



Own A Rental? How To Find Dream Tenants

By: Forbes | June 13, 2013

There are many moving parts involved in getting the best return on an investment property. But finding the right tenant is more than just one piece of the puzzle, according to James McClelland of Chicago-based rental property management firm Mack Cos.: It's everything.

"The essence of an investment in real estate is a good tenant," McClelland told the Wall Street Journal's MarketWatch. "A good tenant in a bad location is better than a bad tenant in a good location."

So what qualities indicate a tenant will be a good one? And where can they be found? Given the importance of securing the right tenant, these may be among the most important questions a landlord will ask. While the obvious answer to the first may be someone who pays rent on time, stays for an extended period of time and takes good care of the property, it's not always easy to find that dream tenant.

Getting Creative with Property Marketing

The first step to doing so is to market your property the right way in the right places, so the right property hunters find you. Marketing is always about reaching the right audience, and property advertising is no exception.

"You've got to advertise where your market is," wrote Ilyce R. Glink, author of "Buy, Close, Move In!", for Newsday. Depending on the right tenant for your property, this could mean a local paper or online listing, but some of the best leads can come from trusted sources.

Know of a rental building known for great tenants? Slip your marketing materials into the lobby, Glink suggested. Or, even better, if your current tenants are great, they may have some great friends.

"Offer a cash bonus if the departing tenants find you a new tenant," Glink said.

Extra Due Diligence

Having all rental applicants fill out a detailed application form is important, and while it may be a lot of extra work to follow up on every last reference, the time investment can be revelatory. Not only can you verify that prospective tenants are telling the truth, but current and former landlords may have some of the most critical insight into your applicants.

“During the course of your conversation, you want to listen for something on the order of ‘I’m sorry so-and-so is leaving’ or ‘He was really a good tenant, I hate to lose him,’” according to the MarketWatch article.

One thing applications can’t reveal is how well tenants maintain their current residences. That’s why McClelland recommended visiting applicants where they live. “How they take care of their current property is indicative of how they will take care of yours,” he said.

Look Beyond the Money

Over-eagerness could mean a prospect loves the place and will make a great tenant, but that’s not a universal truth. Landlord Eddie Chang recalled for The New York Times how taking on two young women as tenants because they offered to pay higher rent ended up backfiring.

“They were kids, they had parties, they threw cigarettes out the window, which landed in our courtyard,” he said. “It killed our relationship with the neighbors.”

Though the young family he replaced them with paid less, they were far better tenants, and he determined it was well worth it.

Great tenants come in all ages, occupations and styles and not-so-great tenants can be just as hard to pick out in a crowd. With targeted marketing and meticulous follow-through on references and application data, the most reliable prospect ought to shine right through. And sticking with the best applicant over extra incentives from questionable ones can translate into a good investment for the long term.

Media Contact: Julie Liedtke 312.267.4521 jliedtke@taylorjohnson.com