

Comments from Carolyn

What an interesting time it is in the real estate market at the moment. Every week the headlines tell of low vacancy rates, rents rising by double digit figures and hundreds of people turning up to opens for vacant properties.

Talking to property managers and principals in Sydney and Brisbane over the past few weeks, it's very clear that reports mentioned above are only true in some areas and it's not general across the board. Certainly properties in the lower end of the market are very tight, and this is occurring all over Australia; many agents however are finding properties in the higher end of the market are taking longer to rent and in some cases the landlord is having to reduce the rent in order to tenant the property.

Managing client expectations in such markets is not easy. When the headlines scream double digit rent growth, landlords want it, especially when increasing interest rates mean their yield is diminishing. Knowing your market intimately will help you to manage these expectations and fill vacant properties sooner. One principal I spoke with recently is upfront with clients who demand rents in excess of similar properties in the area—he simply tells them, “yes, you will get that weekly rent, one day, but not right now. In order for you to have regular income, I suggest you would be better off starting at \$x.” Most landlords see the sensibility in that and understand that accepting a more reasonable amount and having a tenant is better than holding off for a higher amount and losing income in the meantime. Managing client relationships and expectations effectively can only help build your business - as your insurance partner we're very happy to support you in managing your client relationships by being there when the unexpected happens.

Carolyn

We are happy for you to use any of the information provided to you in scheer tips for your own newsletter. You should however, acknowledge that the information was provided by Terri Scheer Insurance otherwise you may be at risk of providing advice.

Please contact Belinda Butler - belindab@terrischeer.com.au if you would like further information.

Terri Scheer is happy to provide you with this information. However, if you would rather not receive future issues please let us know and we will delete

Things to consider— risk management

Stacey Kilmister—Business Relationship Manager/Team Leader, Western Australia

Here is something for you to ponder....

Have a look at your rent roll. How many properties do you manage? What type of portfolio do you have? (corporate or suburban, high economic, low economic). How thoroughly do you manage rent arrears? What kind of system do you use in your office? How many staff do you have? Do you have an assistant? And what resources do you have at hand? Now, ask yourself.....

Does any of this prevent your tenants from divorcing, losing their job, losing a loved one, falling ill, or even losing their mind??

The answer is quite simply NO!

Of course we encourage good working practices within your office to help prevent things going wrong. The very fact that you are managing the property is the first step in good risk management, there are however, unforeseen circumstances that may prevent a tenant from fulfilling their lease obligations.

Insurance provides peace of mind. Our policy was developed for that purpose - to alleviate some of the costs and stress that a landlord may be faced with in the case something were to go wrong, and we all know it does!

We have listed some additional risk management practices you can use in your routine to assist with informing your landlords of the availability of insurance:

1. With all new managements, provide our brochure, PDS & FSG to the landlord to ensure they are aware of the availability of Landlord insurance.
2. Regularly send our Landlord Preferred Policy brochure with the 'mail out letter' (available on our CD) and Financial Services Guide to all landlords with no insurance ...inform, inform, inform!
3. Use the 'Landlord Insurance Information pad' for landlords who do not wish to take out insurance - they are required to sign the form to confirm they have been informed of the risks and exposures of not having the protection in place.
4. Consider offering Landlord Insurance for the first year paid by the company. It seems to be a great tool to bring in new business and will also ensure your rent roll is protected.
5. Send flyers with your end of month statements, again...inform, inform, inform!
6. Upon renewal of the landlords Management Agreement, remind them of the availability of landlord protection insurance and get a signed disclaimer if they do not wish to go ahead.

Having documented risk management procedures in place will certainly help if you are ever faced with a landlord claiming they were never told about the availability of landlord insurance. Remember to keep any relevant documentation in case you need to justify your actions one day.

Our Business Relationship Managers are here to help with your risk management procedures, if you would like any further information, please feel welcome to contact our office and we are only too happy to assist.

Remember: Never say never, because that is when something will happen.....

Tips for Landlords—Liability

Hayley Price, Business Relationship Manager, Victoria

We all should know the importance of having legal liability cover in this day and age. Having a real estate background it surprises me when I see or hear people approaching this topic with the understanding of how important it is and thinking it's a great idea but rarely do they act on it.

When you consider that many people have comprehensive car insurance because they see a need to cover for damage to their car caused by another party or for if they cause damage to someone else's car, the mind-set should be exactly the same for landlords of an investment property. A landlord could be deemed liable if the tenant becomes a victim of a situation out of their control and occurring on the landlord's property. Without liability insurance, the landlord could face bills in the millions of dollars.

There are three main areas for an landlord to consider to assist in reducing their risk of liability claims against them in relation to their rental property;

1. To have the property professionally managed
2. To ensure the property is in good and reasonable repair, and
3. To take out a Landlord Protection Insurance Policy that includes cover for legal liability.

Even with these three bases covered, it will not prevent every situation from evolving, it is simply a proactive approach to potential liability claims.

Additional information regarding Body Corporate/Owners Corporation insurance – Apartments, flats etc

There still seems a lot of uncertainty in the market when it comes to understanding insurance and knowing what is covered within an owner's corporation/body corporate insurance policy. Most building insurance policies within owners corporations/body corporates do not cover for legal liability inside the apartment/unit and most will also not cover for contents such as curtains, carpets, blinds and light fittings. This is where landlord insurance comes into play, by having landlord insurance that provides cover for contents and liability, should ensure the landlord has covered themselves for liability inside and outside of the property.

The end result of having adequate insurance, Peace of Mind!

We encourage landlords to consider their current policy to ensure they are adequately covered.

Evictions – how much do they cost?

Belinda Butler, National Sales Manager

First, you realise your tenant is behind in their rent, you remind them that they must pay their rent to remain in possession of the property. Then you serve them a breach notice, but still no payment! Now you apply for a tribunal hearing, go to the hearing, the tenant doesn't show up so you get an order for eviction. Finally, the tenants haven't vacated so you arrange a bailiff to evict the tenants.....sound familiar??

When you have to go through the process of evicting a tenant, how long does it generally take? How long is the landlord without rent? And how long does your office go without receiving management fees?

On average, we pay claims for court evicted tenants of amounts in excess of \$2,000 per claim. These Landlords have made the smart decision to purchase a policy that covers rent default and eviction of tenants, but where would a landlord who had no insurance find that amount of money?

Of course, you have the bond, but more often than not you'd find the bond is already fully consumed with reletting costs such as cleaning, gardening and advertising, still leaving the landlord with weeks of unpaid rent.

The Terri Scheer Landlord Preferred Policy provides cover for up to 15 weeks rent for court evicted tenants. Don't wait until it's too late to realise your landlords don't have insurance for the real risks they face, remind them of the availability of a specialist insurance product today.

Placing cover is easy.....

Mathew Altamura, Client Service Associate, South Australia

Did you know that you can arrange cover for your Landlords with a few simple clicks of your mouse? Go to www.terrischeer.com.au follow the links to the Real Estate Agents page and 'request cover online'. It's as easy as that! After completing a few essential details its peace of mind for you and your Landlords.

So what does this mean for you? There's no need to complete any paperwork. Once you submit the application you will automatically receive email confirmation that the details have come through to Terri Scheer. Our friendly client service team will place the policy for your Landlord that same day and send written confirmation (and relevant documents) to you and your Landlord.

Make sure you act fast to take advantage of our special **15 412** offer which has been extended until the end of August – scheer value!

Whilst online why not ask for an up to date property list? This will enable you to see all the current policies with Terri Scheer and also any outstanding policies which may require urgent attention. Simply follow the links on the Real Estate Agents page to obtain a current property list for your office.

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