

GOOD LANDLORDS



202 Candora Road, Maryville, Tennessee 37804
www.goodlandlords.com. gary@goodlandlords.com. (865) 681-1207

Status of the Storm

By Gary Heath

When this recent recession was just getting started, many landlords felt they would be exempt from the mayhem. After all, everyone needs a roof over their heads, right? However, as the impact expanded into every corner of the economy and the ripple effect exploded into most areas of the country, many landlords and property managers realized its force.

The national vacancy rate jumped to over 8%, the largest number since 1983. Many rent prices dropped. As landlords accumulated higher vacancies, they had the tendency to reduce rates in order to compete in a shaky market. Property values fell. Surviving banks held their breath and tightened their belts, making it harder to obtain loans.

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A short time ago, many homes in our area were owned and occupied by working families. Sadly, the climbing foreclosure rates have put many of those properties on the market as rental homes. Younger people remained at home longer or moved back in with parents, reducing the demand for apartments. Some landlords did not survive.

So, is the storm over? As they say, "real estate is local."

Please see *Status of the Storm* on page 3

Seven Ways to Save Money on Your Rental Property Insurance

By Wes Gainey

The expenses you have as a property owner can take a large bite out of your bank account. Fortunately, there are some things you can do to reduce the amount you pay for insurance without jeopardizing coverage. Here are seven suggestions:



1. **Deductible.** Increasing your deductible is an easy way to save on your insurance premium. The higher the deductible the lower the premium. The deductible is a specific amount that becomes the responsibility of the insured in the event of claim. The amount of the deductible is typically subtracted from a claim payment.

2. **Home value.** Only purchase the coverage you need.

Please see Seven Ways to Save Money on Your Rental Property Insurance on page 2

December Meeting Details

By Gary Heath

We are honored to announce Judge William Brewer will be hosting our December meeting in his courtroom. This is a fabulous opportunity to ask the judges questions that may concern or confuse us about the eviction process of landlording.

The meeting includes sample evictions and simplifies the entire process of dealing with non-paying or troubling tenants.

Seven Ways to Save Money on Your Rental Property Insurance [from page 1](#)

Don't include the land value in the total home value when determining the amount of insurance coverage. Also, see if an actual cash value policy is right for you. With an actual cash value policy, the replacement or current cost of the property minus depreciation from wear and tear or obsolescence is figured. In a replacement cost policy, the current cost to replace property without a deduction for depreciation is figured. The difference you can save by purchasing a market value policy could be significant.

3. Improvements. Some home improvements not only add value to the home but can also reduce your premiums. Consider reinforcing that roof, purchasing stronger roofing material, modernizing your heating, plumbing and electrical systems. These steps can also reduce the risk of wind, fire and water damage.

4. Fire department. When purchasing or building a rental property, consider the location relevant to a fire hydrant and fire department. Generally speaking, insurance premiums on homes within a city limit with a professional fire department and near a fire hydrant run less than one in a rural area serviced by a volunteer fire department.

One of the important aspects of this meeting is to review any changes that may have occurred in the Uniform Landlord/Tenant Act since our last meeting. I hope everyone can attend.

*December Meeting Date & Time
Monday, December 13, 2010
Judge William Brewer's Courtroom
The Justice Center
6:00 pm*

5. Safety and security. Most insurance companies offer discounts for having smoke detectors, burglar alarms and dead bolt locks, and offer additional discounts for sprinkler systems.

6. Payments. If you can manage it, pay your annual premium all at once. Most insurance companies charge an additional fee for paying annual premium on a monthly or quarterly basis.

7. Speak to your agent. Of course, it is important to speak with your agent about having the right coverage – discuss and agree on appropriate limits of coverage. Your agent can also be an invaluable source of information in helping you find ways to reduce your insurance costs.

Wes Gainey is a manager with Farmers Mutual of Tennessee, a Knoxville based property casualty insurance company providing coverage for rental dwellings, homes, mobile homes, farms and churches.

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Foreclosures still take up a large chunk in the daily news papers. Too many families are finding they owe more on their homes than they are worth, based on the new adjusted values, and they simply walk away. The economy remains fragile and uncertain, but for landlords, things are better.

Vacancy rates are down, rents have stabilized. Investors, eager to get a deal, have emerged from the shadows. Many consumers are still afraid to buy a home in these uncertain times and are much more comfortable renting. All of this is good news for landlords and property managers.

What will it take to return to the prosperity of the pre-recession days? Simple – Jobs?

At 7.2% the unemployment rate in Blount County is lower than the national average and down considerably from the recent high of 10.5%. However, according to the local unemployment office, more than four thousand of our neighbors are still looking for work.

The habitual headlines confirming the depressing unemployment rates effects more than just the unfortunate job lookers; it weighs heavy on the confidence of the American consumer.

These thorny times will surely pass. History has proven that time and again. It may not be easy and it may take longer than many of us prefer, but things will get better.

Consider the abyss of panic we were in during the fall of 2008. The stock market plummeted to new lows day after day. Thousands of businesses closed their doors. Companies, in business since the 1800's, disappeared. Gigantic banks, insurance companies, and the American car industry was on the



There will be no Great Depression II and we are not falling off a cliff.

brink of vanishing forever, causing millions more people to stand in the lines of the unemployed. Phrases like the Great Depression or falling off a cliff were used to describe the direction we were heading.

Things are better. Actually, it is one of the best times in history to expand. Prices are down. It is truly a buyer's market! Interest rates are lower than most of us can remember. With a respectable credit rating, unless you're looking to build a spec house, banks are leading.

No one has provided us with a panacea for the unemployment crisis, but it seems the bleeding has stopped. There will be no Great Depression II and we are not falling off a cliff. The booming auto industry has restored jobs to many of our neighbors. Consumers are gradually regaining confidence. The Dow Jones has gained more than five thousand points since its bottom in March 2009.

The bottom line – things are better so hang in there. This too shall pass. We are in the process of a recovery. Soon, we'll arrive together out of the dark and murky fear of doubt and into the dazzling light of confidence. Jobs will return. Real estate prices will climb. It is just a matter of time. Someday, in the not too distant future, we'll look back on these dismal economic conditions as a time of opportunity.

Good Landlords
202 Candora Road
Maryville, TN. 37804

Phone:
(865) 681-1207

Fax:
(865) 984-7027

E-Mail:
gary@goodlandlords.com

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Future Articles for Members Include:

- Don't Let the Bedbugs Bite
- The Banking Crisis
- The Thoughts of Local Government
- Buying and Selling without a lender

We encourage every member to participate in this News Letter by submitting your articles of 400 to 500 words to Good Landlords.

In addition, if you have a particular subject you feel would benefit our members, please forward your ideas to gary@goodlandlords.com.

Thank you for being a Good Landlord!

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