Making Your Property Investment Truly Passive

Latchel eBook

What's in this Guide?

Self Check: Skills, Experience and Values

What are Your Goals, Really?

Why did you get into property investment? Was it an intentional and calculated move or did it happen by chance? Regardless of how you came about owning a rental property the question remains: why do you want to own this property?

It's easy to think about the long term goals: I want to have an income when I retire or I want a legacy to pass on to my children. But that doesn't answer the short term question: what do you want to get out of property ownership today?

Answering this question should be your most important goal today. Find an answer that is personally satisfying and meaningful. Whether you want to get involved day to day and or you want to let it ride while someone else does the work dictates a lot of how you will handle this property.

Many property owners are unhappy simply because they don't know what they want. Do not make this mistake. Know your motivations and know your short and long term goals.

> “ Knowing yourself is the beginning of all wisdom.
>
> Aristotle

Self Check: Skills, Experience and Values

Assess Your Unique Skills

What skills have you picked up over your life? Do these skills lend themselves well to property management? More importantly: do you enjoy practicing these skills? There is little point in choosing to do an activity that adds stress to your life.

Virtually nothing in life worth doing is easy. But why choose to do something that gives you undue stress?

Reflect on Your Experience

They say with age comes wisdom. That wisdom buys you something valuable in business: judgment. After many years practicing a trade you begin to develop an intuition for certain situations. An expert can make a snap judgment in the blink of an eye and be correct. All of that is from years of experience and feedback.

What experiences do you have that prepare you to respond quickly to the challenges managing a property will inevitably bring?

Self Check: Skills, Experience and Values

Know Your Values

As Gandhi said, “Happiness is when what you think, what you say, and what you do are in harmony.” Even if you have all the skills and experience necessary to excel at property management it won’t be fulfilling unless you enjoy practicing those skills.

If you wake up every morning thinking, “I hope I don’t receive any tenant calls” then there is something about receiving those tenant calls that does not align with your values. There is nothing wrong with valuing your free time more than valuing helping out the strangers living in your investment property.

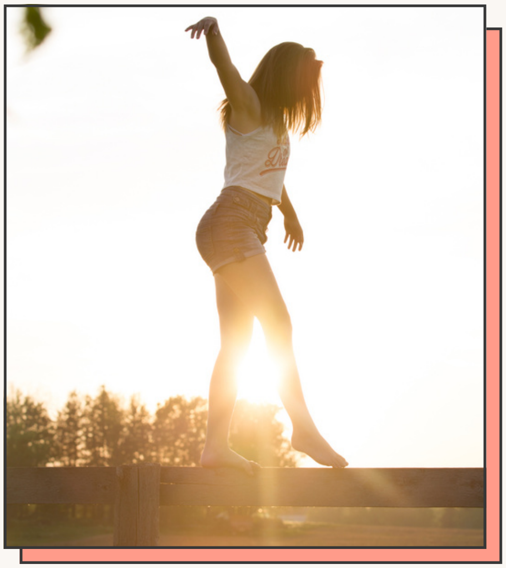
> It's not hard to make decisions when you know what your values are.
>
> Roy Disney

Values are often difficult to define and may be contradictory. I know many people who value their free time but also enjoy the sense of pride and satisfaction they receive when they complete a repair for their tenants. These landlords are the unhappiest landlords I know. They feel chained to their properties and like their responsibilities as a landlord take them away from their responsibilities as a father, mother, or friend.

Their inability to truly understand their own priorities and values lead them to be overstressed and unfulfilled. Think about what is most important to you and align your actions with your values.

Property Management vs. Self Managing

Property Investors CAN Have Balanced Lives



There is no requirement that owning an investment property means you must be personally on-call 24/7. That is a constraint you place on yourself.

Have you considered the alternatives?

1. 100% Do It Yourself
2. Full service property management
3. Technology and automation

Most property owners choose Option 1 or Option 2.

I feel most sorry for the owners who choose full service property management but insist on remaining involved in the day to day operations. They get all the stresses of daily interruptions and strain with little of the benefit.

However, most Do-It-Yourself landlords trick themselves into thinking they use technology and automation when in reality they have only dabbled in online rent payments or listing tools.

All of these have pros and cons.

There is no universally right answer. What is right for you personally will ultimately depend on your values.

Property Management vs. Self Managing

Do it yourself or hire a contractor? The cheaper option may surprise you.

The Do-it-Yourself Landlord

Provided you have the necessary skills and knowledge (i.e. you are a licensed general contractor) the DIY option is by far the cheapest solution. That is, as long as you ignore opportunity cost and comparative advantage.

Pros	Cons
1. Spend less money. 2. 100% control. 3. 100% visibility.	1. On-call 24/7. 2. Mistakes may cost more money in the long run (maintenance and legal risks). 3. Many jobs require more than 1 pair of hands.

Property Management vs. Self Managing

Economics 101

Any entrepreneur should understand the concepts of opportunity cost and comparative advantage.

Whenever you make a choice to spend your money or time doing one thing you are subconsciously choosing NOT to spend that time or money on anything else. That is the nature of opportunity cost. By choosing a certain activity, what are you giving up?

Many people naturally understand the concept of opportunity cost. However, many people forget about its cousin: comparative advantage.

Let's say you are an expert at inspecting smoke detectors and replacing their batteries. Let's imagine you're not just an expert, but you are the best in the world. Nobody is better at this job than you.

Should you ever hire someone else to inspect smoke detectors in your rental units? Before giving the answer, let's dive into another example.

Imagine there's a lawyer, John, who is an incredibly fast typist. He can type at over 120 words per minute. John has a secretary, Peggy, who is an average typist at 35 words per minute. John bills his clients at $250/hr and pays Peggy $12.50/hr. Should John continue to employ Peggy to type for him?

There is a bunch of math you can do to know the answer definitively, but intuitively it should be obvious. John's time is much better spent finding more clients or servicing existing clients than typing reports. As far as you and the smoke detectors: it depends. Are there much better uses for your time?

Property Management vs. Self Managing

Hiring a property manager means trusting them with your investment.

Full Service Property Management

The opposite end of the spectrum is full service property management. I use the term "full service" to mean it covers all aspects of rental property management. There is no point in hiring a full service firm if you expect them to get approval from you any time there is a repair exceeding $100.

Full service property management is ideal for the person who wants to own rental properties, enjoy the income, but have none of the headache (aside from income taxes). Anyone buying an investment property should consider the cost of property management in their ROI calculations regardless of whether or not they plan to self-manage. Time is a cost. You either pay someone else or you enjoy less discretionary time.

Property manager quality varies widely. It is what makes good property management so valuable. Frequently property managers set up their fees to directly put their incentives and interests at odds with your own.

Property Management vs. Self Managing

Here are the worst hidden fees to watch out for:

1. Excessive maintenance markups.
2. High management fees on vacant units.
3. Eviction fees on tenants they placed (beyond normal legal fees).
4. High tenant placement fees.
5. High lease renewal fees.

All of the above fees put the property owner's interests in conflict with the property manager's. Eviction fees and tenant placement fees make sense when you bring a bad situation for the property manager to deal with. But it doesn't make sense to incentivize the property manager to have more turnover on your properties.

Professional management, however, comes with many perks.

Pros	Cons
1. They are in-touch with local market conditions. 2. Able to maximize rent. 3. Someone else answers the calls 24/7. 4. Someone else deals with your tenants' emotions and problems. 5. You don't have to personally evict anyone.	1. May be hard to evaluate quality. 2. Hidden fees may misalign incentives. 3. Management fees eat into potential profits. 4. You may lose visibility into problems occurring at your properties.

Filling Units: Tools and Software

> Never trust a computer you can't throw out a window.
>
> Steve Wozniak

The Sophisticated DIY Landlord: Tools & Technology

If you choose to manage a property yourself, it doesn't mean you need to do it alone. There are plenty of tools and resources available to make your life easier as a landlord.

The most common ones are online rent payments and listing tools, but that barely scratches at the surface of what's available.

The remainder of this guide will be dedicated to tools to help you fill units and manage daily operations.

Not all tools are technology based. Sometimes a tool is knowing the right person to call or outsource a task to.

Filling Units: Tools and Software

Tools to Fill Units Faster

The biggest hidden cost most landlords face is in re-filling a vacant unit. Not only do you lose rental income while the unit is vacant, but there is also the cost of repairs, improvements, advertising, showing, and placing tenants. These costs often far exceed 2 month's rent.

1. Consider Hiring a Leasing Agent

This is an underutilized tool among DIY landlords. They will be able to tell you if you're setting the rent properly. They'll do the showings and tenant placement. This makes the agents well-worth the 1 month of rent they typically charge to fill a vacant unit.

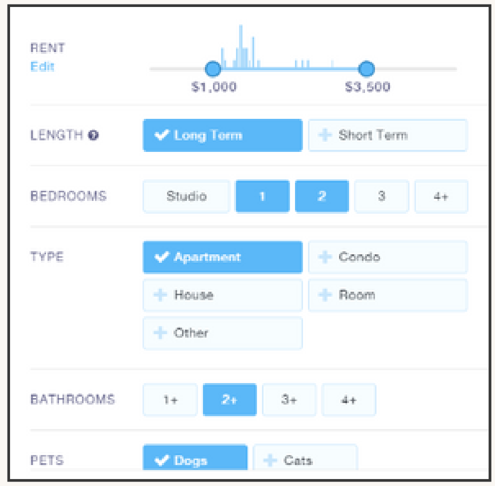
2. Set Your Rent at the Right Rate

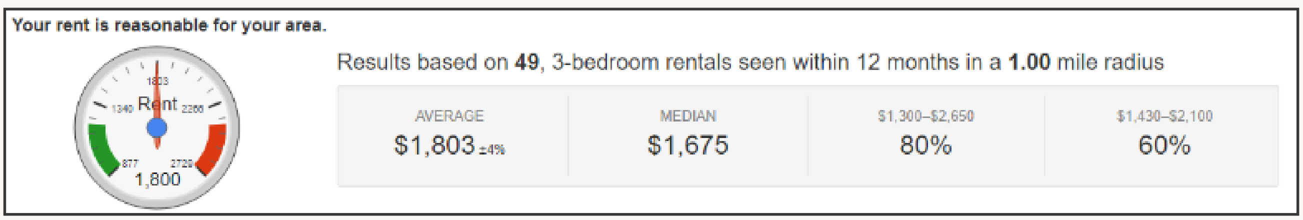
There are many free and paid tools online to help you calculate the appropriate rent.

- Fair Market Rate Calculator (Free) - This is a tool to calculate the 40th percentile or rents by zip code (aka "Fair Market Rate"). This is the amount used to calculate payments for government assistance programs. This number is designed to be well below "market rates" so you should look at this as a floor for your rents.
- Zumper rent rate trends (Free) - Search for rentals in an area you're interested in. On each rental listing Zumper will show you the rate trends for the area and in some cases the specific neighborhood you are searching for. You can also adjust by the number of bedrooms. This shows the median rental rate.

Filling Units: Tools and Software

- PadMapper Search (Free) - You can search for an area and filter by the specific amenities your provide to see what the range of available prices is. This is great to see the range of what is available right now.
- Rentometer (Free/Paid extras) - This gives your a quick visual clue on where your rent stands compared to the local average.





- Rentrange (Paid) - This will give you a personalized report for your rentals. This is ideal for larger property owners (4 + unique properties since the minimum order size is 4 properties). Each report is $3.50 with discounts when you're ordering over 40 reports.

3. Market Your Property

In order to receive the highest possible rent your need to do more than just place a "For Rent" sign in front of the property (you should definitely place a sign out; people still drive around looking for these signs). Most sites online will allow you to post for free. The hard part is posting to all of the most popular sites with minimal effort on your own part.

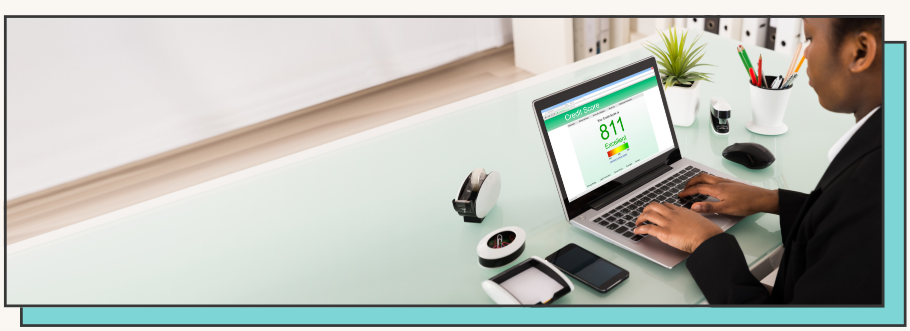
Filling Units: Tools and Software

- Craigslist (Free) - Renters still search for rentals on Craigslist. There has been an increase in scams targeting renters so make sure to include pictures and contact information.
- Zillow (Free) - Zillow is rapidly becoming a more popular rental search tool for tenants. You can list manually or use a syndication service below.
- TurboTenant (Free) - TurboTenant makes their money by charging rental applicants for background and credit checks. They offer a free tool to advertise your rental in the hopes you will use them to screen your tenants, too. This syndicates your listing across dozens of websites and gives you a high quality listing.

4. Ensure Your Tenants are High Quality

You want to be sure your tenants aren't active criminals, have a clean rental history, and have an income to support their rent. Unfortunately there are limited free tools to verify income, so paystubs and offer letters remain the norm. A quick Google search will pull up "free" tenant screening tools that charge your tenant for the application. You can use those tools in lieu of an application fee. If you still want to collect an application fee yourself, check out the following free or low cost tools:

- Naborly (Free) - They offer free tenant screening, credit, and criminal background checks. They earn money by selling renter's insurance to the tenant.
- FinRet ($5 - $15) - Eviction, background and credit checks for $5 each. FinRet is the low price leader in the space.



Filling Units: Tools and Software

4. Sign Leases Digitally

It is the 21st century, there is no reason to require a lease to be signed in person. It will slow down the process for getting your units filled and be a headache to upload to a computer later. Go digital from the beginning.

- HelloSign (Free with limits) - Click the link at the bottom of this page and get 4 free documents every month (regularly 3). Paid plans give you unlimited documents.
- DocuSign (Paid) - This is the industry leader and the most recognized name in the online digital signature industry.

Referral link: https://app.hellosign.com?ref=7c845657&s=S

Daily Operations: Tools and Software

Tools to Make Daily Operations Easier
Once your unit is filled you have two primary concerns: collecting rent and performing maintenance. Unfortunately there are not yet online tools for enforcing rules or handling evictions. The best way to prevent those from becoming problems is to have rigorous tenant screening, including reference checks.

1. Online Rent Payments
Paying rent online is easier for tenants to track and less of a hassle for you as the landlord. However, be sure not to confuse online rent payments with digital bank to bank transfer. In many jurisdictions the eviction process cannot be completed if you have accepted even $1 towards rent for the month. If you allow payment directly into your bank account you automatically accept any payment even if it isn't in full. You are putting yourself at risk against professional con artist renters who drag out eviction processes as long as possible (and hope the next landlord doesn't do a thorough tenant screening).

- Cozy (Free) - This is the industry leader in free online rent payments. They make money if you want to receive your rent faster (typically takes 4-5 business days).
- We cannot recommend any other "free" tool since they all charge the tenant. There is no sensible reason to put a fee between you and your tenant's ability to pay rent. Instead you should increase your rent to cover the cost of online payment.

Daily Operations: Tools and Software

2. Maintenance and Repairs
Dealing with maintenance and repairs is the number 1 reason DIY landlords give up and turn to professional management. That's why Latchel has pricing attractive to landlords and only handles the maintenance aspects of running your operations.

Latchel uses either your preferred contractors or local qualified, vetted and insured contractors that are part of their network.

Latchel offers plans that cover emergencies only or Premium plans that offer coverage for non-emergencies, too. For Premium subscribers Latchel is able to offer competitive pricing guarantees on the contractors they source.

Visit latchel.com to learn more about our maintenance coordination services.

About Latchel

Latchel is a Proptech startup company, backed by Y-Combinator and Bain Capital, that provides virtual concierge and maintenance coordination services to residential property management companies nationwide. We are unique in that we offer no-cost services that help property managers in 3 main ways:

- Increase Monthly Revenue Per Unit by up to $40/month
- Reduce Resident Attrition by 40%
- Improve Online Reputation With More 5-Star Reviews

Customers who also sign up for our zero cost maintenance coordination services save 80% of the time they normally spend on maintenance, and reduce the operational costs of maintenance coordination.

Latchel is used in over 100,000 units nationwide by over 400 property management companies, and growing quickly. Latchel is built to help property management companies grow and scale. Below are just a few of the ways in which our customers benefit from our services:

Interested in learning more about Latchel's services? We'd love to chat with you about how we can help you grow and scale your business.

Click the button below to schedule a call with a Latchel team member.

Request Demo