

## **More Ways to Increase Cash Flow - Are You “Wired”?** **By John V. Kamin**

New techie firms are power hungry...that is, electrical power hungry. One firm renting to techie companies charges rents of \$5.50 sq. ft. per month.

But techies also need a place to live, and are looking for apartments as well as small business buildings wired for power-hungry computers and wired for fiber-optic data transmission.

The firm mentioned also has a high tenant retention rate, because once his tenants get wired in and plugged in; it's too much trouble for tech firms to move just for cheaper rents!

### Strategic Moves to Increase Cash Flow and Improve Rentals

If you own, or intend to buy, a small commercial business building, an apartment building, even a fourplex, bring your wiring up to industrial standards, as well as cable for techies. Then you can charge higher rents by appealing to a specific population group.

### More Strategy

Got any wiring repairs to do, say, when you're installing new air conditioners, furnaces, plumbing or lighting? Tell the electrician you want higher capacity industrial type wiring, not the low load ordinary residential wiring already in place in most buildings.

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Avoid the cheapest job and get the best, so that your tenants can upload all their equipment at the same time! Then, you can increase your monthly rent and cash flow for specific facility features that they probably can't find in ordinary apartments and older commercial buildings. Just do it. I predict you'll be glad you did.

*Forecast:* Wiring upgrades are not going to get any cheaper over the next few years, so the best time to do it is now. *Tip:* Get three or four competitive bids, and have spelled out in the contract exactly the higher wiring standards you are requesting.

*Prediction:* If the real estate market sags, at least you'll be able to appeal to a specialized group of higher rent paying tenants for increased cash flow. You'll also avoid those overload problems in older, inadequately wired buildings that blow fuses and flip off the circuit breakers when the techies plug in!

### Excuses for Poor Property Management: Fear of Vacancies

If there were one common excuse for rental property owners' neglectful management, I would highlight “fear of vacancies”. Nothing makes property owners shudder more than the fear of a “30-day vacancy while trying to re-rent an empty unit and the prospect of a diminished cash flow for a short period.

Often, this fear of vacancies is overblown and unwarranted. I meet property owners who have not raised their rents since the 1980s! I ask myself, “Are their financial affairs in such bad shape that even though their building has little or no mortgage on it, they can't afford to repair it, fix it up and mark their rents to market?”

### Hobby or Business? How to Raise Building Value \$100,000s Quickly

Some rental property owners are apathetic, neglectful and treat their buildings as a “when I have time” hobby instead of a business. Believe me, if you are in the business of renting out space for residential or commercial uses, you are a business person, in business, and must run your property like a business. If you don't, you will decrease the value of your building upon resale, decrease the likelihood that you will get a decent mortgage and may even pay a higher interest rate.

In some extreme cases, you may even be cited by authorities and the bureaucracies for neglecting repairs, safety or other violations. Careful. It's time to change your thinking. You can indeed change poor management into good management!

By upgrading a multi-unit building and collecting \$10,000 more yearly rental income, your building value will be worth \$100,000 more when buildings sell at 10 times yearly rental income.

#### Just the Facts

1. Class A and Class B commercial buildings nationwide - office buildings - are running about 15% vacancies. This is natural; a situation that has fluctuated little over the past five years. Vacancies may be higher or lower in your area depending upon location. Conduct your survey of nearby available properties.

2. There is a shortage of single family rental homes. (e.g., I witness homes renting at \$800 per month where the rental could be \$2,000 to \$2,500 per month with much better tenants.)

*Forecast:* Due to management neglect, apathy and lack of knowledge of the local market, I expect the shortage of single family rental homes to continue for years, as it already has.

3. Owners of small business rental buildings are often one year to three years behind the market on rents and rental trends. They often neglect putting in the better wiring that business tenants, dental offices, medical clinics and other desirable higher-paying rental prospects need.

In many cases, they could raise their business rents 50% to 100% with a little care, attention and better management. Instead, they rent to bottom-of-the-market tenants who wreck their properties, are hard to deal with and forever pay late or do not pay at all!

4. I witness new rental property owners buying in rent controlled areas that will stay rent controlled. How can owners hope to make large capital gains on their buildings if their rents are restricted unmercifully for many years into the future? Why don't they buy in non-rent controlled areas? Apathy? Poor management? Unwilling to interview multiple lenders?

Here are some valuable tips to help you overcome fears of vacancies, cash flow fears and excuses for poor management.

#### Strategic Moves - Acknowledge the Truth

A. If cash flow is a real problem, refinance your property now at a 6% fixed rate or so, so you will have some money to make repairs, have money to eat a couple of vacancies when you evict bad tenants and install better management. Repaint those buildings. Put in new carpets and drapes so you can rent to better tenants.

Evict the troublemakers and disreputables and crime-prone tenants; evict the slow pays and non-pay tenants; there are plenty of good tenants now at this phase of economic expansion who are seeking better and cleaner housing. Repave the parking lot if necessary. Assign paid parking spaces for parking at \$10 to \$20 per month for those who use it. Get rid of all those non-running unregistered vehicles cluttering your lot. Charge the industrial truck parkers more when they use more space and block your lots. Chop down trees and bushes.

B. Raise your rents once each year to market or towards market levels. The prices you pay are going up every year - your repair costs, labor costs and maintenance costs. (E.g., trash haulers are raising dumpster pick-up prices 20% to 60% nationwide. If you don't pass higher costs on, especially rising property taxes, interest on borrowing, and other fees, how can you stay in the housing-rental business?)

C. Adopt a New Philosophy. Give more, get more. When you install new carpets, appliances, air conditioning, better heating, remodeling, repaint your property or better lighting for safety, you are entitled to better rents, better tenants; it's all a part of better management.

D. Sure, I'd like to buy new Cadillac's at their former 1972 \$6,000 list price, but it's not going to happen! There is no good excuse for your neglect and fear of vacancies to charge rents from the 1990s, 1980s, and 1970s levels, is there?

More suggestions to improve your cash flow, business management, increase values of your buildings by \$100,000 each or much more, in upcoming Forecaster reports. Don't miss.

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