

Should We Sell or Should We Lease?

By ANTHONY MARGULEAS
Special to the Palisadian-Post

Well, folks, "sell or rent?" is the million-dollar question and one we are being asked more and more these days. The answer is, it depends. Obviously, if you have to sell because you need the cash (i.e., equity) out of your home, then leasing is not an option. If you don't need the cash and just want someone else to cover your monthly mortgage payments, then leasing may work.

Perhaps you are relocating out of the area and want to be able to come back to Pacific Palisades in the future. Or maybe you want to

keep the home as an investment property and don't need the equity to buy a new home.

The standard lease in the Palisades is for one year, though we have done leases ranging from one month to three years. Typically, security deposits are two months of the rental price.

Right now the Palisades lease market is very strong. Even before the Malibu fires, which increased demand due to more people suddenly needing a new place to live, leases were hot (no pun intended). In a softening market many people, especially top-tier relocating executives such as CEOs and CFOs, wait to buy. Wanting to first be sure that their

family will like the area and that the job will work out, they wait a year or so before buying.

The two main categories of people who are leasing are the corporate relocation clients and those who are remodeling their home and thus temporarily need another place to live. As you may be able to tell by all the workmen trucks and dumpsters on your street, the remodel market is strong.

As the accompanying chart indicates, the 2007 median home sales price was up about one percent, while the median lease price increased eight percent from the previous year.

The current average lease price for the Palisades is \$5,425 per month. The least expensive home lease in 2007 (listed in the M.L.S.) was a one-bedroom house for \$1,800 a month. The most expensive home lease was for \$35,000 a month. Currently there are 32 leases available in the Palisades.

As a landlord, there are several things to consider when leasing. First, never rent to a fraternity house. Okay, I'm kidding. (I couldn't resist throwing that in. No offense to fraternities, as I was in one.)

But seriously, things to consider as a landlord:

- Make sure your real estate agent is familiar with leases and does at least six per year. Many agents are not aware of their many complexities.
- Purchase a home warranty insurance policy while you are renting out your home. These can

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range from \$400 to \$1,200, depending on the size of the home. I usually write in, "Tenant to handle all claims under warranty and to pay applicable \$50 deductible for any claims." This clause is very important because the last thing you want to deal with is your tenant calling every day about something not working.

- Make sure your tenant gets their own insurance (renter's insurance) as well. The current California Association of Realtors residential lease contract suggests, though does not require, that tenants get insurance.

- Make sure that prior to commencement the tenant completes the Move In/Move Out Inspection form, which is a standard form of the California Association of Realtors. It is very detailed and covers each room of the house. We also recommend taking extensive pictures of the home's current condition, so there can be no misunderstanding later about what was or wasn't broken prior to the tenant's move-in. We typically take upwards of 100 photos.

- How is the tenant's credit?

Make sure your tenant's credit score is in the high 600s or better.

- Make sure your tenant completely fills out a tenant application form, which covers their residence, employment, and income history; what vehicles they own; who to contact in an emergency; and personal references. If they have rented in the past, contact their current or previous landlord. We recommend calling their personal references as well.
- Do they have pets? If so, what size, type, and age?

Did you know that you can legally discriminate against attorneys by choosing not to rent to them? Evidently they are not protected under Fair Housing laws. The logic behind this is that they tend to be more litigious. A personal disclaimer here to all my attorney friends: I love you all and please do not sue me for letting people know this!

Another issue that can come up when renting your home is

whether to rent furnished or unfurnished. Ninety percent of tenants do not want to lease a place furnished, as they usually have their own belongings for the home. Besides that, in many cases your style of furniture and artwork may not match their tastes and will be a negative rather than positive selling point.

Managing a property is another concern as it can require time and work. If you are an out-of-area owner, you may want to find a property management company to handle this responsibility for you. For good references, including professionals to fix up your home, home warranty companies, etc., please visit our Web site at www.LAEstatehomes.com and click Business Directory on the left side of the page.

What to do if a tenant stops paying rent? We also have some good real estate attorneys listed in our Business Directory. Seriously, though, we have found that tenants with excellent credit scores have a very high probability of paying their rent on time. To minimize your risks, we recommend requiring your tenant to establish an auto-payment of the rent from their bank account or to set up automatic monthly wire transfers.

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