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Malaysia's No.1 Property Website

Renting out your property

Before purchasing a property, be sure to think ahead. What is the future of the area near that property? What are the proposed plans and ongoing amenities around the property? Will it be a good commercial area or residential area? Will it attract future tenants to the place or would it be better off as a private property? These are things that you should consider before choosing to rent out or sell your property.

Once you have purchased a property, you have several options – occupy the property, leave it empty, engage a caretaker or put it on the rental market. If you opt to rent out the property, then read on!

Why rent out your property?

- It facilitates the mortgage repayments for the property in the short-term, while waiting to reap the benefits of capital appreciation on the property
- Get passive monthly income

Setting the rental amount

Check what the going rate is for similar units in the same development. The rental yield that most investors would accept is a minimum of 6% for residential properties.

Here's a basic formula for calculating rental yield: $\dfrac{\textbf{Annual rental income}}{\textbf{Property purchase}}$

Renovate

Some minor renovations and clean-up can spruce up your property and make it look really appealing to potential renters! Decide if you would like to rent out with or without furniture.

DIY or real estate agent

You can choose to put an ad up at iProperty.com.my and choose to be your own real estate agent OR engage the services of a real estate agent. If you engage a real estate agent, do note that the fee is usually a month's rent.

Tenancy agreement

Once you have found a person or company to rent your property, it is time to sign on the dotted line. Ensure that a tenancy agreement is signed, registered and duly stamped.

A standard tenancy agreement stipulates that the tenant is obliged to pay two months' rental in advance as a security deposit, one month's rental as advance rental and a refundable utility deposit that is normally fixed at one month's rental (subject to both parties' agreement). The tenancy agreement should also include a list of fixtures and fittings (such as air-conditioning units, ceiling fans) provided and any other furniture provided. In the event that the items listed are damaged, the onus is on the tenant to replace the items upon termination of the tenancy agreement.

It is important to remember that the tenancy agreement is for the benefit of both parties concerned and should be irrefutable.

Stamp the agreement

All tenancy/lease agreements are required to be stamped. A failure to do so would render the agreement inadmissible in court in the event of disputes. The legal fees for drawing up a tenancy/ lease agreement depend on the amount of rent payable monthly.

Legal fees for tenancy agreement (contract term that is below 3 years):

Monthly Rent	Fees
For the first RM10,000	25% of the monthly rent
For the first RM90,000	10% of the monthly rent
Where rent is in excess of RM100,000	Negotiable on the excess (but shall not exceed 10% of such excess)

You're a landlord!

Pass a set of keys to your tenant and remember to pay all the necessary maintenance fees (for condominiums and apartments), quit rent, assessment fee and so on. Lastly, be sure to declare any positive income that you get from your property too!

You should know what are deductible so that you can reduce your taxes on rental income. The advantages of treating the rent as a business source are:

- It can claim capital allowance.
- Business source losses can be carried forward to the next period.
- Current year business source losses can be utilised to set off all sources of income.