

Part Time Profits With Your Own Rental Agency

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Part Time Profits With Your Own Rental Agency

Represent apartment, condo, business building and/or home owners. Advertise, show, rent and manage properties and accounts for absentee (or busy) owners for a percentage (usually, 10%) of the rents.

This is the kind of business that can be started with a very minimal investment and slowly built into a full fledged, well paying operation. It is also one that is open to most any person of legal age and normally involves very flexible hours.

Once the house/apartment, etc., is rented, agents often have very little to do except collect the rents once a month, up date the records and send the owner their share. A good tenant may stay for years and provide the rental agent with a sizable income. For example, \$50 per month for 30 minutes "work." With ten of these, that's \$500 a month for five hours, or \$100 per hour! This sounds great, but unfortunately it doesn't always work out quite as ideal.

The main reason property owners use rental agents is to receive more income with one than they would without one. If the owner lives out of town, an agent is there to keep an eye on the property, to represent a local authority to renters, place ads, show property and the like.

Other reasons are having someone nearby in case of an emergency and to see what repairs are actually needed and that are efficiently made as necessary to protect their investment.

And, many people who own rental property either don't have the time or are good at managing their property (some are reluctant to collect rents or become emotional too often). As a result, there are many openings for rental property managers.

The average rental agent works with or through a Real Estate agency or broker. In some cases the management fees are extra income for fledgling real estate agent and/or the broker, but sometimes the broker works with an independent rental agency.

The broker is interested in potential listings from owners who want to sell and renters interested in buying, but may not want the day to day responsibility of property management. Most real estate agencies receive calls for rentals even if they do not advertise them, so it is wise to work with them if for that reason alone.

To determine the need (therefor, opportunity) for rental agents in your area, research the newspapers to see who is advertising

what. If the agent market does not appear to be saturated, check with a couple of real estate agent brokers (who do not advertise rentals) on the possibility of cooperating. They refer rentals to you; you recommended them to owners who want to sell and renters who want to buy.

Small fees are sometimes also involved in these agreements (incentives). TIP: Make sure reciprocate whenever a broker or real estate agent sends you a customer. If you haven't done them a favor lately, send them a bottle of something or take them to lunch. Make it worth their while to help you. Once you decide to start a rental agency, you will need to check on license requirements in your area, and at least two contract forms. The first is for an agreement between you and your property owner client; the other is a renter or lease agreement with the tenants.

If you work with a broker, they can provide you with sample forms of both (real estate people have supplies of these types of standard forms). You will probably want to have your printer or copy service (or desktop publisher) revise your forms, however, to reflect your company name.

Later on, you will probably want to revise or add conditions in both to better reflect your desires (they are your forms, so make them read the way YOU want). When you revise these forms, have legal council review them (review, not write -- there is a BIG DIFFERENCE in cost), just to be safe.

Your contact with the owners should stipulate the desired rent (or minimum) and any conditions the owner insists upon such as minimum lease terms, deposits (additional tenants, kids or pets) and the like.

Naturally, the more the owner leaves to your judgement, the better for both him and you because it is impossible to foresee every eventuality. The contract should also authorize you to collect all rents and deposits, order and pay for maintenance out of funds received, advertise and show the property, and take necessary eviction actions.

It also should state your fee (for example: 10% of rents collected, not income after expenses) and cover such things as cleanup and yard maintenance between tenants.

Finally, the contract with the owner should make it clear what happens to the deposits. Normally, the agent keeps them on deposit and uses them to make up rent shortages and/or cleanup and repair when the tenants leave. Any deposit funds that are not utilized or refunded to the tenant are transferred to the owner (where they are considered income).

The above method for handling rent money is certainly open to discussion, but are illustrative of things that should be prearranged in an agent/owner agreement.

Eventually, you will develop a solid set of procedures for these and other eventualities and will simply inform the owners how you operate. In the vast majority of cases, they will cooperate because of their confidence in you and your reputation.

The bottom line in dealing with property owners is to keep them informed. This does not mean detailing which faucet leaked last month, but it does mean letting them know when you think the tenant is getting ready to move out.

It means keeping them informed about the overall condition of their property -- things than may affect their income or income potential. As a rental agent for absentee owners, you are expected to LOOK AT each property regularly (e.g., monthly) and let them know of any possible problems. It would be nice (and very much appreciated) to simply tell them the place is looking good once in a while -- but it is IMPERATIVE to forewarn them of possible bad news!

The second important contract is your contract with the tenants -- a rental or lease agreement. again, you will probably start with a standard form and just fill in your company name. But later on, when you become more familiar with the business and have experienced some problems that contract wording might alleviate, you may want more revisions.

In some areas leases are more difficult to obtain, so you might need both lease and rental forms. You may want special provisions for varied deposits for more than one or two adults, young children or pets that could damage the house or yard. Some agents use a discount system, where the tenant receives a 5% to 10% rebate for months the rent is paid on time and there are no repairs. A tenant can fix a leaky faucet for 10, while the same repair could cost the owner as much as \$50 for a plumber's service call. In this case, the discounted rent payment is acceptable to the owner.

In this business, you need to keep an ad in the paper -- all the papers that cover your area. the ad not only attracts people looking for a place to rent, it also will catch the eye of property owners looking for an agent.

Get business cards, have signs made with your company name on them to display on properties for rent (much like those used by real estate companies). Visit property owners where possible to explain your services and call those who advertise their property for rent -- especially when the address or phone number is from out-of-town.

Always use letterhead stationery when writing to owners so they can tell you are a "real business."

Perhaps the biggest potential problem area in this business is renting to the wrong people! It is very difficult to tell who will be good tenants and who will wreck the place or skip out (or both). About the only defense against the latter is the security deposit, references and/or eviction.

Although the majority of renters (and property owners) are honest people who just want to get by, there are those who can be real headaches. If a renter is well versed in the law and malicious, he can often occupy (and often virtually destroy) rented property for months without paying any rent at all!

Fortunately, there are few of these extreme case renters -- just there are few really mean landlords. In most cases renters will cooperate and have no desire to cause problems for anyone.

As a rental agent, you should be careful to check potential renter references and get adequate deposits. It is much better to avoid problems than to have to solve them. Also, it might be wise to know a debt collector, credit bureau and inexpensive mover in the area.

TIP: When dealing with renters, never appear to be condescending -- always be "strictly business." If the renter gets the idea that you are lax or don't really care if the rent is paid on time, it will probably not ever be paid on time! The time to impress them with the requirements is before they move in -- let them know about late payments and what it will cost if they lose the key or break a window. Also do let them know what to do when the sink stops up -- and be prepared to take prompt remedial action.

BUSINESS SOURCES

NATIONAL COLLEGE OF APPRAISAL, 2245 Perimeter Park, Atlanta, GA 30341. Offers a correspondence course in property management and real estate appraisal. Fee info.

DOVER PUBLICATIONS, INC., 31 East 2nd St., Mineola, NY 11051. Discount books, clip art, stencils, etc.

QUILL CORPORATION, 100 Schelter Rd., Lincolnshire, IL 60917-4700, 312/634-4800. Office supplies.

IVEY PRINTING, Box 761, Meridan, TX 76665. Letterhead: 400 sheets plus 200 envelopes - \$18.

SWEDCO, Box 29, Mooresville, NC 28115. 3 line rubber stamps - \$3;

business cards - \$13 per thousand.

ZPS, Box 581, Libertyville, IL 60048-25556. Business cards (raised print - \$11.50 per K) and letterhead stationery. Will print your copy ready logo or design, even whole card.

WALTER DRAKE & Sons, Inc., 4119 Drake Bldg., Colorado Springs, CO 80940. Short run business cards, stationery, etc. Good quality but little choice of style or color. Can be difficult to deal with (they are a "short-run" mail order house).

USA PRINTING, 160 Washington SE, Ste 30, Albuquerque, NM 87108. Low-cost mail order printer. Write for price list.