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# So, you want to be a landlord?

BY RACHEAL LEE  
city.country@blzedge.com

Many Malaysians believe that real estate can be a hedge against inflation. So, the ideal scenario for most of them would be to own several properties which they can rent out for passive income.

However, when it comes to being a landlord, they often have little idea of what it entails to be one — thinking that after they rent out the property, all they need to do is collect rent every month.

Reapfield Properties Sdn Bhd group chief operating officer Jonathan Lee points out that buying properties with the intention to rent them out is very much like running a business. Landlords, or buy-to-let investors, need to be very clear about the objectives, options and affordability of their investments, he says.

“Buy-to-let means buying a property to rent it out. Investors usually keep the property for the long term, so they need to be very clear about their objectives,” Lee tells *City & Country*.

“For example, the reason I started buying properties was for my son’s education. I bought a unit just before he was born, with a view that in 20 years, the property will pay for his college fees. You need to have a clear goal ... if you don’t put that into perspective, you will get confused later on.”

## Being a landlord

Lee is currently renting out two residential units. At one point, he owned seven rental properties before cashing out of them.

“First, investors need to know their objectives. Yes, sometimes it is hard to see so far ahead, but you need to have a clear idea of why the property is important to you. Then, it is about affordability, such as the costs, risks and whether you can afford the property,” he says.

“When you are clear about your investment goals, then your options become relevant. If you don’t start that way, you won’t know what property to buy. And there are so many opportunities out there right now.

“There are different ways to manage your short-, medium- and long-term goals. A relevant example would be people who buy blue chips for dividends and emerging counters for quick gains.”

Lee defines short term as investments of less than five years, medium term as investments of five to seven years and long term as investments of 10 to 20 years, the returns of which are used to fund certain goals.

As a real estate agent, he always asks clients three questions to help them understand what they want: Why are they buying the property? How soon must they buy it? And what are the obstacles that are keeping them from moving forward? These questions also apply to buy-to-let investors, he says.

There are three key markets for rental residential properties — students, young families/professionals and expatriates. The amount of renovation needed depends on the target market, says Lee, who prefers to buy durable furniture to avoid major overhauls in the short term and spend not more than two years’ worth of rent on furnishing costs.

He notes that it is important to rent out the property fast and retain tenants for as long as possible for maximum profit. “There are bad tenants, just as there are bad landlords. As a landlord, you have to make



MOHED EZWAN MOHED NAZAM/THE EDGE  
**Lee: When you are clear about your investment goals, then your options become relevant**

your property rentable. And the goal is to retain the tenants for as long as possible and, when they leave, to replace them as quickly as possible.

“Of course, the less furniture you put into the unit, the lower the cost of managing the property. Often, I will try my best to offer a partially furnished unit because I want to do more than what my competitors are doing, so I can rent out my property faster. Time is an important factor when renting out properties.”

He adds that he sometimes offers lower-than-market prices to rent out the properties faster.

## Renting as a business

Lee says responding quickly to tenants’ requests for the necessary maintenance of the unit is important as it will ensure their comfort and increase the likelihood of retaining their tenancy. He adds that he usually includes a mutually agreed upon response time in the tenancy agreements to ensure issues can be settled within a certain time frame. He also allows tenants to replace the electrical appliances themselves, the price of which will be deducted from the rent.

Lee recommends using an agent as an intermediary to communicate with tenants. “I treat it as a business, so time is money. With an agent, it is easy for me to exit or make hard decisions if there are any issues. If I don’t get an agent, I will spend a lot of my time handling tenants.

“Also, I know that I am going to sell the property later, so I won’t have any emotional attachments to it. Don’t get too caught up with your rental properties and get an intermediary to manage everything for you.”

When it comes to engaging an agent, it is important for landlords to be clear about their rules, such as not accepting students as tenants. While it is sometimes important to profile potential tenants based on their background and occupation, Lee does not encourage racial profiling.

He adds that just like any other business, renting comes with risks. “Nothing is a bed of roses, so there will be issues,” he says. Investors need to be prepared for the risks and the effort it takes to maintain the property.

The most common issue landlords in Malaysia face is tenants who fail to pay their rent on time. Lee says he tries to solve this issue in an amicable way while mitigating his losses as early as possible.

“We don’t have good regulations or guidelines in Malaysia. And in most cases, it is not worth going to court, especially if the rent is not high. So, for some tenants, I have a special arrangement, whereby I request for advance payments of three months’ rent. So, I only collect the money every quarter. Sometimes, I charge a higher rate,” he adds.

“If some tenants cannot pay due to a change in their financial status, I will sit down with them and ask them about their problem. I want to resolve the issue by understanding their problem, and hope that they understand my situation as well. Sometimes, I make losses, which cannot be prevented because it is a business.

“So, we work out a timeline for the transaction. Normally, I give them two months for the exit plan, during which they also allow me to bring people to see the property.” Lee reiterates it is important that po-

tential buy-to-let investors understand the purpose and objectives of their investment. They also need to ensure the rentability of the property and the comfort of the tenants. When engaging the services of an agent to rent out their property, landlords need to be clear about their requirements, he adds.

“It is very fruitful to experience the outcome of your long-term investments. If you serve a long-term tenant, the hassle of managing the property can be quite worthwhile, or if you are thinking of giving something to your children,” says Lee.

“Focus on the bigger goals and don’t get caught up on the small things. If you have many properties, get a property manager to manage them for you for a fee because of the leverage. Your time is important and it should be spent on things such as your full-time job or your family. Rental properties shouldn’t bother you much.”

