



ALL STAR
HOME GROUP
REALTY



**Landlord
Investor
Network**

All Star Home Group Realty | Landlord Investor Network

www.AllStarHomeGroup.com | www.LandlordInvestorNetwork.com

(972) 807-9754

8330 LBJ Fwy, Suite 610, Dallas, TX 75243

QUALIFICATIONS OF A RENTAL PROPERTY

BY CATHY CROWE



LOCATION, LOCATION, LOCATION

- A quality location will ensure less vacancy, better rental rates, and a higher caliber of tenant. You want your house occupied and cared for, and rents paid on time. Location can make all of the difference in the world to this end.



LOCATION, LOCATION, LOCATION

- Is this home in a good, desirable school district?



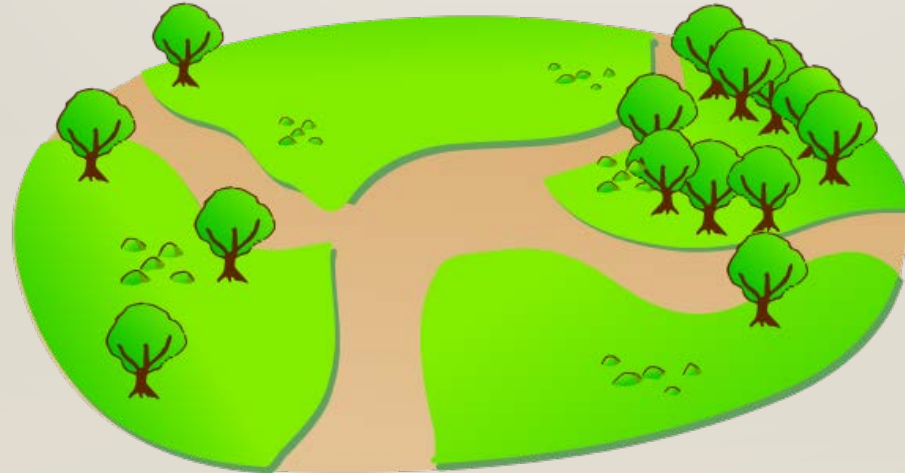
LOCATION, LOCATION, LOCATION

- Is the crime rate in this area low or high?



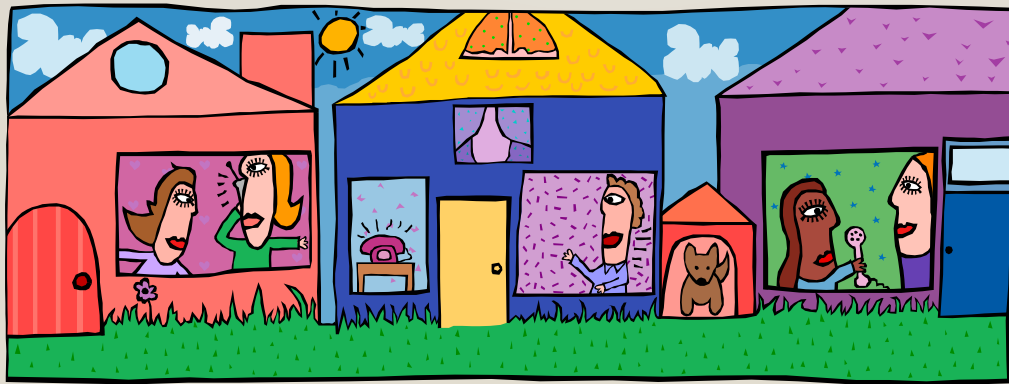
LOCATION, LOCATION, LOCATION

- Are amenities convenient? Parks, shopping, transit, walking/biking trails, schools, businesses, etc.



LOCATION, LOCATION, LOCATION

- What are other rental properties in the area renting for? Is the area predominantly rental or owner-occupied?



LOCATION, LOCATION, LOCATION

- Have property values increased, stayed the same, or decreased over the past year? Over the past five years?



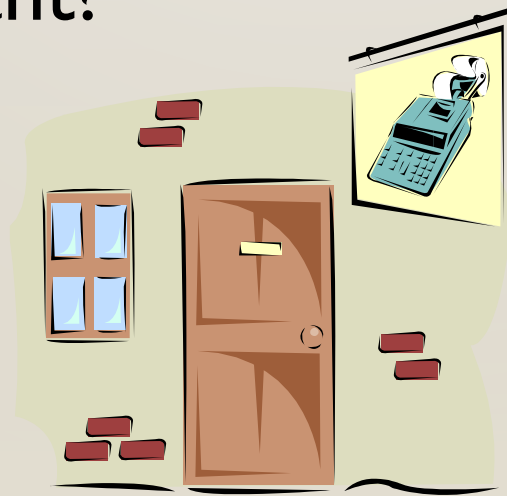
THE INVESTMENT POTENTIAL CASH FLOW IS KING

- Remember, this purchase is an investment. That means you have to consider the income potential, the likely expenses, and the value of the initial purchase. All of these factors combine to determine if a property will make a profit or turn into a money pit.



THE INVESTMENT POTENTIAL CASH FLOW IS KING

- Does the property have a strong rental history? When was the last time it was vacant, and how long did it take to bring in a new tenant?



THE INVESTMENT POTENTIAL CASH FLOW IS KING

- How much does the current tenant pay in monthly rent?
How much do other properties in the area demand in rent?



THE INVESTMENT POTENTIAL CASH FLOW IS KING

- What were the property's expenses over the past 12 months?



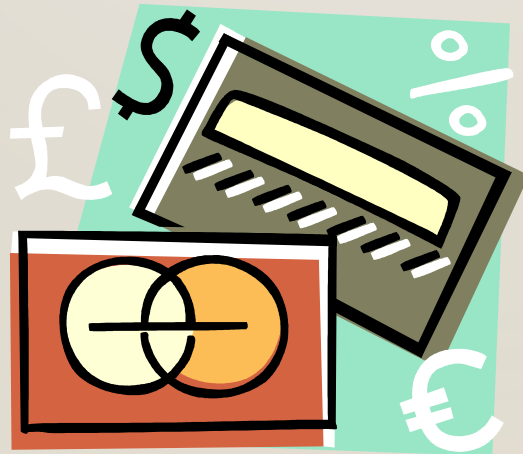
THE INVESTMENT POTENTIAL CASH FLOW IS KING

- Can you review profit and loss statements for the past three years?



THE INVESTMENT POTENTIAL CASH FLOW IS KING

- Does the monthly rental income cover both estimated expenses AND your mortgage payment?



THE INVESTMENT POTENTIAL CASH FLOW IS KING

- Do you have copies of the current lease agreement? Are there any unusual stipulations that could impact your income or expenses?



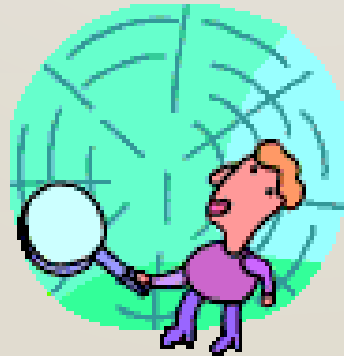
THE INVESTMENT POTENTIAL CASH FLOW IS KING

- What were the applicants qualifications to be able to rent the property?



UNEXPECTED EXPENSES

- Rental houses generally require more maintenance than your typical owner-occupied home. It's just the nature of the beast.



UNEXPECTED EXPENSES

- Just like the home you live in, from time to time there are larger expenses that must be dealt with. Roofs eventually need to be replaced. Air conditioners break. Styles and tenant preferences change over time. For your potential investment, make sure you understand the probabilities of these events occurring before you buy.



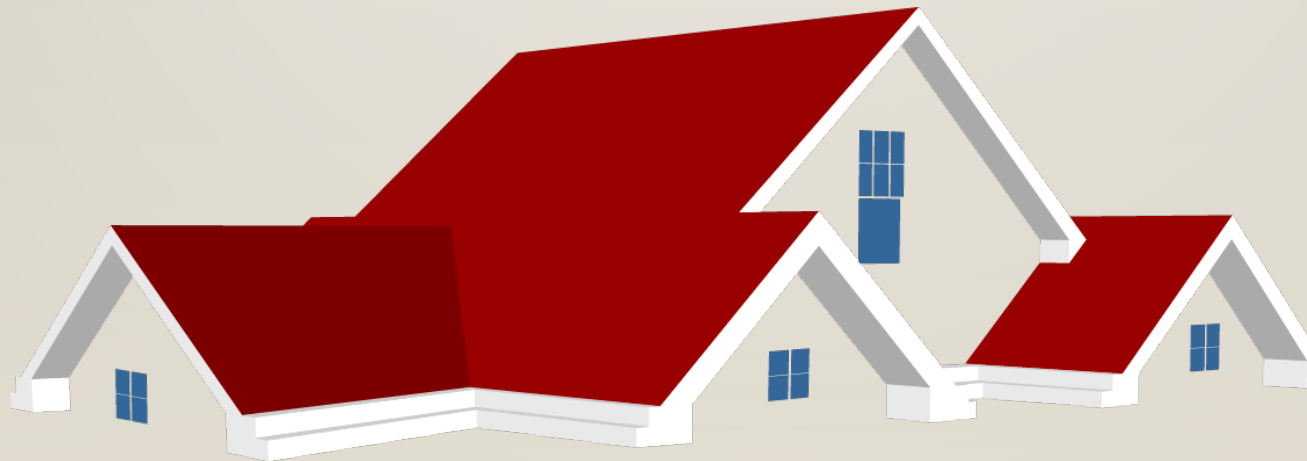
UNEXPECTED EXPENSES

- How old is the HVAC unit? How old is the compressor?



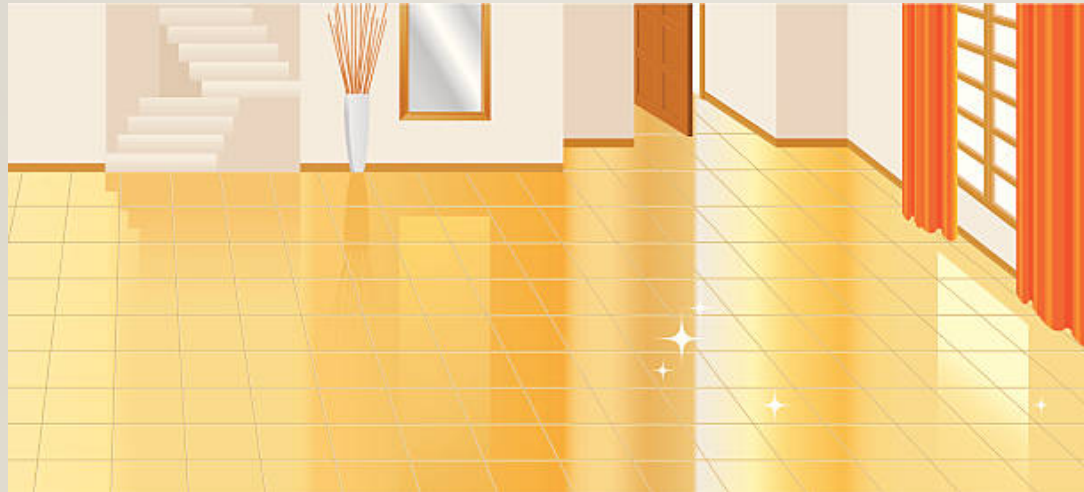
UNEXPECTED EXPENSES

- How old is the roof? Visually, does the roof appear to be in good condition?



UNEXPECTED EXPENSES

- Does the floor sag or slant in any particular area?



UNEXPECTED EXPENSES

- Is there evidence of water damage in the bathroom, around sinks, in the laundry, or in the kitchen?



UNEXPECTED EXPENSES

- What is condition of the siding and exterior of the house?



UNEXPECTED EXPENSES

- Many of these questions will be answered in great detail by a professional home inspector. Always hire a professional to inspect the home before you buy (including for termites). It is the best \$250 you'll ever spend; if they find a serious problem with the house, that home inspection is your get-out-of-jail-free card.



REAL ESTATE VALUATION

- Just like any other investment, you don't want to overpay for the asset you're buying.. Conversations with local real estate agents and appraisers can help you with the heavy lifting, but at the end of the day it is your decision as to whether a property is worth the asking price.



REAL ESTATE VALUATION

- There is the 1% rule -- if one month's rent is equal to or greater than 1% of the home's value, then it's a good deal. If it's less, the property is likely overpriced.



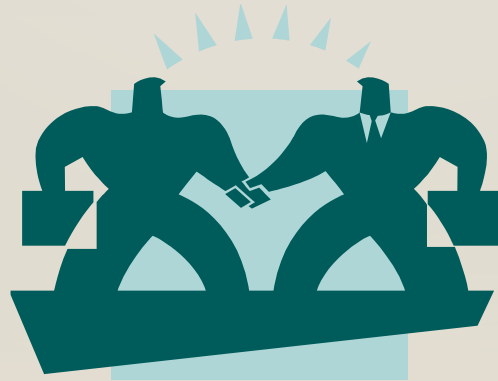
REAL ESTATE VALUATION

- How much monthly cash flow -- that is, income after both expenses **AND** your mortgage payment -- can you expect?



REAL ESTATE VALUATION

- If the tenant moves out, how many months will it take to find a new tenant? (These months will have expenses and mortgage payments, but no income -- you *must* budget for this!)



REAL ESTATE VALUATION

- Is the cash flow sufficient to pay off the mortgage loan in 10 to 15 years?



REAL ESTATE VALUATION

- Does this property pass the 1% test?



REAL ESTATE VALUATION

- After all this work, you should be prepared to make that real estate investment. Remember, real estate investing is not a get-rich scheme.



REAL ESTATE VALUATION

- Plan for the long term, be conservative, and focus on buying quality properties at reasonable valuations.

