

Real Estate

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BLUFFTON'S ONLY DAILY HOMETOWN NEWSPAPER

Consider the rental market for a house that won't sell

BY FRANK DUNNE, JR.
SPECIAL TO BLUFFTON TODAY

In a perfect world, everybody who puts a home for sale on the market will get their asking price and make a satisfactory profit in a reasonably short period of time. That's not happening much in a lot of communities around the U.S. lately. When sellers are not receiving acceptable bids – or any bids at all – many of them take their homes off the market to hold out for a better price and higher profit later. Some will take it a step further, particularly in the case of a second home, and put the property up for rent.

Renting out a property can be a good option for homeowners who are having trouble selling as the market struggles because it provides income to cover at least a portion of the mortgage payment while waiting for home values to recover. "A lot of people would be selling if they could, but they can't. So, to stop the red ink, they decide to put it on the rental market for a year, and then assess whether they want to try to sell it again or continue to rent," said Geri Colucci, owner of Equitable Property Management. "That's how we're getting a lot of our properties right now." Equitable provides management services for long-term rental homes in Bluffton, Okatie and Hilton Head and the



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business is booming, according to Colucci. "It's the case in all three places," she said.

"I have seen a few sellers do that and I have suggested it to some," said Roni Kincaid of ReMax Island Realty. Kincaid points out that there are enough renters out there to make putting a home up for rent attractive. "It's competitive. Some rentals in Bluffton

are offering the first month free or some other incentive."

Like any real estate decision, though, the rental market should be approached with care. In an article for Forbes' Investopedia.com, equity analyst Glenn Curtis outlines a few important steps to take before diving in:

First, know the local market to assure that you will set a

fair rental price that is likely to attract tenants. Information on rental rates in your neighborhood is easily obtained from newspapers, Web sites, real estate agents and rental management companies.

Second, while you may take great care to select a conscientious tenant, the fact is that renters do not take care of property as well as owners. So it's a good idea to remove items that you wouldn't want damaged.

Third, advertise your property in as many places as possible so that you can be more selective. You want to be in a position to choose your renter. It's also a good idea to interview candidates in person to get a better feel for who will be living in your home.

Lastly, dot your i's and cross your t's. If you are not an experienced landlord, you should hire a real estate attorney to help facilitate the transaction.

Better yet, employ a rental property management firm to handle the entire endeavor. A large number of owners who rent their properties in the Lowcountry are from out of state. "If they don't live in the area, they have no way to monitor the integrity of their property," said Colucci. Additionally, if there are problems collecting rent, it is much more difficult to process an eviction from out-of-state should that become necessary.

FINANCIAL QUESTIONS AND ANSWERS

BY ILYCE GLINK
TRIBUNE MEDIA SERVICES

Q: My fiance and I want to buy a condo for \$160,000. I am 20 and he is 21. We both have credit scores that are about 700. I work full time at a bank. He is a full-time student and works part-time. He will be graduating in one year and we are getting married this summer. Do you think that we will be able to get a mortgage with a \$7,500 down payment?

A: Unfortunately, the market has changed. Unless your bank is willing to give you a loan based on your verifiable income, credit history and score, you may not be able to qualify for the mortgage.

For the most part, your best loan option might be an FHA loan because of the size of down payment you want to put into the purchase. As for most other loan products, you may find it difficult to secure a loan with a low down payment.

FHA loans require just 3.5 percent in cash for a down payment. (Conventional lenders will require a higher down payment.) On a \$160,000 home purchase, you'd have to put down at least \$5,600, but you'd have to be able to afford the payments. On a 30-year fixed rate mortgage at 5 percent, your

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