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HOW TO MANAGE A LONG-DISTANCE RENTAL PROPERTY

Owning and managing a rental property can be a daunting task – especially from out of province. **Garret Wong** outlines what all long-distance landlords need to know

Whether you've moved and want to keep your old house, you just can't pass up a deal in the next province, or you really were Aunt Edna's favourite nephew, you're faced with a problem: You live too far away to manage an otherwise enticing rental property.

Many investors, either new or experienced, will encounter this problem at some point. Some will choose to hire a local property manager, but it is possible to manage the property from a distance if you really want to take on the task yourself.

DO YOUR RESEARCH

You will need to become familiar with the basics of Property Management 101, which include:

- How much are you allowed to collect for security and pet deposits?
- When are you allowed to evict a tenant for non-payment of rent?
- What steps can you take if a tenant is not cutting their grass, damaging the property, having multiple noise complaints, etc.?
- How much are you allowed to increase the rent each year?
- When does a lease renewal have to be sent to a tenant?

You also will have to become familiar with the local bylaws, fire prevention regulations and building codes. Each region is different, but some of the more important things to research include:

- How many smoke detectors, and what type, must be installed in each dwelling?
- How often do those smoke detectors have

to be tested each year, and what paperwork is required to be signed by the landlord and tenant?

- What happens if the tenant doesn't cut their lawn and the neighbours complain to the local authorities? What bylaws are broken? What kind of fines can you face? Will the local authorities cut your lawn and add the bill to your property taxes?

The above list is just a small sample of the information you will need to successfully manage a property in your own region – and it becomes even more critical when attempting to manage a property yourself from a distance.

Every region, state or province has different laws with respect to landlords and tenants. Use the power of the Internet to familiarize yourself with the local regulations. For example, here in Manitoba, the Residential Tenancies Branch is the authority. On its website, you can find the entire Residential Tenancies Act of Manitoba, as well as various fact sheets.

Using these sites for research also will net

you further rewards. Quite often you will find examples of leases, condition reports, eviction notices and forms to apply for orders of possession (court hearing documents).

ASSEMBLE YOUR TEAM

Your team will consist of people or organizations in the same geographical region as your rental property. They can help you perform the tasks you would normally do yourself for a property located nearby. This list can become fairly daunting, but if we summarize the tasks, it becomes easier.

1 Repairs and renovations

It's not a matter of 'if' but rather 'when' your property will require repairs. These things never happen on a set schedule, so a little research ahead of time to get your trades in place will save you headaches in the long run. You will need to find local contractors, licensed trades and handymen to perform these renovations.

If you have friends or family in the area, that's a good place to start. You also can ask

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the Realtor who sold you the property for a referral. Make sure to find out what kind of after-hours services they offer – when you get that midnight phone call to say the heat is off, you'll want a heating contractor on speed-dial.

2 Rent collection

The Internet has improved the process for many financial transactions, and collecting rent is one of them. You can have your tenant send cheques through the mail, collect 12 post-dated cheques ahead of time, perform an 'e-transfer' via email or even have them wire you the money. Another option is to have the tenant deposit the money directly into your bank account.

3 Serving the tenant for non-payment of rent

Everything is going well, and your rental property is cash flowing exactly as predicted. But then one day, you don't receive that regular money transfer from your tenant, and the stress begins to mount.

Remember the research you did before embarking on this journey? Dig out that eviction notice template and start typing away. But how do you serve the tenant for a distance? And what happens if you need to go to court?

Your pre-organized team will include a local law firm, a process server or both. If you choose to serve the tenant with court papers, a local process-serving company is money well spent. For \$50 or \$60, you can email the eviction notice to the company, and they will serve the tenant and provide you with a Declaration of Service, a critical document if the case proceeds to court.

Often, this will be enough to scare the tenant into paying what is owed. But if you have to go to court, do you need to spend money on a plane ticket each time a tenant is late in rent? Another option is to have a local lawyer appear on your behalf. An added expense, to be sure, but what other choice do you have?

If you find a law firm you trust, it can take care of preparing the paperwork and serving the tenant, but be aware of the costs ahead of time. You don't want to get into the cycle of spending good money after bad – paying a \$1,000 lawyer bill to collect \$300 late rent from a tenant doesn't add up to good math.

4 Periodically inspecting the property

Even if the tenant has lived uneventfully in your long-distance property for a couple of years, you don't want to one day discover the walls have been painted purple, the home has become a temporary dog shelter or your

Not being organized is a recipe for disaster, particularly since you have worked this hard to manage a successful rental property from a distance

entrepreneurial tenant is growing something green in the basement. To avoid these scenarios, you will need to inspect the property regularly, but how do you do this from afar?

One suggestion is to use your contractor or handyman to perform an inspection on a regular basis. Here in Manitoba, it is mandatory to test smoke detectors twice each year. If you increase that to three times each year, you have an 'automatic' inspection and kill two birds with one stone. Your handyman can test the smoke detectors and also take a few photos, take the meter readings and let you know if anything looks out of the ordinary. A very small expense, but arguably the best money spent on your investment.

5 Showing the property to prospective tenants

This will be one of your biggest challenges. You can run a few Internet ads and begin answering phone calls and emails. If the property has a current tenant, you might be able to convince them to show the property for you.

If the property is vacant, you may have more of a challenge. Assuming the property is being repaired, you could ask your contractor to show the property, or you can ask family or friends living locally for a favour.

Download a rental application and have the person print out a few copies, and then the prospective tenants can email you the completed applications. You can use the

Internet to check their credit and court history.

DON'T FORGET ABOUT THE LITTLE THINGS

Since you are quite a distance from this rental property, the trust in a typical landlord-tenant relationship will be almost nonexistent. Therefore, you will have to try a little harder to ensure the tenant trusts you, genuinely likes you and respects the property – all increasing the chances of a successful tenancy. Sending cards around the holidays, timely gift cards or personalized thank-you notes will go a long way.

BE ORGANIZED

Most landlords – even those who live in the same city as their rental property – are so relieved after the acquisition/repair/tenant-finding process is over, they stop 'working' the investment – and this is where the long-distance landlord actually needs to become even more focused. Not being organized is a recipe for disaster, particularly since you have worked this hard to manage a successful rental property from a distance. And you don't want to undo all of your hard work.

There are myriad deadlines and critical dates that occur when managing a property, including inspections, lease renewals, smoke alarm testing, annual furnace inspections, fire alarm testing, heating appliance testing, yearly permits, etc. How can you keep all of this organized? Set up reminders for each deadline in your calendar, and your property will run like clockwork.

It is very possible to manage a long-distance rental property yourself, if you choose that route. But ensure, when you perform your cash-flow calculations, that you are allowing for the slightly higher expenses incurred by hiring out local help to perform tasks you would normally do yourself. If you'd rather hand over the responsibilities to a local property management company, it can help you navigate the process and be your boots on the ground. ■

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.

