

## **Three New Year's Resolutions to Achieve Investment Property Profitability**

By Kathy Wilcox

You know that old adage: the only constant in life is change. I think this especially applies to the business of managing investment property. Wouldn't it be nice to know *which* changes will occur so we can anticipate and control them, or at least navigate in ways that benefit us? But we can only affect change in areas where we have control. Therefore, managing our areas of responsibility in ways that help us move towards our goals is the primary approach that will likely lead to our year-over-year success.

### **Where, When and How to Get Started**

January is the perfect time to think about what to achieve with your investment property by the end of the year, and to decide on the path you'll take to arrive at your goal. At the beginning of each year, I plan a few projects that will help achieve profitability in the face of changes that I can forecast.

See what you think of these three New Year's Resolutions – I hope they inspire some ideas for you, as you work toward increasing investment property profitability throughout 2012.

### **Resolution #1: Increase Investment Property Revenues**

I plan at least one revenue generating activity, and usually two. I always plan for lease renewals, and tenancy terminations, as needed. One way to stay profitable is to consider increasing rent rates with a goal of making enough in gross revenues to profit after covering increasing expenses and funding reserve accounts.

I also brainstorm creative ways to add a new revenue source, or increase an existing one. Every investor is likely to choose a source based on their unique property investment and residents. And you'd be amazed at the creative ways one can make an investment property more appealing and valuable to residents.

### **Resolution #2: Decrease One Investment Property Expense**

I generally start with each category of the IRS Tax Schedule, and consider how to be more effective in keeping costs *down*. Okay, some years I need to work on more than one area. I'm not one to make unnecessary work, so I focus on the low-hanging fruit first. *And don't forget the 80/20 Rule: 80% of the results come from 20% of the effort.* I've learned that it isn't necessary to perfect a good idea if I see that it is already effective.

### **Resolution #3: Increase Long-Term ROI with a Bigger Project**

Consider a project that will take more than one year to complete and require an infusion of capital - like major apartment remodels, updating all or part of electrical or plumbing systems, adding onto existing structures for new common area spaces, or replacing an aging roof.

### **You Can Do It**

When planning resolutions, the good news is that the deadline for completion isn't until the end of the year, or even two or three years for number three. So planning the work over the entire 12-

month period (rather than the first three weeks of January), makes a big goal seem less daunting. Before long, it's already the end of the year - time to celebrate and give thanks for being more profitable and having an investment that is worth more than it was just 12 months ago. What will your Resolutions be in 2012?

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