

Expert Tips for Landlords:  
Property Management ***Can*** Be Like a Day at  
the Beach

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**EXPERT TIPS**  
FOR LANDLORDS

***Property Management  
Can Be Like a Day at the Beach***



  
Penny Realty, Inc.

# **Expert Tips for Landlords: Property Management *Can* Be Like a Day at the Beach**

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## **Introduction**

How can you make managing your home a day at the beach? We have some ideas.

Landlords need to know a few basic things about how to effectively manage their rental properties before they place tenants and begin collecting rent.

Whether you're a new Landlord or someone who has been renting out properties for years, we want to help you understand your role and have an easier time taking care of your investment and your residents.

At Penny Realty, we have been managing investment homes for owners like you since 1965. We have made all the mistakes and learned all the lessons. When you listen to our advice, you have a good chance of avoiding those mistakes yourself.

Take a look at this helpful eBook, which is a collection of some of our most popular tips for landlords and owners in the San Diego area.

We will discuss how to reduce vacancy, market your property, and find the best tenants. We'll also help you protect your investment against non-paying tenants and excessive property damage.

If you have any questions after you've read this book, be sure to reach out to us. We love talking to homeowners about the San Diego rental market and the opportunities that exist to increase the value of your Real Estate Investment and become more successful.

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## **Chapter 1 Top 5 Mistakes Landlords Make**

Landlords never have the intention of making mistakes, but the laws and requirements involved in owning a rental property can be confusing. It's easy to find yourself cleaning up a mess that you didn't mean to make, or defending yourself in court against a tenant claim that you could have avoided.

We have identified five of the top mistakes that landlords make, and we want you to be aware of them so you don't find yourself in these sticky situations.



For the video, go [here](#).



## **Mistake No. 1: You Skip the Screening**

You don't want to trust your instincts or rent to tenants who are referred by friends.

Avoid getting emotionally attached to tenants or making decisions based on the stories that they tell you. Be thorough with your vetting and screening process. Ask to see tax returns and pay stubs so you can verify income. Run a criminal background check in all 50 states and talk to at least two previous landlords.

Without a good tenant screening process, you run the risk of putting bad tenants in your home. That can lead to financial loss and property damage.

## **Mistake No. 2: An Unprepared Property**

Clean the property thoroughly, make sure all of the necessary repairs are made. It has to be in perfect condition before a tenant moves in.

Put your best foot forward. Related to this mistake is the mistake of overpricing your property. Make sure it's competitive for the market.

If your property isn't priced correctly and doesn't show well, you won't attract the well-qualified tenants you're hoping to place.

## **Mistake No. 3: Breaking the Law**

Landlords don't intentionally break the law, but it happens frequently.

For example, if you have tenants in a property for two years and you give them a 30 Day Notice to Vacate because you need the property back, you have broken the law.

Did you know that?

You're required to give tenants 60 days to vacate when they have lived in the home for more than a year.

Fair housing violations happen all the time inadvertently. If, for example, a landlord insists on having female tenants only, it's a huge fair housing violation. Fair housing damages are often over \$100,000.

Don't break the law.

#### **Mistake No. 4: Forgetting Renter's Insurance**

If there's an insurable event and your tenant loses personal belongings, you can expect that tenant to lash out at you as the landlord and come after you and your insurance company for legal relief.

Statistics show that 65 percent of tenants don't have insurance.

We require renter's insurance of our tenants, and you should to. Ask your tenants to buy it, and if they don't, purchase it for them and then bill them for the coverage every month.

#### **Mistake No. 5: Mishandling the Security Deposit**

The security deposit is the most contentious area of property management law.

You might find yourself in small claims court if you don't handle security deposits properly.

Take photos or video to document the condition of the home at the time of move-in. Then, when the tenant moves out, repeat the process. Make sure you and your tenant sign off on the condition of the property and then do an accounting.

California law requires you to return the deposit with a full accounting of any funds withheld within 21 days.

Avoid these top five mistakes, and you have a good chance of being a profitable and successful landlord.

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## Chapter 2 3 Tips to Reduce Vacancy

With a San Diego investment property, your top goal is to maximize your rental income and minimize your expenses.

One thing you'll have to get right is reducing vacancy times. They can be expensive and damaging to your income and your ROI. (Return on Investment)

There are three things you can do to find and keep a great tenant in your property, thus reducing your vacancy time and cost.



For the video, go [here](#).

## **Proper Pricing of Your Rental Property**

One of the most common questions we hear is – what can I rent my house for?

This might sound illogical, but if you try to get the highest amount of money possible for your property, it could cost you.

Pricing your home too high will reduce your earnings and leave you with less rent. Owners who try to get \$100 or \$200 extra every month can lose a month or two to vacancy. One month of vacancy costs you 8.4 percent in revenue every year. Two months of vacancy costs you 17 percent. If you are facing a third month with a vacant property, you should call a professional property manager right away.

A vacant rental property will cost you because of down time. It will also cost you in tenant quality.

Think about it: your best quality tenants have a choice. Every landlord wants them, and they won't choose an overpriced rental. So, with an overpriced property you end up with mediocre and poor quality tenants. Statistically, it's proven that with tenants like that, you'll have a better than average chance of property damage and unpaid rent.

## **Online Marketing and Property Exposure**

A larger tenant pool will result in reduced vacancy times.

You need to put your rental property on Craigslist, Zillow, and Trulia. Hit up all the free rental related websites, and advertise there. Even using just the free ones will give you decent exposure.

We syndicate our listings, and in one day an ad can be featured on up to 50 different real estate websites. This goes a long way in keeping vacancy rates to a minimum.

### **Don't Be Afraid to Hustle**

If you've priced the property right and you're doing great online marketing, you'll probably hear from lots of potential tenants. Be ready to deal with those calls and messages.

Make sure the home is in tip top condition. It needs to be clean, sparkling, and if possible, decorated and staged.

Organize the showings so you aren't running back to the property five or six times a day. Instead, batch the tenants together and show everyone the home at a specific time. This creates a buzz and a sales atmosphere. You'll rent the property faster.

Start increasing your income and reducing your vacancy with these three tips. You'll have tenants eager to rent and stay in your home.

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## Chapter 3 How to Market Your Rental Home

Effectively marketing a rental home in San Diego County requires you to look at the big picture and consider four specific factors.

Those factors are:

- location
- property condition
- pricing
- marketing strategy



For the video, go [here](#).



## **Addressing Property Location**

The properties we manage at Penny Realty are mostly well located within San Diego County. Therefore, location is not a common issue. The homes we manage are in desirable areas, and it's easy to advertise our rental properties as being in good areas.

If you have a rental property that doesn't have the best location, you'll need to highlight some of its other features and benefits in order to attract good tenants.

## **Well-Maintained Properties Rent First**

Property condition can be an issue for landlords who have not maintained their properties.

If your home is in ill repair, it will cost you. Either you'll have to reduce your price and settle for a lower rent, or you'll have a hard time getting your property rented at all, and it will be vacant on the market for a long time.

## **Proper Rental Home Pricing**

The pricing factor is fairly obvious. If you overprice your property, it's going to sit on the market longer. If you underprice it, you're essentially giving money away.

You need to price your home competitively, so make sure you understand the market and what good tenants are willing to pay.

## **Marketing Your Rental Home Successfully**

At Penny Realty, we syndicate your property listing to over 50 websites. Some of those sites you have probably heard of, such as Zillow, Trulia, and Craigslist. We also use additional websites such as HotPads, Homefinder.com, and many more.

We don't advertise in newspapers because while they still work for Sales, they aren't very effective with Rentals. Typical tenants are not looking in the paper for Rentals; it's all online.

Photography is important to our advertisements. We take good photos to show off your Home. Then, we personally show each available property. Trained leasing managers know how to stage the property and get the lighting right.

In the current rental market, we are able to place tenants in 15 to 30 days. A lot of this depends on marketing, so make sure you have an excellent strategy in place.

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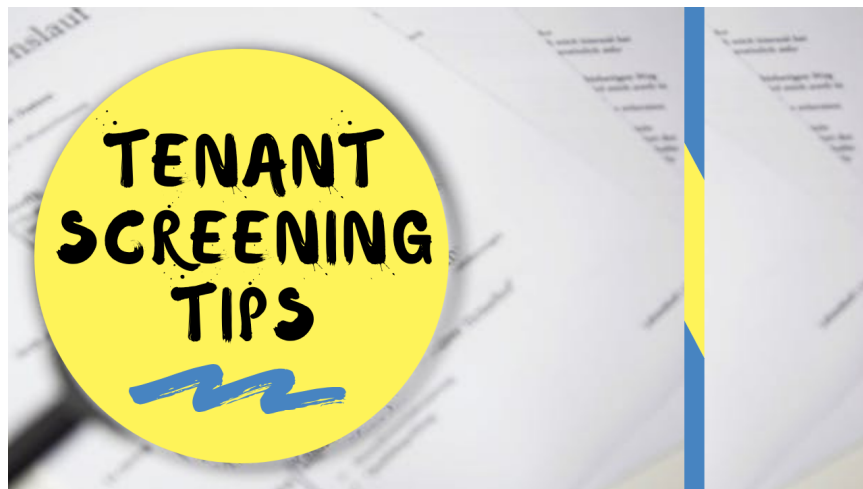
## Chapter 4 Finding the Best Tenant

If you get tenant screening right, life as a landlord is nice.

If you get tenant screening wrong, life as a landlord is horrific.

Many landlords struggle with tenant screening because they rely on their intuition. They meet a potential tenant and size them up and then make a decision without doing any background screening or paperwork. Don't do that.

It's important to do a full background check. It's also important to have written rental standards that are consistent. Don't be haphazard and apply them to some applicants but not others. That can get you into a lot of fair housing trouble.



For the video, go [here](#).

## **Always Confirm Identity**

First, are the applicants who they say they are?

You want to get a government-issued ID and a social security number, which you will use to run background checks and gather information about their criminal, financial, and residential records.

## **Evaluate Financial Responsibility**

Does your applicant have a history of paying bills on time?

To find out, we recommend that you run a complete credit check and look at their credit history. We require a FICO score of 650 or higher.

Make sure you run your own credit check. Some tenants will try to hand you a copy of their credit report to avoid the credit check, but don't accept that. Gather the information yourself, and look for an extensive history of paying bills late or accounts going into collection. Unlawful detainers or evictions should kill the deal right away.

## **Verify Income**

Can your applicants afford the monthly rent?

Check income, and make sure it's at least two-and-a-half times more than rent. Verify the income through W-2 forms, Tax Returns, Paystubs, or a combination of all these things.

You don't want to take your applicant's word for it. Verify how much they earn by asking for proof.

## **Check an Applicant's Rental History**

Will your applicant be a good resident and take care of the property?

We recommend you call the prior two Landlords, if you can. It's also a good idea to do criminal checks in all 50 states.

Make sure you comply with fair housing laws when you conduct those criminal background checks. There are certain reasons you can deny a tenant and certain reasons that you cannot.

Finally, make sure you collect an application fee or a screening fee from the prospective tenants. This is a good way to compensate you for the time and effort that goes into running a thorough background check. It also gives the tenant some skin in the game, and you won't get unqualified people applying for your property. The most you can charge in California in 2018 is \$49.

At Penny Realty, we have a complete 11-point tenant screening process. We recommend you check it out before you begin screening tenants.

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## Chapter 5 What if Tenant Damages are More than the Security Deposit?

Good news - you will rarely have tenants who damage your property beyond the amount of the security deposit that you've collected.

At Penny Realty, we've been doing property management since 1965, and we can count on one hand the number of times this has happened. It's even rarer that you'll have to go to court.

But, you do want to be prepared.



For the video, go [here](#).

## **Normal Wear and Tear vs. Property Damage**

As a landlord, you cannot charge your tenant's security deposit for normal wear and tear. This might include scuff marks on the wall and wear marks on the carpet and small nail holes in the wall.

Differentiating between normal wear and tear and damage can be a bit of a gray area. Damage is often one single and avoidable incident. Wear and tear, on the other hand, is gradual and unavoidable.

Examples of damages might be when a tenant has a dog that tears up and scratches hardwood or bamboo flooring. Or, if major plumbing problems occur because something was shoved down the toilet.

If you have damages that exceed the security deposit, what do you do?

### **Itemize Every Cost**

Get receipts for the repairs you need to make, and invoice your tenant for the amount of those damages.

Give them a timeline to respond with payment. Typically, that should be 14 to 30 days.

Hopefully, you get a check. If you don't, move onto the next step.

### **Take it to Small Claims Court**

In California, landlords can take a Tenant to Small Claims Court to sue for damages. Be prepared when you do this, because sometimes a Tenant will counter-sue you.

The courts in California are typically more sympathetic to the tenant than the landlord. Have your ducks in a row



when you show up to court. Be organized, and have an itemized list with good photos and videos.

If you win your case, you get a judgment. Hopefully, you can get your money right away. If not, you can garnish your tenant's wages.

Keep in mind that in California, there's a four-year statute of limitations to collect these damages.

Again, you'll rarely find yourself in the position of having to collect money from tenants to cover property damage that has exceeded the deposit. A good screening process and regular maintenance and inspections will help you protect your home.

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## Chapter 6 When Your Tenant Stops Paying Rent

Most of the tenants we work with pay their rent on time.

At Penny Realty, we rarely need to evict Tenants. We do have experience with tenants who pay late, however, and we're sharing some tips on how landlords should handle that.



For the video, go [here](#).

### Tenant Screening and Good Communication

Thorough screening is the first and best course of action. If you have excellent tenants in place who meet your

high standards, you are less likely to have to deal with late rent.

You also want to have a professional lease in place that is thorough and addresses how and when rent must be paid.

Communicate with and educate your tenants right up front. Talk to them about paying rent on time and how you will enforce the lease if they don't. Tell them about late fees.

The best defense is a good offense.

### **Avoid Personal Relationships with Your Tenants**

Individual landlords get into trouble when they form personal relationships with their tenants. They often believe that if they become friendly with a tenant, those tenants will treat them better.

These emotional bonds do not help you.

When that tenant doesn't pay rent, you will be stuck sympathizing, and that's not going to be good for your rental income.

Most professional property managers are friendly, and we'll work with the tenant, but we know that your rental property is a business, and we enforce the rent collection.

If a tenant is beyond 30 days late, it's hard to rectify that situation, and we know that an eviction will likely be necessary.

Good tenants rarely go bad, and bad tenants don't turn good.

So, don't wait for some divine miracle that will result in rental payments. When the tenants don't pay rent, take care of business.

## **Serve a Three Day Notice**

If your tenant does not pay rent, serve a Three-Day Notice to Pay or Quit at the end of your grace period. If your rent is due on the first, and your grace period is probably the third or fifth, serve the notice on the next day.

California's civil code is specific about how you handle this process. If you go through the eviction process and miss one little step, a judge can kick it back and everything starts again.

If you cannot work with your tenant, go to a lawyer, and choose a landlord-only firm. They will handle this for you and it should not be very expensive.

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## Chapter 7 3 Important Tips to Maximize Your ROI

Most Real Estate Investors in San Diego County focus on ROI – or return on investment. That's the bottom line, and it's what you should be thinking about when you're making decisions.

A lot of variables go into increasing your ROI, and we are focusing on three of those to get your started down a profitable investment path.



For the video, go [here](#).

### Minimize Your Vacancy Time

Innovating marketing and advertising can minimize the amount of time your home spends vacant. Most of the

best marketing is done online because that's where tenants are looking for homes.

Get your vacancy on as many real estate websites as possible. At Penny Realty, we syndicate our listings. That means we put it on a portal website, and it's shot-gunned out to over 50 different rental websites.

You also want to select quality tenants. Your tenant screening process should result in placing tenants who stay in your property longer. That minimizes vacancy and increases your ROI.

### **On-Time Rent Collection Policies**

Communicate professionally and clearly with your tenants about your plans to enforce the terms of your lease.

Don't just have them glance at the lease and then sign it. Talk to them about when rent is due, how it should be paid, and what the process is when it's late. They need to know your expectations, and it's not in your best interests to let a non-paying tenant stay in the property.

If your tenants aren't paying on time, take immediate corrective steps and if necessary, begin the eviction proceedings.

### **Minimize Your Maintenance Costs**

Take the time to select good maintenance vendors and contractors. You don't want to do this haphazardly. Do your homework and put together a list of people who can work with you.

If you find yourself in the middle of a hot summer and your tenant calls to report that the air conditioning isn't working, you don't want to scramble to find a good HVAC contractor. You probably won't find one.

You need someone who is licensed, insured, efficient, and affordable. At Penny Realty, we have excellent relationships with high quality vendors. We also receive lower rates, which we pass onto our clients.

These three tips can help your ROI soar, and if you'd like additional help, we can easily share more advice.



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### **Conclusion**

As you can see, managing an income-producing property has a lot of challenges, but it's not impossible. As long as you're prepared and willing to invest the time and resources to make your investment property successful, you can have a positive experience with your rental property and your tenant.

At Penny Realty, we have been managing properties for decades. We have seen the market surge and sour, and we have effectively helped investors earn money on their properties regardless of local market conditions. We understand the properties in and around San Diego, and we understand the tenants and their needs.

We also understand your goals and your needs as a real estate investor. We know that we have offered you an introduction to how to become an outstanding landlord. But, there's a lot more to tell you.

A professional property manager can make a difference in your success as an investor. If you'd like to learn more about how we can work with you, contact us at Penny Realty. We'd love to talk about your goals and help you meet them.