



Kenosha Landlord Association

A Local Chapter of the Wisconsin Apartment Association

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DISCLAIMER: The Kenosha Landlord Association publishes this newsletter to create awareness of issues relating to the rental housing industry. Information is compiled from a variety of sources and the views and concerns expressed by the contributors do not necessarily reflect those of the editor or the Association. When necessary, we suggest you consult an attorney.

Tenants Want A Home

May 10, 2013

They are not renting an apartment or a house. They are moving into a home. Sure, you know that, but do you understand what that means as it relates to rental property marketing? The home your new tenants move into will be where they go when they leave work, where they look forward to coming back to when they are gone, where they welcome friends and family, where they create lifetime memories.

What you provide is a place that will be a part of several people's lives, maybe even multiple generations' lives, and will stay with them forever. Your rental property will be in the background of the family photos, the celebrations, the new babies coming home from the hospital, kids heading off to first days at school, senior proms, and kids' graduations. Someone is making your rental property his or her home.

We lived in a rental home when we first got married.

We brought both our children home from the hospital to rental homes. The photos that we took show rental homes in

the background. Our family's beginnings are all recorded with rental homes as a backdrop. Those were our homes. They weren't just a place to live.

Think about that and then think about how to get a vacant unit rented. Does 2 BR, 1 BA \$950 convey "home"? No, that's just a cold, clinical description that doesn't welcome anyone. Does it get the job done? Some times. Does it get the job done better than those other landlords? Not a



chance. And that's the point. You and your property are in competition with other landlords' properties. Anything you can do to get an edge on other properties that might suit the needs of prospective tenants could put you just enough ahead to get that wonderful new tenant who will make your property his or her home.

What we're going to look at here is selling "home." We're going to Continued on page 7 take features, those things that de-

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**Landlord/Crime Free
Multi-Housing Rental Seminar
Saturday May 18th 8am to 4:30pm**

Location: Boys and Girls Club
1330 52nd St.
Kenosha, WI 53140

The KPD Crime Prevention Unit and the Kenosha Landlord Association designed this Seminar to help landlords make better decisions when managing their rental units.

The following topics will be discussed:

- Property Maintenance Codes
- Crime Prevention Techniques
- Applicant Screening
- Leases and Evictions
- Crime Free Lease Addendums
- Process Serving
- C.P.T.E.D. (Crime Prevention through Environmental Design)
- Fire Safety
- Waste and Disposal

This seminar will help landlords and property managers in the following ways:

- Satisfied tenants build stable neighborhoods
- Active management leads to less turnover
- Stabilized property values and rents
- Lower maintenance and repair costs
- Everyone is safer
- Peace of mind from spending less time on crisis control.

To register for the seminar please call:

Crime prevention Unit at 657-3937

or e-mail: watch@kenoshapolice.com.

See a live demonstration of our new Crime Mapping Software, and learn how you can receive e-mails about criminal activity in and around your properties.

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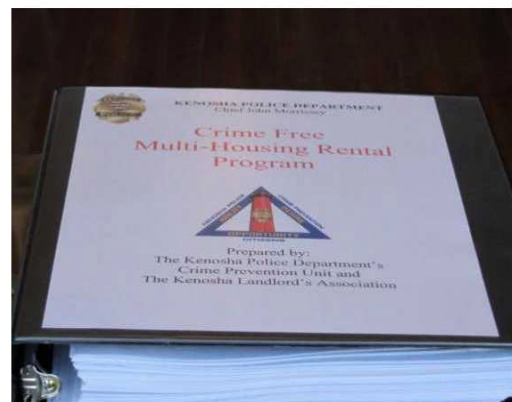
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INVESTMENT PROPERTY BUYING PITFALLS FOR THE SOON-TO-BE INITIATED

January 1, 2013

You've found an investment property that looks great. You can see the dollar signs in front of your eyes and imagine the figures in your bank account climbing exponentially. The good faith estimate from the real estate agent looks good and you have more than enough money to close.

You are excited. That's your first pitfall. Whatever you have to do, try to keep emotion out of your [buying decision](#). Always buy investment property by the numbers, by how it will perform for you. Never buy it because "it's so cute!" or "I just love the neighborhood."

The day to sign the papers comes and the title company calls you with the amount of money you'll need to bring to closing. It is far more than what you expected and will all but drain your cash reserves, or even worse is more cash than you have. You have been trapped by one of the pitfalls of buying property. Several things can happen to mess up what looked originally to be a [terrific investment](#). There is no need for you to get caught in one of these if you know what to look for and you take a few simple precautions to avoid them.

Sloppy real estate agents and sellers Real estate agents may be good at selling things, but all too often they don't really understand the importance of accurate figures, especially with investment properties. I have seen many listings for investment property that have no income or expense figures whatsoever. When you ask them about it, they say, "oh, do you want them? I'll have to get them from the seller." Grrr.

Does that mean you can just rely on what the agent or seller tells you about their figures? Absolutely not. Check everything. Real estate is the one investment that allows you to personally verify every operating figure and aspect of your potential investment, and you should if you expect to come out alive financially.

What figures do sloppy agents and sellers mess up? All of them, of course, but we'll look at the most common ones here.

Loan balances



Suppose you are assuming an existing loan or land sale contract. You will be paying the difference between the loan balance and the sale price to the seller. The listing agent or seller him or herself give you a figure that has lots of zeros. When you ask about it, you'll get an answer such as, "oh, it's about that much." Grrr.

"About that much" can cost you thousands of dollars and possibly make the deal fall through. How much is "about that much"? Depending on someone's individual interpretation, it could be a \$10,000 to \$20,000 difference between stated and actual. The higher the loan balance, the less money you have to bring to closing; the lower the loan balance, the more you have to bring. I know this can cost you a lot, because I fell into this trap. It only ended up costing me about \$5,000 extra, though. Sometimes sellers really don't have truly accurate figures. But they can get them-and should. You need to know within \$100 how much is owed on the property if you are assuming an existing loan or contract. So write into the sales agreement the following language:

"Subject to the actual balance of existing loan being no less than \$x."

Expense figures

Operating expenses can use you up fiscally and psychologically and drive you into bankruptcy. I looked at a property once that showed a great gross income, but actually lost money. Fortunately, in this case all the figures were on the listing for potential buyers to see.

As an experienced landlord and investor, you also know about how much things should cost. Look for discrepancies in amounts between reported and what you know to be real and for things that the seller did not spend money on that will end up being deferred maintenance and will cost you big time in the future.

Tenant records

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INVESTMENT PROPERTY BUYING PITFALLS FOR THE SOON-TO-BE INITIATED

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You need to know exactly whom you are getting if there are existing tenants in the property. You need to know how much rent they are paying, their payment history, their complaint history; you also need to see copies of all letters and notices sent to tenants.

One of the ways you will be calculating the value of the property is by the amount of rent it fetches. Too many times I have seen notes such as "rents should be higher" in flyers and listings. Hogwash! You the rents are exactly where they should be. Deposits on hand

You might consider this figure to be a part of the tenant records, and it is, but this is a dollar figure that can be a surprise to the uninitiated. When you are ready to sign all the papers at the title company or lawyer's office, you will have to, as buyer, pay the seller for all the security and other deposits he is holding. On a large complex that can amount to many thousands of dollars. For a duplex or triplex it could still be \$2,000 to \$3,000. Factor that into your estimate of closing costs at the beginning of your consideration of a property.

Other things to watch out for
Liens that may be in the offing

The seller may or may not know about them. Or he may have heard rumors, but nothing else. But the surprise may come after you have bought the property and you one day, six months after you took possession, get a



notice that the city is going to put sidewalks in front on your complex and you get to pay.

Side agreements with tenants
You will find all kinds of side agreements that owners make with tenants that you never see in writing. He might have promised the tenant that he will redecorate the entire apartment if he renews for a year; he might have told the tenant his last month's rent is free for a one-year renewal. Who knows?
You need to ask the seller to certify that there are no agreements with tenants, orally or in writing, except those he has disclosed.

Language for the sales agreement:
"Seller certifies that he has made not

oral or written agreements with tenants that he has not disclosed in writing to the buyer."
There is a lot of money to be made investing in real estate and a lot a money to be lost. How you approach the purchase of it and how well you dodge the pitfalls will determine how your investment works for you.

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"Robert Cain is a nationally-recognized speaker and writer on property management and real estate issues. For a free sample copy of the Rental Property Reporter or Northwest Landlord call 800-654-5456 or visit the web site at rentalpropertyreporter.com."*

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scribe a property, and show how they can create an image of "home." People don't rent features; they rent what those features will do to make a home, to make a house or apartment a place that will be home. We're going to help people picture your property as their next home.

Understand that we have to be somewhat careful about the words we use because if we use the wrong words, the Fair Housing prosecutors will come knocking. We most likely don't want to use words such as family and children. After all, those imply that a couple of different protected classes are not welcome. But we can use words such as celebrations, get-togethers, warm and friendly, quiet surroundings, quality neighborhood, and top-rated schools. But that's not enough.

For those descriptions to convey home, we need to attach how those features might create a home.

What do you think of when you think of home? Let's see if we can weave those things into "celebrations." How about this? A back yard made for celebration. Imagine the fun as you revel in the wonderful moments in your life on the spacious patio.

Memories to last a lifetime.

How about warm and friendly? You won't be able to wait to walk through the door of this warm and friendly home after a hard day's work. It's an oasis amid the storms of the world.

Then there's "quiet surroundings." You can relax in peace in this home that is a retreat from the hubbub of the world.

"Quality neighborhood" offers a possibility. One reason people buy anything is to impress friends and family. You'll know you've arrived as you pull into the driveway of this home in a quality neighborhood. You will be proud to invite anyone to your home.

Families with children usually want good schools. Well, at least the people you want renting from you want their children to attend good schools. Mentioning schools is okay under the Fair Housing Act, while appealing to children may not be. Go figure.

Maybe it's because good schools equate with a better neighborhood. The top-notch schools that serve this home are the envy of the entire city.

To be successful in the rental property business, we must be marketers. Marketing means we take tips from the pros



in the advertising business who know that people buy for their own reasons and they buy what the product or service will do for them, not the feature itself. Tenants don't rent 2 BR 1 BTH \$950. They rent "home." Help them find their new home.

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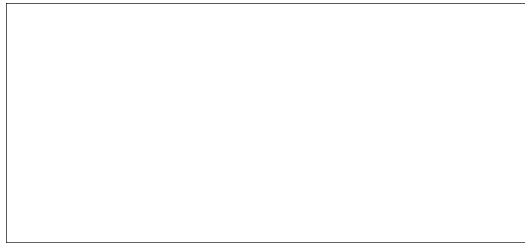


Kenosha Landlord Association

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VFW

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On our regular
3rd Wednesday the month

May 15, 2013

6:30 P.M. for food

7:00 P.M. for meeting

VFW

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Appetizers & Networking at 6:30 pm Meeting will start at 7 pm

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