

DETERMINING RENTS

Setting the rental value can be a tricky process. It is an art and a science combined, with many factors to consider. Even after careful evaluation, the amount of rent is subject to change if rejected by prospective tenants.

Supply and demand

Supply and demand is a major factor that determines the amount of rent. Generally, if the supply is low, the demand is high and conversely, if demand is low, the supply will be high.

For example, if there is one other property of similar size and amenities in the neighborhood for rent, it substantiates a competitive price. However, if the same neighborhood has twelve other properties for rent, it puts a different light on the rental value, even if your property has a few more amenities. Asking for top dollar and competing against numerous properties does not make economic sense, particularly if the property remains on the market for several months. This will definitely affect the return on investment (ROI).

Real estate is immobile, but people are mobile. When rent is too high in one area, people are willing to move and commute a greater distance. This is particularly apparent around large cities or areas where rents have become extremely high. A prime example of this is the San Francisco, CA market – many people are willing or forced to travel great distances to affordable housing in outlying areas because city rentals are too high, and they can rent larger properties, with more amenities, for less if they are willing to commute.

Rental housing is also a stratified market. Low, medium, and high rents have different vacancy factors. For example, properties that command a higher rent are in the income range of people who generally will purchase a home, therefore, there are normally fewer numbers of people who rent. This does not mean a higher valued property will not rent – people rent for many reasons, but there are

different ratio values for different economic levels, and lower income properties normally have the higher numbers of renters.

Use comparables

It is important to use comparable properties in the current rental market. This usually means similar size, amenities, and neighborhood desirability. Specific items to consider are square footage, lot size, bedroom and bathroom count, appliances, heating and air, parking, RV Access, etc. There are also “desirable” neighborhoods that people want – areas where there is low crime, better schools, community activity, etc.

What not to use

Do not use rental values contained in an appraisal. Although the property value may be in the right ballpark, appraisers use values for properties already rented and the highest possible rents to justify the loan. The pitfall here is that the property could have rented under rental market value at a different time and the same rent may not apply today. When buying, check the “current rental market,” how long the properties have been on the market and what has “recently” rented.

Do not base the rent on the purchase price,

(Continued on page 2)



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(Continued from page 1)

trying to justify the investment. The price of the property and the current rental market are often separate issues. Perhaps when purchasing the property, rents or expectations were higher. Rental markets can swing just like the stock market, up and down.

Remove emotions when renting a property. For example, if the property was previously a personal residence, personal memories can distort the true picture of the rental value.

Common sense must prevail

It does not pay to sit on an empty property with the attitude, "I am holding out for higher rent." Run the numbers – long vacancies create more financial damage than adjusting the price and renting the property with the least amount of time possible. Work with our company and the rental market to achieve success for a successful and happy New Year.



Office Hours
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Questions and Answers - Evictions

In response to the numerous questions we receive regarding evictions, here are some common questions and answers regarding the process. All procedures, fees and time frames are based on the North Carolina General Statutes and Landlord/Tenant Laws.

1) When do we file eviction papers?

Eviction papers are filed on the 15th of every month. We file on all tenants that have a balance of \$200 or more in outstanding rent.

2) How long does it take to get the tenant out?

Once the papers are filed with the court system on the 15th, the courts will notify us of the date and time of the hearing. The hearing usually is scheduled around the last week of the month in which they were filed or the first week of the following month. During the hearing, if the judge grants us possession of the property, the tenant will have ten days from the date of the hearing to pay their account in full or voluntarily move out.

3) What happens if the tenant does not pay or move out after the court date?

On the 11th day after the court hearing, we will file a Writ of Possession with the court. The Sheriff's department will then notify us of the date and time of the lock-out. If the tenant does not pay their entire account balance by the lock-out date, they will be locked out of the property by changing the locks. The tenant will then have a 10 day window to make a one time appointment to remove any personal belongings left on the premises. Any items left on the property are surrendered and disposed of.

4) How much does this cost and who pays for it?

The cost of filing eviction papers with the courts varies based on the county in which they are being filed. Mecklenburg County charges \$75 plus an additional \$15 per tenant. To file the Writ of Possession it costs \$40. There is also an additional expense for changing the locks on the property which will vary based on the number and type of locks at the property. The cost is typically around \$150 but may vary as stated above. Since these fees must be paid upfront, they are initially charged to your trust account. If payment is received from the tenant, your account will be reimbursed.

5) Will I ever get the money owed to me?

The tenant's security deposit will be applied to their outstanding balance which would include unpaid rent, fees and damages to the property. The remaining balance owed will be billed to the tenant. They will have 30 days from the date of invoice to make payment arrangements with us. Otherwise, their account will be turned over to a collections agency to attempt to collect the debt. It will also be reported to the credit reporting bureaus by the collections agency. If any payments are made by the past tenant to the collection agency, the agency will deduct their fee from the amount collected and forward the difference to us. The fees charged by the collections agency are 27% of the amount collected on accounts that are less than one year old and 42% for accounts that are older than one year. The amount we receive will be credited to your trust account upon receipt. What if the collections agency is unsuccessful in collecting the debt?