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*The Book on*

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**MANAGING  
RENTAL  
PROPERTIES**

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*Find, Screen, and Manage Tenants  
with Fewer Headaches and Maximum Profits*

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**HEATHER &  
BRANDON TURNER**

*Author of* **THE BOOK ON RENTAL PROPERTY INVESTING**  
*& Host of* **THE BIGGERPOCKETS PODCAST**

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**BRANDON TURNER AND  
HEATHER TURNER**



**BiggerPockets®**  
**PUBLISHING**  
Denver, Colorado

# *Praise for Brandon Turner's Books*

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“An insider’s perspective, full of encouragement and resources for newcomers... Interested readers will find the book substantially useful as a starting point.”

—**Kirkus Review on *How to Invest in Real Estate***

“I only wish this book had been written in 2005 when I was starting my real estate investing journey!”

—**Ken Corsini, Real estate investor  
and star of HGTV’s *Flip or Flop Atlanta***

“I think this should be required reading for anyone considering real estate investing... Countless hours, months, and—frankly—years this book would have saved me!”

—**Ben Leybovich, Real estate investor,  
syndicator, and founder of [JustAskBenWhy.com](http://JustAskBenWhy.com)**

“There are very few books that provide a detailed, step-by-step framework for accomplishing real estate success. Brandon Turner’s *The Book on Rental Property Investing* does that, and does it in a way that puts financial freedom through real estate within reach of anyone who wants it.”

—**J Scott, Bestselling author of  
*The Book on Flipping Houses***

“I have not read a more comprehensive discussion in my 20 years of investing. This is a great reference for beginners and experienced rental owners!”

—**Al Williamson, [LeadingLandlord.com](http://LeadingLandlord.com)**

“This book is an A-to-Z guide for the real estate investor—not just buying and selling, but also strategic planning, which is all too often forgotten. The real-world examples really drive it home.”

—**Brian Burke, CEO of Praxis Capital and bestselling author of *The Hands-Off Investor***

“*The Book on Rental Property Investing* fuses passion with a system-driven, business-mindedness that provides a very big resource to help establish and achieve your personal investment goals.”

—**Bill Syrios, Owner of Stewardship Properties**

“I wish I had *The Book on Managing Rental Properties* before I made all of my expensive property management mistakes! Brandon and Heather Turner have covered the biggest challenges for landlords and solved each one with step-by-step systems. I literally gave the information in Chapter 6 on tenant pre-screening to my own team and said, ‘Use this!’ It’s that good.”

—**Chad Carson, bestselling author of *Retire Early with Real Estate***

“It’s practical, real, and comes across very open and unbiased... This is great for beginners as well as anyone who is in another field of real estate investing looking to cross over.”

—**Lisa Phillips, [AffordableRealEstateInvestments.com](http://AffordableRealEstateInvestments.com)**

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Brandon Turner and Heather Turner

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## Chapter 1

# SO YOU WANT TO BE A LANDLORD?

This book was written for anyone who wants to make more money, work less, and have fun doing it.

For anyone who wants to build wealth while still maintaining a life.

For anyone who wants to travel more, freak out less, spend more time with family; for anyone who wants to maintain stability while rocketing their net worth into the stratosphere.

That's right, effective landlording can accomplish all these goals, and can do so in powerful ways. You might be a first-time landlord, just struggling to get started with your first rental house. Or perhaps you are an experienced property owner, looking to find better ways to maximize your time so you can spend quality hours with your family and friends. Or maybe you are a property manager, looking after other people's properties for a fee and trying to improve your skills. Whatever your background is, if you want to improve your landlording skills, this book is for you.

We wrote this book for *learners*—people who don't have all the answers but are continually trying to improve their skills and pick up new tricks. It's for experimenters, those willing to hear new ideas and try them out in their own lives, willing to take the risk of trying something new to find a long-term solution to their problems. And it's for hard workers, those who don't believe success comes overnight, who are willing to

get down and dirty, and not give up with the first failure.

In short, this book is for you. If you want to see the power that effective management can have on your real estate investments and on your personal life, keep reading.

## About the Authors

The beginning years of marriage are often the most blissful. Romantic dates, chocolate gifts—and real estate?

That's our story, anyway.

I (Brandon) first met Heather in college and instantly fell in love. That's no exaggeration: I remember seeing her across the lawn from my dorm room, and I said to myself before ever meeting her, "That's the woman I'm going to marry." Less than four years later, we tied the knot in an outside ceremony in the middle of the Quinault Rainforest, two hours from Seattle, Washington. Instead of the traditional American story of getting solid jobs, moving to the suburbs, having 2.5 kids, and growing old, we decided to buck tradition and invest in real estate, foregoing law school to pick up a paint brush. After selling the home I had purchased before getting married, we bought a fixer-upper duplex together in the small logging town of Hoquiam, Washington, and immediately jumped into the world of landlording, knowing absolutely nothing about what that really meant—other than it *sounded* like a good idea.

(On a side note, that duplex, we soon discovered, had a very unique history. After repeated complaints from our tenants about people taking photos of the property, we learned that the duplex was the very first childhood home of Nirvana's frontman Kurt Cobain, who lived in both halves of the duplex during his first two years of life. Sadly, this factoid does nothing for our business, but it's a great conversation starter at parties and in landlording books!)

Over the next decade, we acquired more and more rentals while continuing to manage them ourselves. We made every mistake in the book (which you'll hear about in the pages to come) and learned painful lessons along the way. However, we also discovered that *landlording success is NOT a mystery*. In fact, managing tenants is fairly routine once you learn how to do it correctly. We built relationships with other landlords to learn everything we could from their experiences, picked more brains than any person on earth should, read every landlording book we could get

ahold of, and spent hundreds of hours learning and asking questions on the BiggerPockets Real Estate Forums.

Over time, we've gotten pretty good at this landlording thing. There is rarely a problem we haven't encountered before, and most of this has become second nature. Recently, one of our close friends purchased a duplex for themselves in the same manner we originally did. As they began to ask us questions and we noticed them making the same mistakes we did, we realized how new and foreign this whole "landlording thing" must be for them. As we tried to recommend books they should read, people they should talk to, and paths they should take, it occurred to us that no book existed that perfectly described a step-by-step process on how to be a successful landlord. There are some books with good theories, some books with good stories, and some books with good tips, but we wanted to offer our friends and fellow landlords a book that laid everything out in an easy-to-follow guide.

Hence, *The Book on Managing Rental Properties* was conceived.

## **What This Book Will Teach You**

This book will teach you how to effectively manage tenants in your rental properties. We're going to share every trick, every tool, every system that we use to manage our rentals. You'll learn how to run a business that allows you more freedom, less drama, and higher profits. We'll share personal stories of the mistakes and successes we've had, as well as how you can succeed on this journey.

In Chapter 2 you are going to learn about the process of transitioning how you think about your landlording business. You'll learn the subtle differences that separate those who manage properties as a "hobby" and those who manage properties like a business.

Chapter 3 is all about getting your property ready to rent and what you need to have in order before getting there. You'll learn about the importance of market research in getting top dollar for your property. We'll also talk about property condition and the mistakes many landlords make when trying to get their property rent-ready.

Chapter 4 will focus on the Fair Housing Laws and making sure you stay out of legal trouble in your landlording business.

In Chapter 5 you'll learn how to market your property to get the most qualified applicants begging to rent from you. We'll share the best adver-

tising tips, locations, and processes for making sure your property is filled quickly.

Chapter 6 is all about saving you time when trying to pick tenants by mastering the art of “pre-screening.” You’ll learn how to apply the 80/20 rule to your landlording to help you weed out the duds and only deal with great prospects.

In Chapter 7 we’ll talk all about the application process, and include a sample application and other sample forms that you can use in your own business. We’ll walk you through each step of the screening process—including running background and credit checks, and obtaining references and verifying income—and go over the red flags to look for from tenants. We will also go over how to accept or deny an applicant.

Chapter 8 is all about the lease—but don’t worry, this isn’t a bunch of legal theory! This chapter is all about how to find a good lease, what to include, and how to protect yourself as a landlord. We have also included a sample lease for your reference.

Chapter 9 will introduce you to our system for managing tenants and dealing with day-to-day interactions with tenants, including every landlord’s favorite pastime: collecting rent and getting paid.

In Chapter 10 you are going to learn about handling the problems that will pop up in your landlording business—because there will be plenty of problems. It’s how you handle those problems that will define your landlording career.

Chapter 11 discusses the topic of bad tenants and how to remove them from your property, both through the legal system and through some controversial yet powerful strategies.

In Chapter 12 you’ll dive into the world of contractors, discovering the best way to find, harness, interact with, pay, and manage these individuals fundamental to your business.

When we get to Chapter 13, we’ll look at the process of moving a tenant out of your property, focusing on the strategies that will keep the most money in your bank account.

Chapter 14 will look at the organizational structure of your business, from the office supplies you must have on hand to the bookkeeping that will not only keep you organized, but legal and profitable.

In Chapter 15 we’ll wrap everything up by looking at thirteen principles for being an incredible landlord. We’ll pull together all the lessons gathered so far and make sure you are left feeling empowered to create

a landlord business that will help you achieve your most ambitious life goals.

Finally, in the appendix of this book we have included samples of all the forms we use in our landlord business for your reference.

## What This Book *Won't* Cover

This book is geared toward the management side of residential rentals: how to be a landlord. As such, we will focus very little on the investment strategy side of things. We're not going to teach you how to find incredible deals or how to finance those properties. We won't spend time on how to acquire rentals, build an investment strategy, set goals, or analyze the numbers. These skills are incredibly important to have, so Brandon wrote an entire comprehensive book on this one subject titled *The Book on Rental Property Investing*. We highly encourage you to pick up a copy of that book as well if you are looking to build a real estate empire.

Furthermore, this book is not going to teach you a bunch of theories that don't actually work. Everything in this book is actionable. It is designed to help give you tangible ideas for improving your landlord business based on our personal experience and the experiences of others within the BiggerPockets.com community.

## What is Landlording?

Perhaps before going any deeper, we should all get on the same page. What exactly are we talking about here? What IS landlording?

Landlording, also known as property management, is defined for the purpose of this book as the business of protecting and growing one's real estate investment through the careful placement and oversight of tenants. Now let's break down that definition into several distinct parts.

Notice that the definition begins with the idea that landlording is a business. Whether you are managing one small rental property that you own or managing thousands of properties for hundreds of different owners, landlording IS a business. We'll spend most of Chapter 2 talking about the concept of property management being a business versus being a hobby. You might be tempted to skip this chapter to get onto the actionable meat, but that would be a mistake. Looking back on our own lives, if there is one thing we would change, it would be to understand this

fundamental concept from the start.

Next, the definition moves to that of “protecting one’s investment.” Most people have separated the idea of their “investment” from that of “management,” but we believe the two are one and the same. Landlording is an integral part of the investment and the driving force behind success. While you can invest in a lot of things (gold, stocks, mutual funds) without much management, real estate is a different beast. Its success is not dependent upon the market, but upon the manager. That’s right: Success in rental property investing is dependent upon the effective management of that asset. You could purchase an incredible real estate deal that would turn you from a mill worker to a millionaire, but without good management, you’ll be back at the mill in no time.

Now, management does more than just protect wealth, as the definition explains; it also *grows* it. Good property management seeks to continually improve both the condition and financial position of the property being managed. This is done not just to preserve the condition, but to help the investment grow in value. This happens naturally through inflation or appreciation, as well as through increased rents and decreased expenses on the property. A good property manager has a pulse on the market, knowing when to squeeze more from the property to help the investment produce greater returns.

Finally, the mechanism by which property managers protect and grow wealth is “through the careful placement and oversight of tenants.” In other words, managers must find the best potential occupants of the rental property and control the actions those tenants take while in the home. Landlords are the cowboys who put a corral around what the tenant must and must not do, while considering both the well-being of the tenant and the well-being of the investment.

## Landlording Tasks

Now that we have a book-smart definition of landlording on the table, let’s talk about the common tasks you might perform as a landlord. Of course, we’re going to dive deep into every single item on the list below later in the book, but this will give you just a sample of the tasks a landlord is responsible for:

- Preparing a property to rent
- Collecting forms needed for the businesses



- Placing ads in the newspaper and/or online
- Placing signs in the yard
- Determining fair market rent
- Determining the security deposit amount
- Setting minimum qualification standards
- Taking phone calls from prospective tenants
- Pre-screening tenants
- Scheduling appointments to show properties
- Meeting with prospective tenants
- Answering questions about the property
- Selling the property's features (yes, landlording is about sales!)
- Distributing and accepting applications
- Screening tenants
- Calling former landlords
- Verifying prospective tenants' income
- Running background and credit checks
- Approving great tenants
- Denying tenants who aren't great tenant material
- Ensuring compliance with Fair Housing Laws
- Accepting the deposit to hold
- Scheduling a lease signing
- Signing the lease and addendums
- Inspecting the condition of the rental before a tenant moves into the property
- Setting up the payment method for the tenant
- Accepting rent and depositing rent into the bank
- Making sure utilities are properly transferred
- Getting copies of the lease to all parties
- Creating a tenant file to house their information
- Accepting phone calls from tenants
- Dealing with maintenance requests
- Settling disputes between tenants
- Raising the rent when appropriate
- Ensuring tenants comply with their lease
- Ensuring tenants keep the property in good condition
- Scheduling regular inspections of the property
- Finding and maintaining a list of reputable, licensed contractors
- Managing contractors to make sure the work gets done

- Checking the progress on any repairs and ensuring tasks are completed
- Paying contractors and dealing with the legal paperwork
- Dealing with late rent and getting the required legal forms served
- Evicting bad tenants
- Dealing with tenants who may be on drugs
- Making sure the property is always operating up to code
- Firing tenants, if needed
- Accepting notices to vacate and overseeing the transition
- Bookkeeping to keep track of income and expenses
- Keeping a record of tenant communication
- Monitoring and paying the bills that the tenant doesn't pay
- Monitoring the lawn care and landscaping
- Balancing the checkbook and accounts each month
- Producing monthly reports on the financials of the property
- Responding to legal threats against the landlord
- Performing a move-out inspection of the property after a tenant vacates
- Handling the repairs or repainting after a tenant moves out
- Getting the tenant's security deposit returned or applied toward repairs
- Scheduling a carpet cleaner and someone to change the locks
- Maintaining property management licensing, if needed
- Staying up to date on rental-related local, state, and federal laws
- Keeping the tenants happy as much as possible
- If managing for other landlords, keeping owners happy as much as possible
- Keeping the property running at peak performance
- Starting back at the beginning of this list and doing it all over again for each property

Wow! To be honest, that was the first time we've ever sat down and tried to list every single thing a landlord does—and it's overwhelming, isn't it? Now, multiply that list for every single unit you own, and it's easy to see why so many landlords fail at this game. From the outside, most people see landlords as doing two tasks: accepting rent and fixing things when they break—but clearly they are doing a bit more than that!

We didn't include this list here to scare you, but to give you an idea

of all the moving parts that are in store for you. The good news is that nearly everything on this list will become repetitious and easy for you to handle. We'll touch on every single item on this list, and by the time you finish this book, you'll be ready to tackle each step of the process. And if you are anything like us, you might even end up loving the process. If not, you could always hire a property management company to do it for you. Let's talk about that.

## **Should You Manage Yourself or Hire a Professional Management Company?**

What if we told you that you could easily condense that HUGE list we just talked about into just a few bullet points? Actually, you can—but it's going to cost you. Professional property management companies exist to take care of most of the above list for you, everything from finding tenants and signing leases to answering phone calls, dealing with turnover, and more. When you hire a property management company, you don't even have to ever meet the tenant.

Property management fees vary by location, but typically for a single-family house or small multifamily property, you'll be looking at 8-12 percent of the rent in a monthly fee and a large one-time fee each time the unit is rented. This placement fee is often 50 percent of the first month's rent all the way up to the entire first month's rent. In other words, if your property will rent for \$1,000 per month, the property manager might earn \$100 per month for their management, plus an additional \$500 to \$1,000 each time the property is rented. Some managers also charge a "renewal fee" each year, as well as "marking up" the maintenance costs. For a property owner who doesn't have a lot of cash flow, property management can quickly turn a decent investment into a negative-cash-flowing investment.

Of course, the other side of the coin is that by allowing a manager to look after a property, it frees up the investor to do "higher value" tasks, like finding more properties. If a management company costs \$2,000 per year, but the time saved helps an investor buy one more property per year that nets him or her \$5,000 in cash flow, then the savings might be worth it. Or perhaps you are simply not interested in learning *how* to become a good landlord and you are going to be just like most other failed landlords. In this case, it would be better to pay the \$2,000 per year to avoid *losing* tens of thousands on your investment.

Now, keep in mind that hiring property management is not going to be perfect. The truth is, a lot of property management companies are *terrible*. Becoming a property manager is not a difficult task, so the market abounds with managers who have no idea what they are doing. They saw property management as an “easy” way to make money and decided that managing tenants would be the way to go. At best, these managers are terrible at getting units rented, horrible at communication with the owner, slow at getting repairs completed, and allow the tenant to let the property fall into disrepair. At worst, they could steal, lie, and cheat their way into the owner’s pocketbook and completely destroy an investment.

Even if you hire a great manager, your job as the owner is not completely “work-free.” You must continue to manage the property manager and ensure they are doing their job correctly. Perhaps the biggest complaint from owners about property management companies is “they just don’t care about my property.” And with hundreds or even thousands of properties under management, it’s probably the truth. Your property does not stand out to them from the others. When they have fifty vacancies at one time, yours included, they are trying to fill all of them at once. They don’t have an incentive to get just yours rented, which could cause the property to sit vacant longer. On the other hand, professional property management companies have a much wider reach for finding tenants due to the marketing they run. While you might put up a Craigslist ad or sign in the yard, they may have hundreds of signs and ads all over town, with dozens or hundreds of potential tenants calling every week. They also may negotiate “bulk rates” on their services, which could bring down the cost of some maintenance.

If you do decide to hire a property manager to run your rentals, do your due diligence and find the best manager in your town. Ask other local landlords for referrals, interview dozens of companies if you have to, ask the hard questions, talk with their current clients, and don’t be afraid to fire a bad manager. And keep reading this book, as it will help you build a baseline for what a good landlord should do, encouraging you to become a much more effective manager of the manager.

But our guess is that because you are reading this book on how to be an effective, successful landlord, you are interested in managing yourself. We have managed our own properties since day one. On the couple of occasions we have attempted to hire a property manager, we leave with the realization that we do things ten times better! We don’t say this to