



STUDYDADDY

Get Homework Help From Expert Tutor

[Get Help](#)

GET THE SCOOP ON...

Ways of acquiring rental property ■ Turning your home into rental property ■ Considerations before taking the plunge ■ Reasons for purchasing investment property ■ Inspecting potential property ■ Making sure the property will be a good rental ■ Stretching yourself and getting results ■ Hiring and working with a Realtor ■ Taking ownership of the property ■ What to do when taking over occupied property ■ Meeting with your current tenants

Purchasing Rental Property

There are many reasons why people become landlords or get involved with renting and managing investment property, and these reasons can be quite simple. Some people get into rental property management knowing there is a great deal of work but hoping for good cash flow and property appreciation (that is, the value increases during the time you own the property).

Others may fall into it, instead of choosing to own rental property. Sometimes, people move out of the area either due to a job or a decision to take a sabbatical for a year or two. They may decide not to sell their home because they have plans to return. In these situations, the home was never meant to be a

rental property, but receiving income on the property helps pay the monthly bills.

In other cases, a parent gets older and must move to an assisted living facility. The family doesn't want to sell the home for certain reasons. At this point, they look into renting the home to help pay the parent(s) monthly expenses and thus retain the property for an inheritance.

Ways of acquiring property

The following sections discuss some of the ways you can turn your current home into a rental property.

Job transfer/temporary assignment

Executives and professionals are sometimes transferred temporarily from where they own a home to another city or even another country for a specific amount of time. I know I've worked with many employees who expected to be overseas for about two years and wanted to rent their homes while they're out of the country.

You need to weigh your specific circumstances to determine the best way to proceed. Obviously, if you will be out of state or country, you need to look into a professional property management company. I don't recommend that you rely on a close friend or family member to manage your home while you are away, except as a local emergency contact, but that should be the extent of it. Remember that anything that friend or family member says or does is the same as if it came from you. They may really want to help you, but may not have the time to keep up with the laws and take care of the maintenance. Instead, begin with a consultation with a property manager or rental agent. Find out what the rental value is and what should be done in order to rent the property quickly to a quality tenant.

The best way to rent your home is unfurnished. Renting your property unfurnished is much easier in most markets than renting out your home with all of the furniture inside. Not only are there more people looking for unfurnished properties, but

people also tend to stay longer when they bring their own belongings. If you decide to leave furnishings in the property, don't expect that they will be untouched and perfect when you return. A couple years of wear and tear can be a lot depending on the lifestyle of the renters. Sometimes a dish may get broken and your pattern is no longer available — now what?

I know the issue is storage and what you can keep on the property. There are times that owners keep the basement or back-yard storage shed to store items they will not need while they are gone. Lock this area separately and provide a key to your property management company. Remember that this area must be spelled out in the lease as belonging to the owner and will not be a part of the leased property.

If you have many items that you will be leaving, look into storage. There are storage companies that will bring a bin to your driveway, leave it for you to pack, and take it to their warehouse to store. This saves you trips to a storage unit and may be paid for by your company as part of the relocation expense.

Many times, when an employee is transferred by an employer, a great deal of the cost and expenses are taken care of by the company. The items you may want to ask for are property management fees, storage fees, rental allowance if you are called home prior to the end of the lease with your tenant, and some of the expenses required to rent your home. This may include changing locks, cleaning, extra insurance, and so on.

Don't leave anything of great value at the property while it is being rented. Also, when are you being transferred, you need to be sure that you take care of forwarding your mail and changing the utilities. It is a good idea to make copies of the instruction manuals for appliances, equipment, and security systems to leave for the tenants. (If you leave the actual manuals behind, you may find that the manuals get packed with the tenant's belongings when they leave.)

Sometimes, when you are going to be gone for two years, you may think it is better to rent your property for two full years.

I don't recommend that. I like to see the properties rent one year at a time. This way, your property manager can evaluate how the property is cared for after the first year and before offering the tenants a second lease. You may want to consider a month-to-month agreement after the first year in the event your company calls you back early.

As an owner renting your property, you can be quite emotional about your home, so I highly recommend you step back and hire a professional. Keep in mind that some of the precious memories you have aren't acceptable to a tenant. If you have a growth chart for your children on the wall, for example, you may want to take a picture or trace it onto a piece of paper. I knew someone who cut it out, repaired the wall, and stored this memory with their furniture.

This section also applies if you have lost your job locally and have had to leave the area to find a job. If you like your home, you just may make the decision to keep it for a couple of years. You never know if the other job is going to be permanent or you may want to move back someday.

Moving to a nursing home

When a parent gets older, he or she may have to move to an assisted-living facility or a rest home. There are options, and one of them is to rent out the home to assist with the expenses and avoid tax liabilities. To understand these implications, you need to seek the advice of your tax professional. Keeping the home also keeps the inheritance intact and may provide funds for emergencies that are not covered in some other manner.

If the house has never been a rental, you may need some time to remove all of the belongings that have been accumulated over many years. Quite often, the home has not been updated for several years and will need quite a bit of work.

Hire a professional to tell you what needs to be done to get the property ready and to give you an estimate of rental value for expense planning. Being prepared is important, as this is usually a very emotional time for your mother and/or father. If

they are able, include your parents in the plans. Have them there when you meet with the property management company and let them be a part of the planning and renting of their home.

I find that you need to be realistic with the time it is going to take and know the direction you need to go to get the property ready. This helps a great deal with the emotional side as well as your long-term planning for renting the home.

Death of a parent

The death of a parent while living in the home is also an emotional time and one that requires you to take some time to decide what the next step will be. Planning and following the similar steps to get the property ready as you would if they were moving to an assisted living home is the way to go, but in this case allow more time. Take things slowly and easily if you can; taking a bit longer helps with the healing as well.

Remember that if someone has died on the property, this must be disclosed to any potential renter.

Property you've tried to sell

If the property you are living in now isn't selling, and you have already committed to purchasing another property, you may consider renting out the property. Sometimes, the market turns around in a year or so or you find that you enjoy having your first home as a rental.

Be sure to meet with your accountant and/or your financial planner to be certain that renting your home is what is best for you at this time.

Don't overcommit; stretch, but not too far. If you calculate that you'll lose money by continuing to try to sell, you may find you would be better off renting the property. The loss may be less than selling the property at a time when the market is down. Normally, the rental market follows the sales market — but not always. So, renting out your present home may make a lot of

sense, especially if you are moving around November or December when market values are historically lower than the spring and summer.

Sometimes it is also better to rent six months to a year in the area you are moving to. This allows you to make sure you are buying your new home in the right area.

Purchasing an investment property

When interest rates are low and the stock market unstable, buying an investment property may be a good choice for your financial portfolio. If so, there are items you will want to review before making that purchase. The mantra, “Location, location, location,” applies to rental units just as it does to your own home.

Compare property values and rents

Do your homework first. Decide on the area in which you are thinking of purchasing. Speak to other friends, if possible, about their investments: where they own and how things are going. After you decide on an area or at least a county or city, check out the area’s property values and compare them against the property you are considering for purchase (before you make an offer and get into contract). You need to check both property values and find comparable rentals in that area. If you see large swings or confusing figures, ask questions. If rents seem very low, find out why.

You also want to check with the Chamber of Commerce or your city planning department to see whether any major changes are in store for the area the property is located in. Just imagine if you bought an investment property and found out a month later that a major freeway was going to go through one block away!

Investigate various loan options

Check all loans carefully to see how they will perform in the future. Many adjustable-rate loans can change the property

from a good investment to a bad one if the interest rates skyrocket. Many investors choose interest-only loans to maximize their return on investment. Be realistic — anything can happen.

Consider the property tax

Often, investors base their purchases on current property tax laws. Then, when they purchase at a higher property value, the taxes increase. Don't get caught in this trap. Find out the state tax laws and possible tax changes, and incorporate the new, projected property tax into your figures.

Take into account supplemental tax

In some states, when purchasing a property, you are responsible for paying a supplemental tax. This is usually a local tax paid to your county tax assessor. In California, for example, you receive a supplemental tax bill to be paid in two payments. The amount due is a percentage of the previous owners' assessed value as compared to the price you paid currently for the property. For example, if the previous owner paid \$200,000 and you paid \$400,000 for the same property, the property is reassessed, and the new value is the price you paid: \$400,000. Your local tax office sends you a supplemental tax bill due in two payments for a percentage of that \$200,000 difference. This bill is in addition to your normal property tax bill, but (thankfully) it doesn't exist in some states.

Check on insurance coverage

Just as the tax bill can increase, so can insurance. Additionally, you will want to incorporate a "landlord/rental" policy into your estimates that will give you more protection than the standard homeowner's insurance policy. Don't be alarmed; most landlords' policies are a reasonable fee, although in many states that have seen recent natural disasters, all insurance policies have increased a great deal.

Find out whether there have been any claims in the last three years. Be sure that you are able to get insurance on the property before you close the deal.

Confirm utility costs

Check with the local water, sewer, and garbage companies to see whether the utility companies will bill the tenant. Often, on multiple units, you pay for the water and garbage. Ask for copies from the past year of the renter-paid utilities and for the water and garbage. This will give you a general idea of what to expect for those expenses.

Keep in mind that when the rental property has two units or more, you will be paying the common area utilities, which usually includes the outside lights, sprinklers, and laundry room. Some multiple units have a common water heater and others have a separate water heater in each unit — so be sure you include this cost. Common area heating, air conditioning, and lighting will also be your responsibility. If there is a swimming pool or other facilities, the utility costs will be even higher.

Plan for future maintenance costs

What property you buy will determine what you will have to spend on maintenance. If you have an opportunity to purchase a fixer-upper, you need to obtain realistic estimates. Beware of the trap of not planning for any maintenance, simply because you have purchased a property in excellent condition. Think of your own residence and the time and energy required to maintain that property. There is always something.

If the property has a swimming pool, landscaping, or other facilities, there will be monthly maintenance expenses to pay. Check out home warranty companies. There are some that will cover your property, which relieves you of unexpected expenses and the hassle of finding contractors to take care of the maintenance problems.

Consult your accountant/financial planner and real estate agent

Tax laws can change and your financial picture may change with them. Be sure to talk to people who are well-versed in investment property. Remember, tax laws may change later, but if you

choose the right property with the right financing, it will weather the changes.

Inspect the property

Always be sure to perform a thorough inspection of the property before buying. If you cannot personally do this, use someone reliable to do it for you. Hiring a professional inspector to examine the structural and mechanical systems of the property is also a sound investment. Get the facts before signing a long-term commitment and a long-term loan.

When conducting the inspections, you usually need both a pest control and a contractor's inspection. There are a few items that are often overlooked that should also be inspected during your inspection time.

- **The roof** I would always have a professional roofing company inspect the roof to determine the condition and the estimated life remaining before it will need replacement. This is a large expense and one you should be prepared and budget for. A leaky roof is a major problem itself but also can lead to additional problems down the road. Water can do a great deal of damage to the structure of a building and require major repairs or replacement. The time of year when you purchase a property may make it difficult to look for leaks. Hire a professional to inspect the roof.
- **Chimneys** Often people forget to have the chimney of the fireplace checked. Buildup of creosote or cracks in the firebox are fire dangers. This can also be an unexpected expense.
- **Pool** If the property has a pool, have the pool as well as any associated equipment checked and inspected. You need to be certain everything is up to code, as a pool can be a large expense and there are many local and state ordinances that go with having a pool. If the pool is used in a multiple unit setting be certain that all your proper signs are posted along with any required safety equipment.

- **Survey** Some people have a professional survey performed on the potential property. This way, you know your exact property lines and what is expected of you as the landlord within those boundaries.
- **Engineer's report** There are times that a prospective owner should get a soil engineer's report, especially with a property located on the side of a hill. This is quite common in California, as well as in other places. An engineer has access to reports that display flood plains, sinkholes, and other geological hazards.

Having all these reports done is not only costly but also takes up a great deal of time. This is for your protection and the long-term maintenance of your investment. Take the time to do the inspections you need to feel comfortable about purchasing the property.

Converting your property into a rental

Not all properties make a good rental. Some may be more suitable than others. All properties can be rented out at some price with a certain amount of risk, but it should always make financial and practical sense. The following sections share a few types of properties that may not make the best rentals.

An outdated home

When a house is newer, very little goes wrong with it and you have very few issues with maintenance and care. When you are dealing with an older home that has not been updated, there can be many problems. Often, in an older home, you or the previous owners have been living there so long that you just “put up with the problems” and never get around to repairing that leaky sink or running toilet. As you can read in Chapter 5, the best time to prepare your property is prior to placing the property on the market for rent and prior to new tenants moving in.

Older homes tend to have more minor and major maintenance issues such as furnace or water heater trouble, inoperable



Moneysaver

You will save money replacing or repairing the older items in your property prior to moving a tenant in rather than waiting until something happens after the tenants move in. At this point, you may not have the time to research the costs involved, because your tenants may be moving in quickly.

appliances with unavailable parts, roof leaks, plumbing problems, cracks and settling, and more. A lot of older homes still have fuses instead of a breaker box. With all the bath and kitchen appliances available today, plus computers and home entertainment systems, the old electrical circuits may not be able to handle the load.

Yes, it is true that these maintenance issues are ones you may feel renters should live with. But when you are living in the property, you can care for things a bit easier and you may even tolerate more. Many owners tend to “make do” with older items in the property. When you are renting, however, you must be sure the property is safe and habitable, as well as maintained to public health and safety standards. You want to be a good landlord and not be known as a slumlord. When tenants are paying market rent, they expect all the appliances and systems in the home to work.

When something major stops working, such as heating or air conditioning, any tenant would expect them to be repaired immediately and that usually makes it more of an emergency and in need of immediate attention. When you lived in the property, you could take the time you need to get estimates and wait a bit longer to make repairs. Not so when renting — you must hurry. Whenever things must be repaired in a hurry, you can usually count on them being more costly. This is true of leaking roofs, electrical systems, clogged toilets in the only bathroom — and it always happens on Friday at 5:00 p.m. or over the weekend, when you must pay a higher hourly rate.

All of these items may make an older home less desirable as a rental, unless, of course, you happen to be handy and you

keep your older home very well-maintained, with newer major appliances, newer water heaters, a new roof, and other upgrades throughout.

A house with a pool

Many people think having a pool is an advantage and makes the rental more desirable, but that is not necessarily true. A pool is an additional item to worry about and really is more of a liability. More people don't want a pool than want a pool. Consider the cost of maintaining the pool, the correct operation of pump, and liability of someone getting hurt in and around the pool area.

Keep in mind that having a pool usually means higher insurance rates and higher monthly expenses, too. If you have a pool, you usually include the pool service in the monthly rent.

A high-maintenance home

As a homeowner, you are usually willing to and probably even enjoy spending several hours per week watering the flowers, the roses, and the lawn; weeding the garden; mowing the lawn; picking up the leaves; or fixing little things around the property. I can almost guarantee that your tenants will not want to do this on their time off. I cannot tell you how many times I hear the tenants say how they love to garden and how they would love taking care of the property, and they just never find the time.

Set up the property with irrigation and drip systems and put them on timers. Also hire a monthly gardener and include it when you price the rent. Just know that will be an expense you will have with a larger property and on a large lot or in a multi-unit property with a yard or common area.



Watch Out!

If you have a swimming pool with your rental, even if it is a single-family home, be sure to check with your insurance company and the local city ordinances and requirements. Many insurance policies, if not all, require a fence around the pool and gates that lock.

A home in a poor location

Throughout the book you read the words, “location, location, location,” something that you cannot always control and often-times cannot change. Location is important, however.

Properties that are close to work sites, shopping areas, public transportation, in a good school district, and in a great neighborhood often make good rentals. Stay away from busy streets or homes next door to a school or shopping center. Sure, these homes are usually priced lower, but the rent will also have to be lower. Usually, a home located way out in the country or up a long winding road doesn’t always make the best rental, either. People don’t like to hassle with a long drive or a narrow and long, winding road to get to and from their home.

Always consider the location when purchasing any type of property. The best tenants want to live in a good neighborhood, too.

Taking over occupied rental property

When you purchase a rental property, you may find that the property is already occupied with tenants. You need to know the steps to take to make this a smooth transition from the former landlord to you, the new landlord. The following is a list of items you need to sign and/or complete when taking over a property that is already occupied with a tenant:

- **Original rental agreement** Whenever possible, ask for the original rental agreements, along with any other changes or newer agreements that were signed after that.
- **Rental applications** Be sure to obtain copies of the rental application and the screening paperwork for each adult tenant who lives in the property.
- **Move-in inspection** Obtain copies of the original move-in condition report that was done prior to the tenants’ moving in, plus any pictures that were taken.

- **Phone numbers** Obtain their current home, business, and cellphone numbers along with an e-mail address if they have one. You need to know how to get ahold of your tenants.
- **Keys** Be sure to obtain all keys to all doors, laundry rooms, pool gate, garage doors, back doors, and storage units.
- **Garage door/gate openers** Sometimes, there are extra garage door or gate openers. Be sure to obtain these if they are available.
- **Rent increase letters** Obtain copies of all rent-increase letters given to the tenant.
- **Correspondence and maintenance request** It can be very helpful to have any correspondence and maintenance requests from the previous owner.
- **Payment history** Usually, you can obtain a payment history from the current landlord or property manager so that you are aware of any tendencies to pay late or even bounce checks.
- **Notices served** It is a good idea to have copies of any notices served on any tenants and any proof-of-service notices that are usually attached.
- **Estoppel certificates** This is like an affidavit from the tenants as to how much rent they are paying, what the amount of the deposit they believe they paid when they moved in, and any other items they want to point out, for example, who owns the appliances or window coverings. You should have at least one per rental unit. Be sure to cross-check these with the lease agreements, what the current owner is stating the deposits are, who owns what appliances and window coverings, and so on.
- **Paint colors and brand used on the property** Try to see whether you can find out the interior and exterior paint

colors and the brand. Sometimes, previous owners even keep an extra supply on the property.

- **Diagrams** Try to obtain copies of any diagrams of the property; oftentimes, the property manager or the landlord has diagrams for emergencies of where shut-off valves are located, as well as the light timers, water-timers, and large appliances. On a larger property, the previous owner may even have a parking diagram and a layout of the property.
- **Security deposit** Usually, you are given the total security deposits given to the owner by the tenant, at the close of escrow. Be sure to check the amounts with the legal papers, such as the lease or estoppels you received from the current tenants, which state the amount of their deposit.
- **Contracts** Be sure to obtain copies of any contracts in advance. Oftentimes, if there is a laundry equipment maintenance company in place on multiple-unit properties, the contracts can be a bit tricky. They sometimes last for five years, requiring notice in advance before you can cancel them.
- **Agreements** Sometimes, you have an onsite manager and you want to have copies and be aware of any agreements in writing or even verbal with this person.
- **Copies of bills** Often, it helps to have copies of any invoices that have been paid, especially for larger items or things under warranty. Roof work and larger jobs generally come with a warranty or guarantee. Copies of utility bills



Bright Idea

Follow state and local laws in the proper handling of the tenant's security deposit. Many state laws require the seller and/or purchaser of a rental property to advise the tenants in writing about the status of their security deposit. Obtain the estoppel agreement from the tenants to avoid any problems.

help when you switch the common-area utilities into your name.

- **Income and expense statement** Usually, you receive this statement during the escrow period but when you're still considering making an offer, ask to see copies of the current and past six months of income and expenses. It's better to obtain a full year. Take the time to review these documents before you close escrow, and request information about anything in the cash flow statements that you may think helpful to have or to review.
- **Business/special licenses** Obtain copies of any type of business or special license the property needs.
- **Tax bill** Be sure to obtain a copy of all tax bills that pertain to the property. Look them over, as they give details as to what special tax you may be responsible to pay or that you will be paying with your property tax bill. Sometimes the sanitation service is included in the tax bill as well.
- **Rent roll** Obtain a copy of the most current rent roll. A rent roll is a listing of all rental units, including the tenant's names, move-in dates, current and market rents, and security deposit amounts. Also be sure to obtain a signed statement from the seller that there are no verbal agreements, concessions, or side agreements with any tenants regarding rent or security deposits. Be sure the rent roll includes vacant units.
- **List of personal property included in the sale** This may include appliances, equipment, and supplies owned by the current property owner. Don't run the risk of any disputes regarding ownership of appliances and any other items. Don't ever assume that something is included. Obtain it in writing in advance.
- **Copy of current insurance policy** It is important to obtain a copy of the current owner's insurance policy in advance, as you need to have it in place prior to the close

of escrow. Obtaining insurance in some areas can be a challenge, so start talking with your insurance agent right away. Your insurance agent may need to provide written proof of the policy to the escrow company prior to the close of escrow.

This is a long list of items to obtain prior to close of escrow. It is a good idea to give a detailed list to your Realtor in advance so he or she can give the current owner time to collect everything and make the necessary copies.

Closing on the loan and meeting your tenants

After you close escrow and you are the official new owner, there are a few things you should do. Call your tenants and follow up in writing, letting them know you are the new owner. You may have met some of the tenants during your initial walk-through of the property or during the inspection, but it is always nice to let them know officially — and of course you need to let them know where to mail their rent payments. A letter of introduction from the old owner introducing you is your best bet, so there isn't any question of where the rent should be paid and to whom.

Some owners like to meet with their tenants in person after they take over ownership. This will depend on the size of the property, the convenience of the property for you, and whether you are going to be managing the property yourself.

If you go to the property, bring a letter of introduction and the contact information they need to get in touch with you regarding anything to do with your rental property. Do another walk-through with your tenants at that time.

Expect all kinds of requests from the tenants. They may have been asking for new carpet or have maintenance problems that were never addressed before.

If they are on month-to-month agreements or have no written agreements, let them know you will be sending new rental

agreements. Review the rent as to the market and let them know of your plans. Many times, tenants are nervous that the rent is going to go way up. Talk to them and let them know your plans. You should have done your research in the purchasing process and established what you think is the fair market value of your new property. Be careful; check out the local rent control laws, if any. And because tenants may become upset and confrontational you may want to do any rent increase in writing and through the mail.

If the tenants are on month-to-month agreements, you may even want to serve them a notice to vacate. Be sure to go by your state and local laws prior to serving them notice to move. In the same way, some of the tenants may give you notice to move. Don't take it personally; it may have nothing to do with you.

When sending out the first letter with the details of where tenants should pay the rent and how to call maintenance, you should include a tenant information form (see Appendix 4).

Hiring a real estate agent

One of the most important people you are going to need is a real estate professional. You need someone to be on the lookout for the right property for you to purchase and to represent you during the process.

You need to hire someone who is licensed as a real estate agent. This is a very important person in your process of acquiring rental property. There are usually many real estate agents in any given area; you need to know what to look for and how to hire the right one.

Realtor

A Realtor is member of the National Association of Realtors (NAR). They agree to conduct themselves according to a Realtor's Code of Ethics and are subject to the rules of the professional association. They must be licensed by the state and work under a license real estate broker. I recommend that you

first look to hire a professional by hiring a Realtor. You can come right out and ask, “are you a Realtor, are you a member of NAR and the local board?”

This is a great place to start.

Buyers and sellers are clearly better served when a real estate professional is engaged to assist in the sale or purchase of a property. In today’s market, there are dozens of reasons why a Realtor can give you an edge, beginning with the information and experience necessary to arrive at

an appropriate asking price to the knowledge of state laws and regulations for which both parties to the contract will be held liable.

Professional agents assist buyers in determining how much they can afford to spend, researching properties available on the market within their price range, and providing important disclosures about the property being shown. Like listing agents, subagents and buyer’s agents also can assist prospective buyers in completing legal forms, reviewing the purchase and sale contract, and presenting an offer. Additionally, your agent may offer referrals for financing and legal representation, and usually will accompany you during the home inspection.

Your purchase of investment property is an enormous undertaking, filled with complex issues — both legal and financial. You should know that a Realtor is specially trained to attend to all aspects of each transaction, and his or her experience as professionals works for the buyer or seller he or she represents. Hiring a Realtor gives you a sense of security of knowing your real estate transaction is being ushered through the process by

“ Always choose a Realtor. It is your assurance of getting the type of professional who is proud of his or her position — one who lives by and follows the strict National Association of Realtors (NAR) code of ethics. ”

—Jack W., Realtor/Broker,
GRI President, 2002 Marin
Association of Realtors

a professional who is trained to foresee potential problems and who will work hard to find solutions that satisfy you. Go to www.realtor.com, where you find a lot of helpful hints for both the buyer and the seller.

You should choose a real estate professional with as much care as you would a lawyer or doctor. Friends, neighbors, and co-workers are often good sources for referrals. Try to find out as much as possible about their home-buying or -selling experience. What kind of service did they receive? Would they choose this particular agent or real estate brokerage company again?

Agent, listing agent, and subagent

A subagent to a listing agent represents the owner of the property and is a dual agent. This is as opposed to a buyers' agent, representing the buyer only.

By talking to real estate agents who have experience buying and selling investment-type properties, you can obtain leads by reading the real estate ads in your local newspaper. Look to see who has rental property listings advertised for sale, even if that particular property doesn't interest you. Target local real estate companies in particular. Realtors who work your area are best equipped to answer questions about schools, businesses, taxes, and other issues of interest to prospective buyers. They will know about the best location, location, location.

Ask your Realtor for a referral to a professional property manager who can give you the information you need on rental values and what to look for in buying an investment property in that area. You discover the ins and outs of hiring a professional property management company in Chapter 17.

Most of all, make sure you feel comfortable with the Realtor you choose to work with. It all comes down to trust.

Just the facts

- There is a lot of work to be done before jumping into purchasing your first rental property.
- Buying investment property can be rewarding in many ways, quite often financially.
- Consult your advisors before making an offer.
- Thoroughly inspect the property.
- Turning your home into a rental takes a great deal of work and you must be prepared.
- Never leave valuables in your home when renting it out.
- Not all properties make great rentals.
- Prepare your checklist for taking over an occupied rental property.
- Make the current tenants in your new rental property feel at ease when you take over.
- Friends make good emergency contacts, but poor property managers.
- Hiring a professional Realtor to represent you as your real estate agent is the best way to go.
- Location, location, location is an very important factor.
- Plan for future costs.



STUDYDADDY

Get Homework Help From Expert Tutor

[Get Help](#)