

I JUST BOUGHT ANOTHER HOUSE! BUT WHAT DO I DO WITH THE ONE I'M MOVING OUT OF?

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It's an exciting time moving from one house to the next. Maybe you needed to move out of your starter home into something bigger. Maybe you got a new job, and your current house would not make sense to live in because of travel time to work. Whatever the reason, owning two homes at the same time can be intimidating. Most people don't want two mortgages if they're getting zero utility out of one. So, what are the options?

Being a property management company in Houston and surrounding areas like The Woodlands, Conroe, and Spring, we run into this all the time. This article will talk you through selling versus renting as well as important considerations if going the rental route.

➔ EVALUATING SELLING VS RENTING

The two most common options would be selling the house or putting it up for rent. In our article, [I Inherited a Home, Now What?](#) we go into some detail about these two options. I encourage you to link to the above article for a more in-depth look. We won't go into that level of detail here, but ultimately it comes down to local market conditions and your personal financial situation.

For example, if you owe a lot on the first home still or have not lived in it long, the fees and lack of price appreciation could rule out selling at this time.

However, you would then need to have enough funds reserved to make the house rent ready and sustain a couple months or so of mortgage payments without having rental income. You could also be in a situation where you just want to pull the cash out of a home regardless if you make money or not on the sale.

There's no clear-cut answer, but a property management company can help give you data about sales and rental comparisons in the area in order to make as informed of a decision as possible.

➔ THE LANDLORD ROUTE

If you've done the research and decided you likely want to become a landlord, there are several things to consider. Some of the main questions we get are:

- What needs to be done to make a house rent ready
- How long should I expect it takes to rent out
- Should I use a property management company

Besides fixing any obvious repairs, making a house rent ready requires that you make any modifications necessary in order to comply with local regulations as well as make it aesthetically pleasing. Typically, regulations require a smoke detector be in every bedroom and living area. Some counties require certain types of locks on front and back doors or peepholes on front doors.

Paint, flooring, carpets, and landscaping are all items that can help rent a home out much quicker if they're in good shape, and vice versa can make it difficult to rent out if in poor shape. We like neutral light colors like off white or beige for paint, and we also like wood or faux wood or tile flooring better than carpet. This is typically more durable and easier to clean than carpet. However, if the carpet is in decent shape, it doesn't make sense to replace it.

It's important to remember that making a house rent ready does not mean making it exactly the place you would want to live in.

Don't go crazy with paint color schemes, and don't completely renovate if the current condition is ok. You want a good product, but wear and tear will happen with tenants moving in and out every couple years!

How long it will take to rent your investment property out is very difficult to say. It depends on factors such as current market conditions (both macro and neighborhood specific), the state of the house, and the price you're trying to get. We highly recommend having a licensed agent provide a comparative market analysis ("CMA") to see what recent comparable homes locally have rented for and how long they were on the market. A property management company can do this for you if they have licensed Realtors on staff. Our property management company provides this free of charge to current or potential clients.

Whether or not to use a property management company depends on a handful of factors but most often comes down to how much time you have. Time is a constraint, and in a world where things are constantly competing for your time, we are forced to prioritize daily.

We've worked with many investors who have tried to manage properties themselves, and it typically comes down to a time benefit analysis (similar to a cost benefit analysis). Do you have time to take care of your priorities and handle maintenance requests that will inevitably come? Can you spend time chasing rent if it's late or dealing with vendors to make sure they complete jobs correctly? Do you have time or enjoy doing maintenance work yourself?

At Advantage Asset Management we've been helping investors build their Houston real estate portfolio and achieve their long-term goals for over 10 years. We truly believe that the right property management company can be a value-add partner and not an annoying cost that eats away your profits. But it's not for everyone, and some people have a great deal of success managing properties themselves.

Buying that next home can be fun, but the challenge of what to do with the first can be daunting. Having Realtors or a property management company behind you will help give you the data needed to make a more informed decision. There are positives and negatives no matter what direction, but we would welcome the opportunity to discuss it further! In the meantime, here's one true story we can relay.



LILY UPGRADES HER HOUSE

(name changed to protect anonymity)

Lily was living in a two-story townhome in Spring, TX along with her husband. This was her first home, and she had lived in it for about 3 years when her and her husband decided to have a baby. After the baby came, the house became crowded quick. They thought there would be enough room, but they knew they needed a bigger house after a few months.

Lily and her husband moved to a house relatively close. They both had good jobs, so they decided that renting the house was a good option for now. They contacted AAM, since they knew that between work and a newborn, they would not have much time to manage themselves.

Lily still owns that first house and has had a positive experience renting it so far. She's not sure how long she will keep it, but for now it rents quickly and rent more than covers the mortgage, so she's pretty happy with it. She has recently talked with AAM about selling and doing a 1031 exchange to upgrade her investment property as well!