



Top Ten Tips to Build a Great Real Estate Business.

MassLandlords Repertoire

Presenter: Erin Zamarro, Director
MassLandlords, Inc.

Agenda

- First, five reasons why real estate is great.
- Second: our Top Ten Tips in order of increasing importance.
- Note: presenter is not an attorney.



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5 Reasons Why Rental Real Estate is Great

1. Leveraged
 - Borrow up to 96.5% to start your business
2. Tangible
 - They aren't making any more land
 - They really aren't making enough housing, either
3. Inflation protected
 - Dollar worth less? Raise the rent
3. Tax deferred
 - Taxes on rental income can be deferred with depreciation
 - Section 1031 can defer across properties
4. Financially independent?
 - Grow and work yourself out of the equation, or
 - Retire knowing you can live somewhere indefinitely

Top Ten Tips

10. Choose your market.

9. Get rich slowly.

8. Do the math.

7. Perform due diligence.

6. Contain costs.

5. Learn the law.

4. Build your processes each day.

3. Plan for climate change.

2. Build and take care of your team.

1. Screen your tenants!

10. Choose your market.

- What can you afford?
- Are you taking investors or partners?
- Where will you buy?
- What will you do with it?
- How will you put food on your table?



Markets Can Be Defined Many Ways

By region

- “Worcester” vs.
- “Westborough”

By density

- Urban
- Suburban
- Rural

By economics

- Luxury
- Working class
- Subsidized
- Rooming house

By specialty

- College
- Short-term

Types of Small Real Estate Businesses

- Flip.
- Convert to condos.
- Build ADUs.
- Buy and hold vacant.
- Hold and rent.
- Offer services.



Flip

- Pros
 - No landlord-tenant law required
 - Just don't close occupied!
 - Can see your good work
- Cons
 - Lots of competition
 - You really need to know your construction costs and have a system.



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Convert to condos.

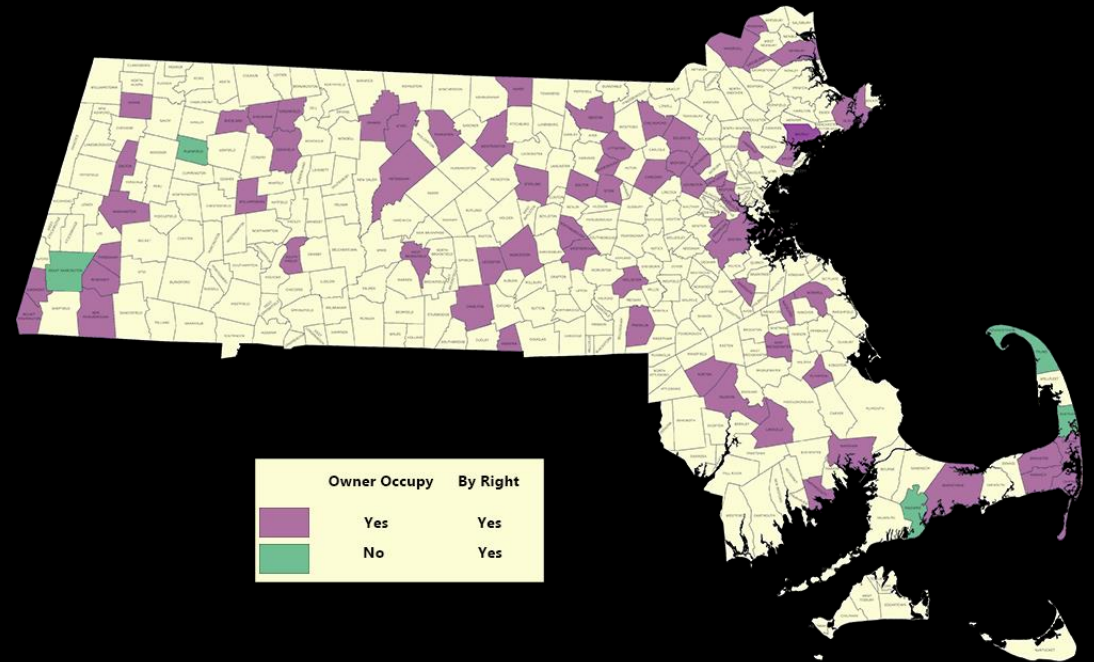
- Pros
 - Larger returns than straight flips.
- Cons
 - More capital required.
 - More legal skills required.
- Note
 - State law (Condo Conversion Act) 1983 restricts conversion of four or more units.
 - City ordinance may also restrict.
 - Know before your close!



Victor Divine

Build Accessory Dwelling Units (ADUs).

- Pros
 - State law allows it on all single family lots.
- Cons
 - Need to learn the town's restrictions.
- Map at right shows towns with ADU ordinance before fall 2024 law.



Hold and Rent

- Pros
 - Providing housing.
 - Rental income → dividends.
 - Earn while learning.
- Cons
 - Broadest possible skillset required.



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Offer Services (hustle)

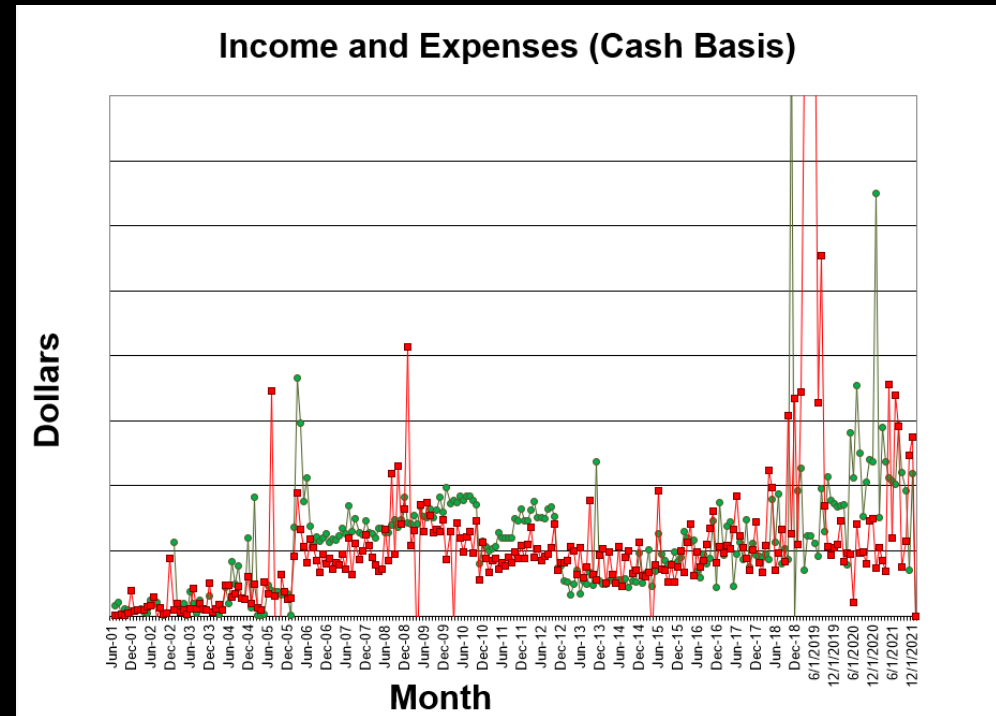
- Pros
 - Focus on a specific area
 - Earn while learning
 - Foundation now, expand later
 - Contractor → Owner
 - Lawyer → In House Counsel
 - Broker → Investor
 - Many members get started this way!
- Cons
 - Likely requires formal training or licensure



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9. Get rich slowly (think long-term)

- A mortgage may be for 30 years.
- You may not make any money at first.
- Will you draw down on savings?
- Do you trust your cashflow forecast?
- Learn Excel or Google sheets.



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8. Do the math.

- Do not compare mortgages to rents.
- Mortgage is half the cost:
 - Repair and renovation.
 - Taxes.
 - Insurance.
 - Extermination.
 - Permits and licenses.
 - Supplies and consumables.
 - Training.
 - Your earnings.



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7. Perform due diligence.

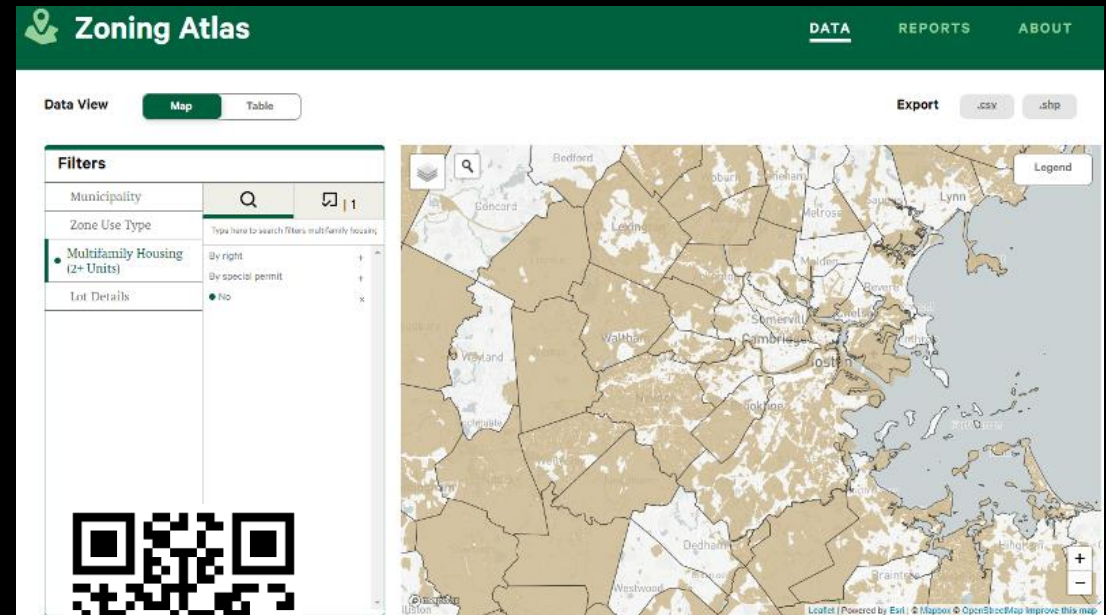
- Zoning?
 - Parking requirements
- Ongoing evictions?
- Open permits?
- Lead certificates?
- Neighborhood data?
- RiskFactor.com?
- Certificate of Occupancy?



“It’s 3 units!”

“Is it a legal 3?”

- Huge sections of Massachusetts are no longer multifamily.
- Your target building might be grandfathered in.
- Or it might not.
- *Landlords have been ordered to demolish.*



Metropolitan Area Planning Council

<https://zoningatlas.mapc.org/>

MassLandlords.net/MassCourts

- Current seller may be trying to get out of a bad situation.
- Our search works by address.
 - No other site does this.



masslandlords.net/masscourts



Other things to check

Are there any open building permits?

- Call the town or city building department.
- Open permits should be closed by the current owner, if possible.

Are there certificates of deleading compliance?

- Check for a certificate
 - Childhood Lead Poisoning Prevention Program (DPH)
 - Site updated rarely, call 1-800-532-

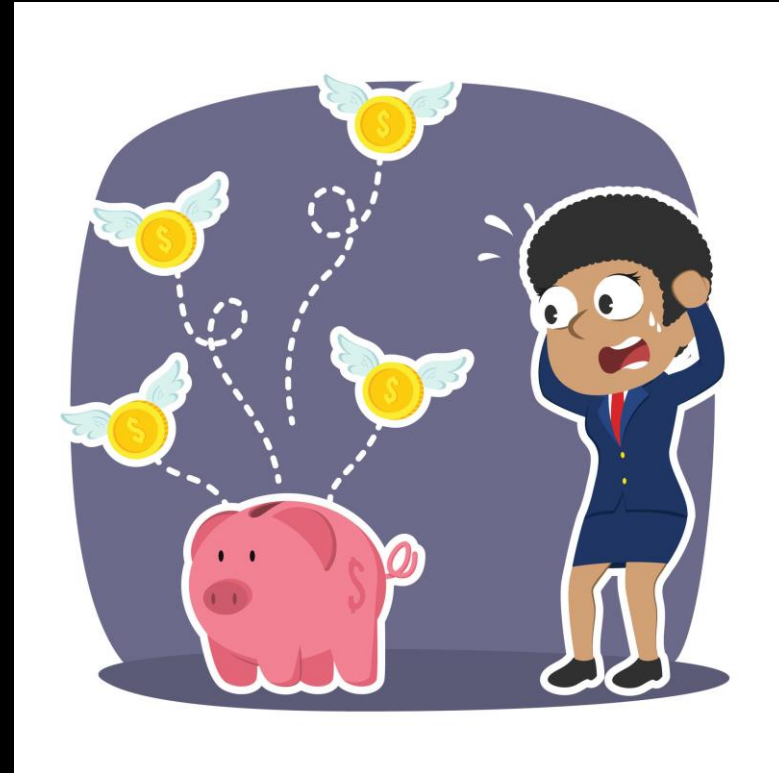


<https://eohhs.ehs.state.ma.us/leadsafehomes/default.aspx>

www.mass.gov/dph/clppp

6. Contain costs.

- “Better to wish you had done a deal than wish you hadn’t.” Warren Buffett
- Don’t overpay for a house.
- Don’t buy cheap materials that will have your reinstalling in five years.
 - Laminate or vinyl flooring with soundproof underlayment better than carpet in every way.



5. Learn the law.

- Discrimination.
 - Reasonable accommodation.
- Lead paint.
- Sanitary code.
- Eviction.
- Security deposits.
- Quiet enjoyment.



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Do not ask or talk about:

Federal

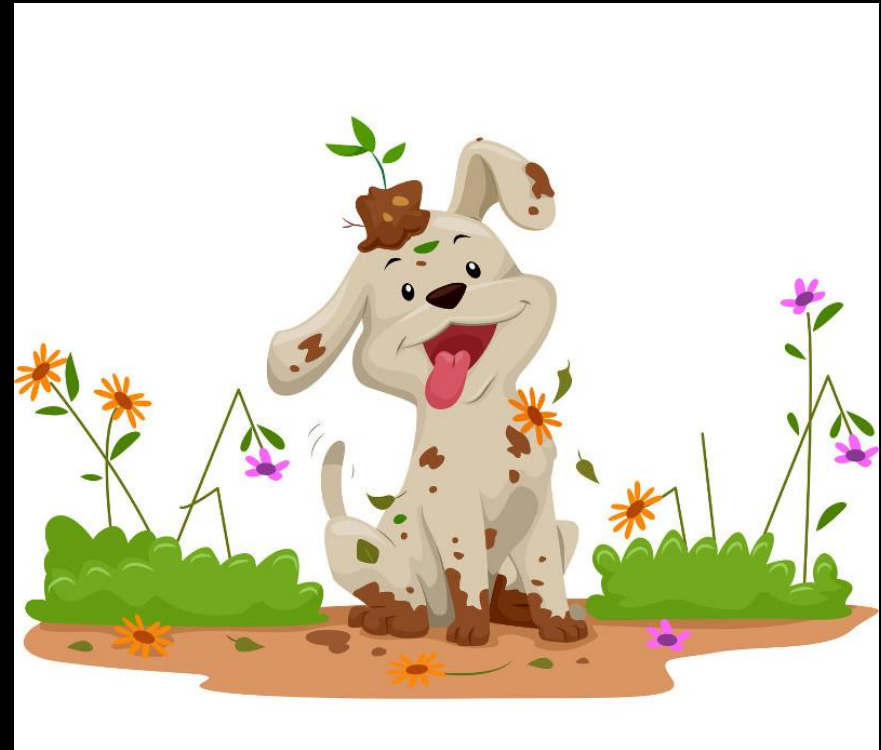
- Race
- Color
- Religion
- Sex
- National origin
- Family status
- Disability
 - physical
 - psychological
 - emotional
 - microbiological, including HIV and COVID-19

State

- Sexual orientation
- Gender identity
- Marital status
- Age
- Ancestry
- Genetic information
- Veteran status
- Membership in the armed forces
- Receiving public assistance
 - Section 8
 - Unemployment
 - "Welfare" or more accurately any government program
- Natural or protective hair styles normally associated with race

Reasonable Accommodation

- Disability protections require
- Seeing eye dog
 - Trained
- Emotional support dog or cat
 - Untrained
- Very limited questions can ask



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Lead Paint

- Cannot turn away a family with children
- Cannot live in a unit with lead hazards
 - Whether known or unknown!



CC BY 3 Bart Everson

State Sanitary Code

- If there are residents in the building,
- You as owner are responsible for 100% compliance the moment you sign
- They may have been okay with bad conditions before
 - Once you tell them to leave, not anymore!
- Plumbing, structure, windows, extermination, much more



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Eviction

- The courts will not produce an empty apartment faster than 120 days from the moment you give notice to the renter.
- Worst case: > 500 days.



Edward Brooke Courthouse Public Domain

4. Build your processes each day.

Examples of chipping away at it:

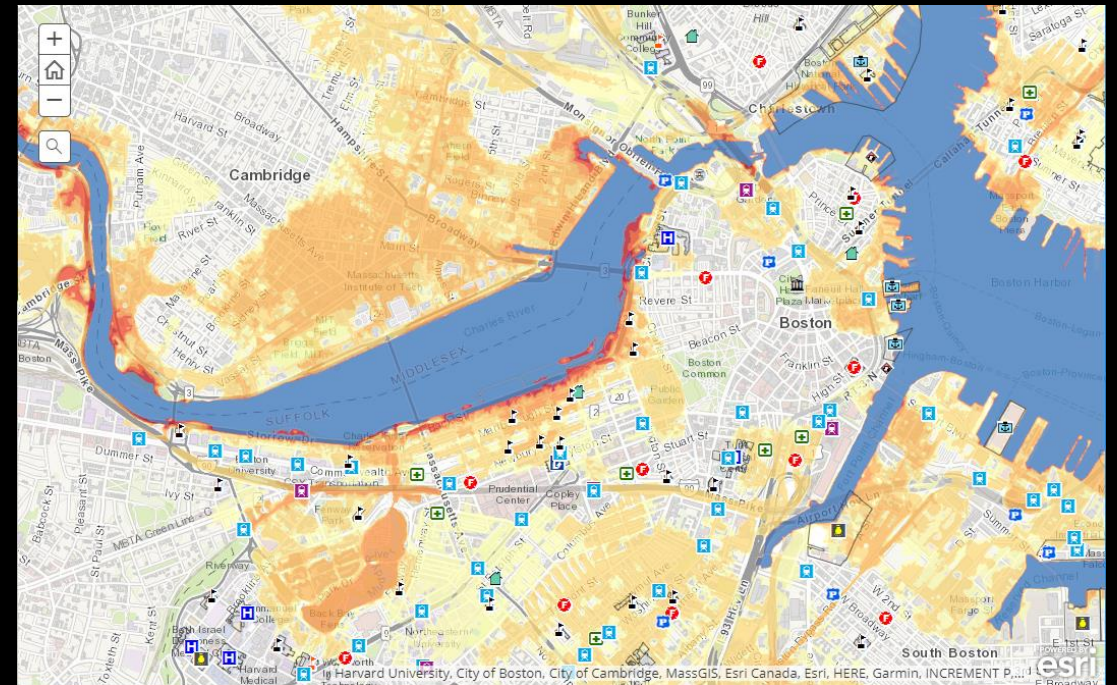
- Review five properties at Zillow or Realtor.com
- Prepare one new rental form.
- Attend one training event.
- Paint one more wall.
- Over time, big projects can succeed!



Pixabay

3. Plan for climate change.

- Physical risk:
 - Rainwater flood
 - Coastal flood
 - Urban heat islands
 - → RiskFactor.com
- Policy risk:
 - Wood, oil, propane xxxx
 - Gas equipment x
 - Heat pumps ✓✓✓✓



Source: MA Office of Coastal Zone Management

Map shows 6' MSL

Storm surge is 6'+

Worst case is MSL 300'

2. Build and take care of your team.

- You can't do it all.
 - Broker who knows investing
 - Optional: tenant screening
 - Insurer who can get you all the coverage.
 - Contractors
 - Plumber
 - Electrician
 - Exterminator (it's your job as owner)
 - Landlord-tenant attorney
- An underpaid team member can betray your trust in ways you would never imagine.
- Screen your team as carefully as your tenants.



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Be careful hiring your cousin or renting to family.

- Your cousin is a lovely person!
 - We assume
- Are they the best person for the job?
What happens if they can't pay rent?
- Will you have a written agreement that specifies how disputes are handled?
- Will there be fallout if you can't work together after?
 - What's really at stake?



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1. Screen your tenants!

- A vacant unit is better than a bad tenant.
- Application from each person 18+.
- Credit.
- Income.
- Landlord references.
- Eviction history.
- Educational attainment.
- Learn how to do this from MassLandlords.



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MassLandlords Fast Facts

- 501(c)6 nonprofit trade association
- Mission: create better rental housing by helping owners
 - Profitable
 - Compliant
 - Quality
- Democratically governed
 - Annual elections for Board of Directors
 - Ongoing policy priorities survey
- 2,400+ members, 7,500 subscribers, 300,000 annual visitors
- Please join and/or become a Property Rights Supporter



We doubled the Massachusetts Schedule LP tax credit for deleasing up to \$3,000 per unit. That's more money in your pocket thanks to MassLandlords! What else have you missed? © MassLandlords.