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# 6 Things Every Landlord Must Know

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1. **Setting a Rental Rate**
2. **Advertising**
3. **Tenant Selection**
4. **Minimize Liability**
5. **Maintenance and other  
Tenant Problems**
6. **Self-Management vs  
3<sup>rd</sup> Party Management**



# *1 – Setting a Rental Rate*

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Every property's rental rate is determined by four factors:

1. **Location** – Demand for rental homes vary from city to city and even from neighborhood to neighborhood.
2. **Condition** – Tenants are looking for properties that have updated features and are very clean. Things like fresh paint, updated appliance and new carpet are a big draw. How will your property stand apart from the competition?

*\*Make sure that the carpet is professionally cleaned and the interior sparkles!*

3. **Availability** – Prospective tenants want to see properties that are vacant and completely ready for them to move in.

*\*Properties that are vacant and 'rent-ready' will rent much more quickly*

4. **Market Demand** – The time of the year and overall economic conditions have a great impact on how quickly a property will rent. There is less demand for rental housing in the winter months. In addition, the recent overall economic conditions are having a negative impact on demand for rental housing.

*\*The lease term should be timed to come up for renewal during Spring or Summer*



Utilizing the above information you will then need to determine a rental rate from comparable rentals. You can search the local classifieds or search online, including: [investorloft.com](http://investorloft.com), [rentometer.com](http://rentometer.com), [rentbits.com](http://rentbits.com)

## Don't overprice your property!!

Every week a property sits vacant it loses 2% of the total potential annual income.

It is better to slightly under price a property & rent it more quickly than to maximize the rental income but have it take even a month longer to rent.

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**Example 1:** Your goal is to maximize your rental income. You know you can get \$1500 / month for rent. The property is rented in 60 days.

Rental Rate:	\$1500 / month	
Time Vacant:	2 months	
Annual income:	\$1500 / month x 10 months:	\$15,000
Expenses:	Advertising (2month)	\$ 300
	Utilities (2 months)	\$ 100

**Annual Net Income:** **\$ 14,600**

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**Example 2:** Your goal is to rent the property quickly so you sacrifice \$100 / month in rent and advertise the property at \$1400 / month. The lower price increases the demand for the property and it is rented in 30 days:

Rental Rate:	\$1400 / month	
Time Vacant:	1 month	
Annual income:	\$1400 / month x 11 months:	\$15,400
Expenses:	Advertising (1 month)	\$ 150
	Utilities (1 month)	\$ 50

**Annual Net Income:** **\$ 15,200**

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By reducing the rental rate by \$100 per month you have increased your annual net cash flow by \$600.

## 2 – Advertising

There is no right or wrong way to advertise but there are good & bad options. Effective advertising will maximize the exposure of the property while minimizing the cost of such advertising.

### Advertising Options:

#### Newspapers:

Denver Post  
4 line minimum  
14 days



**\$291.50** apprx.

\*\* Newspaper advertising is more expensive & less effective than ever before \*\*

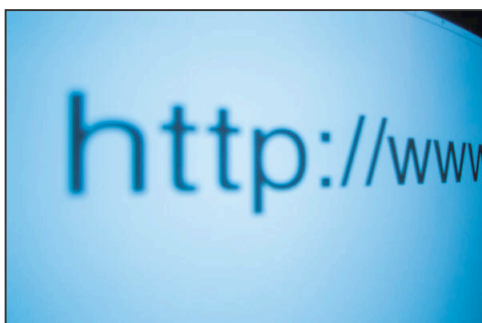
#### 'For-Rent' Sign

\*from Lowes



**\$20.00** apprx

#### Internet:



- |                        |                |
|------------------------|----------------|
| 1. Craigslist          | free           |
| 2. Rent.com            | \$15 per click |
| 3. Rentals.com         | \$49 / month   |
| 4. Hotpads.com         | \$30 / month   |
| 5. RentalHomesPlus.com | \$49 / month   |

\*apprx

**Newspaper + Sign + Internet = \$500++ / month**



# The 2 MUSTS of Effective Advertising

## 1. For Rent Sign – Your ‘For Rent’ sign will be the first impression



*Grace Management Sign*

*15% of tenants will rent from seeing a sign*

*Sign MUST be clean and professional*

*Clearly list phone number & web-site*



*Would you call from this sign?*

## 2. Internet – Over 80% of all renters begin their search on-line

- A. Avoid date-stamped photos*
- B. Include interior and exterior*
- C. Include a picture of every room*
- D. Double-check your **“SPEELING!!”***
- E. Use HTML code to make Craigslist ads come to life .....*

denver.craigslist > housing > apts/housing for rent email this posting to a friend

Sentinel: a discriminatory preference in a housing post is illegal - please file discriminatory posts as prohibited

Avoid scams and fraud by dealing locally! Beware any arrangement involving Western Union, Moneygram, wire transfer, or a landlord/owner who is out of the country or cannot meet you in person. [More info](#)

please flag with care: [misategorized](#) [prohibited](#) [spam/overpost](#) [best of craigslist](#)

**\$1195 / 3br - Affordable\*thornton \* 3 Bed\* Fenced Yard + Garage (Thornton) (map)**



Date: 2009-11-06, 1:33PM MST  
Reply to: [greg@rentgrace.com](mailto:greg@rentgrace.com) (opens when replying to ads)

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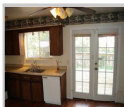

**Affordable\*thornton \* 3 Bed\* Fenced Yard + Garage**

5221 E. 111th Ct. Thornton, CO 80233

Call today for more info: (866) 875-7090 ext 19351

- Available: Now
- Price: \$1195.00/Month
- Lease Term: 18 Months
- Deposit: \$1195.00
- Application Fee: \$25.00
- Rent Includes: Tenant pays all

INFORMATION
APPLIANCES
OUTDOOR FEATURES
AMENITIES

**Over 60% of renters search more than 5 web-sites when looking for housing. Over 25% search more than 10 sites. So list your home on as many sites as possible.**

## 3 – Tenant Selection

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### Avoiding bad tenants

Bad tenants are discouraged to apply when they see any of the following:

1. Professional Management Firm

- \* Showings should be done by a licensed Agent who can look for signs that someone may be a problem tenant.

2. Rental Application process that accounts for:



- \* Credit history
- \* Employment / Income history
- \* Criminal history
- \* Foreclosure history
- \* Eviction filing history
- \* Sexual predator history
- \* National Terrorist Watch List

3. Professional and detailed Lease

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### Attracting good tenants

Good tenants will be attracted to the following:

1. Effective & Professional Leasing Process

- \* The yard sign, the internet pictures, the agent showing the home, the application process... each aspect should convey professionalism and trust

2. Tenants want to know the benefits of renting a property such as:

- \* On-line credit card / debit card / ACH payment options
- \* Secure holding of security deposit funds
- \* Spanish speaking

3. Outstanding Maintenance Service

- \* Surveys show the #1 reason tenants vacate a property is poor maintenance service
- \* Prompt & professional maintenance service with 24-hour emergency service MUST be provided to tenants

## 4 – Minimize Liability

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1. **Lease Agreement** – An effective Lease Agreement will be written to provide the maximum legal protection to both the Owner & the Property Management Company.

*\*The following language is a **MUST** in any Lease Agreement*

**ONLY AGENT ENTITY LIABLE.** Grace Management and Investment Corporation, is designated by Owner as its General Agent with authority to manage, lease, and administer the Premises and Property and to enter into, administer and enforce this Lease. In the event of any actual or alleged failure, breach or default by Agent: 1) Resident's sole and exclusive remedy shall be against Agent entity and Agent's entity assets and NOT against owner or any owner entity...

*This language provides the Owner with an added wall of liability protection. Ask **YOUR** Management Company if they will put this language in **THEIR** lease to protect **YOU**.*

2. **Lease Addendums** – The following addendum should be part of any Lease Agreement to add extra legal protection to the Owner:

*\* Lead Based Paint Disclosure as required by EPA*

*\* Crime Free Housing Addendum*

*\* Mold Addendum*

*\* Move-In Condition Documentation*

3. **Tenant Relations** – Open and on-going communication with the tenant can result in significantly reduced liability.

4. **Title Protection** – Title to the property should be held in a form which will provide a wall of protection to the property Owner

*\* Title may be placed as an LLC, LLLP or Trust*

*\* Legal counsel should be consulted for further consideration*

5. **Insurance** – Proper Insurance must be in place to provide full legal protection. The following policies should be in place by the Owner:

*\* Home Owner's Policy should be converted to a 'Landlord's Policy'*

*\* Owner should maintain 1MM dollar liability coverage*

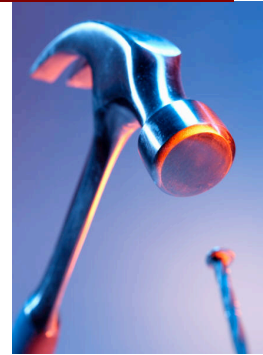
*\* Property Management Company should also have proper coverage*

## 5 –Maintenance And Other Tenant Problems

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### Standard Maintenance Procedures:

1. Tenant calls with a non-emergency repair request.
2. For emergencies – you must have a 24-hour emergency contact.
3. A Maintenance Supervisor should speak with the tenant to determine the specifics of the problem & when possible, instruct the tenant to self correct.
4. If it is determined that the request is valid - send out the appropriate 3<sup>rd</sup> party vendor to make the repair.
5. If the problem is tenant caused, the cost should be back-billed to tenant.



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### Dealing with Tenant Problems:

- \* *non-payment of rent*
- \* *tenant caused damages*
- \* *major repair expenses*
- \* *lease violations*
- \* *eviction process*
- \* *HOA violations*

In the event of one of these ‘worst case’ scenarios you must determine who will be acting on your legal behalf.

Owners should have 3 months of reserve funds to cover any potential lost rents, vacancy periods or major repairs.

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**A systematic and professional approach to each aspect of Leasing and Management will work to maximize your profits and minimize your risks while providing the peace of mind that comes with Property Management done well.**

## 6 - Self-Management vs 3<sup>rd</sup> Party Management

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Self-management may work well for those individuals who have the right temperament for dealing with tenants, and complete knowledge of current laws pertaining to rental housing and the management process.

### **5 Basic Questions to ask a potential Property Manager**

1. How long has your company been doing Property Management?

*\*Don't risk your property on a new company*

2. How long have YOU been doing Property Management?

*\*Don't let someone learn Property Management using YOUR property*

3. How many SUPPORT STAFF MEMBERS are within your company?

*\*You don't want a one-man shop*

*\*Who will be 'showing' your property?*

*\*Who will be doing the accounting / maintenance / advertising.....*

4. Where is your OFFICE located & in what geographic areas do you work?

*\*Make sure there IS an office*

*\*Use a firm that specializes in your geographic area*

5. What training and licensing do you have?

*\*NARPM – National Association of Residential Property Managers*

*\*IREM – Institute of Real Estate Management*

*\*CPM – Certified Property Manager*

*\*Licensed REALTOR*

*\*CAR – Colorado Association of Realtors*

*\*DMCAR – Denver Metro Commercial Association of Realtors*

*\*BBB – Better Business Bureau*

**Visit [www.RentGrace.com](http://www.RentGrace.com) and download our free guide:  
21 Questions For a Property Manger**



## *Grace Management – Rental Process Overview*

1. Sign the 'Residential Management Agreement' with Grace Management.
2. Once the property is in 'rent-ready' condition we take pictures and initiate our comprehensive marketing program.
3. We take inquiries, show the property and qualify applicants through our in-depth rental application process.
4. Once an applicant is approved they will sign our lease agreement.
5. Owner receives a statement by e-mail detailing all income and expenses by the 20th of each month.
6. Proceeds of rental income minus all expenses are deposited into Owner's bank account electronically by the 20th of each month.
7. We are the point-of-contact for any & all tenant problems or repairs.
8. When a resident vacates, we conduct a move-out inspection, complete the security deposit disposition, bring the property back to a 'rent-ready' condition and begin the leasing process again.

### **Costs:**

Escrow reserve	\$300
<i>*Owners' money held as an escrow reserve for the duration of the term</i>	
<i>*Refunded to Owner at the expiration of Management Agreement</i>	
Internet Advertising fee	\$150
<i>*A portion of our advertising expenses are back billed to the Owner</i>	
<i>*Charged at turnover and includes internet, signage, and flyer advertising</i>	
Re-key fee	\$ 90
<i>*After the property is rented the locks will be re-keyed</i>	
<i>*This is done for liability &amp; tenant protection – cost is approximate</i>	
Leasing fee	50%
<i>*This is NOT charged until a new lease is signed with a new tenant</i>	
<i>*50% of one full months rent</i>	
Monthly management fee	10%
<i>*Paid from the monthly rental income each month</i>	
Annual property inspection	\$ 55
<i>*Fully documented property inspection. Cost is back-billed to owner.</i>	



# Grace Management Satisfaction Guarantee

We are so confident that our services will surpass your expectations that we offer TWO satisfaction guarantees.

- 1. If you are not completely satisfied with our services we will refund all management fees no questions asked for up to 60 days after the signing of a Tenant Lease Agreement.*
- 2. If a tenant vacates a property during the first 90 days of the Lease Agreement, we will re-rent the property for FREE.*