

## Buying a tenanted investment property

There are plenty of upsides to buying an investment property that already has a tenant, as well as a raft of risks. Here's how to minimise them.

There are steps you can take to minimise your risk:

- Make sure the bond has been lodged properly. Your agent will arrange for the bond guarantee to be transferred into your name on settlement.
- Check the property condition report, making sure that it is a complete and accurate record of the property as you inspected it.
- Ensure there are no rental arrears. If there are, or if a landlord has agreed that rental arrears can be taken out of a bond payment, stipulate that this amount is deducted from the purchase settlement amount.
- Ask the leasing agent about the tenants and their payment record. You cannot demand that you meet the tenants, but attending the open house will give you a sense of how they live in the property. If possible, sight the tenants' original application for the property and rental ledger.
- Look at the yield for rental properties in the area and compare them to yours. You won't be able to increase the rent until the end of the lease.
- Be aware of any concessions or conditions that are either in the lease or have been agreed with the landlord or property manager, because these will become your responsibility. For example, does rent include electricity or other utilities? Has the landlord agreed to install a new oven or paint a room?

Of course, if you love a property but have doubts about the tenants, the lease or the managing agent, all is not lost. You can easily change the managing agent when you settle. You can also make vacant possession of the property a condition of settlement. You may need to wait until the lease expires to settle, but you aren't taking on the previous owners' problems and responsibilities.

If your only problem with a tenanted property is the rental yield, keep in mind that increasing rent on a good, long-term tenant may well drive them away anyway, so do your sums. Work out whether the amount you'd like to increase the rent by equates to more over the year than the lease fee plus any rent lost if your property is vacant for a few weeks.

