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6 Signs You Should Never Be a Landlord

By [Kathy Kristof](#) | Jun 1, 2011

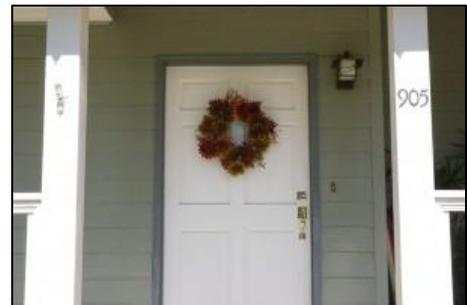


Wondering whether you can make a fortune in rental real estate? With real estate prices and interest rates in the basement, the opportunities for landlords look mouthwatering.

Buying the right property at the right price allows you to generate long-term profits — maybe even short-term income— with a minimum of cash. That can spell double-digit returns. And there are tax benefits involved in owning rental real estate too. (See our related story: [Become a Rich Landlord in 7 Simple Steps.](#))

But no matter how tempting the economics, there are some people who just don't have the temperament to be landlords. This is one investment where your personality can kill your profits, so it's

important to be realistic. Otherwise, you can lose your investment and your credit rating all at the same time.



"If you can't roll with the punches, this is not an investment for you," says Mark Brandemuehl, vice president of marketing at the San Mateo-based real estate site Movoto, who happens to be a landlord himself. "This is the type of investment that literally wakes you up in the middle of the night—and not just because it's losing money."

What are the warning signs that you don't have the temperament to be a landlord?

1. You're a soft touch: You've been renting to a darling young couple named John and Sue for three months and are just thrilled that they're expecting their first child. You've hidden their shower gift in the trunk of your car. Then John sheepishly explains that their rent is going to be a little late this month because he lost his job. "Don't worry," he says. "I've got some good job leads." He gives you the sad puppy eyes.

If the notion of evicting this darling young couple is something you can't stomach, you're too sweet to own a rental. You can love your renters, but you can't let your personal feelings get in the way of your business judgment. If your contract demands rent on the 1st of the month, you should start eviction proceedings on the 5th of the month, says **Adam Leitman Bailey**, a New York real estate lawyer. That's because the wheels of justice move slowly. The faster you file the paperwork, the sooner you can replace the cute freeloaders with somebody who can afford your rental unit. (You are, however, perfectly welcome to give John & Sue the shower gift while you help them move back in with their parents.)

2. You think a "cushion" is what goes on the couch: Let's just say that John and Sue can't make the rent, but they are not going to move out without a fight. Guess what? You've got what bankers call a "non-

performing asset.” Worse news: You are still on the hook for the mortgage, taxes, insurance, repairs and other costs, even when there’s no income coming in. You may even have to hire a real estate attorney.

Before you buy a rental, you need to amass an economic cushion amounting to at least six-months of housing expenses, plus a few thousand dollars to pay attorneys. That gives you the staying power required to manage most worst-case scenarios.

3. Semi-annual payments always come as a surprise. Sure you know that your auto insurer bills you just twice a year, but you have to scramble — or borrow against credit cards — to pull together the money every time you get the bill. When you own a rental, ordinary/extraordinary expenses are a common occurrence, says Brandemuehl.

To be a good landlord, you have to be a master of cash flow, planning ahead for everything from property taxes and insurance to major repairs. “Maintenance expenses come in big chunks,” he adds. “You’ll have nothing for a while, then all of a sudden, you’ve got to fix the roof or the air conditioner and it’s \$4,000. You’ve got to be prepared for that.”

4. You love to decorate and know just how to trick out that rental. If you’re a master at inexpensive home decorating, you may be fine. But if you’re thinking designer tile and a Wolf stove, you’re pricing yourself out of the rental market. Decorating should be light, bright and inexpensive, unless you want to have the prettiest vacant rental on the market.

5. You’re a heavy sleeper. Mutual funds won’t call you in the middle of the night to tell you what’s going wrong in your portfolio. Renters, on the other hand, can have a broken water pipe at any hour of the day or night. If you don’t have a 24-hour handyman to call, *you are* the 24-hour handyman. It’s the kind of nightmare you can’t just roll-over and ignore.

6. You hate technicalities. If you’re going to become a landlord, you need to get intimately familiar with tenant’s rights laws in the area where you buy, experts agree. The reason: If you don’t know the rules and follow them fastidiously, you can be sued by your tenant and your tenant could be allowed to stay in your home — rent free — almost indefinitely. “I’ve seen it take years to evict a tenant,” says **Bailey**. “If you don’t follow the rules, there are times when you can’t evict them at all. It can be a living nightmare.”

And before you rent to anyone, you need to pull their credit report; get their criminal record, if applicable; talk to their personal references; and their former landlords. Pay attention to the details and collecting the rent will be a relative breeze. But lose sight of the checklist that ensures you rent to responsible, well-adjusted people and your rental can become a nightmare.

Still think you might want to buy a rental? Check out our related story on how to become a landlord for fun and profit.