



# Investment property ownership

***Buying a property to rent out is a popular form of long-term investment in Australia. Before deciding to take on a rental property you should consider its value, how much it can earn, the cost of managing and maintaining the property and make a commercial decision based on current and predicted market conditions. Many would be property owners routinely overestimate the potential income and underestimate the costs of managing and maintaining a rental property.***

Under residential tenancy laws, property owners have to ensure the property meets minimum standards of safety and security for tenants. You will need to keep any items in the property inventory such as dishwashers, heaters, pool pumps and air conditioners in working order. You will also have to arrange emergency repairs within set timeframes as well as maintain and repair the premises in a timely manner.

Property owners should ensure they understand and allow for the cost of routine and one-off maintenance and repairs, as well as any loss of income when there is no tenant renting the home.

## Work out income and expenses

If you do not properly maintain your rental property, it could reduce the income you can generate and/or be less attractive to potential tenants. While there are no set rules on monthly maintenance costs for rental properties, some lenders suggest a property owner allocate two per cent of the property value annually towards maintenance costs.

See ASIC's [MoneySmart](#) website for more information.

Costs of owning an investment property may include:

- investment loan repayments;
- landlord's insurance;
- building insurance;
- council rates;
- water rates;
- body corporate fees;
- land tax;
- property management fees;
- maintenance (routine and one-off costs);
- at least one outdoor clean-up per year to clean gutters, check drains, maintain reticulation and fencing, and undertake any pruning required;

- emergency repairs, such as paying for a plumber or electrician;
- appliance replacement; and
- renovations (over time, some repainting, redecorating and refurbishing costs will also need to be factored in).

Include expenses such as:

- Paying the mortgage without any rental income at times when there is no tenant.
- Bank fees, such as an annual package fee on a mortgage.
- Changes in interest rates if your loan is variable.

Tenants and owners have rights and responsibilities under residential tenancy agreements. These agreements are regulated by the *Residential Tenancies Act 1987*. Understanding your rights and obligations as an owner, will help avoid problems and better manage your costs.

It is unrealistic to think that you will not have to replace major cost items such as carpets at some point simply due to wear and tear.

Remember too that should a tenant damage a carpet or other item to the point that it needs to be replaced you can only ask them to pay the depreciated value – not the full cost of replacement. You can use the ato's [effective life of depreciating assets](#) taxation rulings to estimate the lifespan of fixtures and fittings.

In general, property owners are responsible for keeping the property in good condition and fit for a tenant to live in. The tenant is responsible for looking after the property and keeping it clean and free from damage. For a full guide to tenancy laws in Western Australia see [Renting out your property – a lessor's guide](#).

## Maintenance of an investment property

As a property owner renting out your property, you are required to ensure that minimum security is in place.

Ongoing maintenance by property owners is important as it can help prevent major works being required. Maintenance can help prevent health issues such as mould caused by water leaks or safety issues caused by corroded pool fencing or latches.

Some examples:

Maintenance	Prevents
<b>Clear gutters of leaves/debris</b>	Flooding and ceiling damage
<b>Treat and fill rotten window sill</b>	Window being replaced, carpet being replaced, wall being repainted
<b>Flush and clean filters on evaporative air conditioners</b>	Air conditioner being replaced prematurely and helps keep property free of mould spores
<b>Prune large trees in the yard</b>	Damage to roof and fences from fallen branches
<b>Remove plants that can affect drains</b>	Flooding, plumber being called repeatedly to unblock drains
<b>Mend cistern</b>	Damp walls causing mould to grow, needing to re-tile bathroom
<b>Mend damaged roof</b>	Carpet replacement, roof collapse
<b>Reseal around kitchen sink</b>	Flooding, cupboard damage, floor damage

## Maintenance costs of green title properties

If you have a green title property, where there are no common areas that are shared, you will be responsible for the repair and maintenance of the whole property. In the event of external damage caused by natural disasters, such as flooding or storms, you may be able to claim on your insurance for repairs depending on your policy. Contact the insurance company as soon as you can if you think you will make a claim before the work is done. Make sure you take photographs of the works and damage to help when lodging the claim.

## Maintenance costs of strata titled properties

In a strata titled property, where you have ownership of cubic space and there is common ownership of land and buildings, the strata management company will look after most of the external maintenance. As an owner, you will be charged pro-rata for these works in your strata fees.

From time-to-time, a one-off payment (in addition to the strata levy) may also be charged. This may be to cover emergency or irregular maintenance work such as a replacing a lift or painting the external walls of the building.

The strata manager will communicate these charges at the annual general meeting of owners and you would normally have a set period to query the quotes before the works go ahead.

Generally, strata fees do not include any interior maintenance of the property. Interior wall painting, cleaning or replacing carpets, unblocking pipes, replacing locks, mending showers, replacing dishwashers, air conditioners or other appliances remain the responsibility of the property owner.

## Summary

You must anticipate your investment property's monthly maintenance costs. Owners should take into account the property's age and set aside sufficient funds to cover emergency repairs, rental vacancies, and capital replacements for items such as air conditioners, heaters, pool pumps, stoves and hot water systems.

Consumer Protection encourages you to respond quickly when a tenant complains and reminds you that a qualified tradesperson should carry out all repairs. You can check if your tradesperson has the appropriate licence or find a licensed trades person in your area [online](#). Be aware that if you do not carry out maintenance, or your property is empty for an extended period, it may not be covered for insurance purposes.

## Fixtures and inclusions

Fixtures are items that are attached to, or installed in the property, and include picture hooks, solar panels or a TV antenna. Inclusions are everything supplied with the property for the tenant's use and include items such as a dishwasher or air conditioner.

- Fixtures can only be added or altered with the property owner's permission.
- If solar panels are installed on a property that qualified for a feed-in tariff in Western Australia it is recommended that you first talk to your energy retailer about how the benefits can be managed. Generally, if the electricity account is in the tenant's name, the tenant is able to claim the credit. If the electricity account is in the property owner's name, the property owner is generally able to claim the benefit.
- A property manager or owner does not have to agree to a request by a tenant to affix a new fixture. However, if the tenant is securing furniture or other items for safety reasons, failure to approve the attachment may result in an increased liability. Consent in these circumstances should not be unreasonably withheld, noting that the tenant is responsible for returning the premises to their original condition at the end of the tenancy.

- Once a fixture is attached or installed it becomes part of the property. It is your responsibility to ensure the fixture is maintained in a good state of repair if it was installed on behalf of a tenant or by the tenant and is not removed upon vacancy.
- Check inclusions at the start of each new tenancy to ensure fixtures are clean and in good working order. Note their condition on the [Property Condition Report](#).

## Drains and gutters

The owner is responsible for ensuring their rental property is in a reasonable state of cleanliness and repair.

- If a drain becomes blocked due to fair wear and tear (e.g. due to tree roots blocking a drain), the owner is responsible for it.
- If the tenant does something that blocks a drain (e.g. pouring paint or plaster down the sink) they may have to pay for fixing the problem.
- If gutters become blocked due to leaves collecting in them, the owner is responsible for cleaning the gutters.

## Lawns, gardens and trees

Usually tenants are responsible for small garden jobs, such as lawn mowing, edging and weeding. Major works, such as tree lopping, are part of the owner's obligation to keep the property in good repair. You should list in the tenancy agreement any special arrangements about the maintenance of gardens and lawns, such as hedge maintenance.

- The tenant is not usually responsible for plants, hedges or lawns that require specialist upkeep, unless they agree and it is documented in the agreement.
- Property owners should also consider local council water restrictions. You may not hold the tenant responsible if lawns, trees or other plants die because of compliance with these local laws or due to excessive dry weather conditions.
- A property owner cannot require the tenant to enter into a maintenance contract with a particular company in addition to their rent, or require the tenant to use a specific company to provide maintenance services.
- It is important to include the condition of the lawns and gardens on the Property Condition Report, as the tenant will need to return the property in the same condition they received it, excluding fair wear and tear.

## Safety and security

The property owner is responsible for the property having a minimum level of safety and security in place.

- The main entry must have a deadlock or an AS 5039-2008 compliant key lockable security screen door. Other external doors should have either a deadlock, a patio bolt lock (if a deadlock cannot be installed) or an AS 5039-2008 compliant key lockable security screen door. If you need to install a patio bolt, it does not need to be key lockable.
- Windows must be fitted with a lock which prevents the window from being opened from outside the premises. This does not mean having to install keyed window locks, but all windows that can open should have latches, closers or locks fitted that are in working order.
- There must be an electrical light at, or near, the main entry. This light must be capable of illuminating the main entry to the premises and be operable from the inside. This standard does not apply if the property is a flat or apartment and the lighting is the responsibility of the strata body.
- Louvre windows must have a functioning locking mechanism. If it is not, then another mechanism will need to be installed to allow the lever to be locked in the fully closed position.
- If the property is on land zoned for agricultural or rural use, it is not a requirement to meet the minimum security standards. However locks or other devices must be provided and maintained to ensure the rental premises are 'reasonably secure'.
- Barriers must be installed and maintained for private and portable pools and spas over 300 mm deep. Fencing involves isolating the pool from the home with a well-constructed and well-maintained barrier and a gate that self-closes and self-latches. Not complying with these requirements risks the lives of young children and may result in substantial fines.
- You must install and maintain compliant smoke alarms. This includes replacing the batteries annually (mains powered smoke alarms have back-up batteries), fully replacing smoke alarms every ten years and organising for your property manager to maintain and test the smoke alarm regularly.
- Product safety laws for internal window coverings have applied in Western Australia since 23 January 2004, so landlords need to ensure that blind and curtain cords and chains supplied after this date meet the national product safety requirements. If blinds or curtains were bought before January 2004, it is strongly recommended that landlords ensure blinds and curtains are safe for children.

**Disclaimer** – The information contained in this fact sheet is provided as general information and a guide only. It should not be relied upon as legal advice or as an accurate statement of the relevant legislation provisions. If you are uncertain as to your legal obligations, you should obtain independent legal advice.

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