



DIY or professional: which is better for you?

Investor *Gord Lemon* asks (and answers)
the eternal question

Many people recognize building a real estate portfolio for passive income and equity growth can be an integral part of creating monthly income and a healthy retirement nest egg. Often the tipping point as to whether an individual embarks on such a pursuit ultimately comes down to whether one has the desire and fervour to become a landlord. This decision should be pondered carefully and not be taken lightly. Whether you are currently a landlord or considering becoming one, the following suggestions in this series may give you some insight into how to not only cope with this challenging role, but confidently succeed and ultimately save time and money.

Self- manage or hire a professional property manager?

When faced with purchasing one's first investment property, many often decide to take on the property management themselves to save money, attempting to procure the largest possible cash-on-cash return from their down payment and closing costs. The responsibility in being a landlord is not for everyone and must be done with forethought and strategy. As in any job (and you *have* bought yourself a job) without utilizing proper skill, the experience has known to be disastrous, producing lasting negative effects, forcing even the most well-intentioned investors to run from real estate, never to return.

Becoming your own manager of one or more properties does have its challenges, however there are many ways to create a joyful experience as a landlord and build a portfolio of properties that require very little time and run smoothly.

You must build this tenant/landlord relationship from the beginning as friendly but professional, never getting "too close" as to change the professional dynamic. The mistake many landlords make is becoming friends with the tenants which often leads to the landlord being taken advantage of as new "precedent" continues to be set when the landlord acquiesces to the tenant's requests.

Creating an *interdependent* tenant can be the major component in a blissful landlord/tenant relationship. This means developing a tenant who is happy to keep their own unit as well as the common areas and exterior in good shape, and be willing to consult with you regarding any necessary concerns with the property or other tenants.

The kind of relationship you want to avoid is the *dependent* tenant who is calling you at all hours for any and all reasons from "my tap is leaking" to "the neighbour's dog keeps me awake by barking all night."

Another relationship to avoid is the *independent* tenant who makes their own rules. They tend to do everything on their own from repairing things on their own and expecting you to pay for the repair later, even before you knew a repair was necessary, to "managing" the other tenants in the building, which often becomes a reason for other tenants to vacate. Therefore, an interdependent tenant is your ideal long-term tenant who you can count on to be reliable, helpful and pay their rent on time. This relationship development can begin at the point of your ad.

Placing effective ads

Time in your business is crucial. You must make the most of your time at every turn. Do your best to "weed out" any time-wasters as they often cost you time and money later. By being extremely diligent in the beginning you can avoid many tenant disasters. This process starts with how you word your ads.

"Apartment for rent in Candlestick Park: 2 BR, \$1200. Call 000-000-0000." You have just put yourself in the same category as everyone else running an ad. To differentiate yourself from the competition, you must become more creative. "A Rare Opportunity! A recent vacancy in the extremely desirable Candlestick Park area. Over-sized 2BR apartment. Spectacular view of neighbourhood. This won't last! Call 000-000-0000 to get the address of this gem." You have now successfully created curiosity and desire.

When a person calls the number from

an average ad, they speak directly with the owner, provided the property is self-managed. For you, this is a time-killer because the same questions are asked, which takes both time and energy to be answering these repetitive calls. Why not have the advertised number go directly to an outgoing message that says:

"If you are interested in the 2BR apartment in Candlestick Park, please drive by the property to ensure the area is right for you. The address is 123 Elm St West. Once you have driven by the apartment and would be interested in a viewing, please call 000-000-0001. Please do not call until you have driven by and determined if the area is right for you and please do not disturb the current tenants. Thank you."

When they call 000-000-0001, the number you answer; ask if they have driven by the apartment yet. If they say not yet, tell them you are only accepting applications from people who have driven by the apartment, like the area and want to move to the next stage.

Check your accomplishments

Let's pause for a moment and review what you have

accomplished because it is indeed more than what lies on the surface. By asking people to drive by the property, you are eliminating those people who are averse to taking direction, perhaps the "independent" type tenants. People that actually *do* drive by the property and don't like the area will now not be wasting your time because they have eliminated themselves. The people that do call the

TOP TIPS

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- The application, which further aids as a screening process, becomes your critical mass when choosing a great tenant

second number that have driven by the property not only like the area but are clearly able to follow instructions and have perhaps moved up the ladder to becoming that “interdependent” tenant you desire.

The next stage of screening requires only a few quick questions on the phone.

You: “Have you driven by the property?”

Prospect: “Yes, I like the area.”

You: “Are you calling for yourself or someone else?”

Prospect: “Myself and my girlfriend.”

You: “How long have you lived where you are now?”

Prospect: “Two years”

You: “How long have you worked at your current employer?”

Prospect: “Just over two years, and my girlfriend is over three years.”

You: Are you OK if I do a credit and criminal check?

Prospect: Umm...err...hmm...ya, I guess.”

You: “There will be a \$50 application fee so I can pay for these standard checks.”

Prospect: “Click....aahhhh (dial tone)”

You may be speaking to that dial tone soon after you ask a few of these questions, and that’s OK. These questions purposely require specific answers to affectively screen out people right away and thus save you time and money. The prospects that stay on the line and answer these questions to your satisfaction clearly are candidates you desire to potentially have as tenants.

One of the biggest mistakes landlords make is to accept anyone with a pulse that has first and last month’s rent. This is a bad idea and ultimately costs undue stress on the landlord and their family as well as time and money.

Creating a unique environment

Now comes the fun part. Those prospects who have successfully made it this far through your initial screening process want to see the inside of the apartment.

- » Arrange for all prospects to show up at the same time, not telling the other prospects there will be anyone else there. To ensure they do show up at the same time, tell them you only have a window of 20 minutes. “Please come at 1 p.m. on Saturday. If you are not there by 1:20p.m., I will leave.”

- » Ask everyone to be patient and take people in on a first-come, first-served basis, only letting one person or family through at a time. Plan the tour ahead of time so you lead them through the unit strategically and point out all the nice features of the apartment, even if it’s only the view or the flooring or whatever.
- » Make sure to give each person or family an application and get their \$50. Please do use it to pay for the credit check, tenancy check and even a criminal check... you’ll be glad you did. You can tell the prospective tenant that the \$50 fee will be included in the last month’s rent, 1/2 rent or security deposit, depending on what province you are in, if they qualify.
- » What have you created here? Competition. Do you think you will have anyone wanting to get you to lower the rental price or ask for any favours or additions when there are others looking at the same unit? You have created a desire in these prospects for your apartment. You are in control. And that’s the way it needs to be... at this point and throughout the tenancy.

The application

- » The application, which further aids as a screening process, becomes your critical mass when choosing someone who will be great tenant or a nightmare.
- » Mention to the prospective tenant that imperfection on the application is tolerated; dishonesty is not tolerated and will lead to immediate disqualification and loss of application fee.
- » Include a number of unique questions on your application.
- » Make sure to ask for a driver’s licence or picture ID that reflects the person’s current address. This is just another way of making sure all information on the application is true, including the person’s identity.

References

References are vital for the prospective tenant to include on the application including current and previous employment; a character witness such as a professional or respectable citizen; current and previous landlords.

- » When speaking to the current employer, you are looking for three things; to substantiate that the current employment is actually credible, how long they have worked for and if your prospect is in good standing as to remain with the organization for some time.
- » Ask that person a few questions about their experience with your prospect, how long they’ve known each other, how they met and what their current relationship is.
- » Calling the current landlord may produce a glowing report. Perhaps the current landlord can’t wait to get rid of your prospect and therefore will tell you what a great tenant they have been so they can get rid of them and you can take them. However, calling the previous landlord may get you a much more realistic view on this person’s character and whether you’d like this person living in your unit or not.
- » When calling any landlord reference, do not introduce yourself as Mr. Prospect’s new potential landlord to the person who picks up the phone, which exposes your identity. Instead, without introducing yourself, ask; “yes, do you have any apartments for rent?” if the answer to your question is; “uh...what?” You will know if you’ve been set up.

By utilizing a few strategies, you can eliminate many potential problems that can be time- and money-wasters. ■

GORD LEMON is a 25-year veteran of real estate investing in Canada and more recently in the U.S. Over the last 10 years, Gord has assisted in expanding the business of many Canadians by sharing his knowledge and experience as a coach, mentor, trainer and author. Gord has helped secure financing for many Canadians and Canadian investors as a mortgage specialist and founder of The Investors Bank. Please visit Gord at www.gordlemon.com and www.howtobuyUSproperty.com.