

Under Improvement

**Planned Upgrades, Unplanned
Repairs, & Targeting Better Tenants**



**What'd we
talk about
last time?**



Quick Recap

Finding excellent contractors of every price point

Screening contractors

Hiring & negotiating with contractors

Managing the job

Closing out jobs

Building relationships & trust with contractors

In this Module

**Moving repairs from unplanned to planned
(which helps automate it & eliminate
future costs)**

Understanding & budgeting for CapEx

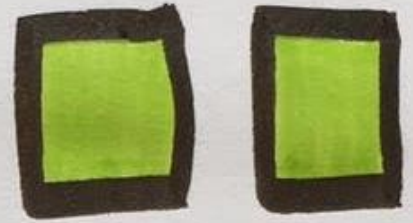
Setting tenant obligations

Using planned repairs to boost ROI

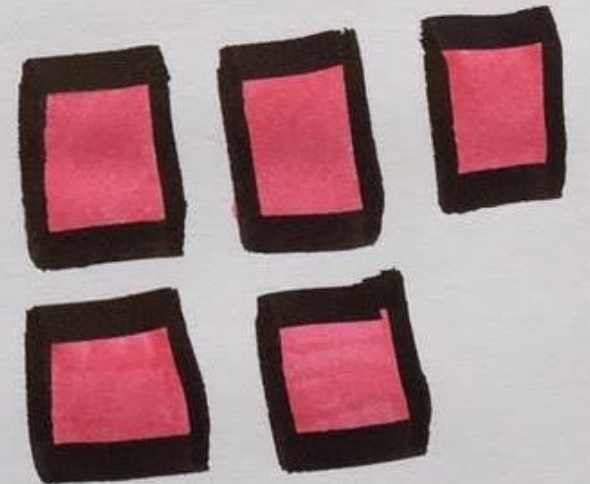
Recurring themes & tying it all together

Planned vs. Unplanned Repairs

planned



unplanned



Why Planned Repairs > Unplanned

Unplanned repairs = landlord enemy #2

Often urgent/crisis (roof leaks, failing furnaces, etc.)

Result: angry tenants and frantic landlords

Why Planned Repairs > Unplanned

Another problem: unplanned repairs leave no time for shopping around for better prices or negotiating

Less control of the process for both landlord and tenant – instead of being scheduled during business hours, you're at mercy of contractor

**Clichés
exist for a
reason**

Prevention

Cure



Why Planned Repairs > Unplanned

Goal: Anticipate repairs to move them from “unplanned crises” to “scheduled maintenance”

Prevention costs WAY less, both in money and your time (sound familiar?)

Common Landlord Repairs

Roof leaks – the longer a leak is left alone, the more damage it causes (framing, drywall, paint, mold, etc.)

In mid-summer, often too hot to put on tar roofs. Too cold in mid-winter.

When you know a roof is on last leg, negotiate & schedule its replacement!

HVAC Prevention



Common Landlord Repairs

Every Sept/Oct – negotiate with an HVAC contractor for a low rate to inspect and service all furnaces

**HVAC contractors are slow in Sept!
Easier to schedule, easier to negotiate**

Automate: Put a recurring reminder on your calendar!

Common Landlord Repairs

**No heat in January = true emergency.
You'll pay handsomely to the HVAC
contractor, and will need to install
emergency heaters**

Used to happen to me EVERY YEAR

Common Landlord Repairs

Every April/May – same deal, schedule them to service all AC condensers

Easier to schedule, easier to negotiate

Saves money, prevents frantic calls mid-summer when it's 100 and the AC breaks!



RESPONSE

TIME

Reminder: Be Responsive!

We've talked about this repeatedly – it's important!

- 1. Minimizes damage (ex. roof leak)**
- 2. Builds trust with renters**
- 3. Increases likelihood of lease renewals**

Read: eliminates future costs & labor

CapEx

A quick overview



CapEx 101

Capital Expenditures: long-term property replacements & upgrades

Everything needs to be replaced eventually: roof, flooring, framing, furnace, wiring, plumbing, etc.

Infrequent but recurring and expensive

CapEx

Sample #s

<u>Capital Expense</u>	<u>Replacement Cost</u>	<u>Lifespan (years)</u>	<u>Annual Cost</u>	<u>Monthly Cost</u>
Furnace	¢2,500	15	¢166.67	¢13.89
Water Heater	¢1,500	10	¢150.00	¢12.50
Roof	¢5,000	20	¢250	¢20.83
Kitchen	¢15,000	20	¢750.00	¢62.50
Each Bathroom	¢7,500	20	¢375.00	¢31.25
Other Appliances	¢2,000	20	¢100	¢8.33
Windows	¢5,000	40	¢125.00	¢10.42
Plumbing	¢5,000	30	¢167	¢13.89
Electrical	¢10,000	30	¢333	¢27.78
Framing	¢15,000	50	¢300	¢25.00
Foundation	¢10,000	50	¢200	¢16.67
Parking/Driveway	¢5,000	30	¢167	¢13.89
Total:			¢2,767.00	¢230.56

Repairs & CapEx Shorthand

Typical Repair & CapEx Costs: 7-10% of the rent

Typical Maintenance Costs: 5% of the rent (varies by turnover rate)

Bottom Line: Set aside 12-15% of the rent for repairs & maintenance (in a separate account!)

What to Delegate to Tenants



What Maintenance to Delegate

Tenants should be responsible for:

- **Changing air filters every 3 months**
- **Lawn care & landscaping (SFH)**
- **Shoveling snow on sidewalk & driveway (SFH)**
- **Raking & removing leaves (SFH)**

What Maintenance to Delegate

- **Keeping all appliances clean (especially refrigerator & stove)**
- **Changing smoke detector batteries**
- **Changing light bulbs**
- **Keeping the property secure against intruders**
- **Notifying landlord of problems immediately**

What Maintenance to Delegate

As mentioned in Module 3, consider making renters responsible for any repair/maintenance costing under \$50

Make sure these responsibilities are clearly written in lease, with consequences for their security deposit if not met!

Planning Upgrades



Planning Upgrades & Improvements

In Module 6, we talked about the Dream Improvement trick

Occasionally poll tenants about their dream improvements, and review them for the best ROI

What will command higher rents for years to come?

Planning Upgrades & Improvements

Look for differentiators – amenities or features that will make your property stand out among other rental listings

Planning Upgrades & Improvements

Example: if you spend \$700 installing smart home tech, how much will that raise the market rent by?

\$25/month? \$50? \$100?

Depends on your market

Remember: you want to attract the best possible tenants!

**Quality of
Tenants
=
Quality of
Returns**



Targeting Better Tenants

It's not just about higher rents!

It's about fewer headaches, fewer rent defaults, fewer vacancies, less property damage, less work

Targeting Better Tenants

Better properties attract better tenants, who will:

- ❖ **Treat your property better**
- ❖ **Pay on time without being chased**
- ❖ **Stay long-term**

Targeting Better Tenants

Read: create higher returns and less work

(which is what we're all about)

This is why you must keep a pulse on your local market, and occasionally upgrade your properties!

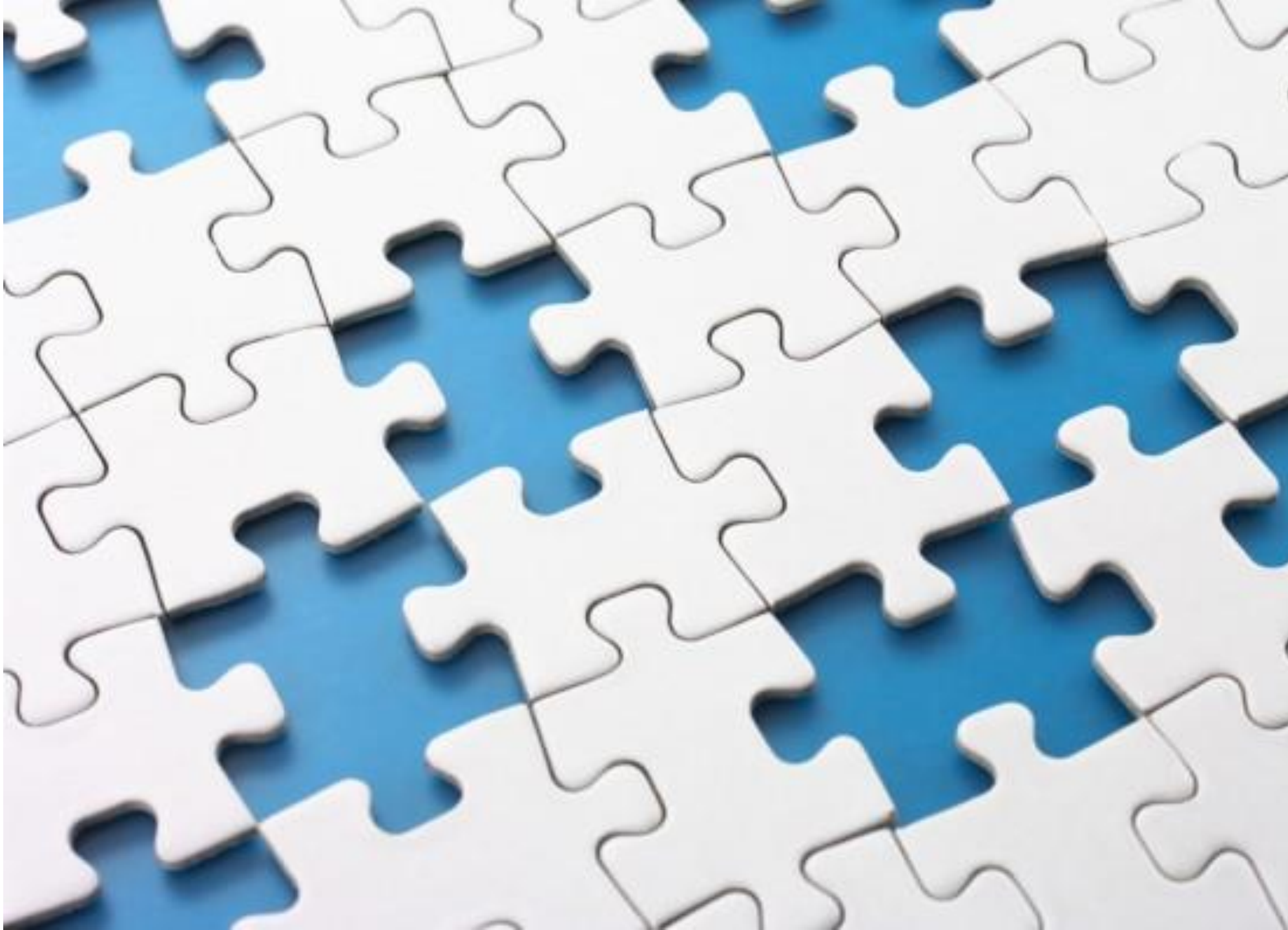
Example: My Properties

My worst property: nightmare to manage and keep occupied

High property damage, high vacancy rates, high rent defaults

My best property: seamless turnovers, never late payments, never had an eviction, virtually no property damage

**Putting It
All
Together**



Recurring Themes

Industry best practices might seem like more work

THEY'RE NOT

Systematizing these best practices sets the stage for long-term, low-maintenance cash-cow renters

Recurring Themes

Want double returns while working half the hours?

Follow these best practices:

**Your
Property
Should
Attract
the Best
Possible
Renters**



Best Practice 1: Attract Better Renters

Higher rents are good...

...but higher-quality renters are what make or break your returns.

Make sure your property attracts the best possible renters for your neighborhood

**Ensuring
Good Renters
Requires
DETAILED
Screening!**



Best Practice 2: Aggressive Screening

Screen the heck out of your applicants.

Need 3 things:

- 1. Reliable on-time payments**
- 2. Good treatment of your property**
- 3. Long-term “forever” tenants**

Automate Rent Collection



Best Practice 3: Automate Rent Collection

For higher-end properties & higher-quality renters: use online payment platform with ACH & credit card options

For lower-end properties & higher-risk renters: deduct the rent from their paycheck

Remember: evictions & turnovers are your worst enemy!

**Enforcement &
Defending
Boundaries**



Best Practice 4: Enforcement

Your tenants will push your boundaries.

IT'S YOUR JOB TO DEFEND THEM!

Zero tolerance for late payments or lease violations

Quarterly or semi-annual inspections

Set expectations & condition good behavior

Prioritize Renter Retention



Best Practice 5: Retention

Where do landlords lose the most time and money?

TURNOVERS!

Build rapport and trust through responsiveness and human connection.

Goal: tenants to stay for decades!

Rules for Raising the Rent

...without losing a single tenant



Best Practice 6: Annual Rent Hikes

Every year, at lease renewal, raise the rent by 2-4%

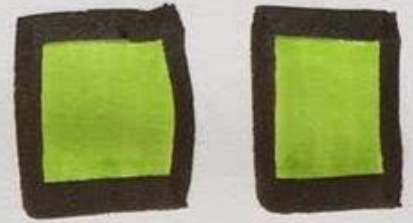
(5-7% in very hot markets)

If you've built trust and rapport with your renters, they won't balk

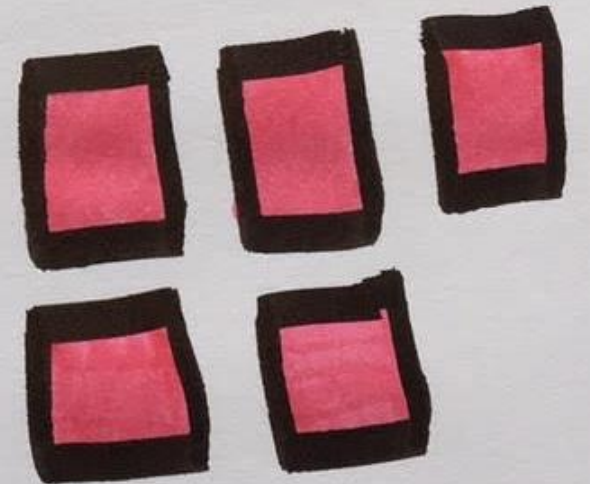
Occasionally doing a Dream Improvement helps!

Planned vs. Unplanned Repairs

planned



unplanned



Best Practice 7: Shift to Planned Work

Minimize unplanned repairs!

Recipe for misery for all parties

Planned work is cheaper, lower-stress, and easier on renters

Schedule preventative maintenance, and keep an eye on CapEx. When something will need to be repaired/replaced soon, negotiate and schedule it!

Bigger Picture – ADE

Systematize these best practices!

Automation isn't just technology like deducting rent from the tenant's paycheck.

It's also creating routines, setting recurring reminders, and anything else that doesn't require you to think/act later

Bigger Picture – ADE

You can delegate some of these tasks to an assistant, or to your tenants.

Defending your boundaries and preventing future turnovers: the most effective way to eliminate the biggest headaches of property management!

**What
Comes
Next?**



What Comes Next?

Keep learning:

- **SparkRental blog, BiggerPockets blog**
- **Ongoing free webinars**
- **Ask questions & exchange knowledge in FB group**

What Comes Next?

Expand your portfolio!

➤ **Passive income = limitless**

➤ **Goal: replace your active income (job) with passive income. Financial independence!**

What Comes Next?

Want step-by-step guidance investing in small (2-4 unit) multifamily properties?

We have a full course on that too!

Start with our free mini-course (see link below)

Build passive income. Reach financial independence. Go live your dream life!

Module 9 Out

**See You on Facebook,
SparkRental.com & Beyond!**

