

# MANN REPORT

JANUARY 2008



## Residential Landlords Have Choice Of Tenants In Tight Rental Market

by *Jamie Heiberger-Jacobsen*  
*Heiberger & Associates*

The rental market continues to thrive as many New Yorkers postpone home purchases while waiting to see how the credit crunch pans out. Not surprisingly, the New York City rental market continues to tighten, with vacancy rates as close to zero as possible, enabling owners to be very selective about tenants while earning substantial rents at the same time.

Rental inventory has become even more finite, especially with the trend of rental to condo conversions, combined with New York's population growth—the city recently surpassed a new milestone with 8.25 million residents. Though developers have recognized the continued demand for rental apartments with many new rental buildings in the pipeline, the supply has not yet been able to meet that demand. In the third quarter of 2007, for example, rental company Citi Habitats reported a vacancy rate of .86 percent and nearly a 5 percent increase in average monthly rents from the third quarter of 2006.

Because apartments tend to be rented as soon as they are available these days, renters often rely on the inside knowledge of rental brokers. At the same time, landlords can expect brokers to help secure high-quality, financially sound tenants. If a broker does not take the time to find a quality tenant and, instead, leases an apartment to the first applicant, the landlord could be saddled with an undesirable situation that could evolve into a nasty legal battle down the road. Evicting a nonpaying or nuisance tenant is extremely time-consuming, expensive, and overall, an excruciating process for landlords. It is better to spend some extra time securing a quality tenant than to be stuck with a unfavorable tenant for months and, in many cases, years.

Many rental brokerage firms have rightfully implemented pre-qualification procedures that will help rule-out unqualified tenants. Rental brokers can save their own time and energy by ensuring that a potential tenant is a good tenant, before the process even begins. Though many firms do have procedures in place, they often do not take place until the ideal apartment is found and the tenant is ready to make the deposit. Just as homebuyers seek pre-qualification for mortgages, pre-qualification for renters may help all parties save time and resources in the long run.

Heiberger & Associates, PC has worked with many landlords in the past to set up pre-qualification procedures to help screen out tenants who might not be suitable. The firm has found that the process to obtaining a quality residential tenant essentially involves the following simple and important steps:

First and foremost, check the prospective tenant's credit history. Are there any red flags? Has the individual missed payments in the past? A poor or slightly unfavorable credit rating is not worth a landlord's trouble in today's market, where tenants are abundant. Establishing

credit score guidelines is an impartial way to quickly eliminate any unqualified would-be tenants.

Next, a questionnaire should ask the prospective tenant to list places of residence over the past five years. Even if the individual's credit score is high, past experiences with former landlords and fellow tenants could be questionable. A diligent broker should contact previous landlords to determine if the tenant paid rent on time, if he disturbed other tenants, or if he complained excessively about minor issues in the building. This information, though very subjective, can alert landlords about tenants with a tendency to cause problems.

Third, having copies of current pay stubs allows the broker to fully ascertain whether tenants can handle monthly rent. Typically, a tenant whose household income is at least 40 times the monthly rent is deemed qualified. It is common for landlords to request at least two pay stubs, to verify if the tenant holds a steady paying job and has sufficient income. In some cases, other relevant information, such as investment earnings or savings account statements, might also be able to demonstrate a tenant's financial security.

Oftentimes tenants, and in many cases students, do not have incomes that meet the financial requirements. Many landlords will allow guarantors who do meet the financial requirements to ensure monthly rents. Keep in mind that out-of-state guarantors can be especially problematic when enforcing payment judgments. If possible, landlords should insist on in-state guarantors to simplify the process, should anything arise down the road.

Also remember that lawsuits involving landlords and tenants are kept in every city's landlord-tenant registry. Landlords and brokers can contact the city's registry to see if any cases have been filed against prospective tenants.

A final precaution is to always have a tenant inspect the apartment prior to signing the lease. After checking the utilities, such as the refrigerator and the heating and air conditioning units, the tenant should sign paperwork that the apartment is in proper working condition. Otherwise, should those items not function as the result of abuse by the tenant, he or she may accuse the landlord of not providing functional utilities, which is not the case.

In today's market, when so many renters are vying for the same space, landlords have the unique opportunity to choose their tenants carefully. There is no reason for a landlord to be stuck with an undesirable tenant. Any questionable material on a credit report or prior disputes with landlords can be valid reasons for a landlord to keep searching for a better-quality tenant. So long as demand for rental apartments stays strong, and supply is finite, landlords will be able to insist upon quality tenants from brokers and brokers will be able to fulfill that request. ■

*Jamie Heiberger-Jacobsen*  
*Heiberger & Associate, P.C.*  
*205 Lexington Avenue, 19<sup>th</sup> Floor*  
*New York, NY 10016*  
*Tel: 212-532-0500 / Fax: 212-532-2040*  
*Jamie@heibergerlaw.com*  
*www.heibergerlaw.com*