

Becoming a Landlord

By ALEX MASON | Green Shoot Media

Buying a choice piece of commercial property can be a terrific investment and give you a good income for years to come.

However, it is not that easy to play the game correctly and be the victor every time.

Before you buy a commercial investment, you must understand that there are circumstances and mitigating factors that can make or break your deal. It is a bit Pollyannish to assume that you simply buy a property and swiftly collect the rent without a hitch.

Like anything else worthy in life, there are a few rules, regulations and issues to understand before you take the financial plunge into commercial real estate.

LOCATION

They say location is everything in the world of real estate, and this is very true when it comes to investment. You want to buy a bargain property in a better part of town to ensure your rent collection will be high enough to cover your investment costs.

If a commercial building is drastically reduced and you feel pressured to sign on the dotted line, this is a good indicator to investigate the cash flow history and walk away.

COST FACTORS

The commercial property is going to have taxes due, be in need of general repairs from time to time and is still expected to give you a profitable sum at the end of the month. The itemized cost versus income report must be calculated by the past owner and shared with the prospective buyer.

If the property is cumbersome and does not yield a tidy profit, you still may use it to aid with your current tax situation as a deduction. However, if cash flow is an issue and



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The decision to become the landlord of a commercial property is not one to be made lightly and requires you to take into consideration legal and cost factors.

you cannot make it happen without imposing a dramatic rent hike, walk away.

RENTER'S RIGHTS

Many states honor the rights of the tenants above the rights of the landlords when a legal dispute arises. Evictions are extremely difficult to execute as the U.S. Marshall's office gets involved and the case has to go before a judge.

If the outcome of the court

decision is in favor of the landlord, the case is not yet settled or resolved. The real pressure begins with the eviction process of the tenant, which could take months and cost the landlord a lot of money. In addition, the tenant will either be forcefully removed from the property, or in the worst case, law enforcement officials must wait the tenant out to secure the home with a county lock.

Either way, this long and drawn-out procedure can create a financial

burden to the landlord with lost rent, court fees and the uncertainty of when they may replace the delinquent renter.

You need to make sure you know the laws in your state, follow them, and have the necessary cash reserves to spend in case you have tenant problems.

FAIR HOUSING ACT

The Fair Housing Act is a document to aid and assist the landlord

REAL ESTATE 101

Tenantes' Rights

In addition to the federal Fair Housing Act, each state has its own laws governing tenants' rights. Find out your state's rules at this website hosted by the Department of Housing and Urban Development:

http://portal.hud.gov/hudportal/HUD?src=/topics/rental_assistance/tenantrights

to know their rights and boundaries with a tenant. Violations of the Fair Housing Act may be subject to lawsuits and, in some instances, arrest.

It is the landlord's responsibility to know the local laws that protect both landlord and tenant and be sure to enforce the fair housing principles with every client. In a court of law, there is no such defense as saying you didn't know.

To become a landlord carries with it a load of responsibility, and when it gets down to the legal issues, a landlord is expected to uphold the law. Doing the right thing in your head does not always mean you are doing the legal thing the courts expect.

So, if you wish to become a landlord, you need to get busy and study the books to ensure you don't get hauled into court and have to "tell it to the judge."



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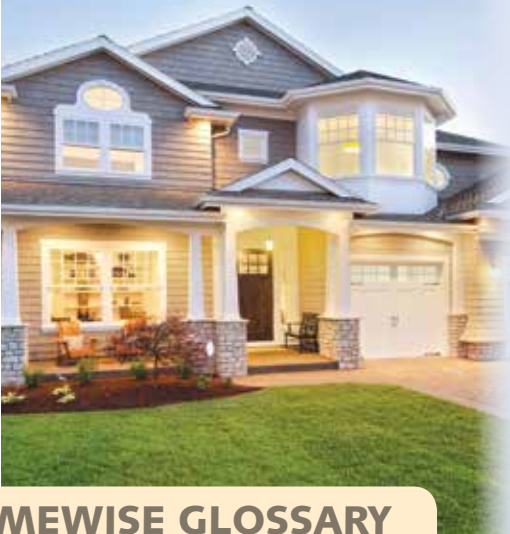
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HOMEWISE GLOSSARY

investment property: a one- to four-unit residential property, other than a primary residence or second home, that is owned by an individual, who is also a borrower, and suitable for year-round rental and occupancy.

net rental income: monthly rental income received on a property after the principal, interest, taxes, insurance and operating expenses have been deducted.

SOURCE: Freddie Mac