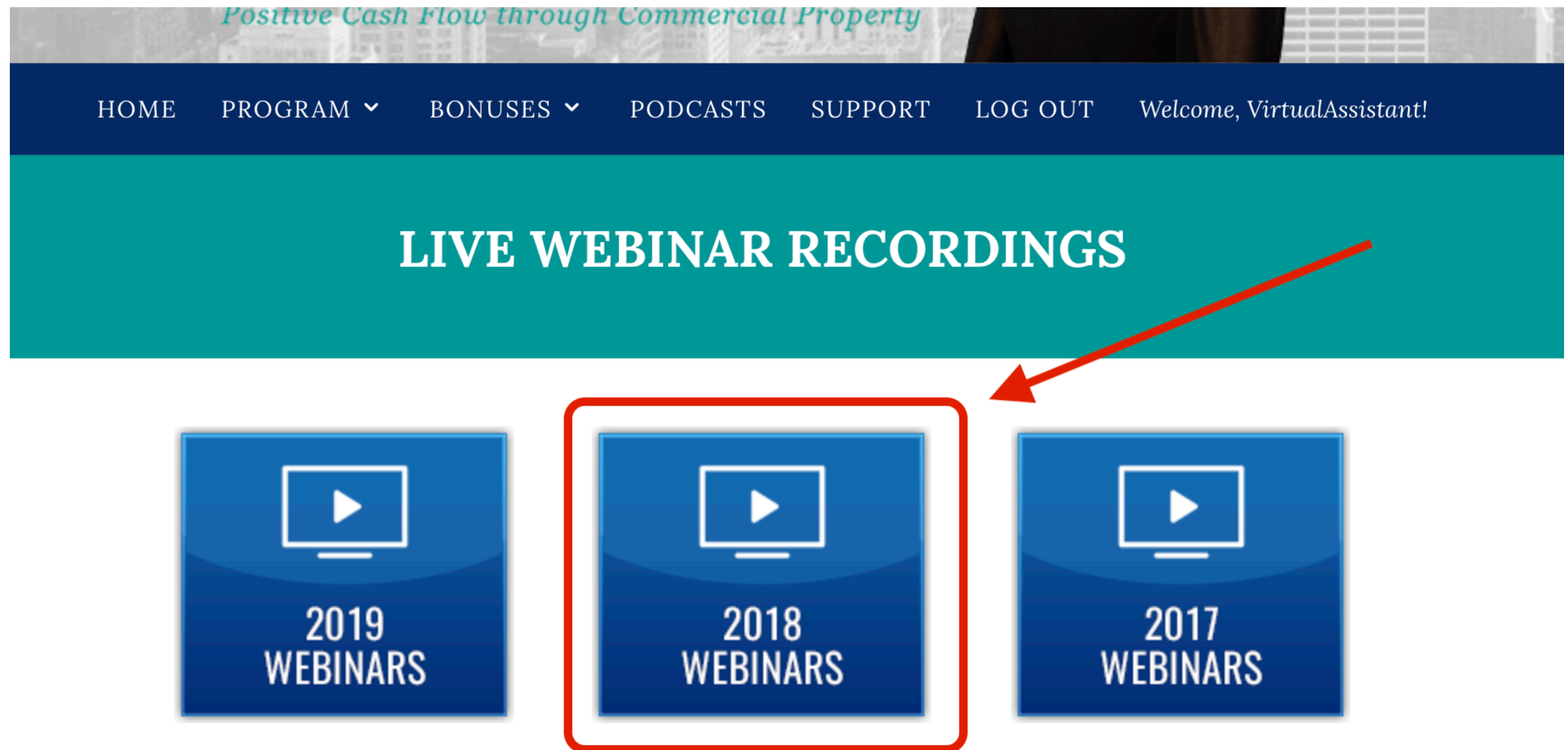
ADDITIONAL TRAINING – ZOHO INVOICING

➤ Webinar Discussing Zoho Invoicing



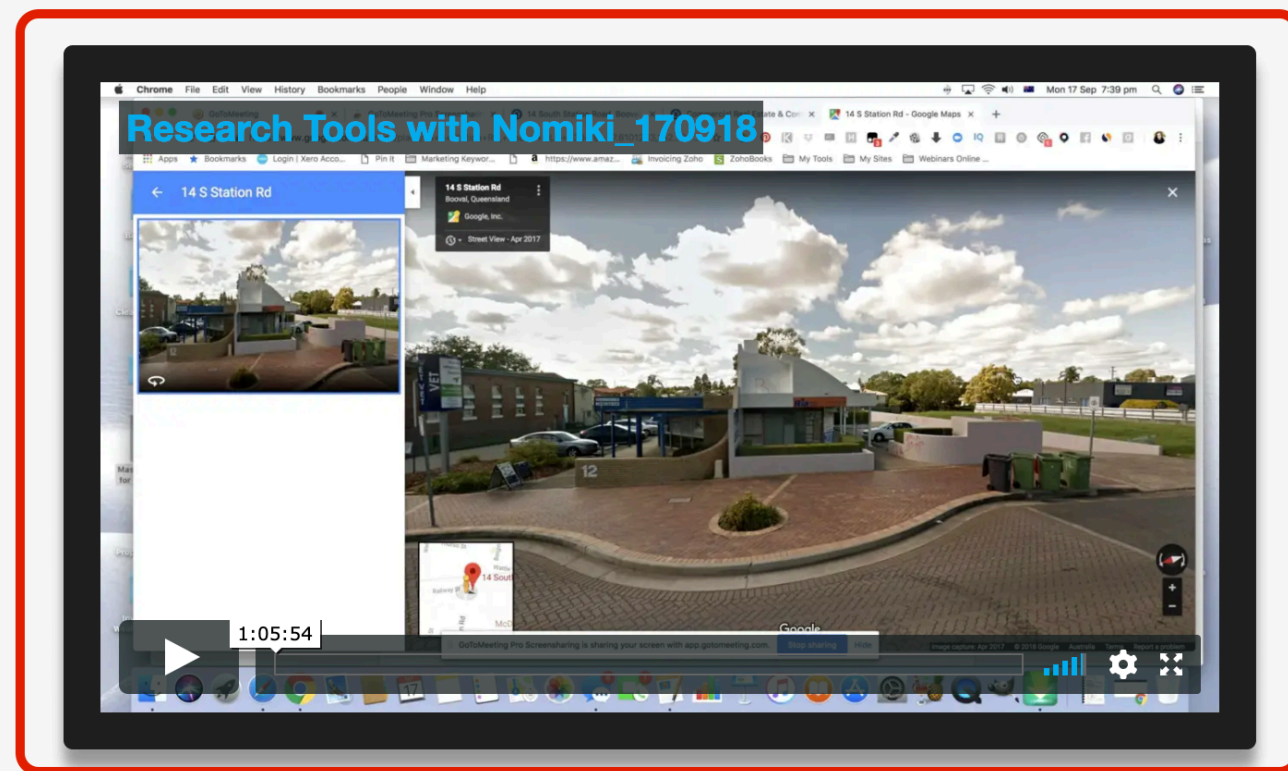
ADDITIONAL TRAINING – ZOHU INVOICING

- Webinar Discussing Zoho Invoicing- Choose 2018 Webinars



ADDITIONAL TRAINING – ZOHO INVOICING

- Webinar Discussing Zoho Invoicing- Last part of webinar
“Research Tools with Nomiki”

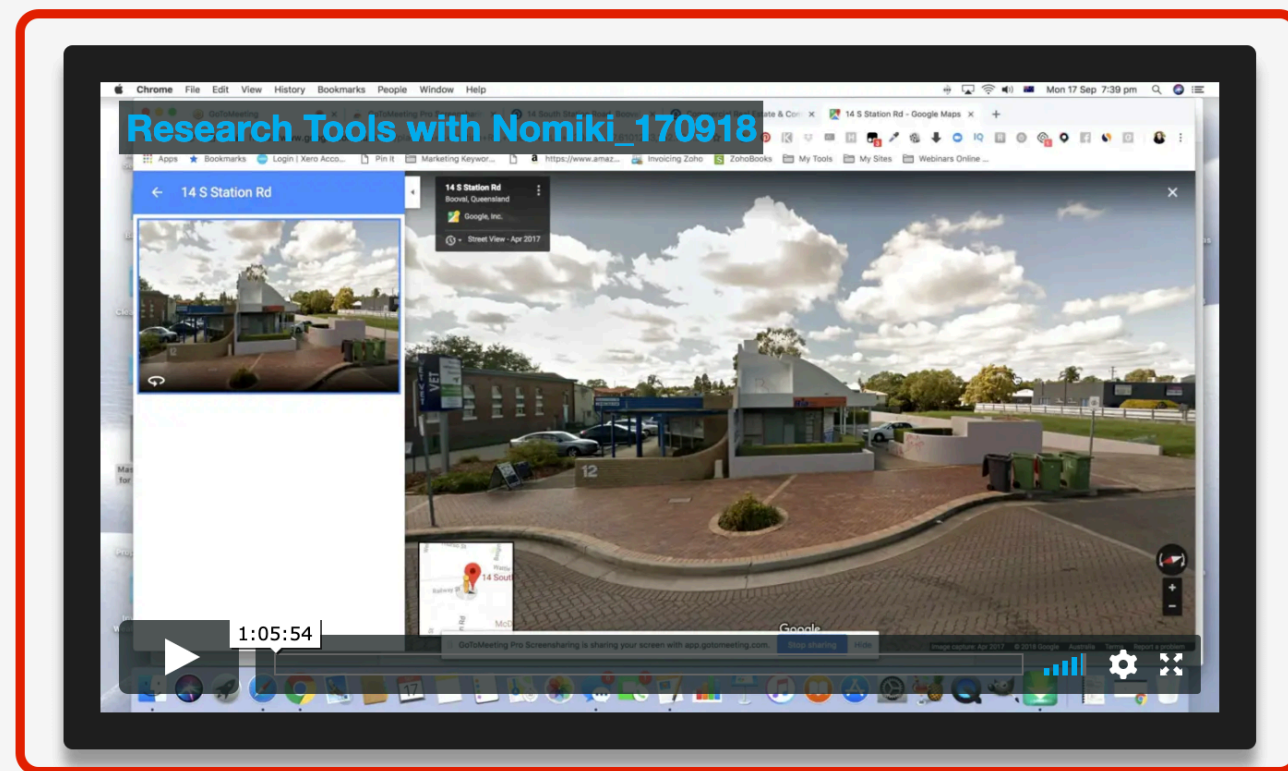


Last Part of this Webinar



ADDITIONAL TRAINING

- Webinar Discussing Zoho Invoicing- Last part of webinar
“Research Tools with Nomiki”



Last Part of this Webinar



RENT INCREASES

How To Apply Rent Increases

APPLYING RENT INCREASES

- For rental increase each year, it is at the anniversary of the date of the lease.
- Each lease varies depending on the date the lease was drawn up so please refer to your lease for the exact date and make a note of it in your diary
- Write to your tenant about it 30 days before the rental increase
- If your tenant is on an existing lease, the rental review will be stated in the lease and it can be anything from CPI, 3% to 5% increase per year.
- You multiply the percentage by the current rent, which will give you an amount to be added to the current rent to make the new rent


APPLYING RENT INCREASES – FIXED EACH YEAR

Example: 3% increase each year with a current rent of \$50K

- $\$50,000$ (Current rent) $\times 0.03$ (3%) = $\$1500$ (rental increase)
- $\$50,000 + \$1500 = \$51,500$ (new rent)
- $\$51,500 / 12$ (months) = $\$4,291.67$ plus GST (new monthly rent for the tenant)

CASE STUDY – 4% FIXED EACH YEAR

Case Study Fixed 4% increases each year

	Property 1
Tenant	Majic App
Permitted Use	Commercial Office
Asking Price	
Lease Term	4 years commencing 6/10/2018
Years Left on lease	3 years 11 months
Options	4 years
Notice to Exercise Option	not more than 6 months nor less than 3 months
Outgoings	
<i>Paid by tenant</i>	N/A except services that are separately metred
<i>Paid by Landlord</i>	Admin Funds - \$9,754.77 Sinking Funds - \$3,613.12 Insurance Levy - \$1000.12
Rent Incentive	Rent free period- 4 months from 6 Oct 2018 to 5 Feb 2019
Rent	\$86,190.00 PA excluding GST
Increase	 4% annually
Net rent	Gross rent - \$86,190.00 PA excluding GST Outgoings - \$14368.01 Net rent - \$71,821.99 PA excluding GST
Sale price etc	

CASE STUDY – 4% FIXED EACH YEAR

Portal Office Park Case Study Fixed 4% increases each year

Net Rent x 4% increase = New rent in year 2 etc

- Net Rent \$71,822 per year
- Year 2 of lease: $\$71,822 \times 1.04 = \$74,694$
- Year 3 of lease: $\$74,694 \times 1.04 = \$77,682$
- Year 4 of lease: $\$77,682 \times 1.04 = \$80,789$
- Year 5 Market Review... then 4% increases each year after that for the remaining 3 years

APPLYING RENT INCREASES – CPI

- If your rental increase is by CPI then you will have to find out how much the CPI is and multiply that, by the current rent to get the new rent due
- Usually the lease document will stipulate which CPI is to be used.
- The CPI for each commercial property will be specified in the lease in the definitions section. Please check to make sure which one you need to use
- The Australian Bureau of Statistics (ABS) puts out different CPIs for different cities and also for different industries.
- If the lease specifies that the Sydney CPI is to be used, then you need to use the Sydney CPI column

APPLYING RENT INCREASES – CPI

1

ALL GROUPS CPI, Index numbers(a)

<i>Period</i>	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>	<i>Perth</i>	<i>Hobart</i>	<i>Darwin</i>	<i>Canberra</i>	<i>Weighted average of eight capital cities</i>
2012–13	102.6	102.2	102.0	102.1	102.2	101.2	103.1	101.9	102.3
2013–14	105.2	105.0	104.9	104.7	105.3	103.7	106.9	104.2	105.0
2014–15	107.3	106.5	106.8	106.3	107.2	104.9	108.4	105.3	106.8
2015–16	108.9	108.2	108.5	107.2	108.2	106.3	108.5	106.1	108.3
2012									
June	100.5	100.4	100.5	100.2	100.5	99.9	100.7	100.3	100.4
September	102.2	101.6	101.6	101.7	101.6	100.6	102.0	101.4	101.8
December	102.3	102.0	101.9	102.1	101.9	101.0	102.0	101.8	102.0
2013									
March	102.7	102.4	102.0	102.1	102.4	101.3	103.7	101.9	102.4
June	103.1	102.6	102.5	102.3	103.0	101.7	104.6	102.5	102.8
September	104.3	104.0	103.8	103.7	104.2	102.6	105.5	103.1	104.0
December	105.0	104.8	104.6	104.4	104.9	103.6	106.5	104.1	104.8
2014									
March	105.6	105.3	105.2	105.1	105.6	104.1	107.4	104.6	105.4
June	106.0	105.9	105.8	105.5	106.4	104.5	108.1	104.8	105.9
September	106.6	106.1	106.5	105.9	106.9	104.6	108.3	105.2	106.4
December	106.8	106.3	106.7	106.2	107.0	104.7	108.5	105.3	106.6
2015									
March	107.3	106.4	106.7	106.3	107.1	105.0	108.3	105.2	106.8
June	108.3	107.1	107.4	106.8	107.7	105.1	108.3	105.6	107.5
September	108.6	107.6	108.1	107.1	108.1	105.7	108.7	105.8	108.0
December	108.9	108.3	108.5	107.3	108.6	106.6	109.0	106.0	108.4
2016									
March	108.7	108.2	108.5	107.0	107.9	106.4	108.0	106.2	108.2
June	109.3	108.6	109.0	107.5	108.2	106.4	108.3	106.4	108.6

(a) Unless otherwise specified, reference period of each index: 2011–12 = 100.0.

APPLYING RENT INCREASES – CPI

- The rental increase for your tenant is calculated yearly so using the CPI Equation, you are comparing the CPI from the quarter that has just finished (for this example – June 2016) to the same quarter last year (June 2015) to get the change in CPI.
- You do that by dividing this year's CPI (109.3) by last year's CPI (108.3).

APPLYING RENT INCREASES – CPI

Applying the Equation:

- $A = B \times (C / D)$
- Adjusted Rent = Current Rent x (CPI [quarter just gone] / CPI [same quarter last year])

For Example:


- Adjusted Rent = \$50,000 x (109.3/108.3)
- Adjusted Rent = \$50,461.68
- So the new adjusted rent for the next year is \$50,461.68

APPLYING RENT INCREASES – CPI

- Use ABS site: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>
- Click on Capital Cities Comparison

← → ↻ ⌂ ⓘ Not Secure | www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0 ☆

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6401.0 - Consumer Price Index, Australia, Dec 2018 [Quality Declaration](#)

LATEST ISSUE Released at 11:30 AM (CANBERRA TIME) 30/01/2019

Summary Downloads Explanatory Notes Related Information Past & Future Releases

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Main Features

[Main Contributors to Change](#)

[Capital Cities Comparison](#)

[Use of Price Indexes in Contracts](#)

[Frequently Asked Questions](#)

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[History of Changes](#)

[CPI rose 0.5 per cent in the December quarter 2018 \(Media Release\)](#)

DECEMBER KEY FIGURES

	Sep Qtr 2018 to Dec Qtr 2018 % change	Dec Qtr 2017 to Dec Qtr 2018 % change
Weighted average of eight capital cities		
All groups CPI	0.5	1.8
Food and non-alcoholic beverages	0.9	1.5
Alcohol and tobacco	3.2	6.8
Clothing and footwear	-0.2	-0.7
Housing	0.2	1.5
Furnishings, household equipment and services	0.5	-0.8
Health	-0.4	3.3
Transport	-0.7	2.8
Communication	-1.3	-4.3
Recreation and culture	1.1	1.7
Education	0.0	2.7

APPLYING RENT INCREASES – CPI

- Scroll down the webpage -you will see the following table which lists all the CPI changes for each capital city.
- You can just take the CPI figures from last column of the table titled “Dec Qtr 2017 to Dec Qtr 2018 and multiply that by your current rent to work out the new rent.

All Groups CPI, All groups index numbers and percentage changes				
	Index number(a)	Percentage change		
	Dec Qtr 2018	Sep Qtr 2018 to Dec Qtr 2018	Dec Qtr 2017 to Dec Qtr 2018	
Sydney	115.2	0.4	1.7	} Choose Your State
Melbourne	114.6	0.5	2.0	
Brisbane	114.0	0.5	1.5	
Adelaide	113.0	0.5	1.6	
Perth	111.3	0.5	1.3	
Hobart	113.6	1.2	3.0	
Darwin	111.0	0.2	1.2	
Canberra	113.1	0.7	2.5	
Weighted average of eight capital cities	114.1	0.5	1.8	

(a) Index reference period: 2011-12 = 100.0.

SYDNEY (+0.4%)

The main contributors to the rise in Sydney this quarter are tobacco (+9.5), domestic holiday travel and accommodation (+5.5%), fruit (+5.0%) and new dwelling purchase by owner-occupiers (+0.8%). The rise is partially offset by falls in automotive fuel (-3.8%) and telecommunications equipment and services (-1.5%). Sydney had the largest fall in automotive fuel of all the capital cities for

MARKET RENT REVIEWS

What to do for your Market Rent Reviews

MARKET RENT REVIEWS OCCUR TO....

Make sure the rent you are charging, remains consistent with the rental rate in the current market



MARKET RENT REVIEWS – TERMINOLOGY

- Open Market Rental Value
- Commercial Yearly Rent
- Current Rack Rent
- Market Rent
- Full Rack Rental Value
- Yearly Rent
- Full Yearly Market Rental
- Current Market Rental Value
- Current Letting Value

MARKET RENT REVIEWS

- Calculates and shows what the rental rate of the property would be.... if the property was leased on the open market
- Rate is based on a survey and research of comparable properties in the area
- Its based on objective evidence, not subjective
- Forgetting a review can lose you a lot of income.
- Reviews don't always result in a raise

MARKET RENT REVIEWS

- A rent review is a market review of the rent that is currently being paid by other similar premises/businesses in the same area.
- A rent review occurs per the lease, so can be every year, 2 years or 3 or 5 years. Or only at options.
- You need to refer to the lease to see when it is due.
- If your lease does not have options, then you will need to write to your client at the end of their lease term to offer them a new lease, and that will include a market rent review.
- Usually rent reviews occur when an option is exercised or just prior to it.

WHO CAN INITIATE RENT REVIEWS

- You (the landlord).
- Usually the tenant as well.
- Optional Reviews let you avoid a decrease.
- Ratchet Clause = rent can rise, not fall, unlawful for Retail.
- In NSW Retail tenants can always initiate reviews...
 - They must request review between 3 & 6 months before an option exercise date.
 - Option date extends until review complete
 - Tenant has another 21 days to decide on option.

HOW TO PERFORM RENT REVIEWS

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Either do it yourself... or ... or pay an agent/valuer.



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MARKET RENT REVIEWS

- It is the usual practice for a rent review to research and list out 3-4 similar premises and record what the current rent is being charged - **Calculate this on the Price per square meter of property**
- **Then Calculate your new market rent rate by using the square meter rate multiplied by the square meter of your property.**
- Once you have written up the letter for rent review then you need to follow the steps below in communicating with your tenant:
 - Email or post the letter to your tenant
 - Give your tenants an option to start a new lease or exercise their option at either 1, 2 or 3 or 5 years.

MARKET RENT REVIEWS

- Make sure in your rent review letter you give your tenant a date to respond to your letter and follow up with your tenant about a week before the deadline is due.
- Once your tenant has decided which option they will choose then you will need to get a lease drawn up.

RESEARCHING OTHER PROPERTIES

Find your Comparison Properties:

- By looking online, or...Asking Real-estate Agents
- The Lease may specify the nature of comparable properties & their leases
- Building similar style & age
- Similar Location
- Accurate space calculations
- Consider common areas
- Similar uses of the property
- Factor in incentives
- Account for expenses

MARKET RENT REVIEW CALCULATIONS

Portal Office Park Case Study - Net Rent Per Square Meter

- Net Rent \$71,822 per year
- Area = 221 sqm
- So Net Rent per Square Meter = Net Rent / Area in Square Meters
- $\$71,822 / 221\text{sqm}$
= \$325 /sqm

MARKET RENT REVIEW CALCULATIONS

Portal Office Park Case Study

- The next step would be to compare another 3 to 4 properties in the same building or close by - that are similar and..
- Find out from agents or the landlords what the current annual Net rent is and the total square meters of each premise
- Calculate their Net Rent per Square Meter and calculate the average - to arrive at your Market Rate per square meter

MARKET RENT REVIEW NEXT STEPS

- Aim is to find a rent that fairly reflects the market
- Not too high, not too low.
- Next, send written review to tenant
- Lease should limit tenant's response time
- If tenant rejects review... then start **NEGOTIATIONS**

WHEN YOU CANNOT REACH AGREEMENT

- It will cost both you & the tenant.
- Independent valuer conducts a review
- Valuer is guided by lease
- Written submissions to valuer
- Valuer's decision is binding
- With some leases, each tenant appoints own valuer...
- And a 3rd valuer arbitrates.
- Cost of valuers shared equally

NEGOTIATION EXAMPLE

- Existing rent: \$71,822
- Landlord's market review – new rent \$79,500
- Tenant referred to valuer
- Tenant asked for \$68,000
- Valuer determined fair value was \$74,300
- Negotiations resumed
- Agreed on prior rent + incentives