

# HOMEOWNER'S QUARTERLY

*From Realty Masters*

*October 2023*



Happy Fall! The real estate market cooled down sooner than the outdoor temps. We felt the "winter slowdown" much earlier than in years' past. Rental inventory is at a 5 year high in Pensacola and the sales market is just as cool, as interest rates push buyers out of the market. We're ready for the holidays and for whatever is to come. Reach out with any questions.

*-Nicole and The Realty Masters Team*

## Trends to Watch

**Slight increase in delinquencies.** We're seeing more tenants requesting to pay rent late including a number of those who have never been late before. As saving rates decline and the cost of living continues to increase much faster than wages, we anticipate this will worsen in the year to come so will keep a close eye on delinquencies. Luckily, our eviction numbers are low with only 4 evictions filed this year compared to 3 last year.

**Decrease in qualified applications.** We're also seeing an increase in application fraud to include fake paystubs and fake references. We're also denying more applicants than we have in recent years. Year to date, 38% of our total applicants did not meet our minimum credit score of 600 and even more had current late payments or collections within the last year.

**Move in incentives return.** After years of increasing rents and landlords having the upper hand, an increase in vacancy rates has brought the return of move in incentives. Our favorite currently is a 55" TV. We've seen incentives like \$250 off the first month's rent, a \$300 gas card, and even 1-2 months free rent in new construction apartments and build-to-rent single-family neighborhoods.

**Nationwide decrease in year-over-year rents in both single and multi-family.** We're seeing a decrease in rental rates in specific properties locally, mainly newer construction and higher rent properties. Read more in our market update below. Luckily, we've not seen a huge decrease in rental rates but you should prepare yourself for the possibility that we are unable to lease your home for as much as we leased it for in 2022. While we evaluate this on a property-specific basis, it's important to keep this data in mind when offering renewal rates.

## Highlights

- **TRENDS TO WATCH**
- **GOOD READING FOR LANDLORDS**
- **MULTI-FAMILY & BTR COMMUNITIES**
- **TRACKING RENTAL RATES**
- **HOLIDAY GIFTS TO TENANTS**
- **ROUTINELY INVEST IN YOUR PROPERTY**  
**-APPLIANCES**  
**-LIGHTING UPDATES**  
**-NEUTRAL PAINT COLORS**
- **RECENT ARTICLES ON OUR BLOG**
- **NICOLE & LACEY EARN DESIGNATIONS**
- **PENSACOLA RENTAL MARKET UPDATE**
- **PENSACOLA REAL ESTATE MARKET UPDATE**



Take the above example into consideration. While this is not our rental, it is an active rental on the market currently and a great example of what types of properties are being affected. 1200 W. Government St. is located in Hallmark Townhomes. You can see they rented it for more in 2019 than they are able to secure now. Additionally, this landlord has lost out on 4 months of rental income and still has no tenant while heading into the slowest rental market of the year. The advertised rental rate began at \$2,700 in June and has been reduced several times to the current rate of \$2,100. This is a great example of a landlord and management company that based the asking rate on what the previous tenant was paying and not what the market will bear.

## BTR Neighborhoods Emptying

We've been following the new construction build-to-rent communities that were built between 2021 and 2023 closely as it is affecting rental rates in many newer construction rental properties. We're seeing alarming numbers of vacancies with over 1/3 of the entire subdivision empty.

## Record Multi-Family New Construction

Pensacola has experienced a record number of new construction apartment communities with most of the complexes built in North and Northwest Pensacola including the Beulah areas.

According to a leading multi-family statistic provider, Pensacola is in the top 10 markets in the US for upcoming apartment projects. We'll continue to monitor and update you on how this inventory is affecting the rental market. We're glad to see some of this as we do need new supply for an increasing population as more are choosing to move to the Pensacola area.

## Good Reading for Landlords

Here's a few telling headlines and our picks to read this quarter:

- [Redfin](#)- Housing Market Update: Monthly Housing Costs Hit All-Time High, Deterring Would-Be Buyers
- [Federal Reserve Bank of New York](#)- Mapping Home Prices Changes Year over Year
- [DS News](#)- Single-Family Rents Experience 15th Consecutive Month of Deceleration
- WRE News- [Mortgage Rates at Highest Peak in Almost 23 Years](#) and [U S Housing Market Value Up 49% From the Start of Pandemic](#)
- [National Apartment Association](#)- Record High for Multifamily Construction
- [Fannie Mae](#)- GDP and GDI Converge Modestly in Benchmark Revisions While Pending Home Sales Drop Sharply (the lowest level of pending home sales since the onset of the pandemic)
- [Berkadia](#)- [Pensacola Multi-Family Construction Pipeline Report Q1- 2023](#)

## Holiday Gifts and Giveaways

We've been hearing that the rising cost of living is affecting many tenants' finances. Thus, we're focusing our charitable giving this holiday season on your tenants. We're running contests to give away free Thanksgiving dinners and working on a similar giveaway for Christmas gifts.

It's been a while since we've solicited holiday gifts for your tenants, and this is a great year to do it. If you'd like us to purchase a gift card for your tenants, let us know and we'll be happy to purchase and deliver gift cards on your behalf. We also encourage renewal incentives like paying for a professional carpet cleaning, cleaning or landscaping.



## Routinely Invest in Your Property

If you are not routinely investing in your properties over time, you will find yourself with a large bill upon an eventual move out. It's best to set aside an annual budget for repairs and upgrades. As we're approaching the end of the fiscal year, if you have not made any investments in your property this year, reach out to our team for recommendations on improvements. Here are some ways we recommend investing in your home while your tenants are in place!

### Consider Updating Appliances

Appliance purchase and delivery has become increasingly hard since COVID. With the cost of repairs increasing, we recommend routinely evaluating the age and condition of your appliance and updating them. This is a good time of year to make this purchase as the holidays offer great sales on these items! Trying to find a good price, or fast cheap delivery of an item like a fridge, is nearly impossible when your tenant is without one. Also, let us know if you'd prefer we replace an appliance rather than send a repair person to your property if a serious issue arises with the appliance.

Most major appliances have a lifespan between 10 and 15 years. If your appliances are aging, replacing them is a cost-effective preventative maintenance measure. Many repairs costs are close to the cost of replacing an appliance. A repair does not add the cosmetic value like an upgraded appliance will, so it may be best to replace sooner than later.

### Roof Maintenance Program

Tadlock Roofing is offering a preventative maintenance roof program. For \$125- \$150 (depending on the roof pitch of your home), you will receive:

Complete inspection of roof, blowing debris off the roof, inspect and clean gutters and drains of debris, non-replacement repairs of flashings at all penetrations, minor caulking or filling repair as necessary, and re-secure loose sheet metal and reseal cracked or missing caulk joints. Let us know if you are interested!

### Upgrade Lighting

Lighting is another upgrade that's easy to make while tenants are in place. We often see lighting upgrades overshadowed by more necessary repairs like fresh paint and new flooring but these small changes can make a significant improvement. You can make the most impact in bathrooms (those 90's light bars are out of style), replace bulky fluorescent lights, and in bedrooms by adding a ceiling fan, or changing out brass globes for a sleeker brushed nickel design.

Keep in mind, we'd need someone to evaluate if these changes would require any paint or texture changes but we're happy to get an estimate to determine this.

## Neutral Paint Colors

Are you considering a paint job when your tenants vacate? We recommend neutral paint and using a similar scheme throughout the home. Grays are still the preferred color that replaced beiges and tans several years ago. Not everybody enjoys bright, dark, or colorful walls so we recommend staying neutral.

Here's a few of our favorite recommendations:

- [Sherwin Williams Finest Whites & Neutrals](#)
- [5 Shades of Greige](#)



## NICOLE & LACEY EARN RMP® DESIGNATION



Residential  
Management  
Professional



Lacey will be serving as the area chapter's 2024 President!



After a year of working to earn their RMP® Designations, Lacey and Nicole will be attending the NARPM Convention in Atlanta this week to formally accept their designation plaque and enjoy the convention. Erica earned her designation in 2019. Pam and Nicole have been active members of the National Association of Residential Property Managers since 2000. Lacey has been on the Board of Directors for several years and has recently been elected the 2024 President for the Pensacola area chapter. Nicole served as President of the Pensacola Chapter in 2022. We highly recommend searching for a NARPM member if you're ever searching for a [property manager](#).

## Recent Articles on our Blog

We've been writing a lot on [our blog](#) recently! Here are some of our new articles you may be interested in.

### Service and Emotional Support Animal Information for Landlords

You may be confused about assistance animals and rightfully so, which is why we wrote this article. There are two types of assistance animals a resident may have in your property. These animals are regulated by both the Fair Housing Act and the Americans with Disability Act. [Read more here.](#)

### Taking a Year's Rent in Advance

Occasionally, tenants offer to pay a substantial amount of money up front, like 6 months to a year in advance, typically because they don't meet the criteria to be approved for a rental. You may be confused to hear we don't allow this practice and this article explains why it's not a great idea to pay (as a tenant) or collect (as a landlord) this amount of money in advance. [Read more here.](#)

## Pensacola Rental Market Update

The summer rental market was much slower than in year's past. We saw a record level of active inventory that exceeded inventory dating back 8 years! We've seen a sudden increase in the number of active rentals available.

It was a slow busy season, and we're worried about an even slower winter leasing market due to:

- More failed short-term rentals hit the long-term rental market
- A HUGE increase in new construction single and multi-family units being completed
- Home sellers choosing to lease due to a slowing real estate sales market

Price your rental reasonably and make sure it looks good to avoid a lengthy vacancy this fall and winter.

There was a major influx of new construction homes that hit the market in the past few years, both for sale and for rent. There were several build-to-rent single-family home communities in Beulah, Pace, and Milton that added inventory to the rental market.

On top of the influx of single-family homes, new apartment complexes have been multiplying. These communities are also offering incentives for potential renters such as very low to no security deposits, 1-2 months of free rent, and no pet restrictions, to just name a few.

Now while this may sound disheartening, we've found some ways that seem to help compete with these:

- Pricing: The market is shifting and therefore we must adjust to it. We are entering what is historically our slow season. The market tends to slow down a lot in the 4th quarter of every year. Looking at the historic trend with the knowledge of the competition we are being more conservative with pricing.
- Concessions & promotions: We are also seeing success in offering 1/2 security deposits to active-duty military members. We've also discounted our application fees to below our costs as a promotion and will continue this through winter.
- Updating your property: With so much new construction on the market, we are seeing renters turn towards homes that are more updated. If your home has dated appliances, carpet, wallpaper, etc., we would suggest making some updates to help the home compete with the newer properties.



## For Sale or For Rent- Why Not Both?

Unfortunately, several of the landlords who recently nonrenewed their tenants to list their investment home for sale find their homes sitting on the market without a buyer currently. If you're considering selling, we recommend researching this before non-renewing a tenant. If your tenant has given notice and you'd like to explore options, let us list it for you for sale AND for rent at the same time!

## Pensacola Real Estate Sales Market Update

The 3rd quarter of 2023 has brought on a big change to the real estate market. We are starting to see clear signals of a shift in the sales market for the greater Pensacola area. Most analysts have been expecting a downturn in the US real estate market recently, and we are finally starting to see that take place with the data. Interest rates continue to rise and the market is starting to feel that impact in a big way. It is becoming evident that the data is signaling a reversal in the uptrend and the start of a downtrend. With increased inventory, we are also seeing the lowest rate of approved buyers in many years. Going off the basic economic rules of supply and demand, homes prices will have to drop further in order to even out this imbalance if interest rates stay high.



**Since April, we have seen a downturn in the following Pensacola real estate stats:**

- The current rate of buyers applying for a loan has dropped to the lowest levels since 1996.
- We have seen a swift increase in the current inventory of active listings too. The current active inventory is increasing faster than any time in the last decade and current home inventory is already higher than any level seen since 2020.
- We saw the lowest # of listings in the last 10 years sold in September.

**Comparing year to year market data, we see:**

- Average days on market for MLS listings increased from 22 between January-September 2022 to 48 for January- September 2023.
- The average sales price dropped from \$372,466 to \$370,934 over that same period.
- List to sales price ratio dropped from 99.31% to 97.7%, with many sales prices including concessions, closing costs, and rate buy downs.
- The # of listings sold dropped off heavily from 7,796 in the first 3 quarters of 2022 to only 6,375 for the same time frame this year.

### Considering selling a rental property?

We're happy to provide a market analysis to help you decide what the best course of action for your rental is. [Request one here.](#)

### Follow us on Social!

We'd love to see you on social media



Leave us a review on [google!](#)

### Questions about your property?

If you have any questions or concerns about your rental property, please email [nicoles@pensacolarealtymasters.com](mailto:nicoles@pensacolarealtymasters.com) or reach out to our office by phone or text. Don't hesitate to let us know how we can be of assistance to you. We look forward to hearing from you.

Did you know you can text us? (850) 473-3983