

16 Valuable Tips for Marketing in Real Estate

By John V. Kamin

Most folks contemplating home purchases today, or already having purchased and owned one or more, are worried. They're afraid that the real estate market might head south on them. Their frequent questions go something like, "How much do you expect home prices to go down in the next real estate bust?"

About 69% of American families own their own home, usually with a mortgage for leverage. This is a higher percent than anywhere in the world!

Many large countries do not allow you to buy the land under the home or condo you own as a foreigner - Russia, China, Vietnam, Mexico's coast and Switzerland, for political reasons, or because they don't want foreigners buying up scarce land, in huge quantities, they restrict it carefully.

Contrarian Suggestion

Instead of buying multiple homes to earn money and profits, prospect elsewhere. Where? Triplexes and 4-plexes that show positive cash flow. Small office and retail buildings. For example, if you are a practitioner, there's probably no good reason for you to avoid putting your practice in your own building, gaining all the tax deductions plus capital gains and cash-flow income, renting to peers.

Valuable Profit Tips, Cut Risks

I prefer small commercial buildings, with a few caveats. Here's some valuable advice.

1. When buying office buildings, multi-story, be very careful. Office buildings often have high vacancy rates that can range from 10% to 20% to even 30% in a downturn. If you've ever tried to rent out a 900 sq. ft. office in a two or three story building that doesn't have a good elevator, you know it's tough to rent. Even if your tenant doesn't mind the climb, his customers might.
2. You must have good visibility for commercial or office space - heavily trafficked arteries. You don't want to be away from the boulevard, the highway, nor one block off to the side. You need that commercial frontage - visibility. Articles explain why.
3. More valuable advice. I find it harder to rent commercial space than rent out, say, residential apartments. But that disadvantage is offset by longevity and better care of premises. Once carefully screened, commercial tenants tend to stay longer, and usually improve their space and take better care of it as compared to apartment dwellers. After all, the commercial tenants and even office tenants are business people, so occupants have to strive for a "look" that will attract their customers.
4. Parking is critical, even if it costs. My caveat: no easy parking for tenants and customers? Avoid. You can't count on visitors using neighbor's parking, short-term meters, or hotel parking structures that may cost as much as \$15 per hour short term, such as in San Francisco.

Cash On Cash?

Here's extremely valuable advice when buying real estate for capital gains: your prospective property should yield cash flow, probably higher cash flow than no-risk

government paper such as 180-day T-bills. If not, renew your hunt. Do not buy property with negative cash flow.

This is the vital difference between buying a house for capital gains and buying an income property for capital gains. A house doesn't provide cash flow unless you rent it out at full ticket market rentals...but the commercial and office properties do provide cash flow (provided you're not stuck with lemons that can't be re-rented quickly when a tenant leaves).

5. More valuable advice. Go for the growth areas, probably outlying suburbs, the bedroom communities for easy commutes to metro-industrial job areas.

Your Third Party Partner

6. Even more valuable advice. Homes and multi-unit residential apartment buildings can suffer from rent control, rent restrictions or rent limitations. But when you're renting out stores and street-front clinics or mini-malls, there are no rent restrictions on commercial properties, other than written agreements between you and your tenants.

Meanwhile, I continue to see anxious "investors" buy fixed rent-controlled residential properties in areas where the owner's ability to raise rents to keep up with the market, make repairs, pay rising taxes, etc., are severely limited (not only by rent control).

Massive \$8,000 tenant relocation fees can be required if you want to rent the apartment to your sister or cousin. Careful.

What Do I Look For When Prospecting?

7. I look for a final price that will be somewhere between 5x and 7x the gross rental inflow. I look for property tax restrictions. For example, in Atlantic City and Las Vegas, the gambling industry pays most of the taxes enabling individual property taxes to stay lower. California has Prop 13 - original 1% property tax limitations.

But, if you're buying commercial property in Massachusetts, Pennsylvania, Illinois, Michigan and many other states, the property tax assessor can hike your assessments every year or three, which upsets your after-tax income flow from rental properties. Careful. Taxes can be among your biggest expenses on rental properties.

Using Leverage to Increase Percentage Return

8. Since most cash-flow income properties are bought with borrowed money, you must have an easy-to-pay loan at a decent interest rate. That's not always the kind of loan you get when you go to a bank or other lender. Before pursuing an ordinary mortgage loan, or competitive loan, you might want to think about seller financing, relative financing, or other forms of loans that are detailed in a special chapter in the book How to Make Money Fast Speculating in Distressed Property.

If you're not going to qualify for an ordinary loan (because you're retired, or have no job, or no income) you'll be especially interested in the many innovative ways to finance property (in the book), even when you have disadvantages such as no formal income or no job.

Timing Cycles

9. I like to buy cash-flow properties when everyone hates them, when the market is down, when three people will tell you any given week, “I want nothing more to do with real estate, ever.” That’s a sign you’re probably at or near the bottom of the market. But you can buy income properties even in a normal market, though you try hard not to overpay 30% above current market because you just have to have a particular property.

Blunder Bailouts

10. One thing I like about income properties is that even if you do make a mistake or three and overpay, if you’re in a growth area where demand keeps growing, usually after a couple of years the market will bail you out.

11. Cash is king. You can easily offer 10% to 35% below market levels if you’re paying all cash...then refinance the property yourself on favorable terms after you tie it up.

12. If cash is king, negotiation is the royal queen. None of us were born knowing how to negotiate, it’s a learned exercise. On big ticket six or seven figure properties, you’d better know something about negotiating. For a quick update, I suggest our little booklet *How to Negotiate for Profit*.

Hands-On Management Equals Greater Profits - Monthly Cash Flow

13. Income-producing commercial or office properties, or even multi-unit residential properties, are hands-on projects. Don’t buy them 1,000 miles or 3,000 miles away “because they’re cheaper there”. Learn how to draw your map from the book [How to Make Money Fast Speculating in Distressed Property](#). Stay within a one or two hour drive of where you are, or at least a short plane ride where you can go up there in the morning, work all day, and fly back at dinner time. For examples: Los Angeles to Phoenix or Los Angeles to Las Vegas works for most Californians. But Los Angeles to Bangor, Maine, Minneapolis, or Miami, does not work.

14. You must have back-up capital (cash). You don’t want to find out that you don’t have enough money after your purchase to fix the roof, evict two troublesome tenants, and re-rent. You don’t want to be forced to take out a second mortgage immediately after purchase just for ordinary expenses.

Example. I met one young lady who had two large multi-unit buildings in Santa Monica (rent controlled) with insufficient cash flow. So, she was financing repairs and mortgage payments using some 13 different credit cards, which she then could hardly pay - over drawn, negative cash flow. She was heading into a forced sale. I told her that she should try to refinance both buildings. But if she couldn’t refinance to lighten her load, she should sell one multi-unit building, keep the best, and then eliminate her credit cards one by one by card-surfing balances on zero percent interest until she regained control of her finances. Otherwise, she was liable to lose all her units to foreclosure and creditor seizures.

15. You must keep marking your rents to market. You cannot go three or five years, or longer, renting 20% or more below market. Even if it’s a small token (\$20) rent hike, mark your rents to market every year or whenever leases run out. Cash Flow Tip: Many smart building owners now charge a “lease renegotiation” or lease extension fee of several hundreds of dollars. Don’t rent out space at 1990s or 1980s rents; that is a prescription for disaster. You’ll also attract lower-quality tenants or troubled tenants.

16. Don't rent out furnished premises. You want your business-commercial residential tenants to have some stake in the premises. Let them put in their own equipment and furniture. They'll stay longer, pay better and faster.
Don't miss more valuable advice in upcoming reports to increase cash flow incomes with property.

John Kamin is a Consulting Economist and publisher of The Forecaster, 19623 Ventura Blvd., Tarzana, CA 91356, (818) 345-4421. \$180 per year. For more money-making ideas, order his latest book Active Money Strategies & Hidden Wealth Builder Secrets For Young Adults: What They Were Afraid To Teach You In School. If They Ever Knew! \$20 + \$4 s & h Add \$1.65 tax. 95 pages.

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