

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



# Property Management Kit

4th Edition

by Robert S. Griswold, MSBA

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

## **Property Management Kit For Dummies®, 4th Edition**

Published by: **John Wiley & Sons, Inc.**, 111 River Street, Hoboken, NJ 07030-5774, [www.wiley.com](http://www.wiley.com) Copyright © 2022 by John Wiley & Sons, Inc., Hoboken, New Jersey

Published simultaneously in Canada

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

**Trademarks:** Wiley, For Dummies, the Dummies Man logo, Dummies.com, Making Everything Easier, and related trade dress are trademarks or registered trademarks of John Wiley & Sons, Inc., and may not be used without written permission. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc., is not associated with any product or vendor mentioned in this book.

<p>LIMIT OF LIABILITY/DISCLAIMER OF WARRANTY: WHILE THE PUBLISHER AND AUTHORS HAVE USED THEIR BEST EFFORTS IN PREPARING THIS WORK, THEY MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE CONTENTS OF THIS WORK AND SPECIFICALLY DISCLAIM ALL WARRANTIES, INCLUDING WITHOUT LIMITATION ANY IMPLIED</p>
--

WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NO WARRANTY MAY BE CREATED OR EXTENDED BY SALES REPRESENTATIVES, WRITTEN SALES MATERIALS OR PROMOTIONAL STATEMENTS FOR THIS WORK. THE FACT THAT AN ORGANIZATION, WEBSITE, OR PRODUCT IS REFERRED TO IN THIS WORK AS A CITATION AND/OR POTENTIAL SOURCE OF FURTHER INFORMATION DOES NOT MEAN THAT THE PUBLISHER AND AUTHORS ENDORSE THE INFORMATION OR SERVICES THE ORGANIZATION, WEBSITE, OR PRODUCT MAY PROVIDE OR RECOMMENDATIONS IT MAY MAKE. THIS WORK IS SOLD WITH THE UNDERSTANDING THAT THE PUBLISHER IS NOT ENGAGED IN RENDERING PROFESSIONAL SERVICES. THE ADVICE AND STRATEGIES CONTAINED HEREIN MAY NOT BE SUITABLE FOR YOUR SITUATION. YOU SHOULD CONSULT WITH A SPECIALIST WHERE APPROPRIATE. FURTHER, READERS SHOULD BE AWARE THAT WEBSITES LISTED IN THIS WORK MAY HAVE CHANGED OR DISAPPEARED BETWEEN WHEN THIS WORK WAS WRITTEN AND WHEN IT IS READ. NEITHER THE PUBLISHER NOR AUTHORS SHALL BE LIABLE FOR ANY LOSS OF PROFIT OR ANY OTHER COMMERCIAL DAMAGES, INCLUDING BUT NOT LIMITED TO SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR OTHER DAMAGES.

For general information on our other products and services, please contact our Customer Care Department within the U.S. at 877-762-2974, outside the U.S. at 317-572-3993, or fax 317-572-4002. For technical support, please visit <https://hub.wiley.com/community/support/dummies>.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included

with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit [www.wiley.com](http://www.wiley.com).

Library of Congress Control Number: 2021948956

ISBN 978-1-119-83578-3 (pbk); ISBN 978-1-119-83579-0 (ebk); ISBN 978-1-119-83580-6 (ebk)

# Property Management Kit For Dummies®

To view this book's Cheat Sheet, simply go to [www.dummies.com](http://www.dummies.com) and search for “Property Management Kit For Dummies 4th Edition Cheat Sheet” in the Search box.

## Table of Contents

[Cover](#)

[Title Page](#)

[Copyright](#)

[Introduction](#)

[About This Book](#)

[Foolish Assumptions](#)

[Icons Used in This Book](#)

[Beyond the Book](#)

[Where to Go from Here](#)

[\*\*Part 1: So You Want to Be a Landlord?\*\*](#)

[\*\*Chapter 1: Residential Property Management 101\*\*](#)

[Understanding Property Management](#)

[Examining Types of Real Estate](#)

[Renting Your Property](#)

[Getting Your Hands Dirty: Managing the Property](#)

## **Chapter 2: Do You Have What It Takes to Manage Your Own Rental Property?**

[Understanding That Managing Residential Rental Property Is a People Business](#)

[Identifying the Types of Real Estate Owners](#)

[Recognizing the Advantages of Owning Rental Property](#)

[Eying the Unique Characteristics of a Good Manager](#)

[Being Honest with Yourself about Your Skills and Experience](#)

## **Chapter 3: Managing Your Residential Property Yourself or Hiring a Pro**

[Managing Your Rental Yourself](#)

[Exploring Professional Management](#)

## **Chapter 4: Taking Over the Property**

[Knowing What to Get Up Front](#)

[Working with the Current Tenants During the Transition](#)

## **Part 2: Renting Your Property**

### **Chapter 5: Getting Your Residential Rental Property Ready for Prospective Tenants**

[Viewing Your Rental Property from a Prospective Tenant's Shoes](#)

[Preparing Your Rental Unit the Right Way](#)

[Using Outside Contractors](#)

### **Chapter 6: The Big Three of Property Management: Rent, Security Deposits, and Rental Contracts**

[Setting the Rent](#)

[Coming Up with a Fair Security Deposit](#)

[Choosing the Type of Rental Contract You Want](#)

### **Chapter 7: Formulating a Marketing Plan**

[Developing a Successful Marketing Plan](#)

[Understanding the Importance of Good Advertising](#)

[Being Aware of Fair-Housing Laws](#)

## **Chapter 8: FOR RENT: Effectively Using Advertising to Generate Interest**

[Analyzing Your Advertising Options](#)

## **Chapter 9: Handling Prospects When They Come A-Calling**

[Understanding Why First Impressions Are Important](#)

[Valuing Phone Conversations](#)

[Preparing for Rental Inquiry Phone Calls](#)

[Planning for Open Houses and Walk-Throughs](#)

## **Chapter 10: Strutting Your Stuff: Making Your Property Memorable**

[Showing Your Rental Unit](#)

[Taking the First Steps to Get the Renter Interested](#)

[Handling Mandatory Disclosures and Environmental Issues](#)

## **Chapter 11: Eenie, Meenie, Miney, Mo: Selecting Your Tenants**

[Understanding the Importance of Screening](#)

[Establishing Tenant Selection Criteria](#)

[Verifying Rental Applications](#)

[Notifying the Applicant of Your Decision](#)

[Avoiding Housing Discrimination Complaints](#)

## **Part 3: The Brass Tacks of Managing Rentals**

### **Chapter 12: Moving In the Tenants**

[Establishing the Move-In Date](#)

[Meeting with a Tenant Before Move-In](#)

[Setting Up the Tenant File](#)

[Preparing a Welcome Package for Your New Tenant](#)

### **Chapter 13: Collecting and Increasing Rent**

[Creating a Written Rent Collection Policy](#)

[Dealing with Rent Collection Problems](#)

[Raising the Rent without Sending Your Tenants Running](#)



## **Chapter 14: Keeping the Good Tenants (And Your Sanity)**

[Knowing What Tenants Want](#)

[Recognizing the Ins and Outs of Renewing Leases](#)

## **Chapter 15: Dealing with Problem Tenants**

[Recognizing and Responding to Common Tenant Problems](#)

[Exploring Alternatives to Eviction](#)

[Giving 'Em the Boot: Evicting a Tenant](#)

[Handling Unusual Tenant Situations](#)

## **Chapter 16: Moving Out the Tenants**

[Requiring Written Notice of Your Tenants' Move-Out Plans](#)

[Providing Your Tenant a Move-Out Information Letter](#)

[Walking Through the Unit at Move-Out](#)

[Dealing with Special Situations](#)

## **Part 4: Techniques and Tools for Managing Your Residential Property**

### **Chapter 17: Working with Employees and Contractors**

[Surveying the Ins and Outs of Bringing Employees Onboard](#)

[Building Your Contractor and Vendor Dream Team](#)

### **Chapter 18: Maintaining the Property**

[Recognizing the Importance of a Maintenance Plan](#)

[Being Prepared for Maintenance Issues](#)

[Handling Rental Property Maintenance](#)

### **Chapter 19: Keeping Safety and Crime Prevention in Mind**

[Tackling Crime in and around Your Rental Property](#)

[Taking Necessary Crime-Deterrent Precautions](#)

[Prioritizing Tenant Safety](#)

[Addressing Environmental Issues](#)

## **Part 5: Money, Money, Money!**

## **Chapter 20: Two Necessities of Property Management: Insurance and Taxes**

[Developing a Risk-Management Plan](#)

[Cover Me, I'm Going In: Making Sure You Have the Insurance You Need](#)

[Talking with Tenants about Renter's Insurance](#)

[Understanding the Tax Angles](#)

## **Chapter 21: Financial Management and Record-Keeping**

[Organizing Your Files](#)

[Maintaining Property Records](#)

[Taking Care of Business: Accounting](#)

## **Chapter 22: Finding New Ways to Increase Your Cash Flow**

[Considering Nonrent Revenue](#)

[Putting Lease Options to Work for You](#)

[Taking Advantage of Government Programs](#)

[Working in Niche Markets](#)

## **Part 6: The Part of Tens**

### **Chapter 23: Ten Reasons to Become a Residential Rental Property Owner**

[You Can Diversify Your Investments](#)

[You Don't Need Much Money to Start](#)

[It Can Be a Second Income](#)

[You Gain Tax Advantages](#)

[Real Estate Holds Its Value](#)

[You Get Leverage](#)

[It Beats Inflation](#)

[You Can Shelter Your Income](#)

[You Get a Positive Cash Flow](#)

[It Can Help You Retire](#)

## **Chapter 24: Ten Ways to Rent Your Vacant Rental Unit**

[Maintain Curb Appeal](#)

[Keep the Unit in Rent-Ready Condition](#)

[Establish a Competitive Rent](#)

[Offer Prospects a Rate Guarantee](#)

[Provide Wireless Internet Access](#)

[Offer Referral Fees](#)

[Accept Pets](#)

[Offer Move-In Gifts or Upgrades](#)

[Contact Corporate Relocation Services](#)

[Accept HUD's Housing Choice Vouchers](#)

## **Appendix: About the Online Kit Materials**

### **Index**

### **About the Author**

### **Advertisement Page**

### **Connect with Dummies**

### **End User License Agreement**

## **List of Tables**

### **Chapter 7**

[TABLE 7-1 Pros and Cons of Advertising Options](#)

### **Chapter 16**

[TABLE 16-1 Ordinary Wear and Tear versus Damage](#)

### **Chapter 20**

[TABLE 20-1 Calculating After-Tax Cash Flow](#)

### **Chapter 22**

[TABLE 22-1 Pros and Cons of Lease Options](#)

# List of Illustrations

## Chapter 8

[FIGURE 8-1: Good newspaper ads like these can help you find the right tenant qu...](#)

[FIGURE 8-2: Flyers with good photos are a great way to attract attention to you...](#)

## Chapter 9

[FIGURE 9-1: Guest card.](#)

[FIGURE 9-2: Property knowledge sheet.](#)

[FIGURE 9-3: Use a comparison chart to highlight your property's competitive adv...](#)

## Chapter 10

[FIGURE 10-1: A lead-based paint disclosure form.](#)

## Chapter 12

[FIGURE 12-1: A sample first page of policies and rules \(also known as house rul...](#)

[FIGURE 12-2: A mold notification addendum.](#)

[FIGURE 12-3: Tenant information letter.](#)

## Chapter 16

[FIGURE 16-1: This letter can help end the landlord-tenant relationship on a pos...](#)

## Chapter 18

[FIGURE 18-1: Tenant maintenance request form.](#)

## Chapter 19

[FIGURE 19-1: Crime- and drug-free housing addendum.](#)

## Chapter 21

[FIGURE 21-1: A monthly financial statement for a single-family rental home.](#)

# Introduction

---

Welcome 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.

## **Part 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.

# Chapter 1

## Residential Property Management 101

---

### 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**
- 

The 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.
- » **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.



» **WARNING 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