

Bill's Business Blog Truesdale Project Management and Consulting LLC 5 Key Components to our Market Plan: 1. Executive Summary summary of the plan 2. Situational Analysis products and services we provide demand trends climate and its impact. S.W.O.T. strengths, weaknesses opportunities threats the branding and positioning. 3. Customer Analysis market segments and target market for our key programs. 4. Marketing and branding goals and strategies short and long term goals advertising plan. 5. Implementation, monitoring, and evaluation a dynamic process based on our evaluation Bill's Blog Bonus #2 E-Book Real Estate Being a Successful Land Lord Owning an Apartment Building

Have you ever thought about owning an apartment building and using o.p.m. others peoples money to pay your mortgage? In an article from the May 11, 2017 Chicago Tribune. The number of households that rent in Cook County has soared with 42.2% households renting in 2017 as compared to 37.7% in 2007. The demand for rents under \$910.00 per month is large compared to the supply. Currently about 513,667 households are competing for rentals that would cost \$910.00 a month or less. I have had over 19 year experience as a successful landlord. I bought my apartment building near Midway airport a three unit apartment building three bedrooms, two baths, a washer, dryer, stove, and refrigerator in each unit in May 1998.

I am going to share with you three very important points in owning an apartment building: finding a property and determining its rental value, preparing your property marketing, and tenant screening.

Location Location Location. The Location of property is crucial. Purchase properties in stable neighborhoods and preferably with good school districts. People want to live near where they work and play. Most people want to live in safe neighborhoods, near convenient shopping and with easy access to major highways. Own properties near where you live. This makes filling and maintaining properties much easier. You want to buy a property near by where you live to check on your investment to put out signs when marketing and meet potential clients. Buy apartment buildings three bedrooms and two baths or larger. A full bathroom includes a toilet, sink, tub with a shower. Half baths include a toilet sink and no tub a shower. Most of your potential clients will have children, and even couples without children want extra space. Make sure your property will provide cash flow of at least an extra \$300.00 per month. Before you purchase the property know all the costs to own the property and be sure to get at least \$300.00 more than that for your rent. A profit of \$300.00 per month won't make you wealthy today. That money is to cover the costs of owning an apartment building such as a new hot water heater, new roof, or new carpet when a tenant moves out. Investors quickly learn that you can't eat equity and taking out of your pocket every single month to cover expenses can stop your business growth in a hurry. Four main property factors that determine how much rent you can charge are the location, size, number of bedrooms and bathrooms and condition. Beyond these as the owner is how much you must receive to break even and make a profit.

Know your PITI how much you pay every month to cover. Principal payments to the mortgage holder, the interest you pay on the amount, property taxes, and mortgage insurance. What if you can't charge enough to cover your costs? If the rental amount is at least close to your cost of owning it should allow you to put in tenants who will contribute to your expenses and pay down the mortgage, and allow you to receive tax benefits while they rent. Annual rental increases will eventually get payments to a place where they cover expenses and over time generate profit. Investigate your competition before you decide rental amount. Find out what other properties in the area rent for online websites [rentrange.com](http://rentrange.com), [rentometer.com](http://rentometer.com) and [rentbits.com](http://rentbits.com)

Renting out property is very much like selling it. Spending \$300.00 to get your property clean and ready to rent is a much better investment than leaving as is and making another mortgage payment. If your property needs updates the time to do them is before and between tenants. No matter how large or small the needed repairs are its always easier to do them on a vacant property. This shows tenants from the beginning, that they'll be working with a landlord who cares. When they see how you expect the property to look, they are more likely to maintain your standard. To get the property rented make sure prospective tenants can reach you anytime they call. Have unit 100 percent ready before showing them. Having a unit that is repaired and clean is just as important as price in getting it rented. Have clean carpets nothing torn and new vinyl. Bathrooms and kitchens should sparkle including appliances. Replace all burned out light bulbs. Become your perspective resident. Call and visit apartments in your area to see what your competition looks like. Have friends or neighbors come into your unit and give their feedback.

Do you have tenants? You can't fill your vacancy if potential tenants don't know what is available. Look through newspapers, Craigslist, and other advertisements for the words, photos, colors that catch your eye to develop your own ad or flier. Tips for effective marketing describe both features and benefits. Most landlords list features as number of bedrooms and bathrooms but leave out benefits. Benefits include being close to shopping and dining or major highways, a desirable school district and public transportation. Good photos. Prospects do a lot of shopping on line, crisp clear photos. Free market listing websites include [Craigslist.com](http://Craigslist.com), [Trulia.com](http://Trulia.com), and [Zillow.com](http://Zillow.com). Read other ads for ideas. Do prospects know that your apartment is available? A yard sign and sign in the window with telephone number and an answering machine. A flyer box. Have the property information available in a flyer box in front of the building. Finder's gifts. Offer a finder's fee if someone refers the person who rents your apartment i.e. a gift card a microwave. Special offer holiday or monthly move in special incentives. For example, December Special \$100.00 off first month's rent if you move in before December 31<sup>st</sup>. Advertise at local police department and offer discount to police or fire officials.

The tenant screening process. You must investigate the tenant's background, rental and eviction history, credit reports, criminal reports, and proof of income to protect yourself before they move in. You are turning over to them an a very expensive piece of real estate. There are three criteria for following the law for screening tenants: 1. make sure your contracts are state and federal compliant 2. Have a detailed application with your requirements spelled out. 3. Have your own set of criteria for accepting tenants and apply the same criteria for every applicant. For example, you may choose to only accept applications whose credit scores are 600, have no criminal record, have never been evicted, have a monthly gross income equal to three times the amount of rent. A landlord is legally free to set any conditions for tenants as long as they don't violate anti-discrimination laws.

The steps of tenant screening are application run a credit check, do a criminal background check, contact present and past landlords, get permission to contact employers, and proof of income. Running a credit check ask the prospective tenants to fill out an application a non-refundable \$41.00 fee per tenant 18 years or older who will be living in the property for any length of time. The application includes each prospective tenants drives' license or picture identification, social security card, and latest pay check stub or tax return. Does the social security number and address on the driver's license match? Does this person have a history of unpaid bills?

If applicants do not want to give you consent to contact their current or past landlords this is a warning. When they are moving you hope their landlord knows. If they are sneaking away they will do the same thing to you. When you call to check past tenant behavior be certain as you can you are talking with a landlord not the applicant's friend or family member. Contacting employers should not be a problem if there is no problem with the applicant. Have applicants give authorization to contact references including emergency contacts for rental consideration and for collection purposes. Proof of income at the very beginning make sure prospective tenants earn enough money to afford your property. At least two and a half times what their rent will be per month is preferred. The rent to income multiple. Verify income. Get copies of the two most recent pay stubs and confirm dates. If they don't get pay check stubs, have them bring in copies of bank statements or even tax returns.

In closing, I have talked about the great opportunity to be a landlord in owning an apartment building using three keys to success: location finding a property and determining its rental value, preparing your property and marketing, and screening tenants. This is the way to produce income and create future wealth in controlling your own financial destiny.

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