

## **Now is the Time to “Recession-Proof” Rental Properties**

By Wallace Gibson

With continued talk of a down-turn in the economy, the Fed keeping interest rates low and first-time home buyers buying new homes at record rates, rental property owners should be employing any and all means possible to "recession-proof" their investments in real estate.

### **Revamp Your Application Process**

Clean up/update rental application forms and strengthen credit requirements. If the applicant is over extended in credit card debt, student loans or other high-cost consumer debt, these types of reports will automatically calculate their monthly obligations and advise if they will be able to pay the stated monthly rent from their current income. Some tenant screening services now have the availability to screen for lawsuits and evictions. Consider using these services as an added protection. *[Check to make sure you are using an updated AOA application and take advantage of AOA's low-cost credit and eviction reports – phone in or 24 hour online service!]*

### **Get ‘Web Active’ With your Rental Marketing and Communications**

As ad revenue is dropping, print media are routinely increasing their advertising rates to cover their printing costs and revenue shortfall. Rental property owners with web access can post FREE internet ads on YAHOO and can maintain rental listings on rental sites for nominal fees. By insisting that your residents maintain an e-mail address, you can communicate more easily and eliminate postage costs for all but the most essential communications. By collecting prospective resident's e-mail addresses on applications, you can assume they are maintaining a checking account or have access to a credit card in order to maintain an ISP.

### **Get a Handle on Maintenance and Repair Costs**

If you have the time and skills to maintain your rental properties yourself, establish a "back up" program in case you are not available for emergency or routine maintenance issues. Establish outside providers for cleaning gutters, servicing HVAC systems, changing furnace filters, responding to appliance breakdowns.

Cancel or don't renew costly maintenance service contracts on appliances - they are expensive and in most instances, replacement is cheaper. Maintaining these contracts provides a "false sense of security" especially when you must wait with a key at the property to meet the assigned technician who is driving from who knows where and will be there between 10 AM and noon. Your tenant is not going to stay home from work to allow entry and neither should you.

### **Get Realistic on Increases**

As a proponent of ALWAYS increasing rent for lease renewals, now is not the time to miss the opportunity to increase your rental income - even nominally.

ALWAYS increase your tenant's rent on lease renewal or shift some of the property expense burden to them. Where allowed, agree that they pay the first \$50 of any minor repair costs such as leaks, drips, or minor upgrades to save on energy costs. Residents should pay for ANY plumbing stoppage and if your lease does not address this, insert this provision either at initiation or renewal. For single family residences (SFR), address landscape and yard issues. If the tenant cannot maintain the yard and exterior appearance of the property, increase their rent for the next 12 months to cover costs of professional yard maintenance.

### **Address Utility Costs and Task Residents to Pay Where Applicable**

In SFRs with separate meters, most residents knowingly pay their utilities; however, on duplex or multi-unit buildings, this may not be the case. In the case of large apartment complexes, management can have third-party billing services assume payment for these services and bill residents separately through sub-metering or utilizing historical usage. Smaller unit owners can bill residents on the basis of unit square feet, number of occupants OR on a fractional basis of the use of the dwelling.

The easiest method is for owners to continue to maintain these services in their names and then bill tenants for their usage. Lease wording should specifically address that billings for usage must be paid within five days of bill and that accumulated delinquent utility reimbursement will accrue as rent and subject tenant to assessment of late fee.

### **Start the Re-Renting Process Earlier As Needed**

With students or contract employees, landlords should know well in advance when to start their re-renting process. Have your application and any instructions you routinely utilize in your application process ready. Applications can be scanned into PDF for e-mailing to applicants. When faxing, realize that the returned faxes will be slightly reduced in size so accommodate this in your procedure. Get as much information to your applicants ASAP so that you are not spinning your wheels showing your unit to unqualified prospects or wasting your time as well as that of your current tenant and prospective applicant. Screen for specific qualifications in your web or newspaper listing - when the unit will be available, features, pets allowed and monthly rent.

### **Consider Having Administrative Costs Covered by Terms of the Lease**

Make your late fee, NSF charge, reasonable. Consider a "notice service fee" for service of any notice required to initiate an eviction action. If a tenant needs to assign and/or sublet or re-lease their unit, institute a \$200 lease administrative fee to re-write the lease for the new resident. Many large property management firms in areas with scarce rental inventory charge residents for lease renewals - \$50 to \$100 for offering an additional year's lease.

Whether you have one or 20 rental units, remember that you are operating a business and need to look, act and operate the management of your rental property as a business in order to maximize your investment's potential.

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