



STEP 11 - PROPERTY INVESTMENT MANAGEMENT

Finance & Property
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Note that there is a difference between Property Management and Investment Management. The former is what the Managing Agent does, if one is utilised. The Investment Management is what the owner should attend to.

Some of this is done prior to exchange of contracts.

A glance at an example of a risk management checklist will show many checks that should take place, which will not necessarily form the part of a property management agreement.

This would be undertaken for example by the person handling the management for a syndicate.

Deposit Bonds

A deposit Bond is a financial guarantee issued by an insurance company in the form of a bond, on behalf of a purchaser. This allows a deposit to be paid without disturbing invested funds, and can be cheaper than doing so, especially if buying "off the plan" where settlement is considerably delayed.

The fee charged is usually around 1% to 1.25% of the deposit amount with a minimum of \$100. As an alternative to bridging finance the purchaser can lock in a contract, with the Vendor being assured of being paid, but the bond is accepted at the vendors discretion. They can be used where say a buyer has equity in a house but does not have the cash for a deposit at the time.

The ultimate responsibility to pay the full amount of the deposit is still carried by the buyer. The responsibility to honour the terms of the contract is the same as usual. The buyer cannot simply walk away from the obligation to proceed. Deposit Bonds can be accessed via insurance companies or brokers.

They can be used at auctions, and refunds are available if not used, subject to the deduction of an administration fee. The term of the bond can range from 3 months to 4 years.

Acquisition/Conveyancing

Many of the enquiries relating to the assessment of a property are common to the Research Analyst, Solicitor, and Valuer. Therefore savings can occur if these formal enquiries/requisitions are co-ordinated.

Without incurring the expense, assumptions can be made "subject to confirmation" which is best left until the purchase procedure is instigated by the Solicitor. The Valuer can be instructed on this basis to save costs and time.

The issues to be addressed are included in the below.

Property Risk Management

Property Risk Management Strategy

Once a decision to purchase is made, it is advisable to identify every possible risk. The management strategies are agreed upon and an appropriate accountable person appointed.

Risk Management Procedure and Report

- Add or eliminate from the checklist below
- Appoint the appropriate person and diarise the action to be taken.

| CATEGORY | RISK MANAGEMENT STRATEGY |
|-----------------------------|---|
| <u>FINANCE RISKS</u> | |
| At Conveyancing | Letter to Solicitor with borrowers agreed requirements. |
| Loan Conditions | Liaise with Finance Broker. |
| Loan Facility Renewal | Liaise with Finance Broker. |
| Loan Fees | Liaise with Finance Broker. |
| Interest Rates | Liaise with Finance Broker. |
| Insurance | See advice |
| Indemnity | Directors/Promoters/Syndicate |
| Builder Liquidity | (a) Check Entity/Surety/Bank Guarantee with Solicitor (b) Progress check |
| Contractor Liquidity | As above |
| Progress Payments | (a) Check timing/amounts in contract (b) Approved Inspector/Arbitrator |
| Cost over Run | Contract provisions Pre warning procedure and progress advice. |
| Tenancy Default | Bank Statement. Agreed default procedure. Insurance |
| Rent Escalation | Avoid disputes with thorough explanation. |
| Vacancy | Diarised renewal advice dates. Fall back tenant enquiries. |
| Mortgage Foreclosure | Mortgage excluding “on demand” clause where payments are in order. |



| CATEGORY | RISK MANAGEMENT STRATEGY |
|--|--|
| <u>ECONOMIC/LEGISLATIVE/LEGAL RISKS</u> | |
| At Conveyancing | <ul style="list-style-type: none"> - Title Search - Strata Title Search - Company Title - Body Corporate Search/Check - Community Title Rights/Obligations - Valuation - Check Lease Provisions - ASIC Search - Items Given in (Clarify/photograph) - R.O.W. Impacts |
| General Economy | Industry forecasts Budget forecasts |
| Regional Economy | Local statistical checks. |
| Government Legislation Pending | Local member/Federal member |
| Local Government | Local Councillor contact. Town Planning update (letter) |
| Syndicate Risk (Legal) | Letter to Solicitor re review. |
| Directors Risk | Directors Insurance |
| Lease Documentation | Clause Checklist Schedule – 12.4 |
| Legislation Pending | Progress reports file. |
| <u>PROPERTY RISK</u> | |
| At Conveyancing | <ul style="list-style-type: none"> - Building Inspection - Past Engineers Certificate – Slab etc. - Current Engineers Certificate – e.g. concrete cancer check - Pest Certificate - Survey Certificate - Landslip/Mine Subsidence Report Geotechnical Survey - Restrictive Covenants - Covenant Compliance Check - Coastal Protection Act 1979 - Heritage Act 1979 - Builders Licencing Act Cover - Flood Maps - Dividing Fence Problems - Proposed Development - Certificates of Currency for Boilers, Weighbridges, Facilities, Crane Truss/Hoist - Ingress/Egress compliance - Drainage Compliance - Environmental report/clearance |
| Structural | Periodic Building Inspection check |



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|--|--|
| Environmental – Off Site | Surveillance |
| Environmental – On Site | Consultant Tests |
| Property Damage | Building inspection/maintenance report |
| Insurance - Uninsurable Risk | (Identify Insurance Policy exclusions) Assess minimisation strategies. |
| Project Delays | Contract penalties |
| Fire Prevention Equipment | (a) Identify Industry standards/Government & Local Government requirements (b) Periodic checking procedures |
| Neighbouring Development | Identify/address impact on physical property and competition. |
| Neighbouring Tenants | Identify possible hazards to property or business. |
| Landlord O.H. & S. – - Exhaust Fans - Ventillation & Air Cond. - Staff Facilities | Identify health/environmental hazards. Legionnaires procedure/inspection/contract Governing legislation and inspections. |

Property Law

Obviously there are legal issues and rights that apply to the management of property. For example with Strata Title you need to be aware of the law relating to same. Similarly with say developments, local government procedures are important.

Some background information can be found on the sites listed below

| <u>Organisation</u> | <u>Web address</u> | <u>Remarks</u> |
|---------------------|--|--|
| Aussie Legal.com.au | www.aussielegal.com.au | Scroll down to Property Law on the home page for free legal advice from participating law firms. |
| Lawlink NSW | www.lawlink.nsw.gov.au | Provides links to NSW property law, environmental law etc |
| Strataman | www.strataman.com.au | Strata Title on line – a good site for NSW owners |



Insurance

Obviously insurance is an important part of risk management. Some of the sites below may assist with your research.

| <u>Organisation</u> | <u>Web address</u> | <u>Remarks</u> |
|---------------------------------------|--|--|
| Property Insurance | | Being revised |
| Public Liability | | Being revised |
| Landlords Insurance Quotes | www.quotesonline.com.au | Landlords Insurance – Provisions & Rates |
| St. George Bank – Landlords Insurance | www.stgeorge.com/insurance | This gives a good explanation of provisions and cover. |

