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How to screen your tenants

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The current national rental market is generally in favour of landlords, with more tenants than properties pushing vacancy rates to historically low levels. But simply having a glut of tenants to choose from doesn't guarantee top-quality tenants. Sarah Megginson shows you how to find the best tenants for your investment property - and explains what to do if you pick the wrong person.

There are no hard and fast rules to follow to find the 'best tenant' for your investment property.

Some landlords, for example, value stability and security in their investment, so they prefer leasing to families with school-aged children, as they tend to stay in one place for several years at a time.

Other investors, however, shy away from having small families tenant their properties, as they are wary of the potential damage to fixtures and fittings that children and pets can cause. These landlords are happy to forgo long-term security, therefore, in exchange for less wear-and-tear on their property.

Your 'ideal tenant' will depend on several personal and financial factors, says Elisa Woollard, co-director and property manager with Pacific Lifestyle Property - and her first piece of advice to landlords is to maintain an objective, unemotional view when deciding on their next tenant.

"I always recommend to our clients that they compose a checklist prior to looking for a tenant," Woollard says.

"That way, they know exactly what attributes they ideally require."

As a starting point, landlords should consider the length of tenancy and the desired number of people they wish to reside in the property, Woollard explains. Next, they should evaluate individual tenant concerns, such as their ability to provide a good tenant ledger/history and excellent references.

"The ideal tenants are those who provide can provide sufficient evidence of income, have the capacity to finance their rent, and have a responsible character," Woollard says.

"Essentially, they are people that you could trust to take care of the property, as if it was their own. The exact type of person would then vary according to locality."

To attract premium tenants, Woollard suggests that investors ensure that the property is kept in a clean, comfortable and well-presented manner.

"Giving a good impression initially represents how the property is expected to be maintained," she explains.

"A fresh paint job is always a good idea if the property has signs of wear and tear and requires some freshening up."

Other considerate gestures include being flexible with inspection times, and ensuring that sufficient research has been carried out, in regards to the median rental prices in the area.

"This should be done before reaching a decision on rental price, to make certain that you do not price your property out of the market for your local area," she says.

Be mindful of the law

As you filter through tenant applications to decide on the best possible tenants for your investment property, it is important to be mindful of all relevant federal and state anti-discrimination laws.

Under these laws, you cannot impose conditions on a tenancy if these conditions make it harder for people in particular groups to gain access to rental properties.

For example, according to the Real Estate Institute of Australia, when selecting tenants the only requirements that can be addressed are:

- The number of people suitable to reside in the property
- The tenant's ability to prove that they have and can maintain the weekly rent
- The tenant's ability to prove that they have and can maintain a rental property in a clean and tidy condition

Unfair discrimination happens if you treat a potential tenant less favourably because of their sex, age, race, nationality, marital status, the fact that they have children, sexual preferences, disability or impairment, pregnancy, religion or political beliefs.

However, you do have the right to choose the most suitable tenant, provided that no unfair discrimination occurs.

Both the property manager and the landlord are legally liable if complaints are made, and real estate agents cannot accept discriminatory direction from lessors - such as directions to not accept applications from people of a certain race.

The NSW Office of Fair Trading's 'Discrimination and Renting' publication explains that indirect discrimination is also unlawful.

Indirect discrimination occurs when there is a requirement, such as a rule, policy or procedure, that is "the same for everyone, but which has an unequal or disproportionate effect on particular groups".

For example, a real estate agent might receive a number of applications from people wanting to rent the same property. The agent's policy might be to rank applications by the income of applicants. Since some people from Aboriginal backgrounds may earn less on average than others, this policy may result in indirect discrimination.

Instead, a fair selection process would be to rank people in order of when they lodged their application, and then assess the first application for their capacity to pay the rent and maintain the property.

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