



Ideal Property Profile

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This is the second of a two-part series on choosing owners and properties to work with as your property management (PM) customers. Let's discuss the Ideal Property Profile (IPP) for investors. IPP is used to find the best properties to manage, that are in the best location and condition. IPP properties may lead to a higher quality of life for PMs and higher Net Operating Income for owners.

Owners need to think of this in terms of how to choose a property to invest in.

One can imagine that once you have an outstanding owner that meets your Ideal Customer Profile (ICP) that they may or may not already have a property owned that needs professional management. If they don't own residential investment properties you, as a Realtor®, can follow IPP and help them buy a property meeting this profile. This is best for the owner and for PMs – think of it as a win-win for both sides. However, there are some owners that may meet your ICP yet already own residential investment properties – do they meet your IPP or not? If you like the owner, yet do not like the property perhaps you let them find another property manager. Or, perhaps you take on the owner and their respective properties and you understand the implications of properties that do not meet the ideal IPP model. Sometimes a great owner can trump having to manage their not-so-great property. Just know in advance where you as a PM stand. If you are an investor and have your Realtor® / PM help you locate residential investment properties that meet and or come close to the IPP. Owners with properties that don't meet the IPP could be faced with higher maintenance expenses which could have a negative effect on Net Operating Income (NOI). If you are an owner that wants to self-manage, this is a good way to help you choose the property to purchase.

Let's look at property location. Where is the property located, what part of town? Is it close to public transportation, major roads, work centers, schools, shopping, restaurant's, etc. Is the property on a quiet street? Are the schools good? Is it in a high crime area? What is the property walk, bike and transit scores? Properties should be in a good area where crime is low and rents are higher. Ask yourself if you would want your son or daughter to live there. You can learn about neighborhoods by doing some research on line, visiting the neighborhood in person and or trusting your Realtor®. At the end of the day choosing the best location to invest will enable higher property NOI and quality of life for both owners and PMs.

What is near the target property? More properties like the one you like or are there larger industrial buildings, large apartment buildings, etc. Or is it in a neighborhood of single-family homes. Just remember that neighboring properties have a huge effect on the quality of life of residents of your target property. Lots of noise, crime, traffic, etc. could affect quality of life leading to more turnover and lower rents. Again, you can learn about neighboring properties by doing some research on line, visiting the neighborhood in person and or trusting your Realtor®. More properties like yours for rent means more competition.

What condition is your target property in? Does it have deferred maintenance? Are roofing, HVAC, windows, plumbing, electrical systems at or near the end of their useful life. If so, be prepared to replace them. As a PM / owner - nothing lasts forever. Both owners and PMs should understand this. If the AC system is 27 years old it will need replacement soon. If the roof is past, it's useful life expectancy is will need replacement soon as one can only patch is so many times. You should



consider that in the purchase price or if you move forward make sure there are reserves to address replacement of these items. Are the kitchens, baths, flooring, etc. original or have they been updated to current market standards, etc. Old and dated homes and or apartments are harder to rent if it's got original dark cabinets, formica countertops, dated carpeting, original appliances, ugly landscaping, etc. And your rents are lower given the competition with more current units on the market. Do you want to manage a property that needs allot of updates? How are you and your owner going to do this? Are you going to charge your owner for project management? If you are helping your owner purchase an investment property, always get a property inspection (with photos) as it will answer most all questions related to age and functionality of systems for your owner. If it's a property the owner already owns ask them about the maintenance done on above items. Do they have funds to repair / replace costly systems? Why haven't they done so yet? Either way, knowing in advance the condition of the property is important as older properties could require more maintenance and updating to current standards to get higher rental income for owners.

Lastly, what are the taxes, insurance and other carrying costs like to your owner on these properties. Are there HOA fees for homes? Your owner will want to understand these items as they will be making those payments most likely. Residential properties, E.g. homes, condos, or townhomes with HOA fees may not be a bad investment given the fees are lower and if they include something of value. A few bucks a quarter is not too much. Hundreds of dollars in HOA fees a month may not make for a good investment property expense. Can you get rental property insurance at a fair rate?



No model like the IPP is perfect, there are always exceptions made in deciding as a PM or owner to take on any property. Either way, knowing in advance sets expectations as to what's ahead. As a PM, it's possible that your owner will have funds and will put you in charge of the property. Any property with deferred maintenance in need of updates to current standards will be more work for any PM. Stated another way, getting funds from owners to fund these items can be hard to do, stressful.

Do you want to take that on as a PM? Are you a project manager? How do you get paid for vacant properties that are getting updated? As an owner, you must be aware of property condition and possible expenses, and be prepared to pay them as needed. Laws require you to provide basic habitual housing that's safe and functional. Cutting corners by not maintaining the property is not a great investment strategy or recipe for success.

So, you have a good owner as identified with the ICP? What about the Ideal Property Profile (IPP) they want you to manage? First time Owner's investors help them get a great property that fits the IPP for high quality of life for both Owners and PMs. Else, if working with a great owner, the IPP will help you better understand their property and the amount of work needed to maintain, update and rent it for the highest amount with smaller expenses. If you are an owner who self manages, pick the best property you can.