



**April 2017**



**Our services are designed to create the opportunity for you to maximize your cash flow. Professional Fort Worth Property Management located in Tarrant County, from a family you can Trust.**

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## **Is It Time For A Rent Increase?**

How are rent increases determined? Some people prefer to do small annual increases, others will do an increase only if they have had a major maintenance expense and some owners never do rent increases. Some owners like to use an annual percentage. Check with your property manager about your state laws governing the amount of increases allowed. Here are some things to think about:

1. When was the last rent increase?
2. What is the fair market rent?
3. What is the condition of the property?
4. Does the rental have pets?
5. Are there other desirable amenities such as solar to offset utility costs?
6. Is the rental part of your retirement planning and investment portfolio?
7. Is the market availability tight?
8. What is the income demographic of your community?
9. How does the rent increase or lack of rent increase impact your tenants?

The above questions should challenge the way you look at your rental. I want you think about your rental property as an investment. With any

## Serving You

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investment, you expect a return on your dollar.

I believe that rent increases should be reasonable and annual. Keep the rent below the fair market rates and do not get caught up in frenzies that happen in certain parts of the country i.e., Silicon Valley. As quickly as the rents increase, they will drop and you do not want to be giving rent reductions to keep tenants. The greed of the moment only creates situations such as rent control to rear its ugly head and now you have just shot yourself in the foot so-to-speak. It is important to keep in mind that the economic demographic of your tenants did not change overnight.

It is reasonable to raise rents if the market warrants but keep in mind the impact to your tenants. If the tenants care for the home, pay rent on time, are good neighbors, and report maintenance reasonably then they should receive some goodwill and that should factor into the rent increases.

For those property owners that never want to raise the rent here is my rebuttal. I have seen this situation play out many times and it never ends well. Here is the scenario. The tenant has lived in the home for 20 years. They never complained and paid their rent on time. The rent was never increased and now the property owner has passed away and the inheritors want to sell the home so the tenant has to vacate. So, what is the tenant response? The tenant is angry. You are confused because they had such low rent for 20 years they should be grateful. The tenant is angry because as they look for a new place to live they realize they cannot afford anything in the area. Their options are to go from a 3-bedroom house down to a studio apartment if they are lucky or they have to relocate out of the area where they have lived their entire life. Instead of being grateful for the reduced rent

all those years, they are upset because their life has been turned upside down. And, to top it all off their deposit is so low even if they get a full refund it won't help offset the cost of moving.

Tenants have caused damage on the way out. They have refused to move and now the property owner has an eviction to handle or the property is abandon and now the owner is stuck putting the tenant's belongings into storage at the owner's expense. If the tenant does move out often the owner discovers 20 years of damage from unreported maintenance because of the tenant's fear of a rent increase.

As a property owner, you are not doing your tenant any favor by not increasing the rent. You have actually done them a disservice because they are ill prepared and have not had time to adjust their budget over the years to keep up with the market.

There is fear on the part of some property owners that if the rent is increased the tenant will move. If they move then you can rent it for the going rate and get a new tenant. That is part of owning investment property. When the tenant has been there for 10 years or more, there is a shift in mentality. The tenant sees the property as theirs and will make comments like, "I paid your mortgage for you all these years." They do not understand that you own the liability, pay the taxes, insurance and ongoing maintenance. They do not understand that it is your investment.

It is important to raise rents reasonably and not create entitlement programs for your tenants. Remember, it is a business relationship. You provide a maintained home and they pay rent for it. The lease or month-to-month rental agreement is a legal contract.

Check with your property manager to see if it is time to increase the return on your investment.

