

LEARNING MADE EASY



4th Edition

# Property Management Kit

for  
**dummies**<sup>®</sup>  
A Wiley Brand



Learn how to competitively  
price your rentals

Manage rents, security deposits,  
and contracts with ease

Understand laws regarding  
fair housing practices

**Robert S. Griswold, MSBA**

Real estate expert and president of  
Griswold Real Estate Management





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4th Edition

**by Robert S. Griswold, MSBA**

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**dummies**<sup>®</sup>  
A Wiley Brand

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# Contents at a Glance

<b>Introduction</b> .....	1
<b>Part 1: So You Want to Be a Landlord?</b> .....	5
CHAPTER 1: Residential Property Management 101 .....	7
CHAPTER 2: Do You Have What It Takes to Manage Your Own Rental Property? ...	19
CHAPTER 3: Managing Your Residential Property Yourself or Hiring a Pro .....	35
CHAPTER 4: Taking Over the Property .....	53
<b>Part 2: Renting Your Property</b> .....	65
CHAPTER 5: Getting Your Residential Rental Property Ready for Prospective Tenants .....	67
CHAPTER 6: The Big Three of Property Management: Rent, Security Deposits, and Rental Contracts .....	85
CHAPTER 7: Formulating a Marketing Plan .....	107
CHAPTER 8: FOR RENT: Effectively Using Advertising to Generate Interest .....	117
CHAPTER 9: Handling Prospects When They Come A-Calling .....	141
CHAPTER 10: Strutting Your Stuff: Making Your Property Memorable .....	167
CHAPTER 11: Eenie, Meenie, Miney, Mo: Selecting Your Tenants .....	189
<b>Part 3: The Brass Tacks of Managing Rentals</b> .....	219
CHAPTER 12: Moving In the Tenants .....	221
CHAPTER 13: Collecting and Increasing Rent .....	243
CHAPTER 14: Keeping the Good Tenants (And Your Sanity) .....	261
CHAPTER 15: Dealing with Problem Tenants .....	273
CHAPTER 16: Moving Out the Tenants .....	291
<b>Part 4: Techniques and Tools for Managing Your Residential Property</b> .....	307
CHAPTER 17: Working with Employees and Contractors .....	309
CHAPTER 18: Maintaining the Property .....	325
CHAPTER 19: Keeping Safety and Crime Prevention in Mind .....	341
<b>Part 5: Money, Money, Money!</b> .....	365
CHAPTER 20: Two Necessities of Property Management: Insurance and Taxes ...	367
CHAPTER 21: Financial Management and Record-Keeping .....	389
CHAPTER 22: Finding New Ways to Increase Your Cash Flow .....	403

<b>Part 6: The Part of Tens</b> .....	425
CHAPTER 23: Ten Reasons to Become a Residential Rental Property Owner .....	427
CHAPTER 24: Ten Ways to Rent Your Vacant Rental Unit. ....	433
<b>Appendix: About the Online Kit Materials</b> .....	439
<b>Index</b> .....	443

# Table of Contents

<b>INTRODUCTION</b> .....	1
About This Book .....	1
Foolish Assumptions .....	2
Icons Used in This Book .....	3
Beyond the Book .....	4
Where to Go from Here .....	4
<b>PART 1: SO YOU WANT TO BE A LANDLORD?</b> .....	5
<b>CHAPTER 1: Residential Property Management 101</b> .....	7
Understanding Property Management .....	8
Considering the benefits .....	8
Confronting the icky parts .....	9
Examining Types of Real Estate.....	11
Renting Your Property .....	12
Preparing the property.....	12
Knowing how much to charge.....	13
Capturing prospects' interest .....	14
Turning interest into property visits.....	15
Picking your tenants and signing the deal.....	15
Getting Your Hands Dirty: Managing the Property.....	16
Moving tenants in and out.....	16
Collecting rent .....	16
Keeping the good tenants .....	17
Dealing with troublesome tenants.....	17
Maintaining the property .....	18
Protecting your investment.....	18
<b>CHAPTER 2: Do You Have What It Takes to Manage Your Own Rental Property?</b> .....	19
Understanding That Managing Residential Rental Property Is a People Business .....	20
Identifying the Types of Real Estate Owners.....	20
The inadvertent rental property owner.....	21
The buy, fix, and flip or refinance owner.....	21
The long-term investment rental property owner .....	22
Recognizing the Advantages of Owning Rental Property .....	24
Eyeing the Unique Characteristics of a Good Manager.....	26
Realizing that good management makes a difference.....	27
Separating your personal style from sound management.....	27
Managing your time .....	28

	Delegating management activities . . . . .	29
	Knowing that your style is unique. . . . .	30
	Being Honest with Yourself about Your Skills and Experience. . . . .	31
<b>CHAPTER 3:</b>	<b>Managing Your Residential Property Yourself or Hiring a Pro</b> . . . . .	<b>35</b>
	Managing Your Rental Yourself. . . . .	36
	The advantages . . . . .	36
	The drawbacks. . . . .	37
	The distance factor . . . . .	38
	Exploring Professional Management . . . . .	38
	Eyeing the pros and cons of using a pro . . . . .	39
	Understanding what a good property manager does . . . . .	41
	Telling the good from the bad. . . . .	42
	Compensating your property manager . . . . .	46
	Making sense of management agreements . . . . .	48
	Being aware of the tax consequences . . . . .	50
<b>CHAPTER 4:</b>	<b>Taking Over the Property</b> . . . . .	<b>53</b>
	Knowing What to Get Up Front . . . . .	54
	A comprehensive list of personal property included in the sale . . . . .	55
	A copy of the entire tenant file of each current tenant . . . . .	55
	A seller-verified rent roll and list of all tenant security deposits. . . . .	56
	A copy of all required governmental licenses and permits. . . . .	57
	A copy of all the latest utility bills . . . . .	57
	A copy of every service agreement or contract. . . . .	58
	A copy of the current insurance policy and loss history . . . . .	58
	Working with the Current Tenants During the Transition. . . . .	60
	Meeting the tenants in person . . . . .	60
	Inspecting the property . . . . .	61
	Inspecting the rental unit. . . . .	61
	Using a new lease or rental agreement. . . . .	62
	Evaluating the current rent . . . . .	63
	<b>PART 2: RENTING YOUR PROPERTY</b> . . . . .	<b>65</b>
<b>CHAPTER 5:</b>	<b>Getting Your Residential Rental Property Ready for Prospective Tenants</b> . . . . .	<b>67</b>
	Viewing Your Rental Property from a Prospective Tenant's Shoes . . . . .	68
	Paying attention to the exterior and common areas. . . . .	68
	Making sure that the interior is up to snuff. . . . .	69



	Preparing Your Rental Unit the Right Way . . . . .	73
	General cleaning . . . . .	74
	Maintenance . . . . .	74
	Painting . . . . .	80
	Final cleaning . . . . .	82
	Carpet or floor-covering cleaning . . . . .	83
	Using Outside Contractors . . . . .	84
<b>CHAPTER 6:</b>	<b>The Big Three of Property Management: Rent, Security Deposits, and Rental Contracts . . . . .</b>	<b>85</b>
	Setting the Rent . . . . .	86
	Examining the return on your investment . . . . .	86
	Conducting a market analysis of rents in your area . . . . .	88
	Coming Up with a Fair Security Deposit . . . . .	94
	Figuring what you can legally charge . . . . .	95
	Keeping security deposits separate from your other funds . . . . .	96
	Avoiding nonrefundable deposits . . . . .	97
	Paying interest on security deposits . . . . .	98
	Increasing (or decreasing) deposits . . . . .	99
	Considering security deposit alternatives . . . . .	99
	Choosing the Type of Rental Contract You Want . . . . .	101
	Contemplating a lease . . . . .	101
	Eyeing a periodic rental agreement . . . . .	102
	Getting your contract in writing . . . . .	104
<b>CHAPTER 7:</b>	<b>Formulating a Marketing Plan . . . . .</b>	<b>107</b>
	Developing a Successful Marketing Plan . . . . .	107
	Determining your target market . . . . .	108
	Thinking about what your renters stand to gain from your property . . . . .	109
	Understanding the Importance of Good Advertising . . . . .	110
	Eyeing the different approaches . . . . .	111
	Knowing which approach gives you the most bang for your buck . . . . .	112
	Getting your property to rent itself . . . . .	113
	Being Aware of Fair-Housing Laws . . . . .	114
<b>CHAPTER 8:</b>	<b>FOR RENT: Effectively Using Advertising to Generate Interest . . . . .</b>	<b>117</b>
	Analyzing Your Advertising Options . . . . .	118
	Talking the talk: Word-of-mouth referrals . . . . .	118
	Showcasing your site: Property signs . . . . .	120
	Broadening your horizons: The Internet . . . . .	122
	Reading all about it: Newspapers . . . . .	129

	Papering the neighborhood: Flyers . . . . .	134
	Creating chat: Community bulletin boards . . . . .	136
	Going where the jobs are: Local employers . . . . .	137
	Meandering through other tactics to try . . . . .	138
<b>CHAPTER 9:</b>	<b>Handling Prospects When They Come</b>	
	<b>A-Calling</b> . . . . .	141
	Understanding Why First Impressions Are Important . . . . .	142
	Standing out from the crowd. . . . .	142
	Being professional and well organized . . . . .	143
	Valuing Phone Conversations . . . . .	146
	Preparing for Rental Inquiry Phone Calls . . . . .	148
	Being prepared with basic phone techniques. . . . .	148
	Answering the phone . . . . .	153
	Providing and obtaining the basic info. . . . .	155
	Selling the prospect on your property . . . . .	157
	Prequalifying the prospect over the phone. . . . .	158
	Handling phone objections . . . . .	160
	Converting phone calls to rental showings . . . . .	162
	Planning for Open Houses and Walk-Throughs . . . . .	163
	Holding an open house . . . . .	164
	Scheduling individual appointments . . . . .	165
	Providing directions to the property . . . . .	165
<b>CHAPTER 10:</b>	<b>Strutting Your Stuff: Making Your Property</b>	
	<b>Memorable</b> . . . . .	167
	Showing Your Rental Unit. . . . .	167
	Showing a vacant rental . . . . .	168
	Showing an occupied rental. . . . .	170
	Taking the First Steps to Get the Renter Interested . . . . .	171
	Prequalifying your prospect during the rental showing . . . . .	172
	Resolving your prospect's objections . . . . .	173
	Convincing your prospect . . . . .	173
	Inviting your prospect to sign on. . . . .	174
	Having your prospect complete a rental application. . . . .	175
	Holding your prospect's deposit . . . . .	176
	Developing priority waiting lists . . . . .	177
	Handling Mandatory Disclosures and Environmental Issues . . . . .	178
	Lead-based paint. . . . .	179
	Asbestos . . . . .	181
	Radon . . . . .	185
	Sexual offenders . . . . .	187

<b>CHAPTER 11: Eenie, Meenie, Miney, Mo: Selecting Your Tenants</b> .....	189
Understanding the Importance of Screening .....	190
Establishing Tenant Selection Criteria .....	191
Why having criteria is important .....	191
How to create your criteria .....	192
Verifying Rental Applications .....	194
Confirming identity .....	194
Going over occupancy guidelines .....	195
Investigating rental history .....	196
Validating income sources .....	197
Reviewing credit history .....	199
Checking criminal history .....	203
Talking with all personal references .....	205
Dealing with cosigners .....	205
Making your final decision .....	206
Notifying the Applicant of Your Decision .....	208
Avoiding Housing Discrimination Complaints .....	209
The ins and outs of fair housing .....	210
Steering and chilling .....	212
Children .....	213
Reasonable accommodations .....	214
Reasonable modifications .....	215
Companion or service animals .....	216
Americans with Disabilities Act .....	217
Sexual harassment .....	218
 <b>PART 3: THE BRASS TACKS OF MANAGING RENTALS</b> .....	219
 <b>CHAPTER 12: Moving In the Tenants</b> .....	221
Establishing the Move-In Date .....	222
Meeting with a Tenant Before Move-In .....	223
Covering the rules with your new tenant .....	223
Reviewing and signing documents .....	226
Collecting the money from your tenant .....	232
Inspecting the property with your tenant .....	233
Giving your tenant an informational letter .....	237
Distributing the keys to your tenant .....	239
Setting Up the Tenant File .....	241
Preparing a Welcome Package for Your New Tenant .....	242

<b>CHAPTER 13: Collecting and Increasing Rent</b> .....	243
Creating a Written Rent Collection Policy .....	244
When rent is due .....	244
Where rent is paid.....	247
How rent is paid.....	248
Dealing with Rent Collection Problems .....	251
Collecting late rent .....	251
Charging late fees .....	253
Handling returned rent payments .....	255
Dealing with partial rent payments .....	256
Serving legal notices .....	257
Raising the Rent without Sending Your Tenants Running.....	258
Figuring out how to raise the rent .....	258
Keeping your tenants (relatively) happy.....	259
<b>CHAPTER 14: Keeping the Good Tenants (And Your Sanity)</b> .....	261
Knowing What Tenants Want .....	262
Timely and effective communication .....	263
Quick responses to maintenance requests.....	263
Consistent respect for privacy.....	264
Equal enforcement of house rules.....	265
Fair rental rates and increases .....	265
Recognizing the Ins and Outs of Renewing Leases .....	266
Reducing your turnover .....	266
Offering incentives for tenants to stay.....	270
Following up with tenants after move-out.....	272
<b>CHAPTER 15: Dealing with Problem Tenants</b> .....	273
Recognizing and Responding to Common Tenant Problems .....	274
Late or unpaid rent .....	274
Additional occupants .....	276
Inappropriate noise level .....	277
Unsupervised children .....	278
Exploring Alternatives to Eviction .....	279
Negotiating a voluntary move-out .....	279
Using mediation or arbitration services.....	280
Taking your tenant to court .....	280
Giving 'Em the Boot: Evicting a Tenant.....	281
Serving legal notices .....	281
Filing a formal eviction action .....	282
Following the do's and don'ts of the eviction process .....	284
Collecting judgments .....	285

Handling Unusual Tenant Situations . . . . .	286
Bankruptcies . . . . .	286
Illegal holdovers . . . . .	287
Broken rental contracts . . . . .	287
Assignments or subleases . . . . .	288
Departing roommates . . . . .	289
Domestic problems . . . . .	289
Tenant deaths . . . . .	290
<b>CHAPTER 16: Moving Out the Tenants . . . . .</b>	<b>291</b>
Requiring Written Notice of Your Tenants' Move-Out Plans . . . . .	292
Providing Your Tenant a Move-Out Information Letter . . . . .	293
Walking Through the Unit at Move-Out . . . . .	295
Getting the 411 on the walk-through . . . . .	295
Paying the security deposit — or not . . . . .	296
Defining ordinary wear and tear . . . . .	298
Using a security deposit itemization form . . . . .	298
Keeping receipts for repairs and cleaning . . . . .	301
Deducting from the security deposit . . . . .	301
Dealing with Special Situations . . . . .	303
Forking out the dough: When damage and unpaid rent exceed the security deposit . . . . .	304
Having your facts straight: When disputes arise about the security deposit . . . . .	304
Reclaiming what's yours: When the rental is abandoned . . . . .	305
 <b>PART 4: TECHNIQUES AND TOOLS FOR MANAGING YOUR RESIDENTIAL PROPERTY . . . . .</b>	 <b>307</b>
<b>CHAPTER 17: Working with Employees and Contractors . . . . .</b>	<b>309</b>
Surveying the Ins and Outs of Bringing Employees Onboard . . . . .	310
Establishing job functions, work schedule, and compensation . . . . .	310
Screening employees . . . . .	311
Knowing your responsibilities . . . . .	314
Working with your manager . . . . .	315
Staying on the alert for danger signs . . . . .	317
Firing an employee . . . . .	317
Building Your Contractor and Vendor Dream Team . . . . .	319
Recognizing what to look for . . . . .	320
Avoiding common pitfalls . . . . .	321

<b>CHAPTER 18: Maintaining the Property</b> .....	325
Recognizing the Importance of a Maintenance Plan .....	326
Being Prepared for Maintenance Issues .....	327
Emergency maintenance .....	328
Preventive maintenance .....	329
Corrective maintenance .....	330
Custodial maintenance .....	331
Cosmetic maintenance .....	332
Handling Rental Property Maintenance .....	332
Responding to tenant maintenance requests .....	333
Keeping tenants from doing repairs .....	335
Tracking the life span of your appliances .....	337
Purchasing parts and supplies .....	340
<b>CHAPTER 19: Keeping Safety and Crime Prevention in Mind</b> .....	341
Tackling Crime in and around Your Rental Property .....	342
Turning to crime-prevention programs .....	342
Paying attention to tenant questions and complaints about safety-related issues .....	344
Responding to crimes when they occur .....	345
Taking Necessary Crime-Deterrent Precautions .....	346
Keys and access-control systems .....	346
Lighting .....	348
Security services .....	349
Prioritizing Tenant Safety .....	351
With tempered glass .....	351
With safe cords (or no cords) for window coverings .....	352
With anti-tip brackets for free-standing ranges .....	353
With appropriate enclosures and signage for swimming pools, spas, and hot tubs .....	353
Addressing Environmental Issues .....	354
Fire safety .....	354
Carbon monoxide .....	356
Electromagnetic fields .....	357
Mother Nature’s wrath .....	358
Mold .....	358
Bedbugs .....	359
<b>PART 5: MONEY, MONEY, MONEY!</b> .....	365
<b>CHAPTER 20: Two Necessities of Property Management: Insurance and Taxes</b> .....	367
Developing a Risk-Management Plan .....	367
Cover Me, I’m Going In: Making Sure You Have the Insurance You Need .....	370

	Telling the difference among types of insurance coverage . . . . .	371
	Determining the right deductible . . . . .	375
	Talking with Tenants about Renter's Insurance . . . . .	376
	Understanding the Tax Angles . . . . .	377
	Sheltering income with depreciation . . . . .	378
	Minimizing income taxes . . . . .	379
	Grasping (and appealing) property taxes . . . . .	387
<b>CHAPTER 21:</b>	<b>Financial Management and Record-Keeping . . . . .</b>	<b>389</b>
	Organizing Your Files . . . . .	389
	Maintaining Property Records . . . . .	392
	Taking Care of Business: Accounting . . . . .	393
	Creating a budget and managing your cash flow . . . . .	394
	Doing your accounting manually . . . . .	395
	Using software for accounting . . . . .	396
<b>CHAPTER 22:</b>	<b>Finding New Ways to Increase Your Cash Flow . . . . .</b>	<b>403</b>
	Considering Nonrent Revenue . . . . .	404
	Earning some cash with the wash: Laundry machines . . . . .	404
	Stowing some dough: Storage . . . . .	405
	Selling your space: Parking . . . . .	406
	Converting the World Wide Web to cash: Internet access . . . . .	406
	Cashing in on the ol' dining room set: Furnished rentals . . . . .	407
	Putting Lease Options to Work for You . . . . .	408
	Taking Advantage of Government Programs . . . . .	410
	The scoop on rental subsidy programs . . . . .	411
	The lowdown on the Housing Choice Voucher program . . . . .	411
	The 411 on rehabilitation loans . . . . .	416
	Working in Niche Markets . . . . .	417
	Taking another look at your pet policy . . . . .	418
	Renting to students . . . . .	419
	Catering to senior citizens . . . . .	421
	Designating your rental units smoke-free . . . . .	422
<b>PART 6:</b>	<b>THE PART OF TENS . . . . .</b>	<b>425</b>
<b>CHAPTER 23:</b>	<b>Ten Reasons to Become a Residential Rental Property Owner . . . . .</b>	<b>427</b>
	You Can Diversify Your Investments . . . . .	427
	You Don't Need Much Money to Start . . . . .	428
	It Can Be a Second Income . . . . .	428
	You Gain Tax Advantages . . . . .	428
	Real Estate Holds Its Value . . . . .	429
	You Get Leverage . . . . .	429

It Beats Inflation . . . . .	430
You Can Shelter Your Income . . . . .	430
You Get a Positive Cash Flow . . . . .	431
It Can Help You Retire . . . . .	431
<b>CHAPTER 24: Ten Ways to Rent Your Vacant Rental Unit . . . . .</b>	<b>433</b>
Maintain Curb Appeal . . . . .	433
Keep the Unit in Rent-Ready Condition . . . . .	434
Establish a Competitive Rent . . . . .	434
Offer Prospects a Rate Guarantee . . . . .	435
Provide Wireless Internet Access . . . . .	435
Offer Referral Fees . . . . .	436
Accept Pets . . . . .	436
Offer Move-In Gifts or Upgrades . . . . .	436
Contact Corporate Relocation Services . . . . .	437
Accept HUD's Housing Choice Vouchers . . . . .	437
<b>APPENDIX: ABOUT THE ONLINE KIT MATERIALS . . . . .</b>	<b>439</b>
<b>INDEX . . . . .</b>	<b>443</b>



# Introduction

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**W**elcome to *Property Management Kit For Dummies*, 4th Edition. You can discover many of life's lessons by doing some on-the-job trial and error. But that possibility doesn't apply to property management: The mistakes are too costly, and the legal ramifications too severe. This book gives you proven strategies to make rental property ownership and management both profitable and pleasant.

## About This Book

---

Many landlord–tenant relationships are strained, but they don't have to be. A residential rental property owner who knows how to manage their property properly and who responds promptly to the legitimate concerns of their tenants will be rewarded with good people who stick around. The key is maintaining your property properly and constantly investing in upgrades and improvements. By doing this, you can be successful in meeting your long-term financial goals and realize that being a landlord is an excellent primary or secondary source of income.

This book is based on hands-on experience and lessons from my own real-life examples. Unlike many landlords and property managers, I believe that your tenants are your customers, not your enemies, and as such, you should treat them with respect. You may find investing in residential rental real estate to be a key piece of your overall investment strategy, but not everyone is cut out to be a property manager. I want to make sure you understand not only the basics of the rental housing business, but also some of the tricks that can make you glad you're a real estate investor.

Although this book is overflowing with useful advice and information, it's presented in a light, easy-to-access format. It explains how to wear many hats in the property management business: advertiser/promoter (in seeking tenants), host (in showing the property), handyman (in keeping up with and arranging for repairs), bookkeeper (in maintaining records), and even counselor (in dealing with tenants and their problems). Just as important, this book helps you maintain your sense of humor — and your sanity — as you deal with these challenges and more.

I wrote this book in essentially chronological order — from your first entry into the world of residential rental property ownership and the corresponding steps to

prepare and promote your property to showing your rental and selecting the right tenants. As a result, reading the book cover to cover makes sense, but feel free to read the sections that are most relevant to you at any given time. Skip around and read about those areas that are giving you problems, and I'm confident that you'll find some new solutions to try. You can also skip sidebars (text in gray-shaded boxes), but I think you'll enjoy these humorous anecdotes.

To make your life easier, I've included many of the forms you need to be successful in managing your rental — whether you're just starting out with a single-family rental home or condo, you have a handful of rental units, or you possess a whole portfolio of rental properties. These forms are available online at [www.wiley.com/go/propertymanagementkitfd4e](http://www.wiley.com/go/propertymanagementkitfd4e). Feel free to print them out, have your local legal counsel review them, and start putting them to use.

## Foolish Assumptions

When writing this book, I assumed that you're likely reading this book because you're one of the following:

- » **An unintentional property owner — someone who, through a series of circumstances, suddenly and unexpectedly came upon an opportunity to own a residential property.** Perhaps you inherited a house or condominium from a relative, and not wanting the property to sit idle, you decided to rent it out. Or maybe you transferred to a job in another city, and because you've been unable to sell your home, you've been forced to rent the property to help cover the mortgage and operating expenses. Many property owners find themselves in the rental housing business almost by accident, so if you count yourself in this group, you're not alone.
- » **One of those people who made a conscious decision to become a residential rental property owner.** Perhaps, like many rental owners with a plan, you needed to buy a new, larger home and decided to keep your existing home as a rental property. Or maybe while you were looking to own your own place, you found a great duplex and decided to live in one unit and rent out the other. In a world where people seem to have more and more demands on their time, many aspects of rental housing ownership are very appealing, such as the capacity to supplement a retirement plan with additional income and the proven opportunity to build wealth. The key to achieving this success is finding a way to make money while still retaining control over your life.
- » **Someone who already works in the rental housing industry.** Maybe you're just starting out, or maybe you've been in the field for some time. Either way, you want to find out more about your chosen profession. Good for you. The rental

housing industry has so much variety that you'll always be discovering new things and appreciating that every day is a new challenge. Yes, there is some repetition (you have to collect the rent every month), and you must be available at all hours of the day and night (for emergency calls), but unlike in many jobs, no two days ever seem to be the same. That's what attracts so many professionals to the field of residential property management (and keeps them there).

When you're an owner, residential real estate offers one of the best opportunities to develop a steady stream of residual income that you earn whether you're sleeping, participating in your favorite leisure activity, enjoying your retirement, or relaxing on vacation. Whatever the circumstances, the bottom line is the same: You hope to generate sufficient income from the property to cover the debt service, pay for all operating expenses, and possibly provide some cash flow, along with tax benefits, appreciation, and equity buildup. The key to your success is knowing how to manage people and time. And this book has plenty to offer you on that front.

## Icons Used in This Book

Scattered throughout the book are icons to guide you along your way and highlight some of the suggestions, solutions, and cautions of property management.



REMEMBER

Remember these important points of information, and you'll have great success as a rental property owner.



TIP

Keep your sights on the bull's-eye for important advice and critical insight into the best practices in property management.



WARNING

This icon highlights the land mines that both novice and experienced rental property owners need to avoid.



TRUE  
STORY

This icon flags real-life anecdotes from my many years of experience and mistakes. When you've managed more than 560,000 rental units in 340 years, you see some interesting situations. Now, I share them with you.



TECHNICAL  
STUFF

This icon flags specialized business facts and data that are interesting as background data but not essential for you to know. You can skip paragraphs marked by this icon if you're not interested in tangential information.

# Beyond the Book

In addition to the forms included here in the book, you can go online to find many more forms that are going to make your life a lot easier as a residential rental property owner. Here's the address:

[www.wiley.com/go/propertymanagementkitfd4e](http://www.wiley.com/go/propertymanagementkitfd4e)

I include a state-by-state reference to the state laws that pertain to residential rental housing. You'll also find a real estate glossary and resources that are available from the Institute of Real Estate Management (IREM), the National Apartment Association (NAA), and the National Association of Residential Property Managers (NARPM).

This book also has a helpful online cheat sheet with easy-to-access tips for property managers. Just go to [Dummies.com](http://Dummies.com) and type "Property Management Kit For Dummies Cheat Sheet" in the search box.

## Where to Go from Here

To get benefit from any great resource book, you must read it! This book is designed for experienced and seasoned landlords, as well as rookies who still think that all tenants are nice and prompt with rent payments and should be invited over for Thanksgiving supper.

Whether you're contemplating owning residential rental real estate, looking to fine-tune your proven landlord secrets, or facing financial ruin at the hands of the Tenant from Hell, this book offers chapter after chapter of solid rental property management advice, for everyone from new rental property owners who have a single rental home or condo to owners of hundreds of units. The methods I present are effective for all sizes and types of residential rental properties. The book explains how to attract qualified prospects; select and screen tenants; maintain and increase the rental rate; and handle security deposits, rental contracts, broken water pipes, late rents, tenants who overstay (and don't pay). Find the topic you want to know more about, and start reading right there.



REMEMBER

Everything is manageable and workable — if you know what you're doing!

*Property Management Kit For Dummies*, 4th Edition, helps you protect your investment and maintain your sense of humor, as well as your sanity, as you deal with one of the most unpredictable professions: property management. Consider this book to be your property management bible, written just for you.

# 1

## **So You Want to Be a Landlord?**

### **IN THIS PART . . .**

Figure out whether you have what it takes to manage residential rental property.

Discover what you need to know if you're taking over ownership of a residential rental property.

Work with the current tenants, and inform them of your policies and procedures.

#### IN THIS CHAPTER

- » Looking at the pros and cons of residential property management
- » Exploring the different types of residential real estate
- » Surveying the steps involved in renting your property
- » Walking through the day-to-day details of property management

## Chapter **1**

# Residential Property Management 101

**T**he key to long-term success and wealth-building through real estate ownership lies in the foundation you acquire as a hands-on property manager. Some people start by managing rental properties owned by someone else and gain a great deal of experience that they can use for their portfolio. Other people learn from trial and error — but that can be expensive.

There are many positive reasons for becoming a rental property owner or manager and just as many ways of doing so. Perhaps you've saved up the down payment to purchase your first small rental unit and hope to see your investment grow over the years as a nice retirement nest egg or a supplement to your current income. Maybe you want to invest in a medium-size apartment building and build some equity as well as rental income to supplement or replace your current income. Perhaps you've inherited Aunt Gertrude's run-down cottage and need to find a good tenant who'll care for it and pay the rent on time. Maybe you recently closed on your new primary residence, only to find that selling your existing home isn't as easy as the real estate agent promised. Or perhaps you've had to move across the country to find a suitable job but want to return to your home in the future to avoid getting priced out of that market years later when you return.

Whether you plan to become a full- or part-time property manager, you need to know what you're doing — practically, legally, and financially. This chapter serves as a jumping-off point into the rental property world. Here, you can find useful info, tips, and checklists suitable for novice or seasoned rental property managers. So get ready for some pragmatic and realistic sage advice from the tenant trenches to help you handle situations when they arise!

## Understanding Property Management

Rental property owners provide consumers a product known as *shelter*. Property managers, who either work for themselves or as the agents for an unrelated third-party owner, handle the day-to-day aspects of making sure that the provided shelter meets their customers' needs. Put another way, as either a property manager or property owner, your obligation is to provide your customers a decent place to live in exchange for the payment of rent. Although property management doesn't seem very complex, you can avoid the many mistakes unprepared property managers make by knowing what you're getting into.

The following sections give you a quick overview of the pros and cons of property management. Chapter 2 provides more in-depth analysis of these advantages and disadvantages for a residential rental property owner to help you determine whether self-management of your rental property is the right choice for you.

### Considering the benefits

Property management can be a rewarding and enjoyable venture. I can't imagine my life without some aspect of property management in it. (Why else would I have written this book, right?) Following are some of the reasons why I get such a kick out of this business:

- » **Experience with real estate investment:** As you manage residential rental property, you have the opportunity to observe and begin to understand investing cycles, which is an essential skill for becoming a successful real estate investor. Some real estate investors succeed without ever being hands-on property managers, of course, because they hire others to handle the task for them. But I believe residential rental property owners should gain that real estate investment expertise by actively working as property managers for several years, either for themselves or others.
- » **Interaction with different people:** If you're a people person, you'll find that property management is a great opportunity to meet *all* types of people. Not everyone you'll encounter is someone you'll want to make your close friend, but



you'll certainly have the chance to work with a smorgasbord of personalities. I could write a book just about the people I have met over the past 40 years!

- » **Skill development:** Property management requires diverse skills because you must handle so many different tasks (such as marketing, advertising, leasing, screening, and maintenance). But it also allows you to grow those skills beyond the basics through patience and passion. You might begin by advertising your rental unit in a basic way with an onsite sign and move to developing a technologically advanced online promotional campaign with 3D property tours available worldwide. Pay attention to how unrelated products are presented for sale, and apply those concepts to residential rental housing. Most of the best marketing ideas are already out there; you just need to adapt them to your rental property.
- » **Variety:** Personally, I enjoy the variety of tasks and challenges in property management. Sure, some aspects are repetitious. Rent is due every month, and all properties require ongoing care and maintenance. And some days can be exhausting. But for the most part, every day in property management is something new.

## Confronting the icky parts

You can't expect all aspects of property management to be fun. As in your primary job, some days run smoothly, and others are filled with problems. Here are a few of the most challenging aspects of the property manager gig:

- » **Difficult tenants (and others):** Despite the great people you meet, property management has its fill of difficult and challenging personalities, including people who're downright mean and unpleasant. You have to be prepared for adversarial and confrontational relationships. Collecting the rent from a delinquent tenant, listening to questionable excuses, or demanding that a contractor come back and do the job properly requires patience, persistence, and a fair but firm approach.
- » **Long hours:** Because you're dealing with housing, you don't know when you're going to be needed — at 3 p.m. or 3 a.m. Like me, you can expect to be constantly on call — even when you're on vacation, at the movies, or in the middle of a family holiday dinner — to deal with issues that only the rental owner or property manager can handle. Fortunately, you can minimize these inconveniences by planning carefully and hiring competent, reliable employees and vendors who can prevent many unexpected emergencies through good management and maintenance. Also, technology has improved significantly and can make remote handling of many issues more manageable. You can now receive and review photos and even repair proposals on your smartphone, for example. But owning and managing rental property remains a 24/7, year-round commitment.



WARNING

- » **Need for emergency capital:** One of my favorite sayings and goals in life is “No surprises,” but owning residential rental properties can lead to situations in which unanticipated expenses arise at any time. Tenants might suddenly stop paying rent at the same time the roof leaks and the water heater goes out in the middle of the night! Having a nice nest egg, a rainy-day fund, or at least a decent unsecured credit line at reasonable rates can be very helpful, as most rental property owners experience a squeeze on their cash flow at times.
- » **Potential liability:** After more than 40 years in property management, I believe that most tenants are good people who are just looking for a decent, quiet place to call home. But some “professional tenants” look for any mistakes you make or even set traps for you to fall into that can lead to claims for free rent or even litigation. You need to stay on top of all the legal requirements for landlords in your area and make sure that you always comply with all laws and disclosures. If you’re not willing or able to keep up with ever-changing legal requirements and health and safety issues, or if you’re sloppy with your record-keeping, you may learn some expensive lessons!

## RENTERS DRIVE RENTAL PROPERTY MANAGEMENT

The U.S. Census Bureau reports that more than one-third of the U.S. population, or 94 million people, are renters occupying more than 43 million rental units, including more than 14 million single-family-home rental properties. The number of renters has increased in the past few years, with the COVID-related economic challenges in most areas of the country. Also, job-market uncertainty has made it more difficult for some people to become homeowners, and the overall percentage of home ownership has fallen from a high of 69 percent in 2006 to 65 percent in early 2021.

Individual property owners dominate the rental housing industry. According to the National Multi Housing Council, per the U.S. Department of Housing and Urban Development and the Census Bureau 2020 survey, individuals own nearly 72 percent of small rental properties with 2 to 4 units and nearly 23 percent of residential income properties with 5 to 49 units. The majority of residential rental properties of all sizes in the United States are owned by single-purpose legal entities, such as limited liability companies (LLCs), limited partnerships (LPs), limited liability partnerships (LLPs), and general partnerships, which often are individuals or a small number of investors pooling their resources. By comparison, one of the most popular ways for individuals to invest in real estate is through real estate investment trusts (REITs), which have exploded in the market with the acquisition of billions of dollars’ worth of high-profile rental real estate assets. In spite of the significant publicity they’ve received in the real estate media, REITs own only 3 percent of all residential rental housing units in the United States.



TIP

You should also get a copy of the companion book *Landlord's Legal Kit For Dummies* (John Wiley & Sons, Inc.), which I co-wrote with Laurence C. Harmon.

The good news is that these negatives can be found in many other careers or professions that don't offer the benefits and satisfaction you can get from property management. So in my opinion, the pros outweigh the cons.

## Examining Types of Real Estate

Before you run out to purchase a residential rental property, you need to have a good idea of the different types you can own. Most real estate investors specialize in properties with specific uses. Investment properties fall into classifications such as residential, commercial, industrial, hospitality, and retail.

For the purposes of this book, I focus only on residential real estate because the majority of rental real estate is housing, and the basic concepts are easy to understand and master. (After you master the basic concepts of residential real estate, you may want to consider other types of property management.) The best practices I present throughout this book are applicable to these types of residential rental properties:

- » **Single-family houses and condominiums or townhomes:** Most real estate investors start with a rental home, condo, or townhome because these properties are generally the easiest ones to gain experience with. They may be located in a common interest development (CID) or community association in which all the common areas are the association's responsibility.
- » **Duplexes, triplexes, and fourplexes or subdivided houses:** This category includes properties with two to four units. Often, these properties are the first choice for real estate investors who plan to live in one of the units or want to take the next step up from investing in a single-family rental home or condo. These properties qualify for favorable financing terms, so they're perfect for the new investor or an investor in higher-priced urban markets.
- » **Medium-size multifamily apartment buildings:** These buildings usually have between 5 and 30 units; they are best run with part-time to full-time on-site management and regularly scheduled maintenance and contractor visits.
- » **Large multifamily apartment buildings:** These properties are larger buildings that can have 30 or more rental units in a single location, or in close proximity on scattered sites, with an on-site manager or maintenance staff. Owning one of these properties is the goal of many real estate investors who look forward to being able to hire a professional property manager and just check their bank account for their regular cash distributions. (In Chapter 3, I reveal what to look for in a good professional property manager.)

No matter what type of residential real estate you're involved with, you need to understand the basics of property management. You must market or staff a property differently depending on its size and location, but many of the fundamentals are the same regardless.

Over the course of your tenure as a property manager, you'll probably manage several types of residential properties, which is just one of the challenging yet fulfilling aspects of the job. You may start out managing single-family rental homes or condos, for example, and then see your investments or career progress to larger rental properties. Sometimes, people in the rental housing business start as on-site employees for large rental properties, learn the ropes, and later apply that knowledge to become market dominators of rental houses in their areas.

Owning and managing all types of rental property can be lucrative, so I suggest that you jump in wherever you have your first opportunity, because no rules mandate your starting position.

## Renting Your Property

One of the first and most important lessons I learned when I started in property management more than 40 years ago is that vacant real estate isn't a very good investment. You need to fill those vacancies and keep them filled with tenants who pay on time. Just try looking in the mirror and telling yourself that all the rent came in last month. I bet you can't do it without smiling!

Renting your property and retaining your tenants don't magically happen, of course; those tasks require having a plan and doing a lot of work. But you want to work smart, not just hard. In the following sections, I cover some of the best practices for preparing your rental units, setting your rents, attracting qualified prospects, and closing the sale.

Chapter 4 expands on where everything begins: acquiring the rental property. Part 2 helps you position your new rental property within the rental market and discover how to find good tenants.

### Preparing the property

Before you can rent your property, you have to make sure that it's ready for a tenant to move in. But you can't simply put up a "For Rent" sign and expect to rent to the first caller; you need to spend some time preparing the property properly. And by *some time*, I mean a lot.

Relax! Tear up your applications to those reality shows that renovate your fixer-upper for free, because you *can* prepare your property yourself. Just remember to focus on the inside as well as the outside. Chapter 5 shows you the best way to determine what to upgrade and renovate to meet the needs of your target market. I also explain how to ensure that your property's *curb appeal* (exterior appearance) makes potential tenants want to see the inside — not keep driving by or swiping to the left to the next property on the list.



WARNING

During this stage, you get to test your decorating-on-a-budget skills because you don't want to over-improve the property. But if you're too tight with cash and try to get by with anything less than your best effort, be ready for most of the people who show interest in your rental unit to be the least-qualified prospective tenants. The moral of the story? Don't be cheap, but do be practical!



REMEMBER

To get great tenants, you need to guarantee that your rental property compares favorably with other properties in your area and makes that important positive first impression. These days, that first impression often happens online, but it always starts with the exterior of your rental property, which should have a neat and well-maintained appearance, and continues with a clean and inviting interior, with the features and amenities that prospective tenants in your area expect.

Preparing the unit properly also often requires the use of outside vendors, suppliers, or contractors. What you don't contract out — tasks such as basic cleaning, maintenance, and painting — you need to do yourself. You also need to know how to perform a careful inspection to make sure that the unit is ready to show. I give you details about how to accomplish all these tasks in Chapter 5.

## Knowing how much to charge

Understanding what you can charge your tenants is far from arbitrary. Setting the rent in particular can be tricky — especially if you've just spent hours investing your time and sweat in renovating and scouring your rental unit to make it sparkle.

In such cases, you may overestimate the market value of your unit because you have so much personally invested. But your prospects aren't likely to be impressed that you laid the tile; instead, they'll quickly point out that the flooring color doesn't match their furniture. But if you lower the rent \$300 per month, they'll consider taking the unit off your hands, almost as though they're doing you a favor. You may be able to structure some mutually beneficial rental concessions, but don't be a pushover.

Many rental property owners are simply too nice. Maybe you're someone who has trouble bargaining and holding out for the top fair-value dollar. You may be kind of like my mother-in-law, who was a sweet but overly generous woman — especially when it came to yard sales. My wife and I are glad that no one ever offered Rita 50 cents for our car!

In addition to setting the rent, you need to make the following decisions before a tenant moves in:



TIP

» **The amount of the security deposit:** Setting security deposits is a function not only of market conditions, but also limitations on the amount you can charge and whether that amount is fully refundable. These restrictions are set by state laws. Determining whether you want to pay your tenants interest on the deposits you hold is also subject to law, but certain advantages can warrant doing so even where not required (especially for long-term tenants).

The best way to decide on all the details of the security deposit is to conduct market surveys to see what others are doing. If everyone else has security deposits set at approximately half of a month's rent, requiring your new tenants to come up with a security deposit of two full months' rent on move-in is difficult.

» **The type of rental contract:** Another important decision that has lasting consequences is deciding whether a lease or month-to-month rental agreement is best for your property. Although the residential rental housing industry is trending away from leases because they tend to favor only the tenants, you should reach your conclusion after conducting a market survey and understanding the pros and cons of each type of contract.

Check out Chapter 6 for more info on determining how much to charge, setting deposits, and figuring out what type of rental contract to use.

## Capturing prospects' interest

A successful property manager needs to understand the role of marketing in creating demand and meeting the needs of local renters. Fortunately, your marketing and advertising possibilities have increased dramatically with the advent of the Internet and social media. You (or in my case, my grandchildren) can develop a fantastic website with digital photos, floor plans, and 3D tours. Just make sure that you follow all the fair-housing laws as you work to generate rental traffic.

In Chapter 8, I review various electronic and nonelectronic options for promoting your rental property and attracting prospective tenants.