



# The Landlord Today

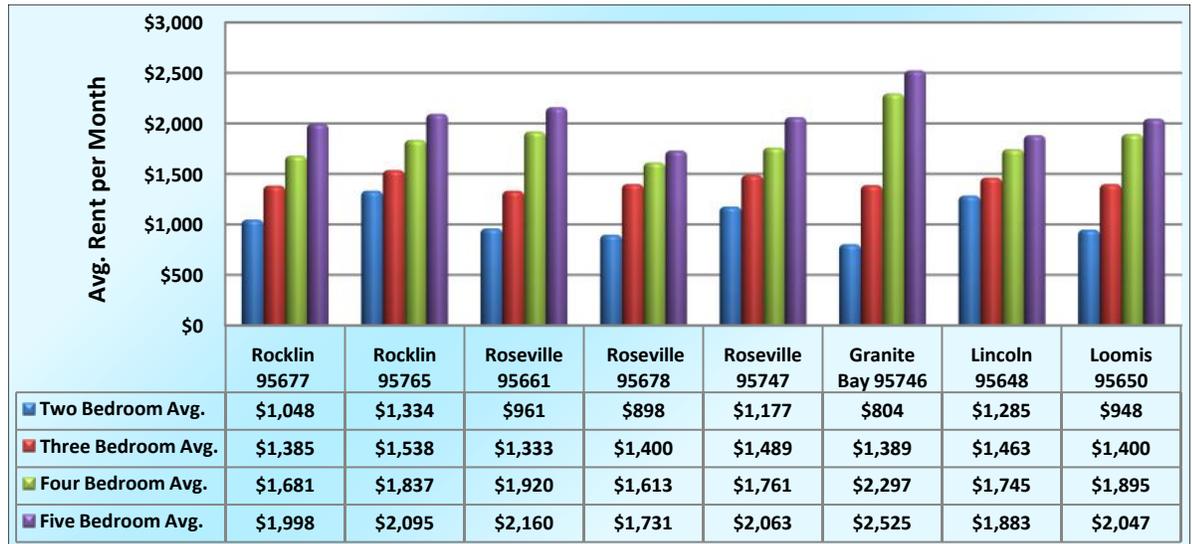
FOR INVESTORS BY INVESTORS

Volume 3, Issue 1

## Single Family Residential Rental Survey

2nd Quarter 2010

Rocklin, Roseville, Granite Bay, Lincoln, Loomis



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[Range of Rents per Month on page 2](#)

### Special Points of Interest:

- In a 2010 article published by the National Association of Realtors, Rents for 2010 are expected to decrease by 3.4%
- According to an April 2010 report from the California Employment Development Dept., Placer County has a current unemployment rate of 12.1%
- In a 2010 research report conducted by Marcus and Millichap, local employers will cut approximately 1,200 positions with a total loss of 0.1% for 2010 as opposed to "annual contractions of more than 4% in both 2008 and 2009"

### Inside This Issue:

- Legal Issues Landlords Should Consider, to Avoid Lawsuits and Prevent Liability **2**
- Reviewing Your Estate Plan **3**
- Tax Planning for the Investor **3**
- Top 10 Reasons to Make the Move **3**
- Office Map and Directions **4**

## RNB 2010 Rental Forecast Brief

When looking for rentals, today's renters first evaluate their wants versus their needs. As the economy struggles with high unemployment rates and the future brings economic uncertainties, renters are looking to downsize into the best deal on the market. Renters are no longer willing to rent overpriced, oversized homes coupled with hefty utility bills. Many renters feel they need to take a more conservative approach toward saving more money by spending more time researching local rental rates to negotiate the best deal.

For the past two years, rents and home prices have declined, and investors are capitalizing on this downward trend by purchasing heavily discounted foreclosures. Naturally these investment properties increase Placer County's rental housing supply, forcing landlords to compete in a rental market with an 8% vacancy rate. As the foreclosure rate slows so will the supply threat, especially because we have seen almost no new construction. Rental rates are

directly connected with vacancy and unemployment rates; when the unemployment rate goes down, then vacancy rates go down because more jobs mean more people in the community. A higher population equates to more renters and less housing supply which in turn drives up rental prices (supply & demand).

Until we see the US economy bounce back, rents will continue to remain very low. So what can we do now? Tenants are looking to save as much as possible and willing to downsize. Larger homes on the market (4 to 5 bedrooms) are taking the largest hit, losing anywhere from \$100 - \$300 per month compared to the last two years. These homes need to be priced right and show in pristine condition. Many landlords believe that an abundance of upgrades will increase their property's rental value, when in fact, we have found that very few renters are willing to pay a premium for the upgraded homes. Instead, we have found that when compared to a similar sized home with less upgrades, the upgraded home will

rent for the same price - but will rent much faster.

Renters are aware of the recession and declining rental prices and have begun to negotiate more and more. Landlords with larger rentals have been hit the hardest as opposed to Landlords who own 3 bedroom 2 bath bread-and-butter properties. These smaller properties still remain attractive and are renting fairly easily. Every day a property sits vacant on the market is money lost. Landlords need to be aware of the current market rents and can supersede negotiations by correctly pricing their properties.

RNB Property Management specializes in the management of single family residential homes. Our agents have the experience and expertise to help you evaluate and accurately price your property so that you can maximize your cash flow.

By Robert A. Ortiz, President/CEO  
For more information regarding RNB Property Management, Inc. please call 916.435.2424 or visit us online at [www.RNB2day.com](http://www.RNB2day.com)

## Range of Rents per Month

2nd Quarter 2010	Rocklin 95677	Rocklin 95765	Roseville 95661	Roseville 95678	Roseville 95747	Granite Bay 95746	Lincoln 95648	Loomis 95650
<b>Two Bedroom</b>	\$995 - \$1100	\$1095 - \$1595	\$595 - \$1195	\$595 - \$1450	\$975 - \$1300	\$625 - \$1600	\$850 - \$1595	\$800 - \$1100
<b>Three Bedroom</b>	\$995 - \$1695	\$1245 - \$2195	\$1150 - \$1595	\$900 - \$1795	\$1245 - \$2050	\$1100 - \$2095	\$1250 - \$1625	\$1200 - \$1550
<b>Four Bedroom</b>	\$1200 - \$2095	\$1475 - \$2350	\$1350 - \$2795	\$1250 - \$1825	\$1425 - \$2150	\$1995 - \$2795	\$1300 - \$1995	\$1850 - \$2100
<b>Five Bedroom</b>	\$1550 - \$2200	\$1830 - \$2900	\$1785 - \$2995	\$1625 - \$1875	\$1695 - \$2650	\$2150 - \$2895	\$1695 - \$2195	\$1500 - \$2595

## Legal Issues Landlords Should Consider, to Avoid Lawsuits and Prevent Liability

By R. Brooks Whitehead, JD-MBA, Esq., The Burton Law Firm

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Whether you are a seasoned Landlord, or looking to lease your property for the first time, you know it is important to stay up to date on legal issues affecting your rental. However, it is likely that some duties, obligations, and strategies will escape you, even when you try your best to stay current. Even lawyers will acknowledge that the sheer amount of information to learn, know, and retain can be intimidating. Rather than explore one topic in depth, this article will discuss a broad range of legal issues you may want to consider at different stages of the rental process.

### Stage 1: Prepping the Property for Rent

So you have a house, condo, or other property – let's put it on the rental market! Not so fast. There is actually a lot to consider before even listing your property. Do you have adequate insurance? Not just fire and casualty, but depending on the area, flood insurance may be advisable. Is the structure up to code, including those do-it-yourself projects you completed last summer? There is no better way to have your renter rightfully refuse to pay their rent than habitability issues. Have you had your home screened for asbestos or other hazardous materials? Nothing says "landlord liability" like toxic materials used in the construction of homes. In conclusion, make sure to cover your bases before actually putting the property up for rent – it can literally be a lifesaver.

**Stage 2: Getting a Tenant** Now that the property is ready to go, should you lease to the first person to call? No – not a good strategy. Even though you may be anxious to get a lease signed and see those rent checks coming in, nothing will cause you bigger headaches than renting to a problematic tenant. It is important to select your new tenant only after a thorough screening process that includes a detailed questionnaire and background check. Make sure to hit important points such as credit, eviction reports, rental history, income, etc. At the same time, be sure to familiarize yourself with the requirements

of the Fair Housing Act (and similar laws) to ensure that you do not step on the rights of potential tenants. In addition, make sure you have an appropriate lease agreement that is fair, but protective of your rights. If that sounds like a lot to know and do, that's because it is. Involving an attorney or hiring a professional property management company may be a better route for those without the time, background, or desire to handle the selection and sign-up process.



**Stage 3: During the Lease** If you have gone with a property management company, sit back and watch the professionals work. However, if you've decided to go it alone, there are some things you should know and consider. First, your tenant has legally enforceable property rights, including the right of quiet use and enjoyment of the premises. Translation: do not pop over unannounced for Sunday brunch, even if you bring the mimosas. Second, the government has enforceable rights against your property if your tenant is performing illegal acts on the premises. This can include seizure of the rental for sale at auction. Translation: check up every so often on the property, provided that you've given proper notice. Third, if the place needs repairs, arrange for them to be made in a timely manner by an experienced and insured independent contractor. Translation: it may be cheap in the short-term to have your cousin do electrical work, but the legal bills will stack up if something goes wrong.

**Stage 4: Life After the Lease** So you have come to the point where your tenant's lease is up and that security deposit is looking awfully attractive – don't touch it just yet! Make sure that any charges you make against the deposit are proper, that those deductions are itemized and provided to your tenant, and that you cut your tenant a remainder check within the legally required timeline. If your tenant is refusing to leave, or is behind in rent, make sure to strictly follow all unlawful detainer procedures (definitely a time to consult your legal counsel or rely on the expertise of your property manager). Be aware that special laws apply if your tenant has filed bankruptcy – an unfortunate scenario that more and more Landlords may face while the economy still struggles.

**Stage 5: Bonus Round** For those of you looking for some more in-depth advice on more complicated issues, your best bet is to consult an attorney, CPA, or both. They will be able to guide you through the mine field. For now consider these bonus points: (1) If you are not actively involved in the management of the property, special "passive activity" tax rules may apply, which affect your ability to write off losses on your rental, (2) If you are mildly concerned with asset protection, or you intend to acquire multiple rentals, you may want to consider creating a "blind trust" for purchasing your properties that provides privacy and some creditor protection. (3) If you are very concerned with strong asset protection, consider a limited liability company (LLC) that will minimize your personal liability in the event of a judgment against you and can play into your estate planning goals.

**Conclusion:** The issues discussed in this article may sound daunting, but they are all manageable provided you stay involved, informed, and vigilant. However, if any questions or uncertainties arise, you can rarely go wrong with consulting a professional.

## Reviewing Your Estate Plan

By Thomas D. Reid, JD, The Burton Law Firm

While many individuals have created an estate plan to protect their family and assets, it is advisable to review an estate plan periodically to ensure one's needs and wishes will be met upon one's passing.

Although an estate plan is designed to take care of one's wishes, certain provisions of the plan may need updating or review to ensure the plan's effectiveness. Whether one's appointed representatives have passed away, a change in family relationship, such as a divorce, has occurred, or the birth of a child or grandchild takes place, it is crucial that these provisions are reviewed periodically to ensure the updates in a person's life are reflected in their estate plan.

There is no set time during which an estate plan review should be conducted. However, it is advisable to review one's plan when a major change occurs in one's life, or

alternatively, every three years. Failure to review an estate plan regularly can result in, among other things, an agent serving the estate that has fallen out of favor with the Settlor, distributions of the estate against the Settlor's intent and wishes, contingent guardianship of a newborn not being established, or assets left outside of the trust requiring the courts to probate the estate to change title to the assets.

Our firm is dedicated to ensuring that our clients' estate planning needs and wishes are met at all times. As such, we ask that if you or anyone you know would like to review

your estate plan, give us a call to set up an appointment to meet with our attorneys to ensure you and your family are protected.



For a more in-depth review of this subject, please see: [www.lawburton.com/news/resources](http://www.lawburton.com/news/resources).

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## Tax Planning for the Investor: Like-Kind Exchanges

By Richard Lagomarsino, EA

Most investors do a great job researching and analyzing several properties to ensure they get the property that suits their investment strategy for the best price. Sadly, too many of those same investors allow too much of their hard earned dollars to end up in the hands of the IRS simply because they don't involve their tax expert before they make investment decisions.

Properties are sold by investors for several reasons. Some want to continue in real estate investment, but want to upgrade their properties, or find the current neighborhood deteriorating. Others want to reduce their investment holdings. For these transactions, there are three ways to significantly avoid paying unnecessary taxes: *like-kind exchanges*, installment sales, and turning the rental property into your personal

residence. This article focuses on *like-kind exchanges*. Future articles will address installment sales and conversions to personal residences.

When investors decide to upgrade their properties, or sell in an area where the value has peaked and buy where the value is starting to increase, the best way to avoid paying taxes is to do a *like-kind exchange*. The investor normally has to pay a capital gains tax of up to 24.55% (15% federal and 9.55% state) on the profits from the sale of the property. (And taxes are only going to get higher in the near future.) If your intent is to reinvest in another property, you can defer those taxes by doing a *like-kind exchange*.

By going through a qualified accommodator, who holds the money from the sale of the investor's property, no taxes are owed, as long as no money or other value

is received by the seller. This allows you to use all of your investment for the new property rather than having to settle for less due to paying taxes.

The timing has to be done to IRS specifications. Make sure your real estate agent has done several exchanges and that the accommodator has a good reputation and is financially solid. Some accommodators have recently fallen on difficult times, causing a freeze on investor money which has resulted in failed exchanges and taxes owed!

Richard Lagomarsino, EA is the president of FTMS Inc, and is an enrolled agent who is able to represent and help solve clients' problems before the IRS. If you wish to avoid or prevent paying unnecessary taxes, call 916-773-1200 or visit [www.ftms.net](http://www.ftms.net).

## TOP 10 REASONS TO MAKE THE MOVE

Why switch your property management services to RNB Property Management? Here are ten great reasons to make the move.

1. **Free Transfers** - no bogus administrative fees and to make it easy we will write the cancellation letter to your current management company
2. **Month-to-Month Management Contract** - no lengthy contracts that make you feel tied down; you can cancel at any time for any reason
3. **No Up-Front Fees Required** - we work for free until we find you a renter, only after you receive rent do we deduct our fee
4. **Open 7 Days a Week** - convenience you can count on with unlimited showings and 24-hour emergency maintenance support
5. **Quality Marketing** - take a look at our high quality marketing materials: virtual tours, color flyers and detailed web pages
6. **Flat Fee Management Rates** - if you raise your rents we keep our fees the same, no variable management fees
7. **Professional Screening** - great renters mean less headaches and a peaceful tenancy; we have the experience to find these outstanding tenants
8. **Digital Move-In Inspections** - we take our move-in inspection to the next level by providing you on average, 500 to 700 digital photos on DVD
9. **Four Inspections Per Year!** - we conduct a pre-winter and pre-summer inspection and two drive-by inspections in the interim, all with digital photos
10. **Experts in Single Family Residential** - we specialize in single family residential property management, no sales, no loans, and no multi-family



**The Landlord Today - Placer County Newsletter**

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**INSIDE THIS ISSUE:**

- **2nd Quarter 2010 Rental Survey**
- RNB 2010 Rental Forecast Brief
- Articles for Today's Real Estate Investor

Placer County Newsletter

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### Office Hours

#### **Open 7 Days a Week**

Monday - Friday      Saturday - Sunday  
10:00 am - 6:00 pm    10:00 am - 2:00 pm

### From Sacramento

- Take I-80 East toward Reno
- Exit onto CA-65 North toward Lincoln
- Exit right onto Sunset Blvd.
- Turn right onto Lonetree Blvd.
- RNB office is on the right

