

Compass Realty Management Group

"Pointing your investments in the right direction"



Next Month's Newsletter:
Seven Proactive Ways to
Avoid Risk

Rents - Do the Math

It is natural to want to obtain the highest rent possible when your property is vacant. A long vacancy can cause frustration, anxiety, and anger. However, holding out for more money can be more costly than you think.

When this situation occurs, it is better to use a mathematical approach. Write down the expenditures for your investment and this can indicate to you if it is worth the risk. Consider everything it takes to support the property for one month. It can be mortgage payments, taxes, homeowner association dues, insurance, repairs, gardening, and any other expense required to maintain the unit. Even if the mortgage is low or non-existent, can it really pay for a rental price that is not attracting a tenant? If the property is in a negative position, the picture can be worse.

Compass Realty Management

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We are here for you!

We provide you with professional management services for residential properties throughout the metro Atlanta area. Our business focus is to care for each individual customer and cater to their individual needs in order to deliver the highest level of personalized service at a minimal cost. Our caring Attitude and commitment to the highest standards of integrity will keep us in the forefront of the industry and will always be the focus of our property management services. We are detail oriented and leave nothing to chance ensuring that we uphold your best interest well into the

Here is an example of the expenditures of an investment property and determining the rent.

Mortgage	845
Taxes & Insurance	145
Management cost	70
Gardening	50
Repairs	50
Total	1160

The above property has been on the market while occupied for thirty days and now vacant for two weeks. The asking rent is \$1200, the property is in good condition, and it is in a good neighborhood but there are no applications. The Property Manager calls and requests the owner approve a rent reduction of \$100 because of the competition and the slower economy. This property will cost \$1160 for a month of vacancy. Already, the two-week vacancy has a loss of \$580. If it is vacant for six weeks, it will be \$1740; two months would be \$2320.

If the price lowers and the property rents within 2 weeks, the loss will only be \$1160. Now that you have seen the math on this property, is it worth it to keep the higher rent if the activity is non-existent? There are no guarantees that the right tenant will apply even with the lower rent, but the odds are greater.

Now it is time to apply a reverse example of this same math. The owner of the above property will not lower the rent and the property remains vacant. The rental now has been vacant for six weeks so there is already a loss of \$1740.00. Prospective tenants apply but their rental record and credit is not good. This is a tempting situation but not a good one.

Although there has already been a

loss, a destructive tenant can create a greater loss than that of the vacancy. Generally, a poor tenant will not pay the rent. More money is lost if attorney fees are needed to evict the tenant. There are often major damages when tenants default. The impulse is to give in and rent to the unqualified tenant to stop the rental losses. It is NOT worth the price.

The smarter choice - lower the rent and attract the right tenant. Qualified tenants know the rental market. They will simply ignore those asking too much and rent a comparable property for less. There is still no guarantee that the property will rent but picking the wrong tenant is still the wrong choice.

It cannot hurt to try a higher rent if the market indicates properties are renting quickly. However, if the property is still vacant, it is time to think about doing the math and reducing your liability.



Our Services

- Full-service residential property management
- Aggressive rent collection
- Technology driven company
- Extensive advertising/marketing of vacancies
- Competitive rental/leasing rents and rates
- Friendly, efficient full-time office staff
- Year end - tax ready summary statement
- Easy-to-read computerized monthly financial owner statements/reports
- Access to reliable, licensed and insured maintenance contractors
- Supervise/coordinate maintenance
- Thorough tenant screening
- Administer legal proceedings, if necessary
- Cooperate with Real Estate agents
- 24 hour/7 days a week availability for emergencies
- Digital photographs of available rentals on our website

Announcements

Check Your Insurance: Events can happen - flood, extreme heat, hurricanes, fire, and more! It is important to check your insurance to obtain the best coverage possible and ensure that it is current. Review now with your insurance agent before a disaster/emergency occurs.

If An Emergency Occurs: Our first priority during any emergency is to handle the situation, taking any necessary measures for the safety of your property and your tenants. Then, we will contact you as soon as we are able.

