

THE INVESTORS' GUIDE TO FINDING INVESTMENT PROPERTY

The Where, When, & What to Buy to Make the Greatest Profit.



Shelley Alterman, RMP



FROM
PURCHASE
TO PROFIT

LEGACY
REALTY GROUP
NORTH FLORIDA, INC.

 **RENTAL GUYS**
PROPERTY MANAGEMENT

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CHAPTER ONE

INTRODUCTION

The Investors' Shopping Cart

"Make Your Profit When You Buy"- Real Estate Mantra

Chapter One: Introduction, The Investors' Shopping Cart

Real estate investing is one of the most attractive ways of making good money (that is, if you do it correct). *As this popular saying states you make your profit when you buy. You won't usually land a big fat check when starting your real estate investing career* but after you implement your investment strategy, money should start coming in. *However, the profits you make start at the time of purchase.*

Real estate investing is really an art and, like any art, it takes time to master the art of real estate investing. The key, of course, is to buy smart. If you overpay for a property or purchase a property in an undesirable area no amount of improvements or wishing is going to make your property rent faster or make a profit. You purchase a property for what it is worth today and not what it might be worth in the future.

1.1 The Investors Shopping Cart

Before you start shopping for a property you need to define your criteria. Real estate investments take a great deal of time. Finding the right property that produces a decent return, or any at all, can be challenging for the inexperienced investor. Staying focused is key ingredient to be a successful real estate investor. Real estate has many niches and it is easy to keep getting distracted by all the properties that will be presented to you. By defining your criteria you will be able to stay focused and eliminate the majority of deals that can easily become distractions.

Stay focused on the kind of deals you are interested in.

There are a number of important aspects to consider when “shopping” for a rental investment property. A property location and market rental rates should always be considered before you buy. As for location, many successful rentals are located in close proximity to major schools.



For example, if you buy a property near a major state university, students are likely to want to rent it year after year. There are also many other features of a profitable rental property, and some take time to learn. Most importantly, an investor must know the market in which he is searching for property or hire a local expert to help.



CHAPTER TWO

Location, Location, Location

“Don’t Buy The House...Buy The Neighborhood.” - Russian Proverb

Chapter Two: Location, Location, Location

I believe that better properties in better areas make better investments. The age old punch line “Location, Location, Location” still rules and remains the most important factor for profitability in real estate investment. Keep in mind you are investing in more than just a piece of property but in the neighborhood and area of town. Proximity to amenities, neighborhood status, schools etc are major factors for residential property desirability. It is important to know what is going on around the area so that you have options now and in the future.



From most renters/buyers' viewpoint, the really important feature for the location of their home are that the neighborhood is safe, close to schools, medical services and shops, and also close to their workplace or to reliable public transportation.

Buying residential rental property in extremely low income areas or busy main roads can often turn renters/buyers off and equate to lower than average growth in capital value and longer time on the market. As demand is the key to future property price growth, it is sensible and desirable to keep these issues in mind when purchasing real estate.

After analyzing properties in our rental portfolio, I have found the upper “B” class and lower “A” class... in the long run... tend to perform better than the “C” class properties. “C” class rent in the \$500-\$700 range and sell for less than \$40,000. “B” class rent for \$850 and up and sell between \$75,000 -\$100,000. This is just a rule of thumb that serves a good industry guideline.

The reason “B” class houses tend to perform better is because of the tenant. Turnover kills cash flow, and lower income properties are more prone to turnover. Upper “B” and lower “A” class properties usually attract a better class of tenant that is looking for a specific neighborhood and renews their leases more often.

As demand is the key to future property price growth, it is sensible and desirable to keep these issues in mind when purchasing real estate.



CHAPTER THREE

Investing in the Right Property

“Buyers decide in the first eight seconds of seeing a home if they are interested in it. Get out of your car, walk in their shoes and see what they’ll see in the first eight seconds.”

– Barbara Corcoran.

Chapter Three: Investing in the Right Property

The most important thing that you should be concerned about is how to choose the best investment property.

With the increasing range of investment properties in the market, it is very easy for you to choose the wrong property. That is why you should do thorough research on the available properties. It is important to ensure that the property you pick will appeal to the greatest number of tenants and buyers. That is the only way you will be assured of experiencing constant growth in your capital. Here are a few important factors that you should consider when you are choosing an investment property.

For starters, make sure that the property is friendly to your targeted tenants. This means that you have to evaluate your prospective tenants. A property that is friendly to tenants is likely to give you better returns. **But the main question is what makes an investment property tenant friendly?**

Well, the property should be near the most essential amenities such as schools, churches, shopping malls, public transport, and so on. It is imperative to consider the quality and demography of the location of your investment property. For instance, you need to be sure of the type of tenants you are likely to get. They include students, families, professionals, low income, and more. Knowing the type of clients you desire will help you to choose a property that matches their needs.

Also, it is important to consider the type of investment property you want. For instance, you need to determine if you are interested in single family homes, condos or townhomes. Keep in mind many newer communities have HOA's or COA's (Home Owners Associations and Condo Associations). Even though HOA or COA properties are highly desirable by tenants/buyers you have to keep in mind things such as the extra fees involved in these communities. These are important considerations since they increase the total cost of your annual expenses tremendously. What is more, you have to pay these fees if your home is in the middle of a rehab, rented or sitting vacant

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CHAPTER FOUR

Top 6 Tips for Buying an Investment Property

“Ninety percent of all millionaires become so through owning real estate.” -Andrew Carnegie

Chapter Four: Top 6 Tips for Buying an Investment Property

Buying an investment property continues to be a top way to build wealth. An investment property should be about increasing your wealth and securing your financial future. There is however, a common misconception that property investing always delivers positive returns, while this is true most of the time, it certainly isn't an instant road to riches. You need to keep in mind that how effectively you manage your investment will determine whether or not the investment helps you reach your financial goals. The cost of owning an investment property can be surprisingly low after you take into account your rental income and the tax deductions you'll be entitled to.



1. Choosing The Right Property At The Right Price

Investing in real estate is usually all about capital growth, so choosing a property that is more likely to increase in value is the most important decision you will make, so buying at the right price is absolutely critical.

Unlike buying shares where the value of a company is transparent, real estate is more difficult to price, this however provides you with the opportunity to acquire an asset below its real market value if you are patient and knowledgeable. The key for you is to focus on an area of town, neighborhood and do your research, know what everything is selling for in and around the area and then you'll discover that soon you'll become very good at figuring out what a property is worth – you'll know a bargain when you see it. Never consider purchasing real estate in an area that you are unfamiliar with without speaking to a "local investor friendly realtor." If you do find a property that you like and are unsure of its real value we'd suggest contacting one of our family members at Rental Guys (904-254-2773), so you will be armed with all the information possible and use this information as a good negotiating tool.

Always focus on making the right investment choice; using facts and numbers and not your heart to make an informed decision.

Chapter Four: Top 6 Tips for Buying an Investment Property, CONT'D

Different classes of residential property can out-perform each other over time. For example, investing in a older home with old AC systems, plumbing pipes etc might mean more maintenance costs than investing in a newer home. Some areas offer higher rental yields, but it is important that you do your homework as often these properties provide lower capital growth opportunities.

It is also important that your property suits the demographics of renters in the area. For example, if it is near a university, more bedrooms will be in greater demand than a big backyard for kids to run around. A family home with three bedrooms and two baths that is close to schools and parks on a quiet street will be more desirable than a three bedroom one bath property on a busy road.

2. Do The Math – Cash Flow Is Always King!

Investing in property is a proven path to long-term wealth. Cash flow is the name of the game with investment properties. Lower end properties can look better on paper but when analyzed further don't perform as well as their pro forma numbers indicate higher vacancies, turnover and maintenance costs EAT into your cash flow. This is why we target better properties. The goal is to acquire properties where tenants will want to stay forever!



Once you own an investment property it can be quite inexpensive to keep it and service the loan because you earn rent and get a tax deduction on many of the expenses associated with owning the property; and remember that over time rents tend to increase as does your own income – so expect things to get easier over time.

3. Find A Good Property Manager And Let Them To Do Their Job

A property manager is usually a licenced real estate agent that is a professional in their field. Their job is to keep things in order for you and your tenant. They can help you with ongoing advice and help you manage your tenants and help you get the best possible value from your property. A good agent will let you know when you should review rents and when you shouldn't.

Chapter Four: Top 6 Tips for Buying an Investment Property, CONT'D

The property manager should be able to give you advice on property law, your rights and responsibilities as a landlord – as well as those of the tenant. They'll also take care of any maintenance issues.

The property manager will also help you find the right tenant, conduct reference checks and make sure they pay their rent on time. It is important also that you don't interfere too much with tenants because there are laws that give them rights, so always try to respect them.

The good news is that the cost you pay to your managing agent is usually a percentage of the rent paid, is deducted from the rent and is tax deductible.

4. Understand The Market And The Dynamics Where You Are Buying

Consider what other properties are available in the immediate area and speak to as many locals and real estate agents as you can – they'll let you know if one side of a street is considered superior to the other. Make sure you do the leg work and consult professionals you can trust. We recommend working with an “investor friendly real estate agent.” I have found that the typical realtor does not understand the specific needs of a real estate investor. They do not understand the creative ways investors make deals such as wholesaling, lease options, subject 2 etc. which is one reason why we at Rental Guys are proud to offer investor-friendly real estate resources in-house.

They just do not know how or understand themselves how to explain to home owners why a non-traditional sale might be in their best interest. I highly recommend finding someone that is used to working with investors.

Our “Investor-Friendly” staff are ready to help you!
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Chapter Four: Top 6 Tips for Buying an Investment Property, CONT'D

5. Make The Property Attractive To Renters

Go for neutral tones and keep the kitchen and bathroom in good condition. You'll find that you will attract better quality tenants if you have a well presented property and the last thing you want is a bad tenant.

Another point that is subject to debate is whether you should buy a property that you'd be happy to live in yourself. Some people believe this will mean it is appreciated more and some people don't care. However, think about differentiating between your own home and your investment to avoid becoming overly involved; remember it is the home of your tenant and not your own.

For me it is important to remember the day will come when you'll want to sell the property and if a home is appealing to not only property investors but also owner occupiers you'll have a wider market for the property and this will maximize your selling price. I think that owner occupiers are willing to pay a little more for the right property because it becomes a more emotional rather than a logical purchase.

6. Take A Long-Term View And Manage Your Risks

Remember that property is a long-term investment and you should not rely on property prices rising straight away. The longer you can afford to commit to a property the better and as you build up equity then you can consider purchasing a second investment property – try not to get too greedy and find the right balance between financial stability and still being able to enjoy life.

Financial security is very important but life is not just about mathematics.

Finally, remain aware that unlike shares or managed funds, you can't just sell part of your investment property if you need money. In short, be cautious, but consider that record migration levels and a rental property shortage are crucial factors favouring investing in property.



CHAPTER FIVE

Should You Use a Property Manager?

“Landlords grow rich in their sleep.”

-John Stuart Mill

Chapter Five: Should You Use a Property Manager?

This question is very important. Will you manage the property yourself or hire a property manager to look after it?

A property manager will typically:

- advertise for new tenants
- sign leases
- collect the rent
- keep track of finances
- schedule maintenance repairs
- issue legal notices
- file evictions (you pay attorney fees)

In brief, a property manager will ensure that everything pertaining to a property runs efficiently, without any hassles that can impinge on the property's value. The task of taking care of so many things can be quite daunting especially for the owners who are not local and do not have knowledge of local and state housing laws. If you have the time and don't mind phone calls from angry tenants late at night and on weekends and holidays with maintenance issues and excuses on why rent was not paid, then you can save money by managing your rental investments yourself.

However if you are not local or knowledgeable on local and state laws it could end up costing you much more than what a property manager may charge. To avoid the hassles and stress pertaining to property management, hiring a reliable licensed property manager can be a sensible move, and in the end save you time and money.

Chapter Five: Should You Use a Property Manager?, CONT'D

The Benefits Of Hiring An Investor-Friendly Real Estate Agent

1. Knowledge and Know-How

Purchasing an investment property is different than buying your personal home or just submitting an offer. A personal homeowner wants a home they will enjoy. While an investor wants a return on their money. The homes you as an investor will buy are completely different from the homes the personal homeowner will buy. An investor friendly real estate agent will help you find properties that meet your goals. Real estate agents are not trained to understand investment needs, the only way to understand this is for the agent to be an investor themselves or have worked closely with investors for a long time so they get it.

2. Critical Things an Investor-Friendly Agent Should Know

When purchasing an investment property there are various things an agent needs to understand to find a profitable property. If the agent knows these two main things you should be good to go with them - The Market and The Numbers.

The Market: In every market there are some areas that will be advantageous for flipping properties but not holding rental properties. Some areas won't be good for either. Some might be ok for both. An agent needs to be knowledgeable about the market and where it will be best for you to consider purchasing. It is really not as obvious as non-investors think!

The Numbers: An investor-friendly agent will know what a cap rate is and how to calculate one. Even if you don't use cap rates for residential properties, that is fine, but any agent should know this term and the basic workings of it. Remember, you are buying an investment property to get a return for your money, right? For rental properties, can they calculate cash flow? For flipping properties, an agent definitely needs to understand ARV- After Repair Value.

Again, there is nothing wrong with agents that have never heard of these terms, but if you are working with an agent who understands what you are talking about in terms of investing you could possibly avoid a bad investment property or waste of time.

Chapter Five: Should You Use a Property Manager?, CONT'D

Remember, you have to understand these concepts yourself. When you understand what a good market is and the numbers for investment property, it will be much easier to shop around for a good agent to work with.

3. How Do You Find An Investor-Friendly Agent?

The best way is through referrals regardless of whether you find an agent through a referral or searching the internet always ask about their experience working with investors.

What kind of investor do they work with? What do they look for on behalf of the investors? Listen to what they are saying? If you are looking for rental properties, are they familiar with the current rental rates? Do they know the areas or neighborhoods that are desirable and rent quickly? **Look for an agent that has knowledge from “purchase to profit,” meaning they can help you during the entire process from locating the property to getting it rented.** They are not just selling you a property but can help with rehab to get it “rent ready” and have a team that can get it rented for you.

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CHAPTER SIX

Choosing the Right Property Management Company

“Start with the end in mind.” -- Steven Covey

Chapter Six: Choosing the Right Property Management Company

Here are some things to think about when you are deciding about which property management company to go with.

How Much Experience This Property Management Company Has

See how long they have been in business. There are many books and courses you can purchase about managing real estate and investment properties but there is no substitute for real life experience. The more established companies employ the more seasoned and experienced property managers who know how to negotiate tough situations and deal with less than optimal tenants.

What Is The Local Property Management Company's Reputation

This sort of goes back to them being in business for several years. If they are new then they have no reputation. You want to know if most of their past clients been pleased with their work. Ask for references. Any good property management company that has done a good job, maximized profits for its customers, diligently taken care of tenant rentals, and increased the value of the investment properties it manages will have a long list of satisfied people who can vouch for them. They should not be hesitant to produce some sort of list for you.

Check To Make Sure They Know The Local Market

This is absolutely crucial. They need be familiar with the local market your particular real estate is in to determine the best pricing for it. You do not want a property management company to under price your home. Of course, you want to receive the maximum rent your property will bear. On the flip side you do not want your management company to overprice your real estate holdings out of the market so that it's just sitting. These companies should have access to tons of data, market research, and a plethora of tools to make accurate decisions in pricing your holdings. The experienced ones know how to set a price that is just right.

Chapter Six: Choosing the Right Property Management Company

Why Work With A Turn-Key Real Estate Company?

Turn-key real estate investing is when the investor buys, rehabs, and has a property managed through a third-party, usually from a long distance away. Their goal is to make the entire real estate investment process as simple as possible, so all you need to do is “turn the key.” (Get it!?)

There are many turn-key providers and they all run their operations a little differently. Some will buy, rehab, rent and then sell a property to you, the investor. Others will help you find the property, coordinate rehab, rent and manage the property for you. It is important for you to do research to find what the turn-key company will or will not do.

Working with someone from purchase until you sell will save you time and money. A turn key investor friendly company has the knowledge and experience to handle all of your real estate needs *from purchase to profits*. Working with a turn-key real estate company ensures you that everything you need will be taken care of in an experienced, timely manner. A turn-key company will have a team of licensed agents that are experts in various fields- buying, selling, leasing, property management etc — *all under one roof*. Working as a team they can help you reach your real estate investing goals.

Turn-Key Investing Has Several Advantages Over Doing It Yourself:

- **Living Out Of The Area**

The most obvious benefit is the ability to invest in good real estate without living there. Living thousands of miles away can be extremely difficult, many people who live across the country or out of the country rely on turn-key companies to invest in great markets.

- **Market Insight**

A good turn-key company knows their market with far more precision than an outsider would. You might be able to do some research on a particular area and check out the school ratings, crime reports, and price ranges, but a turn-key provider will know the heart of an area. They will know why people prefer one area over another. They'll know the reputations behind certain neighborhoods. They'll have an ear to the ground about local changes that could affect the local economy. It is very difficult for an outsider to gain this perspective, as it is normally reserved only for long time locals, which a good turn-key provider should be.

Chapter Six: Choosing the Right Property Management Company

- **Professional Staff**

Turn-key providers, because they are also property management companies, will work closely with vendors to make sure your property is taken care of. They have someone who will answer the phone, someone who will fix a running toilet, someone who can sign a lease with a new tenant. When you invest on your own, you either have to do all these roles yourself, OR you'll need to find them in a market you may not know.

- **Marketing Knowledge**

Many turn-key providers buy, sell, and rent dozens or even hundreds of homes per month. For this reason, they are required to consistently drive leads into all the parts of their marketing funnel. They might use billboards, radio ads, paid internet sites and more to drive both motivated sellers and tenants to their business. For this reason, they may find better deals than you could or find tenants faster.

- **Management Experience**

Let's face it; most people are not good managers. Turn-key providers, on the other hand, are usually experienced in dealing with tenants and contractors. Their experience helps them make the right decision more often.

- **Easy**

Finally, although each turn-key company operates a little differently, they all have the same goal: to make the investment property easier for you. When you invest in real estate by yourself, you are forced to handle all the moving parts yourself, which can be overwhelming. A turn-key real estate investment company attempts to simplify the process, so you ideally will only need to write and receive checks.

By thinking about these points you will be able to find an investor friendly agent/company in your city or town. There are lots of companies out there that want your business but only a few can absolutely deliver on what they say.

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About the Author

Shelley Alterman, RMP, Property Management Director

As the founder of Rental Guys, Shelley believes that 4 stars aren't good enough. Rejecting average, she goes for excellence in all that she does. Having worked with multi-family properties for years, she learned the skills needed for property management, such as listening to the concerns of renters, working with maintenance staff and keeping up to date on Florida Tenant Landlord laws. A leader in the property management industry, she has served on the board of NARPM at the local and state level and is one of only a handful of property managers with the RMP designation. Shelley is the first point of contact with owners/investors and gives them options that a typical real estate company does not provide, including a real estate sales and investment arm, Legacy Realty Group. Legacy team leaders are comprised of four other family members, each with a unique real estate focus and dedicated to help investors in a completely turn-key approach. Now investors have everything they need '*under one roof and in one family*'.



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We specialize in the purchase, sale and rental of single and multi-family homes or portfolios of residential properties. We are comprised of a group of experienced and knowledgeable agents who understand your needs. We reject average or even a 'good' real estate experience—and go for the gold! Whether it be buying, selling, flipping or investing, we can help from purchase to profit.



What Our Clients and Tenants Say

“The services provided by Shelley and the staff of Rental Guys were and still are great and I will forever appreciate them for everything. Whenever I needed them, they were always very supportive and professional. I really commend them for their hospitality in my home away from home and would greatly recommend this company to future tenants.

~ *Mikel Hamlin, Jacksonville*

“Shelley has been great to work with, always diligent with maintenance requests and very effective at leasing my properties. She is also quick to respond to questions I have.”

~ *Hugh, New York, Landlord*

“Shelley is the best property manager I could have hoped for. She is very timely with her responses as I do not live in the same state as the property. She explains everything in detail with the property and renter. I would highly recommend her services to anyone looking for someone who really knows her stuff!”

~ *Alex B., Jacksonville, FL, Landlord*

“Shelley Alterman is a very hard worker. She aims to please and she surely does that. Whenever something needs to be fixed in the condo, she is right there to get it done. That is why I continue to use her. She is very caring.”

~ *Diane Myskowski, Palm City, FL, Landlord*

“Shelley Alterman exceeds all expectations as a property manager. Her professionalism is very clearly evident in automation of rent collection and disbursement, immediate attention to maintenance issues, and personal phone calls to reassure you your property is well taken care of. I will recommend Shelley to friends and will continue to do so.”

~ *James, Landlord*

“Shelley Alterman is a talented property manager who is extremely efficient in the management of my portfolio in Jacksonville. Her honesty and transparency are second to none. I would have no hesitation in recommending her to my professional associates and friends.

~ *M.S., Miami, Landlord*