REAL ESTATE EDUCATION SERIES

RE/MAX Properties

Rental Property Ownership

Colorado ownership: benefits, risks, and a realistic plan

Doug Petersen
Broker Associate | RE/MAX Properties

A rental home can build wealth, but ownership is a business with ongoing costs and legal duties. Evaluate the property, your cash reserves, and your ability to manage tenants before relying on projected rent.

1 Potential rewards

Rental income may help cover expenses and generate cash flow. Mortgage principal payments can build equity, and the property may appreciate over time. Eligible expenses and depreciation may offer tax benefits; ask a tax professional about limits and future sale consequences. Returns are not guaranteed.

2 Costs that reduce your return

Budget for financing, property taxes, landlord insurance, HOA dues, management, repairs, utilities you pay, vacancy, and tenant turnover. Keep a separate reserve for major items such as roofs, sewer lines, and heating systems. Rent collected is not the same as profit.

3 Financial and property risks

Vacancy, unpaid rent, damage, insurance deductibles, and rising expenses can turn positive cash flow negative. A major repair or legal dispute can require cash while the mortgage remains due. Market declines and selling costs can also reduce equity; real estate can take time to sell.

4 Management and liability

Owners must handle screening, rent collection, maintenance, notices, records, and emergencies. A qualified property manager can help, but fees reduce returns and owners still need oversight. Confirm landlord coverage, liability limits, and whether an umbrella policy makes sense.

5 Check the property before renting

Verify zoning, local rental licensing or inspection rules, HOA restrictions, lender requirements, and insurance coverage. Short-term rentals may have different rules. Inspect major systems and safety items, and review any existing lease and deposit obligations before buying an occupied property.

A practical decision test
Can you cover expenses during vacancy, fund an unexpected repair, and respond promptly to a tenant complaint? Ask Doug Petersen to help evaluate the purchase; have a Colorado landlord-tenant attorney review your lease and operating procedures.

RE/MAX Properties

Rental Property Ownership

Colorado tenant protections: where owners can face exposure

Doug Petersen
Broker Associate | RE/MAX Properties

Colorado provides substantial tenant protections. A lease does not override the law, and missed procedures can lead to damages, attorney fees, delayed possession, or loss of deposit deductions. These are highlights, not a complete compliance checklist.

6 Ending a tenancy requires a lawful basis

For covered tenancies, lease expiration alone does not justify removing a tenant. Colorado requires legally recognized cause and proper notices; certain no-fault grounds have additional conditions. Use the court process for possession. Do not change locks, shut off utilities, or remove belongings to force a move.

7 Habitability complaints require prompt action

Unsafe or uninhabitable conditions trigger communication and repair deadlines, recordkeeping duties, and sometimes temporary housing costs. Leases entered after January 1, 2025 must include an English/Spanish notice about reporting these conditions. Violations can support tenant defenses and damages; retaliation is prohibited.

8 Deposits require evidence and timely accounting

Residential security deposits are generally capped at two months of rent. Do not charge for normal wear or preexisting damage. New 2026 rules strengthen documentation and walk-through requirements and limit carpet and paint deductions. Photograph conditions and retain receipts; improper withholding can create substantial liability.

9 Screening must follow Colorado restrictions

Apply lawful, consistent criteria and comply with fair housing requirements. Subject to statutory exceptions, an income requirement cannot exceed twice the annual rent. Credit and income inquiries are restricted in certain situations. Screening violations can bring penalties, damages, fees, and defenses to eviction.

10 Rent, fees, and advertising need review

Colorado limits late fees and bars eviction solely for unpaid late fees. Current pricing rules require clear disclosure of the total rental price and restrict certain extra charges. Review every mandatory fee and rent-change procedure before advertising, signing, or renewing a lease.

Protect your investment: Use a current Colorado lease, track deadlines, maintain an emergency repair process, and confirm local rules. Ask an attorney before nonrenewal, eviction, disputed deductions, or enforcement of unfamiliar fees.

Official sources: [1] HB24-1098; [2] SB24-094; [3] HB25-1249; [4] SB23-184; [5] SB21-173; [6] HB25-1090.
Reviewed October 7, 2026. Educational information, not legal or tax advice. Exceptions and local requirements may apply; confirm current law for your property and transaction.