

The True Value of Repairs To Your Rental Property

By Garret Wong, [GaraMark Property Management Inc.](#)

“I’ve had it!!! These tenants are destroying my property. Why should I put another penny into fixing it up???”

As a landlord, we have uttered these words many, many times. Picture this lovely scenario: You haven’t heard from your tenant and their rent is 2 weeks late. You drive up to your rental property to collect rent and see a broken window in the porch. The front door is wide open and hanging on its hinges! You stomp up the front steps intending on giving your tenant a piece of your mind and stop, dumbfounded. Other than an old couch and lots of garbage, they appear to have vacated your house! You’ve just been a victim of the “midnight run.”

There are holes in the walls, 3 bedroom doors have fist holes in them, and the dining room walls have been used as a coloring board. The carpets don’t look like they’ve been vacuumed since you put these tenants in last year.

As you sit in your car contemplating the lost rent and wondering how you are going to make this month’s mortgage payment you say to yourself “what’s the point of fixing this place up? It’s only going to get destroyed again! It’s going to cost at least \$1500 to fix this place up and that’s 2 months of my precious cashflow!”

Careful...you are now at the proverbial fork in the road – which way do you go? A left turn takes you back to the naïve landlord that put every drop of blood, sweat and tears into making this cute property the best rental on the block! A right turn, however, is a downward spiral into slumlordville.

Let’s examine what happens if you take the right turn in that road...You clean up the garbage, put a For Rent sign in the window, and start showing your property. It doesn’t show well with the holes in the walls, but at least you didn’t have to fix everything, right? Tenant after potential tenant pass through your house but your rental application pile is empty...You are finally able to rent it out, but the tenants seem a little “iffy” and their friends make you nervous...but at least it’s rented, right?

Fast forward three months...it’s like Déjà vu all over again! You walk up to the house to find out why your tenant’s phone is out of order and to demand payment for the late rent, and (insert expletive here)...your tenants have pulled another midnight run. The damage is a little worse now. There are a few kitchen cupboards that are missing, and the basement door is scratched up from the dog (dog? I didn’t tell them they could have a dog???)

So, you call a hauling company to clean out the place (because all of their broken furniture is still in the house) and put that For Rent sign back in the window. An entire month goes by, and no applications! Desperate times call for desperate measures...So you lower the rent by \$100. Someone will take it, right? And yes, you finally rent it out. To an even worse tenant...are you getting the picture? A few more cycles like this and it is so run down the homeless guy on the corner refuses to live there for free! Decision time again...

Let's recap what you have after a year: A property that needs a \$25,000 renovation and has actually decreased in value in a hot market! Should we bother to run the Profit and Loss statement?

Your goal should be to establish a minimum standard for the upkeep of your property. This could mean installing the most cost effective flooring, putting a new coat of paint on the walls, and above all, making sure all of the standard Neighborhood Livability Bylaws are followed. If done carefully, this does not cost too much. In the scenario above, you were contemplating a \$1500 repair bill. Now you are facing a \$25,000 renovation twelve months later! If you could turn back the clock, which choice would you have made?

The \$1,500 repair bill seems like a "no-brainer" but what happens if the tenants damage the property again? They could, but you are minimizing the risk of that happening. Here's why: You do a quick cleanup, repair the doors, put a fresh coat of paint on the walls, and take advantage of the carpet sale at your local flooring store. One week later you advertise the property again, but are able to charge \$100 more than you were getting. And you now have a pile of rental applications. Somewhere in that pile is a responsible family that would love to be chosen to live in your house. Could your new tenants damage the property again? It's possible, but because you are now choosing from a more responsible pool of tenants, you are minimizing your risk.

You made a mistake before and it cost you \$1,500 but twelve months later you have a property that is once again running smoothly, creating positive cashflow and (wow!) worth more than it was a year ago. As frustrating as it can be, owning a rental property is one of the most rewarding and best ways to create stable wealth. Be a responsible landlord, and in the long run it will pay off.

Garret Wong has been successfully investing in real estate since 1997 and is one of the directors of GaraMark Property Management Inc., a property management company specializing in management of single/multifamily homes, condos and apartments in Winnipeg. (www.garamarkpropertymanagement.ca).