

Latest Trends Suggest It's a Buyer's Market - What This Means for Landlords

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Vero Beach, FL ([prHWY](#)) March 1, 2010 - Front Door, a leading real estate expert website has released the Top Ten Must-Know Trends for 2010 in the real estate buyer's market and the results are anything but surprising. Front Door predicts that although the prices will continue to fall, the lending terms will become even more stringent and there are even more foreclosures to come. But what does all this mean for landlords?

High Mortgage Rates and Foreclosures

One of the main things to consider for the upcoming year, according to Front Door, is that lending terms will continue to be stringent and mortgage rates will continue to soar. Front Door suggests that 2010 marks the end of historically low mortgage rates. For new home buyers struggling to save enough money to buy their own home, renting may be the only option for yet another year.

In fact, according to Raphael Bostic of the US Department of Housing and Urban Development, "the homeownership rate in the United States used to be somewhere close to 70 percent. We've fallen off by several million households now."

So where have all the home owners gone? The answer, according to Bostic is simple: "a lot have now gone into the rental market."

If the global economic recession has taught us one thing, it's that the real estate market can be a ruthless game. The financial institutes and the US public are waiting to take the plunge into home loans until the housing market settles and there is more than enough in the bank. However, even though some are wary of taking the plunge, coast to coast buyers are still borrowing 6 times their income and only putting down 3% on their new homes. The banks suggest a safe mortgage should be a maximum of 3 times a buyer's income with a 20% down payment. What this means is that people are still falling short and could be paying the consequences down the road.

As Front Door predicts, foreclosures may be the only option for struggling families. And, these families usually end up back in the rental market once they have been forced to evacuate their home.

Buyers Market or Renter's Haven?

However, it is not only struggling families and aspiring first home buyers that will remain in the renter's market. Renting is a cheaper, less stressful and less constraining option which is something many people need in a still-shaky economy. The US unemployment rate in January 2010 tipped the scales at 10.6%. With more and more people losing their jobs every day, renting simply seems like the safer option. Furthermore, renting comes with only one payment, usually on a monthly basis, while buying a home comes with property tax, maintenance and upkeep expenses.

So what does this mean for landlords across America?

Essentially, it means that landlords are able to afford to be picky in their selection.

Choosing Wisely in a Flourishing Market

With so many people in the rental market, it can be hard to determine who is the right person for a vacancy. Landlords admit that choosing the wrong tenant is one of the biggest problems they face every day. Almost 75% of landlords face renter's arrears in recent times. "Right now from every 10 applications, we turned down nine," Yazgul Odekova, a property manager in Alexandria, Virginia admits. Furthermore, of those who are accepted, many turn out to be the wrong person for the place.

Being thorough during the interviewing process is one way to battle against bad tenants. Another option, as many landlords have discovered, is to perform a tenant background check with every potential applicant. Tenant background checks provide landlords with access to previous evictions, credit reports, social security verification and criminal histories. Although this information will not guarantee that the tenant will behave and pay every month, it does provide assurance that the person has not been evicted in the past, does not have poor credit, has a steady stream of income and does not have numerous sex offender convictions to his name.

Tenant background checks can help assess the tenant before it's too late. A blooming renters' market means landlords have more choices, both good and bad. It's important to sift through the bad in order to profit in this industry. "It's not just because people are dishonest. Sometimes people have big medical bills, sometimes people have bankruptcy, sometimes they suddenly become sick and don't have health insurance," a property manager in Alexandria states. All of these can drastically affect the chance that they will make rent each month.

Until the housing market reaches that promised 'rock bottom' and until the economy returns to a steadier reality, people are finding salvation in the renting market. For landlords from coast to coast, this means it's more important than ever to do the research and choose the right tenant. Tenant background checks can make that happen.

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