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THE TRUE VALUE OF RENTAL PROPERTY REPAIRS

The fall from dedicated landlord to slumlord is shorter than you think. **Garret Wong** explains why it's so important to conduct timely property repairs



Picture this scenario: The rent is two weeks late, so you drive to your rental property to collect it. The front door is wide open and hanging on its hinges. You climb the front steps to find that, besides an old couch and a lot of garbage, the tenant appears to have vacated your property. Upon further inspection, you discover there are holes in the walls and doors, and the dining room walls have been used as a colouring book. The carpets look like they haven't been vacuumed since the tenants moved in last year.

As you contemplate the lost rent and wonder how you're going to make the next mortgage payment, you say to yourself: "It will cost at least \$1,500 to fix this place up, and that's two months of precious cash flow. What's the point? It's only going to be destroyed again!"

Be careful. You're now at the proverbial fork in the road – but which way do you go? A left turn takes you back to that naïve landlord who put every drop of blood, sweat and tears into making this property the best rental on the block. A right turn, however, is a downward spiral to Slumlordville.

THE SLUMLORD PATH

Let's take a look at what happens if you take the right turn in the road. You clean up the garbage, put a 'For Rent' sign in the window, and start showing your property. Tenant after potential tenant passes through your house, but your rental application pile is

empty. Finally, you're able to rent it out, but the tenants seem a little 'iffy' – but at least it's rented, right?

Fast forward three months. It's déjà vu. You're once again the victim of a 'midnight run,' but the damage is worse now. There are a few kitchen cupboard doors missing, and the basement door is scratched up from the dog ("I didn't tell them they could have a dog!").

So, you call a hauling company to clean out the place and put that 'For Rent' sign back in the window. An entire month goes by, and no applications. Desperate times call for desperate measures – you lower the rent by \$100. You finally rent it out – to an even worse tenant.

Are you getting the picture? A few more cycles like this, and your rental property is so run-down the homeless guy on the corner refuses to live there for free.

TURNING BACK THE CLOCK

Let's recap what you have after a year of this pattern: a property that needs \$25,000 in renovations and has actually decreased in value in a hot market.

As a responsible property manager, we encourage a minimum standard of upkeep for our properties. We install the most cost-effective flooring, put a coat of paint on the walls and make sure all of the standard municipal bylaws are followed. If done carefully, this does not cost too much.

In the scenario above, you were contemplating a \$1,500 repair bill. Now,

12 months later, you are facing a \$25,000 renovation. If you could turn back the clock, which choice would you have made?

The \$1,500 repair seems like a no-brainer, but what happens if the new tenants damage the property again? They could, but you can minimize that risk. You do a quick clean-up, repair the doors, put a fresh coat of paint on the walls and take advantage of the carpet sale at your local flooring store. You advertise the property again one week later, and you're able to charge \$100 more per month.

You now have a pile of tenant applications. Somewhere in that pile is a responsible family who would love to be chosen to live in your house. Could your new tenants damage the property again? It's possible, but because you are now choosing from a more responsible pool of tenants, you are minimizing your risk.

You made a mistake before, and it cost you \$1,500, but 12 months later, you have a property that's once again running smoothly, creating positive cash flow and worth more than it was a year ago. Be a responsible landlord, and in the long run it will pay off. ■

GARRET WONG has been successfully investing in real estate since 1997 and is one of the directors of Winnipeg-based Garamark Property Management. Visit garamarkpropertymanagement.ca for more information.

