

Introduction

Thanks for downloading and reading this special free report.

In the pages ahead you'll find my four tips for avoiding troublesome tenants, plus a collection of true stories included to shock you out of complacency!

About Tenants

Tenants come in all shapes and sizes and from a diverse range of backgrounds. The majority are just normal people who want a neat and tidy place to live; however, a small fraction of tenants will cause you nothing but trouble. Every landlord's nightmare is to be landed with a tenant from hell – someone who never pays rent and trashes the property.

Steve's 4 Tips For Avoiding Troublesome Tenants

It might come as a shock, but one of the common reasons that property is sold is because the landlord becomes sick of troublesome tenants.

That is, instead of spending the time, money and mental anguish fixing the problem, it's much easier to sell the property and let someone else find a solution.

That's okay if you know about it, but if you are buying what you think is a nice rental with a secure income then you'll be in for a nasty shock.

The vendor (seller) is not required to provide much information about a property sold with an existing tenancy. Instead, it's your job to make enquiries, ask questions and seek copies of the necessary supporting documentation.

Therefore, while it's not completely possible to eliminate the chance that you might inadvertently acquire or rent your property to a bad tenant, here are four tips to help you mitigate or reduce the risk

Tip #1

Do Your Homework!

When you rent your property you're making a decision to trust your tenant to look after it. As I mentioned before, you're essentially handing the keys to a very valuable asset over to (usually) a complete stranger. It's essential that you:

1. Try and find out as much as you can about your tenant; and then
2. Test the accuracy of the information he or she provides.

A critical point in Marlene's tenant story was that she went to the trouble of checking her potential client's references only to discover "It was just a friend pretending to be the tenant's employer".

My auditing background tells me that the more evidence you gather, the more informed your decision will be. Never just accept a tenant in desperation just because you need money to cover your property expenses – there's no guarantee that a tenant signed up hastily and without the proper check will ever pay you a dollar in rent.

How To Avoid Troublesome Tenants

Tenant Tip:

The more you leave to chance,
the higher the chance that something will go wrong!

Tip #2 Being Vigilant in Retaining Control

It's terribly naive just to assume your investment will run on autopilot. If I was running a manufacturing business and never bothered to look after the most important machine on the factory floor, then I'd be asking for trouble.

So it is with passive landlords who find a tenant and then ignore their asset believing that everything will be OK. Without ever checking (but just assuming) that things are running as they should, early warning signs go unheeded and only once there's a complete breakdown (when it's usually far too late) is urgent action taken.

The lesson from Leslie's tenant story was to never just assume the money is on the way. Continued follow up is critical, as is documenting everything you agree to.

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Tip #3 Inspect Your Asset Regularly

The best person to watch over your asset is you. You know the condition it was in when you bought it, and you're the best judge to determine whether or not the tenant is treating it with the respect it deserves. This was the lesson in Charlie's tenant from hell story (page 369). While he took his life into his own hands, he nevertheless retained responsibility for doing regular inspections, despite the fact that he also used a real estate agency to veto his potential tenants.

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Tip #4 Take Immediate Corrective Action

It's rare that a tenancy problem will sort itself out unless you take corrective action. If you're a landlord who adopts a 'fingers crossed' approach to your investment then you're setting yourself up for much financial heartache. The theme of all the troublesome tenant stories is that problems are only resolved by:

1. Recognising the issue; and then
2. Taking corrective action.

How To Avoid Troublesome Tenants

When you find something wrong, confront the issue directly. The longer you take, the bigger the problem you'll have to deal with later on.

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Now that you know the four tips, here are seven real life stories of troublesome tenants to help you understand what you might encounter as a landlord.

Troublesome Tenant Story #1 (Contributed By: Charlie Lear)

I've had tenants from hell, only because I didn't know what I was doing as a landlord. If I'd had the experience, they wouldn't have got past the phone interview. As it's sometimes said, good judgement comes from experience and experience comes from bad judgement!

The first was a young couple planning to get married. When the rent came late, or not at all, I took the 'we're friends, we can work this out' approach. Things improved for a little while, but not for long.

I sat down with them and was told point blank that he had put in his half of the rent, and that what she did with hers had nothing to do with him. I blindly ignored the red flashing lights and alarm bells, and extracted a written agreement for the rent to be paid on time and the arrears at \$20 per week.

After another couple of missed payments, I called around to find the house empty – sort of. There was furniture scattered about but not enough for it to be livable. The missing bed was a clue that they'd moved out. The holes punched through the walls were a clue that it hadn't been an amicable departure.

I eventually tracked the tenant down at his parent's house. I walked up after dark, knocked on the front door and waited. I heard a rustling sound behind me and I turned around to see the biggest, blackest, most evil looking Rottweiler in the world, front legs braced on the step behind me, and lips curled back in a silent snarl. It gave a low growl and visibly bunched up its muscles, ready to attack. I was going to die. Horribly. Painfully. I did the first thing that came into my head. I stuck my hand in front of its nose.

"Giddy, pup! You being a good guard dog? That's a great set of teeth you've got there. What a good dog!"

The Rottie stopped in mid growl, tipped his head to one side, and looked at me as if I'd just escaped from the loony bin. The door opened and my tenant looked out, obviously surprised to see me. "Where's the dog?"

"Right here," I said, reaching behind and giving the Rottie a pat.

"Jesus! Are you nuts? Didn't you see the sign and the bell push by the gate?"

"Nope. Anyway, I'm here about the rent and the damage to the property."

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Turns out they'd split up, he'd taken his furniture and left her to it. He paid me his half of the back rent and the wall damage took care of their bond.

It took four weeks to find her and get her stuff shifted out. I had to promise her parents not to chase her for the rent otherwise they would leave her furniture there for another few weeks. It was only then that I could clean and fix the property and get more tenants.

This time I was more careful. I let the estate agency vet them. I rented the house to a woman who had recently split up from her husband and who had a small baby. The rent wasn't a problem because it was being paid by Social Welfare.

I paid a courtesy call a week later to see if she was happy and the door was answered by another woman. She was a friend who had also moved in, with a couple of small kids, to share expenses. Thanks for asking me!

All three children had colds and were coughing. The house was cold and damp, they hadn't had the heaters going even though it was pouring rain in the middle of winter. I'd bought a dehumidifier for my own house a few weeks before, on a 12 month, interest free deal. I couldn't see kids suffering like that so I whipped it around and got it going. At least I had the sense to add it to the chattel list on the rental agreement. Sure enough, rent day came and went. I rang Social Welfare and they said it took a few weeks to go through, and it would be paid as a lump sum. OK. Two more rent days came and went. Social Welfare said it had been paid. I said I hadn't got it. "Oh, we pay it to the beneficiary, they pay it to you!"

I called around, since they hadn't had the phone connected. No sign of my tenant, but the second woman and her kids were there. "Oh, she moved back in with her husband a couple of weeks ago." I agreed to transfer the lease into the second woman's name and she would start payments as of that date.

Two weeks later, no rent, popped around to find the house deserted. Cleaned out. No furniture, no dehumidifier, no curtains. Even the light bulbs and 98¢ plastic light shades had gone. The back door had been kicked in, wrecking the frame and breaking the glass panels.

The police came, spread black fingerprint dust over everything and said that was about all they could do. They phoned a day later to say that they couldn't prove anything, but the word on the street was that the squatter had got back together with her husband, they'd taken everything out of the house and booted the door in to make it look like a burglary. Forget it.

It was kind of hard to forget it when for the next nine months the electricity bill arrived with an amount added for the dehumidifier. Once the door was fixed and the place cleaned, we found tenant number three. Do bad things always come in threes, or would it be third time lucky?

He was around 30, and didn't have any references because he still lived with his parents. I knew enough to make my own checks now, so I spoke to his mother and his boss at work. He was a good clean boy and a valuable sales assistant in the home appliances department. But he had a dog. A smallish, light brown dog, short haired and clean. I didn't mind the dog, because we had two of our own, and he promised to keep it outside. And it was clean. What he didn't tell me was that it was a vicious psycho death beast.

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Because the rent was being paid on time, every time, and the outside of the place was tidy and the lawns mowed, I didn't bother going around until the six month inspection was due. "Phone before you come round, I'll put the dog in the garage." "Sure!"

I wandered around and walked up to the gate. His dog was lying on the path sunning itself, maybe ten feet away. It lay there and looked at me and thumped its tail a couple of times. I leaned over the gate and had my hand on the latch when it struck like a cobra. It just exploded and came up at me like a ginger cannonball. I'd flung myself back but it still sunk its fangs into my hand. If I hadn't moved it would have been my face.

I stood there, white as a sheet, blood dripping onto the concrete. The dog casually walked back to its spot on the path, turned around twice and lay down. It looked at me and thumped its tail a few more times. Just then the tenant walked around the corner of the house. "Oh, you're here. I'll just shut the dog away."

"Ah, thanks, we've already met."

With my hand wrapped up, I checked the grounds. Lawn like a bowling green, zero weeds in the garden, not a single dog poo anywhere. We went inside. You know there's untidy but clean, normal clean, and then there's neat freak clean? Well the inside of the house was scary clean, with just a faint whiff of disinfectant. Not a speck of dust anywhere. None. Not in the bedrooms. Not in the kitchen. Not in the bathroom. Not in the spare room with the leather gear hanging up on the wall, not in the lounge with the huge rear projection TV and surround sound and bookshelf full of accurately lined up adult videos.

I signed off on the inspection and said I wouldn't be doing anything about the dog, though he'd better put a warning on the gate. I couldn't get out of there fast enough. The rent continued to be paid on time, every time, for the next three years until we sold the property to investors. As far as I know he's still there, quiet, clean, and a good payer... the ideal tenant!

Troublesome Tenant Story #2 **(Contributed By: Jon Stuckey)**

Our tenant worked at the real estate agency we listed with, so we assumed that she would be OK. And she was. Up until the time she quit working at the agency (which we didn't actually find out until well after she left).

The property was a two bedroom clad cottage in a leafy south west Sydney suburb. We were achieving a gross weekly rent of \$180 per week, and seeing as she worked at the agency, we allowed her to have a dog. Little did we know, that this dog was the 'Hound of the Baskervilles'. It was a very large Rottweiler that didn't mind jumping over 6 ft fences and wore a running line or dusty track along the fence where it paced back and forwards.

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Our neighbours kept us informed of the parties that went on etc., but so long as there was no damage, I didn't pursue it. The rental market was also weakening at the time and I didn't want to risk losing a paying tenant. Time went on and our tenant soon had a partner, then the couple had a child and decided to move to a larger house. I was told by the agent that they had moved out a week before the lease expired, so I thought it the ideal time to hop in and clean the place up a bit for the next tenant.

I ended up having to re turf the ground along the fence and get rid of the remains of a bonfire they decided to have in my back yard. While I was cleaning up, the tenant returned to pick up some cleaning items she had left behind. She warned me that some of her friends were thinking about pinching some of the established plants in the gardens for their own homes.

Anyway, the tenant had advised the agent that the arrears rent could come out of the bond, so I thought it reasonable to add the cost of turf too... until the tenant threatened taking me to the tribunal because I broke the lease agreement by entering the property. What a fright! In the end she paid for 50% of the turf.

Fortunately, a new tenant was found shortly after, with a great dane, who was willing to pay an extra \$10 per week for the dog. Now I'm receiving \$190 a week in a falling rental market. On top of that, before the new tenant moved in, my neighbour and I knocked down a section of fence between our houses at the rear of the yard. We went in halves to build a new fence which effectively gives my neighbour the back 25 square metres of my yard, and I charge her \$10 a week for that. So that brings the rent up to \$200 a week.

I discovered the importance of lease agreements, and sticking to the fineprint. I also discovered the importance of your rule to concentrate on a target market and not the property itself. I found the target market of pet owners. My house is quite old, and a bit of extra wear and tear isn't going to hurt. Most investors refuse to have pets, thus shunning a whole group of people, or ending up with pets in the property without knowing. At least I have a clause in my lease where the tenant will pay for any damages caused by the pet.

Troublesome Tenant Story #3 (Contributed By: Carmel Drovandi)

My tenants from hell were two guys – one was a policeman and the other guy ran a store so I thought they sounded very responsible – both late 20s. One of the tenants explained that he had just broken up his marriage and his wife had gone to Queensland leaving him in Sydney with a beautiful dog. He said that if I didn't rent him the house then he'd have to put the dog down. I gave in after he promised it would never go inside (blah, blah, blah...)

Soon after they moved in I received a call saying that an urgent repair was needed after the dog chewed through the telephone wire. Then my neighbour rang to let me in on the secret that my store manager tenant was actually a marijuana dealer and then demanded to know what was I going to do about it. The final straw came when my tenants stopped paying.

When I went to my rental manager to try to sort out the mess I discovered that the office secretary had absconded with funds held in trust and that the records were shoddy too. It was impossible to work out who had paid what.

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Things didn't get any better when the agent appointed a new property manager who refused point blank to release any money. My only option was to go to the tenancy tribunal to get the money I thought I was owed.

The wash up is that I changed agents and after they did a property inspection I received a call to say there were five dogs in the backyard, which was by this time totally ruined. I instructed the new agent to evict them, which took four weeks. Now I'm a lot more vigilant about keeping control of my investment.

Troublesome Tenant Story #4 (Contributed By: Marlene Nothling)

My husband and I currently have two houses – one we live in and the other is a rental property. Luckily, although this property started off as a negatively geared investment, today we receive a positive cashflow return as we have paid the loan down over a number of years.

We have spent some time overseas lately and I placed the management of our investment property into the hands of a real estate agent while we were away. After completing their own due diligence, the agent let the property to a tenant who, from the outset, demanded many things.

She wanted to hire a possum catcher, lift up the carpet and polish the floorboards, put hand rails on the three steps leading up to the front door... the list goes on. Strangely, all these requests started after she stopped paying rent.

The property managers investigated but whenever they tried to phone the tenant she'd hang up. When the agent went to the house the tenant told them to get off the property otherwise she would call the police. The neighbours would tell us that the police were called to the house regularly because of domestic fighting, drunken brawls, people lying on the footpath, cars hooning up and down the streets. This went on for five months and still no money had been paid in rent.

Our only option was to end up at the tenancy tribunal to try to seek payment of rent arrears. Our tenant obviously knew the system because she was very familiar with the Residential Tenancy Authority rules and regulations and was attempting to use them to her best advantage. Luckily for us, the Magistrate was not at all sympathetic to her requests and signed an eviction notice. The day before the police were due to enforce the eviction she left of her own accord, presumably to another poor landlord. When we went to the property to see what condition our tenant had left it in, the place was worse than I'd imagined. She had ripped out the underground sprinkler system and put it on the roof of the house. She had it running day and night so that she could keep cool. The \$1,200 water bill for two to three months was a nasty surprise. She had stolen many items in the house including the curtains and handles off the stove, and she had damaged the walls, allowing her child to write all over them with crayon, etc. Luckily for us we were properly insured and recovered most of the damages. However, we still had to cover the loan repayment and expenses until the insurance pay out.

After this tenant was gone the property managers were going to put another tenant into the house. I have experience in debt recovery and am familiar with some of the steps to due diligence. It seems they hadn't even checked that the job of the new

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prospective tenant was valid. When I pressured them to follow this up, it turned out it was just a friend pretending to be the tenant's employer. I'm now a lot more thorough with my investing and I'm aware of the need to watch my assets carefully.

Troublesome Tenant Story #5 **(Contributed By: Karen Lucas)**

My husband and I have been lucky with our three investment properties to have good tenants, however, my parents Bob and Julie have not. This is their story. My parents sold their house and decided to move into their investment property (a four bedroom, two story house) in order to carry out a few renovations and then re let the property. They painted the place throughout, laid new carpet, fixed up the backyard etc. and then after all the work was done the real estate agent found them new tenants and signed them up on a six month lease. The tenants moved out before their lease was up and when they left they were eight weeks behind in their rent and the carpet (only four months old and costing over \$2,500) was completely trashed. There were coffee and tea stains all up the stairs and their baby must have been toilet training or allowed to roam around the house without a nappy because there were, well, questionable stains everywhere. The child had also drawn all over the newly painted walls and several walls had to be repainted after only four months. It gets worse.

The tenants left some old furniture in the garage which my parents had to pay to have removed and dumped. Finally, they had left their cat and a litter of kittens locked in the garage without any food for two weeks and sadly they all had to be put down. Tenants like these can certainly make you think twice about property investing, but sometimes you need to go through an experience like this to make you realise how important it is to do a thorough due diligence.

Troublesome Tenant Story #6 **(Contributed By: Leslie Howard)**

This is more a story about a conman from the UK, but he might as well have been a tenant from HELL, the end result was it cost me money.

He came to Australia to visit his lost mother, who he had not had contact with in more than 30 years and had just found. I met this person on the internet and I had a lot of contact with him over a period of two years – so I thought I knew him after many conversations, emails and occasional phone calls. We had formed what I thought was a good friendship

He'd discovered that his mother lived in Australia – in Victoria just outside Melbourne. His newly found mother was having problems and needed to move. I was about to settle on a new property – one thing led to another and I offered the property to him for his mother.

We came to an agreement in writing as to the terms of payment which he was to sign when he arrived on a future surprise visit to see his mother. The terms were a little unusual because he was to build an internet business for me in lieu of rent. However, if this did not materialise within six months then he'd arrange backpayment for the rent owing via a bank transfer.

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It came to pass that nothing was happening with the internet business so I asked him for the payment as promised to which he readily agreed to organise via bank transfer. When I questioned why it continually failed to arrive as promised I was told that it had been caught up in the problems surrounding September 11 and that the funds had been frozen. This went on for a period of time. I requested proof to which he sent documentary evidence on bank letterhead supporting the payment. Needless to say the funds failed to arrive and I placed further pressure on him in order to receive payment by saying that I was going to evict his mother and sister. That's when he exploded and informed me that he would not be threatened and that if I carried out what I said, I would never see a penny in payment. At this stage I began to become suspicious and decided to visit his mother and explain to her what was going on and ask her to vacate the property. Much to my surprise, she was not shocked by what I had to say and agreed to vacate.

I then decided to contact the bank in the U.K. from which the documentary evidence of the transfer was sent. I faxed them copies of all the documents which were supposedly from them for their internal investigation. While agreeing that they were fake, the bank chose to take no further action, however it offered me its support should I wish to take the matter further.

I then contacted my conman acquaintance with the information that the documents were in fact false only to have him accuse me of creating them.

The lesson in all of this is to not let a situation drag on and to always make sure that you follow the proper procedure as, if you're trying to be a nice guy, you may end up being burned.

Troublesome Tenant Story #7 **(Contributed By: Mark Davis)**

Well, things might have come full circle now since I'm interested in property investing... but in my younger days, while a tenant, I can confess that my mate and I:

- Rode our motorbikes into the house, quite often sending the front wheel through the Gyprock.
- Worked on our car engines in the spare room.
- Lay on the lounge and shot out the light globes with a slug gun.
- Scared friends using a black powder rifle. We'd load it up with powder only, point to the roof and let her rip. What a mess!
- Spread graffiti all over the house, inside and out.
- Repainted the house for inspection using a compressor and spray gun for the inside.
- Poisoned all grass with Roundup to save mowing.
- Used the driveway as a skid pan.
- Accidentally burnt down the back fence.
- Accidentally blew up the outside furnace using small compressed gas cylinders.

It's possible that I epitomised the tenant from hell.

Do you have a troublesome tenant story to share?
If so, please email it through to us at admin@propertyinvesting.com