

# THE LANDLORD'S GUIDE TO SUCCESS IN HUNTSVILLE

WRITTEN BY



**INDEPENDENCE**

— R E A L T Y —

# **The Landlord's Guide to Success in Huntsville**

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# **The Landlord's Guide to Success in Huntsville**

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## **Introduction**

Huntsville, Alabama is an area that manages to combine breathtaking natural beauty with modern and updated living. The housing market is capitalizing on the growing economy and the relationship this community has with high tech industries and new manufacturing plants.

It's also an ideal place to own investment properties. Local investors with one or two properties have found as much success as large investment companies with huge portfolios. Whether you prefer a single family residence with a yard in a good school district or a multi-family property that attracts stable tenants with its proximity to downtown Huntsville, there is something for you in this market.

This easy-to-follow guide is a valuable resource for many different types of landlords. We will help you:

- Get your property rented quickly so you aren't strapped with vacancy costs.
- Tell you how to collect and hold a security deposit, and what you need to do when with it when a tenant moves out.
- Talk about maintenance and how to budget and keep your costs low.
- Share some tips on local code enforcement issues.

- Help out the property owner who may be wondering whether it's better to sell or rent out a home in Huntsville.

At Independence Realty, we have a combined total of more than 33 years of experience in local property management. We have developed efficient and innovative processes and procedures that help our clients earn top dollar when collecting rental income.

We also protect the assets that are in our care, ensuring the value of your investment property grows over time. At Independence Realty, we've done maintenance and handled tenants for a long time.

We'd like to share some of our experience with you and help you be the best landlord you can be in Huntsville, Alabama.

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## **Chapter 1 Renting Your Home Fast**

All landlords should be able to rent their homes out to a qualified tenant within 27 days.

This may sound impossible, but we know that it is possible, because we do this for all our property management clients. When you're renting out your property, you have to pay attention to curb appeal, cleanliness and advertising. These are the things that will get a good tenant placed in less than a month.

### **Curb Appeal Matters!**

Positive first impressions will help you rent your home quickly. You have to be sure it's suitably prepared, inside and out.

Go out to the curb and take a look at your property. Make sure the lawn is mowed, the shrubbery is trimmed and there is fresh mulch where it's needed. If the house needs paint, touch it up.

Curb appeal is required to get your place rented right away. People will drive up to a house, and if they don't like what they see, they keep driving. That's why potential tenants will schedule a showing, but then not show up to actually look at the house. If the property isn't prepared properly, they won't even call you back because they don't have any interest in seeing it.

## **Make the Property Sparkle**

Once they get in the door, potential tenants need to have a good experience. The place has to look and smell clean.

We recommend that you place an air freshener right near the door. For most of our tenants, orange is the smell of clean. If you can't find an orange air freshener, look for one with a Hawaiian scent or a tropical smell. These scents are clean and pleasant and it will help your tenants feel welcome immediately.

This is important: there cannot be any clutter in the house. It must look and be clean throughout. Your tenants will need to visualize themselves in the property. If a former tenant's things are still there, or you've got personal items taking up space, it's going to be harder for that prospective tenant to imagine it's their home.

If the house needs painting, invest to get it painted. Find a good vendor who can do quality work for an affordable price and make sure your \$20 can of paint looks like \$2,000 on the walls.

## **Advertising**

Today, tenants are looking for properties online. You absolutely must have an Internet presence when you're trying to find renters quickly.

At a minimum, you must advertise on:

- Trulia.com
- Realtor.com
- Zillow.com
- HotPads.com.

You'll hear a lot of people recommend that you advertise on Craigslist. We haven't been able to get tenants who are willing to pay market rents off of Craigslist. We tend to find Craigslist is full of distressed properties and tenants who are looking for bargains and discounts.

Instead of wasting your time advertising on tenants, invest your resources in finding renters who are willing to pay more money for a great property. To rent your property out quickly, your advertising has to include good photos.

When you're advertising a property for rent, make sure you answer the phone. Don't give renters a reason to move onto the next property. Responsiveness is crucial. Show up and show the home.

Some landlords will leave a four digit tumbler lock box on the door, but you have no way of knowing what the prospective tenants are going to do in that home and whether they're going to leave it the way they found it.

Take the time to show the property yourself. It will give you an opportunity to meet prospective tenants and do a little informal pre-screening while you're there.

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## **Chapter 2 Security Deposits**

The Alabama Landlord Tenant Act is the law that regulates the responsibilities of landlords and tenants in Huntsville.

Security deposits are heavily regulated, and landlords need to know what to do with the tenant's money when a deposit is collected. Security deposit mistakes can be costly, so make sure you know what you're doing.



Watch the Video: <https://youtu.be/2WvXuS4pzeI>

### **How Much To Charge**

You are not permitted to charge more than the equivalent of one month's rent in Alabama for the security deposit.



That means if your monthly rent is \$800, you are not permitted to charge a security deposit that's higher than \$800.

### **Holding the Security Deposit**

Licensed real estate agencies must keep the deposit money in a state chartered bank escrow account. The security deposit funds may not mingle with any personal funds.

If you're an independent landlord managing your own property, it's currently acceptable to keep the tenant's security deposit funds in the same account that you use for your own purposes.

While the law doesn't require a separate account, you might want to consider opening one so you don't confuse your own money with your tenant's money.

### **How to Handle Pet Deposits**

The deposit you charge for pets is not the same as a security deposit, so there is no limit to what you can charge.

We recommend that you get all you can when you have a tenant moving into the property with dogs, cats and other pets. It's difficult to get enough money for pets because most of our property problems and costs do come from pets.

Many landlords prefer tenants who don't have pets. It's easier and there are fewer concerns about damages and messes that will be left behind.

When you do allow pets, make sure to conduct a pet audit. Visit the place where they have been living and check to see if there is any pet damage to that property.

This can help you decide whether you want to allow the pet and how much of a pet deposit you should charge.

## **Security Deposits and Market Conditions**

It's not a good idea to pick an arbitrary number when deciding how much to ask for in a security deposit. Remember that market conditions always prevail.

Just because the law allows you to take a full month's rent as your security deposit doesn't mean you can get that much. Many apartment communities are running specials where it only costs \$99 to move in. That's because there is so much vacancy.

Important industrial developments are beginning to make a difference in the local economy. With the latest deals involving Remington Firearms and Polaris, we're hoping the rental market will begin to improve along with the economic forecast. A lower vacancy rate will really eliminate these security deposit discounts.

The most you can legally charge is one month's rent, but if you need to run a deal and offer a security deposit that's half a month's rent, this will help you get good tenants into your house.

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## **Chapter 3 Maintenance Budgets**

Every landlord needs to create a budget to address the maintenance issues on rental properties. When you're establishing a budget you need to keep two important things in mind:

- The functional depreciation rate on various systems in the house; and,
- The age of the house has a direct impact on what you'll spend.

Ongoing maintenance will be required on all of your home's systems, including the roof, heating and air conditioning units, plumbing, electrical systems and appliances.

### **The Impact of a Home's Age**

The amount you need to budget from year to year depends on how old the home is. The older the property is, the higher that budget number is going to be. Older properties are more expensive to care for and maintain.

A fairly new property will only experience about \$50 a month in maintenance and repair expenses per unit. This is the average on a three bedroom, two bathroom home.

If the property is less than five years old, there are very few problems. But when you have a 50 year old house,

there are going to be more maintenance calls. Systems are aging and the whole house is getting older. Electrical systems will end up with panel problems and breakers will give out. Eventually, these things have to be replaced.

If your home is a 10 year old property, the numbers do jump again. You'll need to budget more like \$85 to \$100 per month in overall maintenance costs. Inevitably, you'll have to repaint at intervals and there will be more appliances giving out at the seven to 10 year mark, including microwaves and dishwashers.

After 15 or 20 years, you need to begin budgeting for roof replacements and repairs. This is why the price of homes on a square foot basis goes down as a property ages.

With all the available land to build on, newer homes will be constructed and those will make great investment properties for investors and landlords who want to minimize their maintenance budgets in the short term.

Quality vendors are extremely important. You don't want to pay for something that will have to be redone later.

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## **Chapter 4 Low Maintenance Costs**

Once you have a maintenance budget in place, you want to do everything you can to minimize your maintenance costs and keep them low. Excessive repair costs can really chip away at your bottom line and reduce the amount of rental income you're able to earn on your investment.

Keeping your property maintained and attractive for the least amount of money isn't always easy, but there are some things you can do to help keep your maintenance costs low.



Watch the Video: <https://youtu.be/3xUytnx5fls>

## **Heating and Air Systems**

Have your central heating and air conditioning system serviced every year. This investment of time and resources will really pay off in keeping your repair costs low.

There are a few things you want your service contractor to look for specifically. Most systems in Huntsville are split central systems with an outside condensing unit with coils, and an inside air handler. That provides your heat from natural gas/propane or heat strips or a heat pump.

There's an outside component as well, and it's very important that the outside unit does not get clogged with grass or other obstructions. You want to keep it clear, so the shrubbery around that system should be a minimum of six inches away, or even better 12 inches.

Have the coil for the evaporator serviced every year. From time to time they need to be cleaned, and this is just as important as cleaning the filter. The filter retains some dirt but not all of it.

An annual service to clean these systems out will keep them running efficiently. A poorly functioning system that's clogged or full of dirt will run harder and longer. Then, it will fail and failure costs you money. Don't pay for repairs bills that don't need to happen.

## **Landscaping Costs**

Lately, there has been a trend away from tall bushes. Tall bushes might be pretty to look at, but tenants are now looking for lower types of landscaping where there's nothing higher than six to 12 inches.

The reason for this shift in landscaping preference is security concerns. Most of the tenants making decisions at your property are female, and they don't want to think

about anyone having the opportunity to lurk behind a big bush. Even if that doesn't happen in the neighborhood, your tenant is always thinking about security.

Be smart about the landscaping. You don't want anything overgrown and you want to keep things easy to maintain.

There's no need for extensive flower beds or elaborate shrubbery. Just make sure what you do have looks good from the road. Refresh and renew the mulch and the planting from time to time.

Reds and browns are good colors to work with when you're planning your landscaping. It will help with your curb appeal and attract great tenants to your property.

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## **Chapter 5 Code Enforcement**

Landlords in this area can be confused about the code enforcement that's managed by the city of Huntsville, and the regulatory agencies that are responsible for properties out in other areas of Madison County.

Huntsville is the county seat for all of Madison County. There are only a handful of municipalities in the county.

In Huntsville, we have the city of Madison, Owens Cross Roads, New Hope, Gurley and a tiny community that's incorporated called Triana.

Most of the area outside the city of Huntsville itself is in the unincorporated area of Madison County. There, the county engineer rules. They rarely get involved in anything pertaining to rental property unless the property is having a problem with septic systems. Those are private sewer arrangements where you're setting the fluid from a plumbing system into a tank and the water will drift into the soil.

Inside of the Huntsville city limits, the agency responsible for regulations is called Community Development.

Community Development is capable of lawfully going onto your property at any time without notice and doing a survey of the exterior. Based on that inspection, you can



have a write up for anything such as peeling paint or grass that has not been mowed.

You'll be required to take care of whatever was found within 30 and 90 days. Those are repairs that you must make, and if you're slow to make them, you can be taken to court.

Community Development is also tied into and assisting with the City of Huntsville police department. There are three precincts in town and they each have Community Development Officers who work with code enforcement.

Tenants can request Community Development to come at any time and look for deficiencies inside or outside the home. If any are found, you have to fix them right away. You might run the tenant off with these problems in your house, but you still are required to repair them.

Right now, there are people who want the municipality to charge you over \$100 for Community Development to conduct any inspections for an apartment or a house when it's put up for rent inside the city limits.

Other communities in the area have wanted to this as well, and we're fighting the proposition at the state and local level. It's a burden we don't need to have and our professional associations have been very helpful in working against this with us.

It's your responsibility as a landlord to keep your properties safe and habitable for your tenants. The best way to deal with Code Enforcement issues is to avoid them. Pay attention to your property and make sure it's in the best possible condition.

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## **Chapter 6 Rent or Sell?**

You might be a property owner in Huntsville who isn't sure what to do with a house you've inherited or a property you've been living in for a few years, but now plan to leave. If you're wondering whether it makes more sense to sell your home or rent it out, there are a couple of important things you need to consider.



Watch the Video: <https://youtu.be/g943Ke4Xe0o>

### **The Huntsville Market**

Huntsville will see a rental market pickup from a couple of major manufacturing plants moving into the area. Those are the Remington Firearms Plant and the Polaris Manufacturing Facility.

These plants will bring thousands of manufacturing jobs here, and the complexes will be up and running in 2017. The good jobs these plants provide will improve the tenant pool dramatically.

### **Why Renting May be Better**

Huntsville has been in a flat market for about six years. That means if you bought your property in the last 10 years, you'll probably have to bring a check to your closing when you sell.

That's going to be very painful, and it's a good reason not to sell right now. If you have no other choice but to sell, then you're facing a tough reality. But if you're able to, it is worthwhile to keep the property and rent it out for a while.

Find a qualified tenant who pays rent on time and looks after the property. That would be worth considering because in a couple of years, you will probably have a good market in which to sell your property.

Employment is really what counts in a housing market, and things in Huntsville have been flat because of job cuts at the Department of Defense. Job growth is going to help the household formation rates. This raises prices, so there is a better future on the horizon.

Unless you've got enough equity built into your property or you're willing to take a loss, renting out your home is probably going to make you more money than selling right now.

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## **Conclusion**

Now is an ideal time to invest in rental properties in and around Huntsville and Madison County. Hopefully the information we have shared with you is helpful as you establish yourself as a landlord and begin to earn rental income off your property.

Sometimes, landlords worry about the time and the resources that are needed when it comes to getting your property rented quickly, collecting security deposits, maintaining the home and keeping up with federal and state laws as well as local codes and ordinances. If you would rather put your property in the hands of a professional, consider working with a property management company.

When you invest in stocks, you are likely to pay for professional advice so you know what to buy, what to sell and how to navigate the constantly changing markets. Real estate investments are similar; things change all the time. Tenants evolve and laws get updated. Professional help can make you a smarter and more successful investor.

Professional property managers can place a tenant in your property quickly, minimizing your vacancy time and saving you money on turnovers. You can also be sure that your maintenance costs will be kept low because property managers have relationships in place with qualified and affordable vendors and contractors.

When you put your investment in the hands of a professional, you're released with the headaches that can come along with rental properties. Instead of managing every detail, you can focus on collecting rent checks.

Talk to us at Independence Realty – we'd love to know what you think about our book on How to Be a Landlord in Huntsville, and we'd be happy to answer any additional questions you might have about the rental market.