Rents2Riches Property Management Business Plan

A little background: My wife was a Mom who was returning to the workforce after not working for 8 years. She has a degree in criminal justice. Not too relevant to property management. My background: I am a Certified Business Coach with an Engineering degree (previously coached all kinds of Businesses). Either way, not much relation directly to property management. The point of all of this is that you don't need experience as Property Manager to own your own property management business.

What you do need is a desire to not have to work 40 hours a week for someone else (ie. "the man"), be self motivated, organized and have very good communications skills. **The FIRST thing you will need before you can do anything related to property management, even advertising, is obtain your License, if necessary for your state! Severe penalties can be issued for trying to operate without your license if it is required.**

My wife is the workhorse behind our property management business. I have basically been there to guide and act as a Business Coach, similar to what I am doing now for Aspiring Property Managers. (It made sense to combine our property Management experience and my Business Coaching experience to help others).

Trust me; if my wife, who while working from home, taking the kids to/from school every day, cooking dinners, etc. can only spend 4-5 hours a day and make $60k in the first year, you can too! (Don't worry, I am not a jerk, I helped on those items as well…however I used to travel a lot then which left the majority of it for her to handle) What could happen if you worked 8 hours a day for yourself? $100k in the first year?

This is our business plan from 2008. As of April 2008, my Wife and I were managing 0 properties. As this plan is being written October 2009, we now have 65+ properties and are in the expansion mode of opening our office, adding an Administrative Assistant and are looking to add our Maintenance Professional very soon as well. You can do this too!

If you are serious about your Property Management Business than I recommend you check out my Rents2Riches Fast Track System Today. The business plan is the "what" to the business and the Fast Track System is the "How". Check it out below:

http://www.PropertyManagementBusinessPlan.com/Rents2RichesFastTrack.htm

Executive Summary:

The business is owned and operated by Patrick and Shelly Rogers. We will solely operate the business during the first year and into the second year. Once we obtain 60 properties, we will start to expand by adding employees, targeting year 2.

We will provide property management services to residential and commercial property owners. We will differentiate ourselves with our outstanding communication skills, organizational skills and personal land-lording experience.

Our Target market is residential properties in middle communities with $800-$1,400 as the target monthly rental amount. The majority of our target market lives out of state and therefore need an in state Property Manager. For the first year, we will concentrate our marketing efforts on residential properties to out of state owners. We will start marketing and advertising to the commercial industry, higher end residential market and the multi-family market after gaining experience in the industry in Year 2.

Due to the recent decline in market property values, many property owners that would have otherwise sold their property are not able to. Due to this, there has been an increase in available properties to rent. Also, due to the rising foreclosure rates, there are also a higher number of people that are renting versus owning homes. This makes 2008, and years to follow, an extreme opportunity for Property Management. The market bears significant opportunity and will allow for rapid property management company growth. The housing market is not due to make a comeback any time soon. All experts believe that the real estate market will continue to suffer higher foreclosure numbers, causing an increase in the number of people looking for rentals, thereby increasing demand. If investors continue to buy the foreclosed homes, as they have, then the supply will continue to increase as well. This will continue to create a perfect storm of opportunity for Property Managers well into 2011.

Right now is an exciting time to be in the Property Management Industry as there is significant amounts of new properties entering the rental market every day.

General Company Description:

10 Year Vision: To be the largest and best property management company in Southern Oregon, with an unmistakable reputation as the property management company that provides its clients the best service, most cared after properties returning the highest return on their investment.

Mission: We provide effective, professional property management services for residential and commercial property owners. The benefits to our owners are:

1. Reduced vacancy times, reduced maintenance costs and increased rental incomes resulting in higher profits for their investment.

2. Eliminate the hassles of being a landlord and the associated tenant issues.

3. Improved quality of life as we eliminate the time necessary to properly manage properties.

Company Commitments:

1. We are committed to integrity and honesty to our clients, tenants, our team and to ourselves.
2. We are committed to outstanding customer service to our clients and tenants alike.
3. We are committed to being excellent communicators, always over-communicating to our property owners and tenants.
4. We are committed to making business decisions that are in harmony with our vision, mission statements and company commitments.
5. We are committed to personal and professional growth and development of our employees.
6. We are committed to only open, positive and valuable communications with all whom we interact, including ourselves.
7. We are committed to a fun, family oriented workplace.
8. We are committed to being a sales driven organization, seeking continual improvement through specific measurable financial goals

Form of Ownership: Our company will be a Limited Liability Company.

Target Market: Year 1: Residential properties with rental amounts between $800 and $1,400. Target demographics are owners who live out of state, ages between 45-65.

Year 2: Higher end residential properties with rental amounts ranging from $1,300 to $1,800. Additionally, we will target commercial properties in year 2.

Company Strengths: Experience as landlords for personally owned properties for 5 years. Can provide better personal care for owners compared to large property management companies that impersonalize their service.

Have created access to marketing systems and methods that other property management companies are not knowledgeable of and therefore do not utilize.

Personal Strengths: Excellent bookkeeping and organizational skills. Experienced in sales and will be able to apply this directly to Property Management. High empathy for other people, we both want to do the right thing for people, even if it is the hard road to take.

Significant Short Term Challenges: Time will be the greatest challenge that we will face. Patrick has a full time job and Shelly is a full time Mom. Also, our budget is very limited for start-up capital. Paid advertising will be minimal.

Significant Long Term Challenges: Expansion and growth beyond ourselves will be the largest challenge. To properly enlist and engage the right employees and team members is a critical part of a company surviving and growing as we would like. Additionally, as the real estate market does turn around in 2011-2013, many property owners will be looking to sell their real estate investments. This will cause a net loss of residential rental properties in the marketplace as they are again slowly replaced with occupancy homeowners.

Our strategy is to become cemented in the commercial industry by 2011 such that when the flux does occur, our property portfolio will be balanced enough that our company will continue to be profitable regardless of the impending reduction in residential inventory.

Plans for the Future: Our goal for year 1 is to make $50,000 without expanding into hiring full or part time employees. The number of properties for our goal is 50.

During year 2, we will open our office and hire 1 part time employee who will perform administrative functions and handle tenant issues as well as answer the company phone. During our 2nd year we will also start aggressively marketing commercial properties. Our goal for year 2 is to make $80,000. This will equate to about 65 properties. (not including commercial properties) (Update…we are on par for $100k)

Year 3: Hire a full time Maintenance Professional and 1 full time Property Manager. Goal for the number of properties to manage is 150. (not including commercial properties) Income goal is $130,000. In order to hire a full time Property Manager and a full time Maintenance Professional, we will take an instant reduction in cash flow which must be met with a flurry of marketing and new properties to make up the difference.

Year 5: Have 5 full time Property Managers on staff, 2 full time Maintenance Professionals and 1 full time Administrative Clerk. 1 Property Manager will specialize in commercial properties, the rest in residential. All will be trained and versed well in sales methodologies. Goal is to remove ourselves from the equation as much as possible without losing firm control of business. Our estimated work week time: 15 hours per week. Estimated Income: $200,000/year.

Move into a larger office building to support up to 15 employees.

Year 10: 10 full time Property Managers on Staff (3 Commercial specialization, 7 residential). 1 Principle Property Manager that has assumed responsibilities as the General Manager for our Office. 3 Full time Maintenance Professionals and 2 full time Administrative Clerks. Estimated Income: $350,000. Our estimated work week time: <3 hours.

Products and Services:

Services: Residential Property Management. Detailed Services that are standard with each property management contract include:

1. Property market rental evaluations.
2. Advertise properties for rent. Priority is to utilize free forums such as Craigslist and signs, then resort to paid advertising if needed.
3. Ensure properties are in excellent condition for market representation and showings.
4. Show properties for rent.
5. Potential Tenant screening including criminal search, sex offender search, credit report, employment history and verification, previous address verification and previous landlord contact. References contacted.
6. Monthly collection of all rents and disbursement of said rent to the appropriate parties (if Owner desires bills to be paid, owner profit, etc.)
7. Create and distribute an itemized monthly property financial report to the Property Owner detailing all costs for that specific month and year to date.
8. Monthly external property inspection and bi-annual internal property inspection, ensuring property is being properly maintained.
9. Handle evictions process and collections process for owner including court representation if needed. Depending on the amount of time needed for the evictions, this may require an extra commission if becomes too complex. We charge a nominal $50/hour for anything above 2 hours spent in representing the Owner for an eviction.

Maintenance Program:

1. Property Owners benefit from working with us because we have obtained our General Contractors license and can offer maintenance services at a discount compared to going rates. We charge $30/hour for all non-electrical work. Our maintenance handyman is paid $15/hour for his work. Typical rates for such work are $40/hour, so we are still able to offer a discount.
2. On all other work performed by outside contractors, we up-charge the property owner 35-40% to cover our licenses, time and project management fee. We are still able to offer very competitive rates because as a Property Manager, we have already negotiated discounted pricing with all contractors that we utilize.
3. 24 hour emergency maintenance line.

Services (Cont.)

Property Management Fee Structure:

1. Standard Monthly Fee: 8% to start, giving us a competitive advantage. All competitors are 10%. To raise to 10% in Year 3 or 4.
2. Standard Maintenance in which we can utilize $15/hour handyman: $30/hour
3. All other maintenance: 35-40% upcharge
4. Other income potential: $75 fee for late rent, $25 fee for bad checks, $30 per adult for application fees, $25 fee for picking up rent at their location.

For any commercial accounts, we will bid these depending on the size and profit potential. We will take on commercial properties, however due to the inherent potential complexity compared to residential, we will not target commercial properties and multi-family properties for at least 1 year.

Marketing Plan:

Media Marketing to be utilized:

1. Website development as soon as possible. Utilize SEO to obtain the best possible ranking on Google and Yahoo! Google Adwords to get to the Top of the SEO inorganic ranking today! I will review this in detail in the Start Up Guide.
2. Direct mail campaigns to out of state owners. Market 200 owners per week. Budget $200/month. (Best Results!) Get the Complete Direct Mail Campaign "How To" in the Fast Track System:
http://www.PropertyManagementBusinessPlan.com/Rents2RichesFastTrack.htm
3. Utilize business cards.
4. Word of Mouth: We will develop and maintain relationships with as many professionals in the real estate industry as possible. Specifically Realtors. During this economic downturn, Realtors will have relationships with many Owners that are trying to sell their property, but will not be able to and will need to resort to renting their property. Other relationships are property inspectors, pest control, etc.
5. Property signs on all properties for rent.
6. Logo and contact information on automobiles.
7. We will post a yellow page ad (Update: cancelled ad due to not receiving 1 call from the ad) Further research indicates that unless you have a full page ad, results are minimal. Costs for such a full page ad are unreasonably expensive ($1,500/month). We spent $150/month and it was an utter failure.
8. Local real estate associations and networking associations: Join the Southern Oregon Real Estate Association. Perhaps consider joining the Chamber, BNI, others at a later date.

Competition Analyzed: You will need to perform this for your area. For ours, we performed a detailed analysis of applicable competitive data for the Top 10 players in our area.

The research is easy to do: Call each Competitor and tell them that you are an Assistant for your boss, he is an Attorney in town and has told you to find an appropriate Property Management Company in town to take care of the 28 SFR units that he has. He is unsatisfied with his current company and wants a new one. If they ask for your bosses name, current PM company, tell them that you boss does not want to give any information until he narrows his selection down to the Top 3 companies.

Now ask them the following questions:
1. How many years have you been in business?
2. How many Property Managers do you have?
3. How many on staff Maintenance people do you have?
4. How many Properties do you manage? How many properties does each property Manager handle individually?
5. What is your average vacancy rate among all of your rentals?
6. What separates you from your competitors?
7. Do you specialize in residential or commercial?
8. How do you advertise primarily?
9.Why should we choose you?
10. What is your monthly charge?
11. Do you handle evictions? Is there an extra charge?
12. What is your policy for maintenance, what do get charged for their time at my rental repairing general items? How about electrical, AC, etc?

Operational Plan:

Physical Location: If you are starting out and are like the rest of us, you probably don't have an office that you can use for free. That is OK. DON'T go out and pay for a desk or rent office space somewhere. You don't need it yet. Get off the ground with some rentals. The last thing you want to do is get strapped in a lease when you don't even need it yet.

Below are the actions that we found produced the fastest results in obtaining new clients and picking up new properties. For the 1st 30-60 days, we recommend the following detailed schedule which will allow you to concentrate on marketing your services:

1.7:30-8:00	Read newspaper, find For Rent By Owner Ads. Review craigslist for rent by owner ads; write them down to call on later.
2. 8:00-9:30	Create and mail direct mail campaigns. Post ads on Craigslist under "Services Section" for your services. Use my letters and ads directly from the Start Up Guide.
3. 9:30-10:30	Introduce yourself to Realtors, Property Inspectors, etc. Use the scripts I include in the Start Up Guide.
4. 10:30-12:00	Drive around, find For Rent By Owner signs. Call on these and those from the newspaper. Use my script in the start up guide.
5. 12:00-1:30	Lunch with potential clients, Realtors, other professionals.
6. 1:30-3:00	Work on Marketing Materials, Websites, etc.
7. 3:00-4:00	Respond to all calls, emails, property viewings.

The most important part of this plan is to stick to your marketing efforts every day. This persistence is what will lead to new clients.

Management and Organization:

You will complete this on your own.

For ours it was very simple, we will do it all.

Financial Statement:

Start Up Capital

Minimal Capital:	**Start Up Costs**	**Monthly**
Recurring		
Cell Phone:	**$100**	**$100**
Business Cards, should get at least 1,000 cards	**$100**	**$25**
Letter campaign: Absolute Necessity. Cost Varies depending on level of aggressiveness.	$250	$200
Local networking groups (BNI, Chamber of Commerce, NAA etc.) (Optional)		$50
Local Real Estate Associations (including realtors, PM's, landlords)		$10
Quickbooks	$189	
Computer: (Use home computer and printer if can, if not: add $750)		
Yard Signs: $150 (Buy 10 for now, you will not Need any more than that)	$150	
Website Costs	$500	$10
State, Local Business Set Up Fees	$100	$20
Licensing	$230	$115
Insurance	$100	$100
Miscellaneous Office Supplies	$100	$50
	$1,530	$560

As mentioned in the start up guide, you can start your business with **less than $1,000** and **less than $340 per month.** You just hold off on your website and some other items that are optional until you are up and running.

Appendices: The following items are items includes in the Rents2Riches Property Management Premium Fast Track System.

See the full Fast Track system explained HERE:

http://www.PropertyManagementBusinessPlan.com/Rents2RichesFastTrack.htm

- **Detailed Explanation of ALL Executable Items contained in the Business Plan**
- **Complete Start Up Guide on Exactly what to do to start your Property Management Business**
- Brochures and advertising materials
- Flyers Used for Sign Boxes
- Direct Mail Campaign Letters and System(The Secret Weapon)
- All Paperwork necessary including Contracts & Leases

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