

Considerations when renting out your property

Renting out your property is one of the many options available to make some extra money.

With the economy putting extra strain on us all, a lot of people are only able to afford to rent, which gives rise to high demand for properties to rent out.

"If you're considering renting out your home there are some things you should think about first particularly as times get tougher economically," says Natalie Muller, Regional Head of Rentals at Jawitz Properties Western Cape.

According to the TPN Rental Payment Monitor, 20% of all placed tenants have never had a credit check. "This is a shocking statistic and one that needs to improve," Muller says.

"It is essential to have thorough credit checks done on prospective tenants - and that includes every tenant such as both people in a married couple - to avoid defaults on the rent," she adds.

TPN further states that tenants in the R7000 - R12000 per month rental bracket are generally good payers, but those in the R25 000 and upwards bracket are quite the opposite. "In Cape Town 13.55% of tenants in this bracket are not paying, while 27.66% in Joburg aren't either."

The risk that tenants won't pay, however, needs to be a serious consideration in any rental bracket before signing on the dotted line. Correctly screening tenants can be done effectively through the help of a rental agent. "Be aware that if a tenant is happy to shortcut a rental agent's fees and rent from you directly, they may also be happy to later short change you on the rent," she says.

Once a tenant has given permission for a credit check to be done, it means they can be checked again at any time during the lease period. "Tenant profiles can change monthly. With times getting tougher, continuous credit checks show whether or not a tenant is keeping up with personal bills, and if accounts are suddenly not settled, it can indicate that the tenant is in trouble."

By being aware whether or not tenants can continuously afford both the rent and their lifestyle, it is easier for landlords to make informed decisions about renewing leases, or if it comes to it, making sure they serve notice accordingly.

There are also insurance products that landlords can take out to mitigate the risk of a tenant defaulting.

One option involves the landlord paying a nominal fee for a policy providing access to three months of rental income, as well as to funds and resources if you need to pursue a tenant in court. "An eviction process can cost anything in the region of R25 000 to R100 000 and can take six weeks to six months to settle, so it can be very useful having a policy like this to protect your pocket," Muller adds.

Another product sees a portion of the rental income go to the actual rent and the other to an insurance policy but the tenant pays the total amount. "This is great for tenants who don't necessarily have the money for a deposit, so it is done in lieu of a deposit, but has the same insurance benefits protecting the landlord," she concludes.

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