



Finding Tenants for those Empty Properties

So you finally found the perfect property to buy and to rent out, more commonly referred to and a buy and hold investment. What you do next will make all the difference in the world in your cash flow going forward. Assuming the house is currently vacant; we recommend that you put in the purchase and sale agreement some language that will allow you to market the property before closing.

When you make the offer to purchase a vacant house, go ahead and include a provision that will allow you to place For Rent signs on the property and permit you to start marketing the property to perspective tenants. Now that you have the right to market the property you need a marketing plan.

Things to consider: Will you want to accept Housing Choice (Section 8)? Do you prefer rental or would you consider lease with an option to purchase? Each of these strategies has their advantages and disadvantages.

The Housing Choice/Section 8 program pays promptly on the first of the month, but with declining funds for participants, the tenant's voucher may not be enough to cover your rent amount. Taking payment from the tenant over the voucher amount is a federal offense and you really don't want to do that.

Leasing with an option will generally allows you to charge slightly higher rents since the intention of the renter is to purchase the property. Remember that the tenant has the option to purchase, but is not required to do so. If the tenant elects to exercise their option, you are obligated to sell at the prearranged option price. So the risk here is if you intended to buy and hold, you may end up selling the property before you get the full value of the property.

If you just want to rent it, we recommend a minimum twelve month lease, and if you can get them to sign for twenty four to thirty six months you decrease your largest expense, turnover. Locking in a rental rate for three years is an effective selling tool to present to the renter. This option is the best for long term wealth building.

It is best to determine what your application guidelines are and put them in writing. Be sure you thoroughly understand landlord tenant law so that you don't violate it and end up in a lawsuit. These guidelines will apply to everyone so consider them carefully. Do not make exceptions for one party or you may end up in a discrimination suit.

Will you allow pets? We have found that by accepting pets, you greatly increase the quantity of potential tenants. Make sure that you have a reasonable pet policy which includes the breeds you will and won't accept. Have a fair and reasonable pet deposit and a standard cleaning fee. Make sure you check with your insurance carrier as well. Some insurance companies have their own pet restrictions and cancel your policy or even could void your insurance claims if not enforced.

Develop a comprehensive application to gather all the information you will need in order to evaluate a prospective tenant. We also recommend that you consider doing criminal background checks.

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Determine the rent amount that is competitive for your area. Do a market analysis to find comparable properties for rent. Once you determine the average rental rate, we suggest that your rental amount be at the average or just below to move your property first. Tenants are most concerned with the number of bedrooms and bathrooms.

Now that you have all the administrative work planned out and your target market pegged you will need to go into marketing mode. Marketing consists of print and electronic media. Print can be an ad in the local neighborhood newspaper and flyers.

Flyers are effective and inexpensive ways to get the word out. Make up a color flyer with pull of tabs at the bottom with your number on the tabs and general info to remind the person who pulled the tab what they are calling about. To generate interest, before you start posting the flyers pull off a few tabs to create a sense of urgency that other people have an interest in the property. Post the flyers near your rental property on phone booths, coke machines, neighborhood bulletin boards, at churches and everywhere people go. You should ask for permission to place these ads in advance.

Take copies of your flyer to schools in the summer so starting teachers who may be new to the area will see them. We take flyers to police and fire stations and note on the flyer that police and fire personnel get \$50 discount per month. Who better to look after your property than these brave public servants?

With today's availability of the internet, you don't want to overlook marketing there. Tenants look online using search engines to narrow their focus. You should do the same with the search engines to find where the tenants are looking and put your ad on those internet sites. There are some free sites like Craig's List and there are many you have to pay for. It can get very expensive. For example in my area there are a dozen sites and the average cost is \$30 per site for a 30 day ad. Some sites are limited to use by professional property management companies.

If all this is too exhausting, I saved the best for last. The easiest way to find tenants is to use a property management company. This way you don't need a total understanding of landlord tenant law. All the processes are established, rental rates are known and a marketing machine is already in place. By selecting a management company you can have all the benefits of real estate investing without having to deal with the day to day headaches.

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