

The Landlord Report

from Realty Management Associates, Inc.

Working with the Market

February 2007



As they say - *all things change*. The national news media is headlining stories about a declining real estate market in most areas of the country. Newscasters love to spread doom and gloom, but sales markets periodically go through up and down cycles.

Houses that once sold as soon as they listed are now sometimes taking months to sell. Home prices are dropping in some areas. Sellers and builders are offering all types of incentives to offset the slower sales market. Interest rates fluctuate and while they are not like the double digits of the '80's, the media likes to project a grim picture. The foreclosure market is returning because the Adjustable Rate Mortgages (many with zero dollars down) are starting to kick in with higher payments and the property value may be less than the original price.

A declining sales market results in changes to the rental market. Many homeowners are now going to have to rent when they are unable to sell. Investors will be looking to buy foreclosure or distressed properties if they make financial sense. Others are going to try to re-finance, if possible, to reduce their costs so they can rent when they cannot sell. This can lead to more properties on the market for rent. If there are

more vacancies available, owners simply need to utilize other tools to keep their units occupied.

Be Competitive with the Rent

An overpriced rental is just that – “overpriced.” Prospective tenants, like prospective buyers, first compare the price. A desirable tenant is not going to choose a property at a higher rent if they can obtain a similar one in the area for a lower price. Holding out for a higher rent simply does not make economic sense. When needed, owners need to lower the rent to be competitive in the current market and avoid losing more with a long-term vacancy. As stated before, all things change, and rents will increase again.



First Impressions

If your property is competing against several others in the neighborhoods, it is critical that the first impression when they drive by is a positive one. Will they want to see the property or just keep on driving? Maintenance on the outside of the property is just as important as the inside. Generally, once they have a bad impression, they will not be calling again. The first glance with a renter is just as important as with a new homebuyer.

Consider investing in any exterior maintenance issues when the property comes up for rent:

- Outside paint and roof or gutter replacement: there is nothing worse than peeling paint or non-existent paint, a sagging gutter, or a roof that looks like it will leak. Updating any of these items can go a long way to

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4290 Chinden Blvd., Ste. A
Boise, ID 83714

Bus: (208) 377-8889

Fax: (208) 377-2966

rmainfo@cablone.net

rentalsinboise.com

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Our Staff Serving You

Bus: 208) 377-8889

Marc Banner, MPM® Owner/President	Ext. 105	mbanner@cableone.net
Krista Allcott Asst. Property Manager	Ext. 110	rmakrista@cableone.net
Pam Traenkner Property Manager	Ext. 102	rmapam@cableone.net
Conee Spano, M.Ed. Property Manager	TBA	rmaconee@cableone.net
Conee specializes in Eagle, Star, and Middleton		
Barbara "Bobbie" Evans Bookkeeper	Ext. 103	rmabobbie@cableone.net
Ella Leavitt Office Operations	Ext. 101	rmainfo@cableone.net

Office Hours

Monday - Friday 9:00 am - 5:00 pm
Closed Wednesday 9:30 am - 12:00 noon By
Weekends/After Hours Appointment

OUR SERVICES

Thinking of Buying or Selling?

If you are thinking of buying or selling in our area, we can assist you. Just call, and we will have an agent contact you to help you with your Real Estate needs. There is no obligation and no pressure. Check out property values today!

Referrals are Rewarding

Know someone who is looking for management services in our area? Refer them to us and we will "reward" you. We value your business and would like to show our appreciation to you.

Looking for Management Elsewhere?

You, or someone you know, may need a property manager in other states. Because of our proud affiliation with NARPM, The National Association of Residential Property Managers, we have contacts throughout the country and may be able to assist you.

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giving a property a fresh look and making a great first impression.

- Overgrown shrubs, trees, weeds, untidy lawn, and a littered property: This may turn off a tenant because it gives the impression that the neighborhood is not safe or that the owner simply does not maintain the property.

Second Impressions

If the property is successful in "inviting the tenants to look," then it is equally important that a dismal interior does not spoil their interest. It may be time to look at updating the interior paint, carpeting, appliances, lighting, or any other item that detracts from the unit. Ask yourself, "would I want to live here?" If the answer is no, it is time to look at updating the interior.

Incentives Can Make the Difference

If you are matching the competition with the rent, the size, and the condition of the property, sometimes it just takes a "little more incentive." This is the time to consider offering something extra – including cable service, membership to a health club, paying for a portion of the utilities, a gift certificate to a restaurant, a free TV or CD player, etc. There are dozens of items that might just push an applicant to make that final decision.

Many factors determine how quickly your property will rent in a highly competitive market. As your property management company, we will work to market your property as quickly as possible and when needed, advise you of what would help to promote your property to reduce or eliminate a vacancy. Remember, not matter what the market, a well-qualified tenant is still our primary goal to give you the best return on your investment. 🏠

