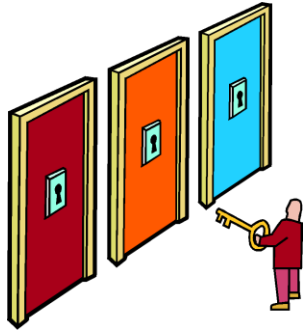




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## **AVOIDING COSTLY MISTAKES**



THERE IS A DIFFERENCE  
CHOOSE WISELY

### **Hiring a real estate sales agent to manage your property.**

Even though an agent may be perfectly qualified to sell you a home, they certainly don't specialize in property management. Many agents are unaware of the specific legal policies that could cost you thousands of dollars when a problem arises.

### **Hiring companies that only do leasing and not management.**

Companies who only do leasing have a primary motivation to lease to the first person who walks in the door. Without managing the property, they have no feedback as to how a certain type of tenant behaves over time. Their motivation is not to find you the best possible tenant.

### **The Peabody Residential point of difference:**

The Peabody Residential client experience is unique because of how we service our properties. We manage our client's properties just like we manage our own. The client experience is the most transparent style of residential property management with the most efficient systems in place to deliver the highest level of service.

We offer a comprehensive approach to property management, providing every service our clients need in order to have a fully leased and functioning property until they are ready to sell their property or move back into it.

Our focus is contract property management clients; to assist with leasing, management and sale of their property if needed.





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## **Not having the proper insurance.**

Many real estate owners consider insurance a necessary evil. The truth is that insurance is necessary and can certainly be evil if you do not have the right protection. Investor insurance is inherently more complex and much less standardized than your average homeowner's insurance products that you are most familiar with. That's why it is crucial that you understand what you need to purchase to mitigate coverage holes, otherwise you risk losing hundreds of thousands of dollars and damaging your excellent credit. Below is a list describing essential coverage options that you should include on every investment policy, be careful; many of these coverage enhancements are not available with your typical home and auto insurance company. That's why it is imperative that you discuss this with a licensed insurance professional that understands your unique needs as a Virginia and D.C. real estate investor.



### **JUST A FEW POINTS TO CONSIDER:**

#### **Property Manager Listed as Additional Insured**

Our Management Agreement requires you to list your Property Management Company on your policy as an additional insured? If you don't have this protection, you are violating the contractual agreement between you and your Property Management Company. This protection is provided for FREE with many reputable insurance carriers.

#### **100% Replacement Cost**

Minimum coverage of the estimated cost per square foot is recommended in order to ensure your same property is rebuilt completely in the event of total loss.

#### **Landlord Liability Protection**

Did you know that many basic policies only cover up to \$100,000 of liability per property? This may barely be enough to pay legal fees, much less to indemnify for actual damages. Coverage of at least \$300,000-\$500,000 is required.

#### **Accidental and Sudden Discharge of Water or Steam**

Coverage for hot water heater bursts, pipe breaks, and other common plumbing issues are regularly left off basic policies and are some of the most frequent claims.

#### **Dwelling vs. Homeowner's Policy**

If you have a homeowner's policy form on your investment property, you need to switch to a dwelling policy immediately. Your current policy has a provision in it that excludes coverage if you do not occupy the home.

#### **Vacancy Clause**

Most dwelling policies exclude coverage for any property left vacant for 30 days or longer. If your home is vacant, you need to be temporarily switched to a vacant home policy in order to be eligible for a claims payout.

#### **Loss of Rents (aka Loss of Use, Fair Rental Value)**

If your property is significantly damaged due to a covered claim, your tenant will move out and more than likely not pay rent. With this endorsement, the insurance policy pays you rent while the home is being repaired / rebuilt.



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### **Not updating their mailing address with the Home Owners Association (HOA).**



A common but costly mistake that homeowners and investors make is failing to update their mailing address with the Home Owners Association (HOA).

If your property is in a Mandatory Home Owners Association (HOA) you should personally contact the HOA and make sure that they have your current mailing address and phone number every time you move. HOA's can charge large fines if HOA fees are not paid, are late, or if HOA violations go unanswered. HOA's in Virginia and D.C. have even foreclosed on properties where the owner did not pay the HOA dues or cure a violation of their property simply because the HOA was uninformed of the owner's current mailing address.

If the HOA does not have the owners current mailing address, they will mail the HOA dues invoices and violation notices directly to the rental property. Some tenants do notify us but most do not. As a result, owners get charged with huge late fees, attorney fees, and could end up facing possible foreclosure. All because the HOA does not have the owner's current address.

Please provide the HOA our information for all notices, violations and unpaid dues. We are here to help with these issues, provided we are informed about them.

### **Not Charging Fair Rents.**

Vacancies, turnovers and lease terminators are your biggest expense. Charge fair rents, treat your tenants with respect and respond as quickly as possible to their needs. It is a lot less costly in the long run to take care of the little problems rather than wait until they become big problems. Vacant property is your Achilles heel.



### **Not thinking twice before you refuse to settle a dispute with a tenant.**

It is almost always better to settle a dispute with a tenant (even if it's not exactly the best deal for you) than to fight it out in court. The landlord-tenant laws are usually extremely unfair to landlords. In addition, tenants often have access to free "legal aid" lawyers who will fight you with tax-and-charity dollars almost indefinitely with all the laws on their side. In the end, it may cost you thousands. It's not worth it just to win a point of pride. Usually, the only time it is really important to fight to the end is to get rid of a non-paying tenant. Even then, a settlement where you pay them to leave may be cheaper than paying even more attorney fees to fight to the bitter end.



### **Failure to Re-Invest In Your Assets.**

Most successful investors have well maintained properties. Be sure to re-invest some of your cash flow back into clearing any outstanding maintenance problems there might be on the property. This increases the value of your asset and increases your equity which builds your net worth.

**Hiring the right company will not only save you time but money.**

**Hiring a well-qualified property manager will alleviate a multitude of problems.**

**Don't make the mistake of choosing price over performance.**