

NEW CUSTOMER SIGN-UP PROCESS

- 1 Determine customer's goals for property
- 2 View property and provide rental appraisal
- 3 Prepare and sign management agreement
- 4 Complete preliminary property inspection
- 5 Comprehensive chattels inventory and photography
- 6 Prepare and approve marketing plan
- 7 Market property for rent

QUINOVIC CARE AND RETURN PROPERTY MANAGEMENT SYSTEM

- 1 Screen and select tenants
- 2 Sign up tenants
- 3 Establish payment and reporting system
- 4 Establish Property Manager relationship
- 5 Implement quarterly property inspections
- 6 Proactive maintenance management
- 7 Regular reviews with property owner
- 8 Review tenancy agreement before renewal
- 9 Renew or terminate agreement
- 10 Market property for rent
- 11 Complete final property inspection
- 12 Prepare property for new tenants

INVESTING IN RESIDENTIAL PROPERTY

Expert tips and advice to help you maximise your return

WE'VE DONE THE HOMEWORK TO HELP YOU GET AHEAD

If you are an experienced investor looking to maximise returns, or if you are just starting out, this booklet can help give you the edge to make it a real success. With 25-plus years' experience in the industry and more than 7000 properties under management, we've gained invaluable insights into residential property investment.

What are the advantages of investing in residential property? What type of properties should you be looking for? As well as providing an introduction to residential property investment, this booklet is designed to help you target the type of properties that suit your budget and your return-on-investment aspirations. It also looks at ways of leveraging your time for maximum effectiveness, and includes tips to help you turn prospective tenants into long term occupants, paying above market rentals.

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WHY INVEST IN RESIDENTIAL PROPERTY?

Residential property investment has allowed thousands of New Zealanders to build significant levels of wealth and passive income. So what is it about residential property investment that makes it stand out from the array of other investment options available?

- 1. It is easy to understand without any training.**
- 2. It is generally a very safe investment.** There's a large pool of potential tenants with similar requirements, so it provides security of income.
- 3. It is readily mortgaged, dramatically increasing returns when property values increase over time.**
- 4. There's a ready source of properties to add to a portfolio.**
- 5. The rental returns are less affected by economic volatility than those of commercial property. Over time the rental values increase due to population growth and inflation.**
- 6. It has shown steady increases in value over the long term.**

Through regular acquisitions, you can build a sizable portfolio of residential property, creating significant wealth and passive income. The more time you spend on activities that most directly result in growth, the faster you can achieve this.



THE MOST IMPORTANT STEP IN RESIDENTIAL PROPERTY INVESTMENT

Picking the right property is the most important step in creating a solid property portfolio.

A good investment property will steadily and reliably produce income and capital growth. This value growth allows you to expand your portfolio more quickly. A poor residential investment property, on the other hand, not

only produces lesser returns, but with low value growth it slows your portfolio expansion.

Advantages of buying a good investment property

- Rent received regularly
- Property is well cared for
- High demand from tenants

Benefits from buying a good investment property

- Reduced maintenance & rental arrears
- Reduced vacancies
- Increased rent & increased value

Doing the homework

While buying is the foundation for success, it's one area that people don't always dedicate the appropriate amount of time to. Not spending enough time determining what you're looking for and on the buying process can stall portfolio growth and hinder your overall wealth creation goals.

That's why we recommend that you take the time to do your homework before making any big decisions. This includes:

- Scanning media
- Talking with real estate agents
- Talking with your property manager
- Visiting properties
- Determining whether properties meet your investment criteria
- Arranging builder's reports
- Seeking professional financial and legal advice
- Having an updated market rental appraisal from your local Quinovic office
- Getting advice on what improvements could increase the rent from your local Quinovic office
- Getting property management advice regarding the current market from your local Quinovic office

Once you find an attractive investment opportunity, you also need to commit time to making offers and counter offers.

Quinovic does not offer financial or legal advice to its clients. We recommend that before undertaking any investment you consult your own professional financial and legal advisers.



PICKING A PROPERTY THAT WILL GIVE YOU A HIGH RETURN

Determining how much rent you will receive is always difficult. Despite what some agents will tell you, it's impossible to predict how much rent will be achieved for a particular property.

Comparing what else is in the market by conducting a comparative market analysis gives us a guide but is never completely accurate. A number of external factors determine the rent you can expect.

The most important thing to consider is how, over time, you can increase the rent you are likely to get. What sort of property is most attractive to tenants? Obviously the more money you can rent your investment property for the higher your investment return will be.

Currently the highest demand is for property within 8km of the CBD. Almost 80% of leases are signed with people under the age of 35, typically two or more people sharing, with each paying a portion of the rent.

Some of the key factors that determine how much rent you will achieve for your property include:

- Number of bedrooms
- Number of living areas
- Number of bathrooms
- Outdoor entertaining areas
- Car parking and/or garaging
- Location – CBD, shops, park, school zones
- Presentation
- Fixtures and fittings
- Gym/pool/facilities

“The more recently a property has been renovated or built the higher the weekly rent return will be”

1. Number of bedrooms

As a result of the shortage of rental properties, rents across the country are increasing, causing more people to share rental accommodation than ever before. This has led to a rise in demand for 3 and 4 bedroom properties.

Depending on the area, as well as many other factors, an additional bedroom can increase the rent by as much as \$60 to \$120 a week. The more bedrooms, the more tenants, and the more rent they can collectively afford. This rule especially applies to properties in a lower price range, where students or younger people are your most likely tenants.

Bedroom size is also important. In any property, generally one of the bedrooms is smaller than the rest. If it is significantly smaller, it adversely affects the rentability of the property. A rule of thumb is to ensure that no one bedroom is less than 75% of the size of other bedrooms. It could pay to aim for bedrooms that will comfortably fit a double or queen-sized bed.

“The number of bedrooms has the most impact on rental value”

2. Number of living areas

A living area is an area that can be used for general living – a space that can fit, for example, a lounge, coffee table and TV. A second living area needs to be far enough away from the first for noise not to be an issue. For instance, a house that has a combined lounge/dining room upstairs and a rumpus room downstairs is considered to have two living areas.

An open plan layout is definitely preferred over a compartmentalised house. People want to feel as though they have space around them, so having a main living area that is open plan to the kitchen and dining is a desirable feature. In many properties, an outside undercover entertaining area like a back deck could be considered a second living area.

3. Number of bathrooms

Ideally, the number of bathrooms in a property should be in proportion to the number of bedrooms. One bathroom or ensuite is suitable for a one bedroom property. One bathroom is also suitable for a two bedroom property as long as it's not an ensuite attached to one of the bedrooms. Two bathrooms are preferred for a three bedroom house but not essential. For a four bedroom house, two bathrooms are a must if you want to receive the full rental benefit that a fourth bedroom will give you.

Other considerations:

- Plenty of cupboard and bench space is important, particularly for bathrooms that will be shared by two or more occupants.
- Baths are important for families and sports people.
- A shower is essential.
- Female tenants place more importance on bathroom facilities (and a bath) than male tenants.

4. Outdoor entertaining areas

Because of the New Zealand climate, outdoor living has become an essential part of life. Properties without an outdoor living/entertaining area – an area attached to the house and protected from the elements – are more difficult to rent than those with one. Raised back decks are the most preferable type of outdoor living/entertaining area, and are most commonly found on properties on the low side of any street, or either side of a flat street. A good indoor/outdoor flow, with easy access from the deck to the kitchen, is also well sought after.

Size is once again important. Enough room for a BBQ and outdoor setting for 4-8 people is ideal.

5. Floor coverings

Carpet that is well laid, clean and in good repair, particularly in neutral colours, is a desirable feature for the warmth it adds. Shag-pile carpet makes a property difficult to rent, so should be avoided. This is also true for carpet in living areas, unless it is modern and in good condition. Wood flooring is beautiful, but unless it is in a high-end property, it is not recommended because it requires special care and is easy to damage. If you have a property with wood flooring, be sure to provide clear instructions on how it should be looked after, as part of the tenancy agreement.



6. Views – sun

All day sun and views always make a property more attractive and usually provide for better capital growth. All day sun exposure provides a drier property than one in the shadows or a valley, and a dry property helps to keep maintenance costs down.

Unobstructed views of the ocean will always bring a higher rent. Views of the countryside or city won't have a significant impact on rent, but will rent faster than those properties without views.

In inner city areas, views of the city or across other suburbs may significantly increase your purchase price, but will have very little impact on your rental weekly income. When choosing between similar properties, however, if one has views and good sun, it will usually be the prospective tenant's preference.

“Open curtains and blinds to let the sun and the view inside. Nobody likes a dark house, and the view will make the rooms feel bigger.”

7. Location

The old real estate mantra still holds true: location, location, location. Location is relative to each person and most tenants have their own criteria. For example:

- People who work in towns and retirees look for places within walking distances to shops, medical facilities and public transport.
- For families, good school zones and cul-de-sacs are important.
- Young adults prefer locations near university or polytech campuses, beaches, and sports facilities.

In the inner city areas of major city centres, these sorts of criteria can mean as many as five to six different suburbs are suitable.

It's important to understand that location affects the typical tenant profile and to use that information, along with other tips in this booklet, to target that profile and achieve maximum rent.

8. Appliances

Most tenants in suburban and regional areas supply their own appliances. Properties on the city fringe and in the inner city, however, prefer whiteware appliances to be provided. Some extra amenities such as a dishwasher or air conditioning, can get you a few more dollars rent from a tenant.

A few key considerations to keep in mind:

- The kitchen is of significant interest for most tenants and quality appliances may help sway their decision when choosing between two properties.
- Gas hobs and stainless steel appliances are popular with most tenants.
- Professionally mounted appliances such as washing machines, dryers, and refrigerators can minimise damage as tenants won't need to move their own appliances in and out of the property.
- Dishwashers are sought after and are becoming cheaper to install. Remember, though, that any appliance you put in is your responsibility to maintain or repair, so it pays to choose quality appliances with warranties.
- Premium appliances tend to attract premium tenants, and premium tenants equate to high rent, longer terms, and lower maintenance.

9. Heating and cooling

Warm and dry properties will always attract prospective tenants. Properties with heating sources such as heat pumps and gas fireplaces will also draw higher rents. Insulation is invaluable too. If a property you're looking at investing in doesn't have insulation, use this as a bargaining point. Several government schemes allow you to get insulation installed at a discounted price.

Air conditioning is also important in houses that don't have any significant outdoor entertaining or veranda/deck areas. Offering air conditioning is obviously more beneficial when renting your property during the summer months, and while ceiling fans are definitely an advantage, they're not a replacement for air conditioners.

10. Access to facilities

Access to facilities is a big determining factor for tenants when selecting a property. Properties close to universities have significant increases in tenant enquiry at the start of the year (January/February), and again at the change of semester (June/July). In inner city areas, easy access to café and shopping precincts also increases demand.

Easy access to transport, schools, parks, hospitals and other community facilities does not really increase demand in inner city areas of the larger city centres, as almost all properties are relatively close to these sorts of facilities, but outside of major city centres this type of access is highly valued.

11. Security

Security screens and lockable windows appeal to tenants, especially safety-conscious females. Security alarms are becoming more sought after, particularly for houses and apartments in the higher price brackets.

12. Car Parking

Car parking is a top priority for tenants. Most people prefer to keep their cars in decent, safe and convenient storage, rather than outside in the weather. The type of parking you can offer directly influences the weekly rent and desirability of the property.

Key considerations include:

- Internal-access garaging is definitely preferred for single family homes.
- Secured, covered parking is acceptable for apartments.
- Carports and offstreet parking are also desirable, particularly in areas where there are street parking zones. If you have a carport, however, it could be worth turning it into a garage to achieve higher rent.
- Additional parking is also sought after, especially for larger homes.
- Lockup storage for sporting gear like bikes and kayaks is a definite plus.

13. Busy roads

Few people want to live on a busy road. A spacious, well presented property on a busy road, however, will rent before a poorly presented home in a quiet location. A property that fronts onto a busy road will take longer to rent than a similar property that backs onto a busy road, because backing onto a busy road doesn't affect access. The most important consideration when thinking of purchasing on a busy road, is off-street car parking and the location of the outdoor entertaining areas. If outdoor areas are affected by noise, the extra value they create in rental return won't be realised.

14. Fencing

Fencing is another highly sought after feature. A fully-fenced section is preferable for families of small children, and for the sense of privacy and security it provides. A fully-fenced section will draw a higher rent in most areas, and even partial fencing is better than nothing at all.

15. Smoke detectors

As the owner of a property, it's your responsibility to install and clean smoke alarms, and regularly test and replace batteries before the start or renewal of a tenancy. While smoke alarms don't really affect the appeal of a property, they are very important for insurance of your investment. When you're considering buying a property, it's worth checking whether or not they're installed.

16. Furnishings

Should you furnish your property? While it can increase a property's rental income, we recommend considering your property type and likely tenant pool before investing in furniture. You'll get more rent for a fully furnished property, but so few people are looking for fully furnished properties that you could end up with vacancies for longer periods. The only exception to this are inner city apartments. You're best off consulting a property manager to determine whether your property is suited to furnishing. In most cases, other than apartments, the long term return will be better in an unfurnished property.

17. Built-in wardrobes & storage

Built-in wardrobes are rarely found in older houses, but are common in units and townhouses. With space at a premium everywhere, having built-in wardrobes in bedrooms is beneficial. Storage space for personal belongings and linen is also often sought after. Making use of areas under staircases or built-in cupboards can increase the desirability of a property.





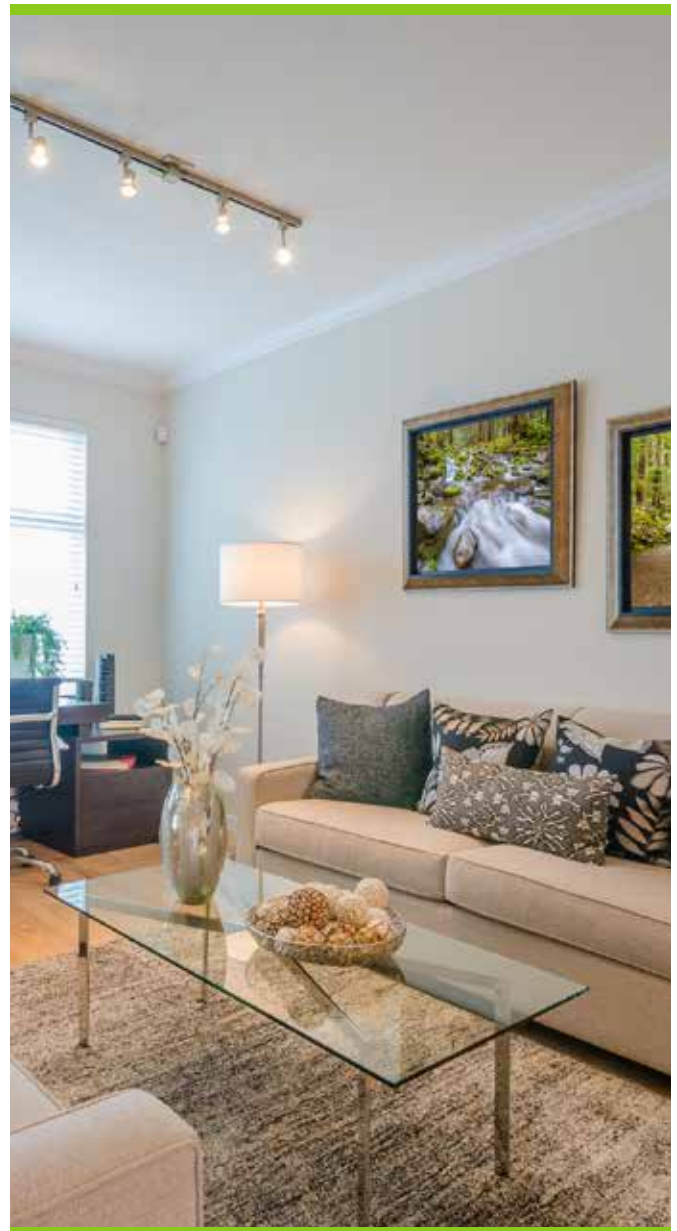
PROPERTY PRESENTATION

Once you've purchased a property, it could pay to invest some time and money in its presentation. Is it neat and tidy? Does it look like it is maintained? Sometimes a simple change can make a big impact on the rental return. New paint, carpet, or a modernised kitchen will attract more rent and better tenants.

Here are a few presentation tips:

- **Present the property well from day one.** Make sure it's clean and in the best possible condition before tenants move in. This also sets the standard of care and upkeep that is expected from the tenants.
- **Pay attention to the outside of the property.** Tend to the garden, mow lawns, and clean the windows, paths, gutters and outside paintwork. These are all visible from the street, and you don't want to turn off tenants before they reach the front door.
- **Repair or replace leaking taps, sticking doors, broken light fittings, loose door handles, rotten floor boards, leaky gutters, and torn flyscreens.** All these things could deter a potential tenant and give the impression that the owner doesn't care about the property.
- **Only paint areas that really need it.** New paint only makes those areas left unpainted look even shabbier. Avoid bright colours such as reds, blues, and greens. Light neutral colours such as whites and off-whites appeal to most people and allow them to create their own environment without having to restrict themselves to a specific colour scheme. Renovating to a theme, murals or paintings of scenery should also be avoided.
- **If your property is in a noisy area, near a main road or school, for example, schedule viewing times for when the noise is at its lowest.**

- **Remove unpleasant odours such as cigarette or pet smells.** Consider having the carpets and curtains cleaned, neither of which is expensive.
- **Give some thought to how the property is furnished.** Furniture can make a big impact. If you're aiming to get more inquiries, it may be worthwhile hiring good furniture and getting professional photos taken. You can then use these photos every time you rent the property out – so the property will look its best when listed online or in promotional flyers. This strategy works well for all types of properties, but is particularly successful for premium properties. For an example of how this is done, look at building display homes like Lockwood or GJ Gardner.





PROPERTY INVESTOR OR PROPERTY MANAGER?

If you have a demanding career or a business to run, chances are you don't have much spare time on your hands. So where do you focus that time? If you choose to *manage* your properties you can expect different outcomes than if you were to choose to spend your time *investing* in properties.

Spend time managing properties	Expected outcomes
Tenanting	Low portfolio growth
Following up with tenant issues	Limited portfolio size
Dealing with tenant issues	Hectic lifestyle
Attending Tenancy Tribunal hearings	Family and career commitments suffer
Dealing with maintenance issues	Sell properties to reduce time commitment
Making minor repairs	Never achieve desired financial outcomes

Spend time investing in properties	Expected outcomes
Researching market	High portfolio growth
Gathering information	Unlimited portfolio size
Viewing properties	Able to attend all family commitments
Analysing information	Career not compromised
Due diligence	Calm, structured lifestyle
Making offers	
Arranging finance	



LEVERAGING YOUR TIME

Leveraging time is the key to growth in any enterprise. You only have a limited amount of time, so what is the smartest way to spend it? By outsourcing the many tasks that are part of managing an investment property, you can ensure that your time is concentrated on the highest payoff activities.

Using a reputable property manager, you can outsource the following:

- Taking calls in response to advertisements
- Making appointments and showing prospects through
- Processing tenant applications calling referees and performing credit checks
- Negotiating, preparing and signing tenancy contracts
- Collecting and lodging bonds
- Preparing detailed chattel lists and photographs
- Providing copies of chattel lists and photographs to tenants
- Daily monitoring of rents and rent arrears
- Following appropriate procedures with tenants whose rent falls behind
- Carrying out quarterly inspections
- Organising remedial work needed following inspections
- Being available for emergency maintenance call-outs at any time
- Comprehensive end-of-year reporting to the accountant in preparation for tax returns
- Reviewing rental levels at regular intervals
- Conducting final inspections
- Overseeing the presentation of the property for re-tenanting



LEAVE IT WITH US

If you want to focus on investing rather than managing your residential properties, who better to team up with than a company with 25-plus years' experience in residential property investment and a reputation for getting results?

To make your investment more rewarding – personally and financially – leave your property with us, the experts in property care and return.

To find out more or to discuss your property portfolio, visit www.quinovic.co.nz.



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