

An aerial photograph of the Charleston Bridge, a large cable-stayed bridge spanning a wide river. The bridge features two prominent white A-frame pylons with numerous white stay cables. The bridge deck is filled with cars and trucks. In the background, a city skyline is visible across the water. A small boat is seen on the river in the foreground.

THE ULTIMATE GUIDE TO PROPERTY MANAGEMENT IN CHARLESTON AREA

DOUG SHORTER PROPERTY MANAGEMENT



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RENTAL CRISIS IN CHARLESTON

Charleston by far has the most advanced shortage of affordable housing in South Carolina. If the trend holds, the Charleston area may soon find itself struggling to attract workers to its growing job market, mirroring what is happening in San Francisco, Denver and Seattle.

Everyday 50 new residents are coming to the Holy City because of its image of "one of the best cities to live in the U.S." Consequently, the housing market is booming: on average, it'll cost around \$1,000 a month for a one bedroom/one bath in West Ashley. It's closer to \$1,200 a month on James Island, Johns Island, Daniel Island and Mount Pleasant.

The Downtown Peninsula rentals are more expensive than apartments in most cities across the country. The average rent for a one-bedroom in Downtown Charleston is \$1,600 a month (most of those don't even include basic amenities like a washer/dryer or parking), while 1BRs in Chicago will cost \$1,556, Atlanta \$1,200, Cincinnati \$1,015.

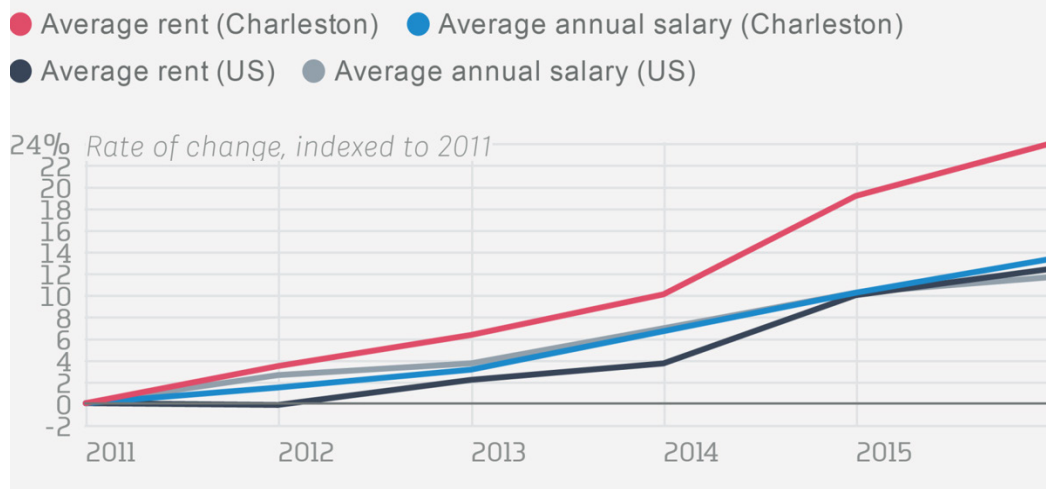
On top of that, Charleston income can't keep up with these rent prices. Average rent prices have climbed 16 percent since 2014, while average wages in the region have remained 15 percent below the national average.

Ideally households should spend no more than a third of their income on housing and utility costs. That way, they can afford health care, groceries, savings and other necessities.

(numbers)

The average rent for a one-bedroom in Downtown Charleston is \$1,600 a month. Average rent prices have climbed 16 percent since 2014, while average wages in the region have remained 15 percent below the national average.

Average rent prices growing faster than salaries



SOURCE: ZILLOW RENT INDEX. BUREAU OF LABOR STATISTICS
QUARTERLY CENSUS REPORT

Big companies like Boeing, Mercedes, Volvo and Bosch bring high-paying manufacturing jobs, helping drive that projected growth. According to Trulia.com, a one bedroom one bath in Goose Creek or Hanahan rents for just under \$700 per month. A similar one in Summerville and Ladson will cost around \$900/mo. However, with more development expected for the area, those prices will eventually have to go up.

A housing shortage might seem ridiculous if you're counting the cranes dotting the skyline and the long list of new developments in the works. But the reality shows that even if all the planned projects were built today, working families might not be able to afford them. Higher construction costs and climbing land values have made developers more likely to build large single-family homes and luxury apartments than modestly-priced units such as townhomes.

Charleston is a coastal city and can't grow in all directions like Charlotte or Atlanta, especially when rivers and wetlands cover much of the landscape. So in order to keep its excellent image and to fill in the jobs in growing industries Charleston authorities will have to act quickly and effectively.

RENTAL INVESTMENT 101

If you are thinking about investing in a rental property, it is important to understand the differences between different types of properties and make sure you are choosing the right type to give yourself the chance to get the best return on investment. Generally, it comes to one single question: townhouse or condo? And the difference between a townhouse and a condo comes down to one word - ownership. What you own, what you are responsible for maintaining, and what living space you must share can vary between the two types of properties.

What exactly is a townhouse?

A townhouse or townhome is often a part of a row of uniform homes, two stories or taller, and shares one or more walls with other independently-owned units. Residents own their interior and exterior walls, lawn, and roof, as well as the insurance for both their home and property.

What exactly is a condo?

A condominium is usually a single building or a community of buildings with separate units owned by individuals. Condos can vary in size or style, but they often share walls with neighbor units. Residents own and maintain the interior of their unit but don't own the property on which it sits. The exterior, lawn, and shared spaces are maintained by the HOA.

(numbers)

For example, in North Charleston according to the Charleston Trident Association of REALTORS® the average prices for 2018: Single-Family - \$203k (+2% comparing to 2017), Townhouse/Condo - \$133k (-11%)



Responsibilities when owning a townhouse. When owning a townhouse, the owner is responsible both for the exterior of the home and the land around it. The shared spaces in townhouse communities are often much smaller, compared to that of a condo. This means the costs associated with the HOA are significantly lower. HOA will still handle things like trash removal and snow plowing. It usually also regulates things like house color, roof type, and even mailbox style.

Responsibilities when owning a condo. HOAs of condos control more space inside developments, thus HOAs fees are higher. They will take care of the roof replacement or parking lot pavement as the resident is not responsible for this maintenance or cost. But, it is important to consider that individual needs are not the first priority. Your request for extra parking spots or rose bushes might not be granted this year. And you might find yourself going head to head with Mrs. Smith who prefers tulips.

Now let's look at the benefits of condos and townhouses for owners.

Affordability.

Condos and townhouses are both great alternatives to single-family homes: they are less expensive, in regards to initial investment and monthly payments even considering HOA payment. This is great for first-time buyers, families transitioning into a new state or area, and those who are looking to invest in a home as opposed to renting.

Resale value

With proper planning by homeowners in the community, all of the fees that you have to pay become investments into the livelihood of the property and the units themselves. And a well-managed and maintained townhouse or condo community can give an owner the leverage they need when selling their unit, reducing the amount of time the property sits on the market.

Community benefits and security

Whether your homes are physically attached or not, living in a townhouse or condo community involves more socializing. Need someone to feed your cat while you are out of town for a couple days? Perhaps Anne from 4E can help.

What are the risks/downsides of condo and townhouse owners?

Competitive market

While HOAs can take a good care of the community, they can also let it go. And as your unit ages, you may be competing with newer and less expensive developments.

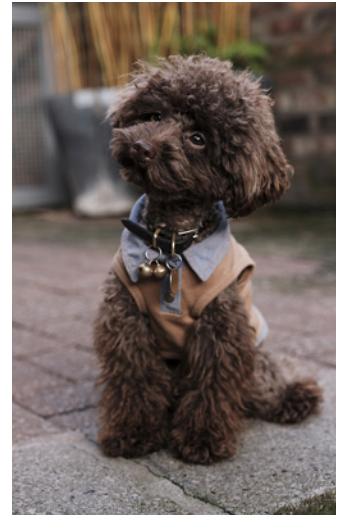
High HOA fees

We know that condo owners pay higher HOA fees because of the bigger shared space. Townhouses don't have as many HOA costs but tend to be slightly more expensive than condos and can have greater insurance costs. At the end of the day, a condo might be less expensive than a townhouse, but the money you save might not be much if any when you factor in HOA fees.

Lessened privacy

You will have to share walls or even floors and ceilings with your neighbors. If you don't like your neighbors, your life can turn into a nightmare.

The truth is, condos and townhouses share so many similarities that the smallest differences can become defining factors, even when they initially sound small. First, you need to decide if the lifestyle of either a condo or townhouse is right for you. For example, if anything above threw up a red flag, consider looking into single-family homes in neighborhoods that may overlap with the benefits of a shared community.



(interesting fact)

Some boards can impose what some homeowners believe are invasive, silly, or elitist rules. In 2014, a Myrtle Beach association decided homeowners could have only two pets. A couple who'd had three dogs for the past 14 years was threatened with a \$100 a day fine unless the couple got rid of one of their dogs.

6 REASONS WHY YOU NEED A PROPERTY MANAGER

Charleston is becoming a very popular destination. Thousands of people move to Charleston every year, and the real estate investment might become quite a good idea. Let's say you already have a house that you want to rent out. What would be your next steps?

Probably you would make a sign for your yard, put the ad on Craigslist, post some pictures on Facebook, asking your friends to repost it and that's it. All you can do now is wait. You may receive some phone calls from the people who want to view your house, but usually, it's during your working hours and you have to ask your boss to leave earlier. And then how can you be sure that these people are reliable and won't move out in 2 months and then you have to do everything all over again? And most importantly what about the price? How would you know how much your house is worth? \$1,200? \$1,500? Or your prime location will let you charge even more than that?

Do you want to put yourself through all of this nightmare? Owning a rental is, of course, lucrative, but stressful at the same time. The best decision you can make is to find a good property manager.

But how exactly can a property manager help you?

First, besides a criminal background check, they ask all applicants to verify their income and check their credit score, making sure that your future tenants will pay timely and will take good care of your home.

Second, they can rent you place in literally days. All of them have contracts with major online platforms with a huge audience, resulting in top placement on local rental websites and immediate interest in the property. Simple example: what will be more efficient? Your 357 friends on Facebook or 1k unique views every week?



Third, they make sure that your house stays in the same condition during the time your tenants are there. They make an inventory list of all of your possessions, take notes about the condition of walls, floors and all the details that you can miss. While the tenant is there, they provide routine inspections, making sure nothing is damaged.

Forth, good property management company has its own maintenance department for all of the basic repairs like leaking faucets or changing a stove top. In case of the more serious problems they usually have good connections with all local professional companies that specialize in these particular repairs.

Fifth, what if you will have to get rid of these tenants? Do you want to go to the court? For the property managers it's not the first time, and probably not the last time either. They have standard procedures that they follow during the eviction process, all in compliance with the law. They can handle the entire eviction process, making it maximally stress-free for you.

Finally, they keep it very clear when it comes to your money. They use online systems that you can access any time to view your financial statements and see when is your next disbursement.

All of this should convince you not to reinvent the wheel and find a trusted property manager. With their knowledge and access to the systems, all you will have to do is to relax and enjoy your cash flow.

(numbers)

Rental Protection Agency reports the increasing growth rate of new landlords and renters: every day about 544 individuals are entering the rental market as landlords and 2,654 as renters.

12 QUESTIONS YOU NEED TO ASK YOUR PROPERTY MANAGER

Property managers are a huge and amazing asset if chosen right. The key with hiring a property manager is to find someone who will do the work for you so you don't have to do anything. If you are still taking care of a lot of things you might as well self-manage.

We made a list of 12 questions that you need to make sure you have covered before hiring your next property manager. Most of the answers can be found on the company's website, copy of lease, management agreement and anything else that is provided to the landlord or tenants. All other questions can be answered through phone or online discussion.

1. Will you have one specific property manager?

Who will be your property manager?

You want to know who will be your specific property manager and know him/her personally, not just the marketing director or whoever is responsible for new business.

2. Do they provide the owner's information to the tenant?

This is extremely important. Why would you hire the property manager if they give your information to the tenant who will terrorize you with questions.

3. How often do they reach out to the owners?

Communication is key. You don't want to learn everything just on your monthly statement. You need to understand when they will notify you about any problems and when they will not.



4. What is their monthly fee? And what does it include?

Every management company calculates their fees differently. Some charge 10% and that includes everything. Others do 6% and charge extras, so make sure you are looking at everything.

5. Do they do a market evaluation every renewal?

The market changes constantly so it makes sense to raise the rent proportionally every time a renewal comes up. But sometimes tenants have been with you for a long time and you don't want to scare them by raising their rent. You need to evaluate all risks and profits and make the right decision with your property manager.

6. What is their advertising strategy?

What are the places where they advertise properties? Do they use social media? Do they have a professional photographer in place? Or will you have to pay extra to get the pictures taken? Every company has a different marketing plan.

7. What is their late policy? What is their late fee amount? And who keeps it?

A late fee is one of the biggest incentives for the tenant to pay rent on time. Some charge a 10% late fee, but it depends on the state and the company itself.

8. What is their application and screening requirements?

Most of the companies require credit and background check. They check if any payments are in collections, ask for previous landlords' references and make sure their monthly income is stable.

Are you an "accidental landlord"?

Accidental landlords are property owners that didn't have any intention in becoming a landlord. They end up backing up into the role. It usually happens when people pay too much for a rehab property. Or busted their renovation budget, or they misread the market and got caught. Sometimes they inherit a house that owes more than it's worth. They understand that they won't sell it without huge losses, so they decide to rent it out. 90 cases out of 100 they lack effective property management skills. As a result, 2/3rds of the 'accidental landlords' fail to make a profit. And all of them saw a steady, annual income in their dreams.

9. How often do they do inspections during a tenant's term?

How do they document the inspection and do they send it to the landlords? Many property management companies do yearly or quarterly inspections. And you want to make sure you receive a copy.

10. How do they handle eviction process?

You want to know when the company will start the eviction process. Do they do it in house or hire someone? What is their procedure and how do they proceed?

11. How do they charge for tenant's damage during their lease term?

Do they wait til the tenant moves out and use the security deposit at the end of the term? Or do they take care of the damage as it happens? And if the damage exceeds the security deposit what is their plan?

12. Is their maintenance in-house or a vendor?

Some companies have their own maintenance department and some have to hire vendors for every particular case. Having in-house maintenance teams ensures that every issue will be handled immediately.

PROPERTY MANAGEMENT SERVICES: FULL LIST

Depending on a particular property management company their services may include:

Evaluate the property and determine an accurate rental rate

- Perform detailed documentation of the interior and exterior including photos
- Offer recommendations on repairs and cosmetic improvements that maximize monthly rent while providing good ROI.
- Gather data on rental rates in the area and work with owners to determine the optimal rental rate. Rent research will vary, but should include looking at the recently rented comparables according to size and type.
- Discuss with owners the pros and cons of different policies such as accepting pets, etc.
- Install a lock box

Market the property for rent

- Prepare home for rent
 - Clean home and optimize interior appeal
 - Manicure landscaping to increase curb appeal
- Create ads tailored to the property and advertising medium. Some of the mediums commonly used are:
 - Paid and free rental listing websites
 - Signs
 - MLS
- Work with other realtors and leasing agents to find a tenant

- Field calls from prospects for questions and viewings
- Meet prospective tenants for showings throughout the week and weekend.
- Provide prospective tenants with rental applications that are legally compliant with fair housing laws
- Collection applications with application fee

Tenant Screening and Selection

- Perform a background check to verify identity, income, credit history, rental history, etc.
- Grade tenant according to pre-defined tenant criteria
- Inform tenants who were turned down

Tenant Move In

- Draw up lease agreement
- Confirm move in date with tenant
- Review lease guidelines with tenant regarding things like rental payment terms and required property maintenance
- Ensure all agreements have been properly executed
- Perform detailed move in inspection with tenant and have tenant sign a report verifying the condition of the property prior to move-in.
- Collect first months rent and security deposit

Rent collection

- Receiving rent
- Hunting down late payments
- Sending out pay or quit notices
- Enforcing late fees

Evictions

- Filing relevant paperwork to initiate and complete an unlawful detainer action
- Representing owner in court
- Coordinating with law enforcement to remove tenant and tenants possessions from unit

Legal

- Advise in the event of a legal dispute or litigation
- Refer owner to a qualified attorney when necessary
- Understand and abide by the latest local, state and federal legislation that apply to renting and maintaining rental properties.



Financial

- Provide accounting property management services
- Make payments on behalf of owner (Mortgage, insurance, HOA dues, etc.)
- Detailed documentation of expenses via invoices and receipts
- Maintain all historical records (paid invoices, leases, inspection reports, warranties, etc.)
- Provide annual reporting, structured for tax purposes as well as required tax documents including a 1099 form
- Advise owner on relevant tax deductions related to their rental property
- Provide easy to read monthly cash-flow statements which offer a detailed breakdown of income and itemized expenses

Maintenance, Repairs, and Remodeling

- Provide and oversee an in-house maintenance crew
- Establish a preventative maintenance policy to identify and deal with repair needs
- Provide an network of licensed, bonded and fully insured contractors who have been vetted for good pricing and good work that is up to code.

- Assign jobs to different parties (in-house employees, handyman and professional contractors) based on who will do the best job for the best price.
- Maintain outdoor areas
 - o Leaf removal
 - o Landscaping
 - o Removing trash and debris
- Maintain and monitor a 24 hour emergency repair hot-line
- Larger renovation or rehab projects
 - o Provide recommendations on how the project can maximize rental income.
 - o Prepare preliminary cost estimates
 - o Get multiple independent bids for the work
 - o Act as general contractor overseeing the work

Tenant Move Out

- Inspect unit and fill out a report on the property's condition when the client moves out
- Provide tenant with a copy as well as estimated damages
- Return the balance of the security deposit to the tenant
- Forward any portion of the owner's portion of the tenant deposit to the owner or hold in owner reserves for repairs.
- Clean unit and perform any needed repairs or upgrades
- Re-key the locks
- Put the property back on the market for rent

TENANT SCREENING

No landlord ever wants to land a bad tenant. This is why it is so important to perform a screening for any potential tenant for your home. Generally, the screening process varies from company to company but in most cases, all of them are concentrating on the following aspects:

Income Must Be Three Times the Monthly Rent

Tenants rarely know how much they can afford. By giving an exact minimum income requirement, property managers can keep out those who might believe they can afford to pay the rent but really can't.

Tenant Must Have Good References

The references property managers receive from past landlords are the best indication of the way the tenant will behave. A bad review from a past landlord is a huge red flag. Same about personal friends or family reviews.

No Evictions

A tenant who recently faced an eviction is unlikely to get approved for a next rental.

Clean Background

It is important to check the criminal background of a tenant because nobody wants problems on their property.

This list of requirements is usually communicated by phone to each new tenant applying for a property. Also, they should be published openly on their website. At the same time, there are some aspects that cannot be taken into consideration when making a decision about a tenant. According to the US Department of Housing and Urban Development, they are race, color, national origin, religion, sex, familial status, handicap. This is vitally important that property managers don't discriminate against those classes.

Even with all of the key requirements met, there are no guarantees that the tenant will be a perfect match.

Let's look at the following traits that any good tenant has to acquire:

(numbers)

Credit score of a potential tenant should be 650 or more and no accounts should be in poor standing: have no unpaid liens, judgements or collections.



The Ability to Afford the Rent Payment

The first and foremost quality of a good tenant is their willingness to pay the rent. Without proper payment, the property manager will be forced to evict the tenants, which will ruin their rental history.

The Willingness to Pay on Time

While some landlords look at late rent as simply a benefit (and the late fee as a financial bonus to them) a late-paying tenant is more likely to stop paying altogether. The stress involved when the rent doesn't come in is not a pleasant experience and can be avoided by only renting to tenants who have a solid history of paying on time.

The Long-Term Outlook for Their Job Stability

While a tenant may be able to pay the rent and pay it on time right now – their ability to do so in the future is often determined by their job situation. It is not a good sign if they switch jobs often or have long periods of unemployment.

Their Cleanliness and Housekeeping Skills

No tenant stays forever – and when they leave the property has to be in good condition. It is important that the tenants day-to-day living be clean and orderly.

How Much Stress Will Tenants Cause?

Some tenants are very high maintenance and constantly demand time and attention. Some are the opposite, they contact property managers only in cases of maintenance issues or to re-sign the lease.

Tenant screening is one of the basic steps property managers take when renting the property and making this experience as headache-free as possible. And all companies should have solid procedures for screening, approving, and rejecting rental applicants.

MAINTENANCE ISSUES

Keeping and ideally increasing the value of the properties is one of the main roles of a property management company. On top of that a competent manager should provide a transparent system for showing how owner's money is being spent and what requests were addressed. They can be accomplished by an internal maintenance department or by hiring licensed vendors.

Generally, there is a particular list of routine maintenance that need to be done to the property according to the season.

Spring is good for checking for any mold. Winter dampness can lead to mold buildup on the surface of walls within the property. Sometimes a leak can cause mold to penetrate the structure of the unit and you need a professional to address the situation. HVAC should be also inspected, serviced and cleaned after it worked hard in the winter. Spring maintenance can postpone an unfortunate and rather expensive replacement.

Summer means bugs, including ants, mosquitoes, wasps and spiders. So treating the property seasonally will help stop pest before they become a big problem. Nooks and crannies should be checked for wasp or hornet nests that might pop up this time of year. Another thing is a sprinkler system. Addressed in time, it can prevent landscape from damaging and reduce standing water.

(numbers)

When all the right conditions are present – moisture, ample food, and a temperature of 41 degrees to 100 degrees Fahrenheit, mold will begin growing within 24 to 48 hours. However, it can often remain hidden - inside walls, behind leaky appliances, within insulation, throughout the HVAC system, in crawl spaces, and in other damp, dark places.



Fall is a perfect time for checking the attic. To prevent ice damming on the roof which can lead to expensive repairs, the attic's insulation should be checked. Roof should be checked for the missing shingles. A slightly damaged roof can lead to water exposure which cause deterioration to insulation, wood and drywall, making electrical, plumbing and HVAC systems vulnerable.

Preventative **winter** maintenance includes protecting pipes from bursting, fixtures from crumbling and plants from dying. Any un-insulated pipes must be wrapped to ensure they will not freeze or burst when the temperature drops.

Preventative seasonal maintenance is the mechanism a property manager uses to maintain the value of the property and avoid letting small issues become larger more expensive problems down the road. Most of the checks can be performed by the tenant, and communicated to the property manager in case of any issues.

(numbers)

In January 2018, the temperature in some areas of SC dropped down to 16F, and snow accumulation reached 5 inches.

EVICTON PROCEDURES IN SOUTH CAROLINA

According to a Princeton University study, North Charleston is the nation's No.1 eviction market: 16.5 in 100 rental homes were evicted in 2016, which equates to 10 evictions per day. Columbia is the eighth-worst with 8.22 in 100 renters evicted. These results paint a shocking portrait of what housing looks like in South Carolina, especially in the Charleston area. Stagnant wages, skyrocketing utility bills and a lack of affordable housing programs are just a few of the factors affecting South Carolina renters.

Let's look closer at the eviction process in South Carolina. S.C. Residential Landlord and Tenant Act (1986) is fairly straightforward: tenants are required to pay rent and comply with lease requirements and landlords are required to maintain essential services and comply with code.

Eviction is a legal proceeding, which means a landlord or a property manager must carefully follow all the rules required by South Carolina law. The first step in the eviction process is giving the tenant a written notice. And this notice depends on the eviction reason and the terms of a rental agreement.

The most common reason the tenants are evicted is for **nonpayment of rent**. A landlord/property manager can also evict a tenant for **violating the lease or rental agreement**. In this case, the landlord is required to give the tenant a 14-day notice, during which the tenant has to fix the problem. If it isn't fixed, the landlord can file the eviction.

If the tenant wishes to fight the eviction, the tenant must appear before the judge. In some cases even if a landlord thinks an eviction is justified, a tenant may be able to fight the eviction with a valid defense.



For example, in the situation when a landlord fails to maintain the rental unit according to minimum legal standards. This means the landlord must provide heating, electricity, and water (including hot water) at all times (S.C. Code Ann. § 27-40-440). If the landlord fails to provide one of these essential services, the tenant has to give a written notice to the landlord, and if nothing gets done within 14 days, the tenant can sue the landlord and recover damages, or the tenant can simply terminate the rental agreement and move out of the rental unit.

If the landlord wins the eviction case the only person authorized to actually remove the tenant is a law enforcement officer. It is illegal for a landlord to remove a tenant by shutting off the utilities or changing the locks. This is called "self-help" eviction and the tenant can sue the landlord for doing that.

(numbers)

Industry practice is that evictions are reported for 7 years per the FCRA - The Fair Credit Reporting Act, (5 years in Oregon)

No matter the outcome, no tenant wants to be involved in any eviction process. It usually results in receiving a negative credit rating and being turned down for future housing.

Eviction doesn't seem to be an issue addressed by legislation in the last few years. Very few bills were introduced and they were in favor of the landlords.

The current housing situation in Charleston shows that more and more people spend more than 50% of their income on rent. If this trend keeps growing, we are going to see more and more people losing their homes through eviction.

For more information on property management services in the Charleston Area, please contact Doug Shorter Property Management.



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