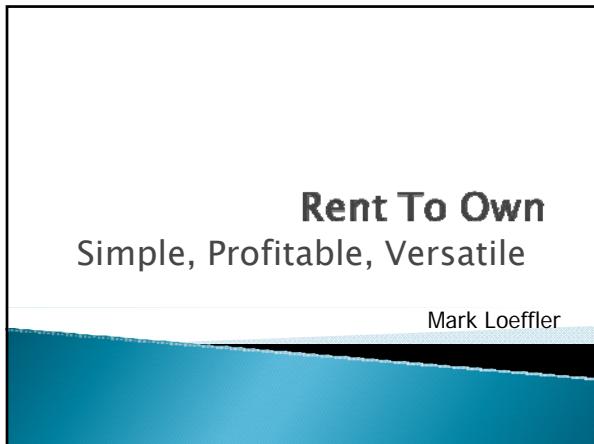


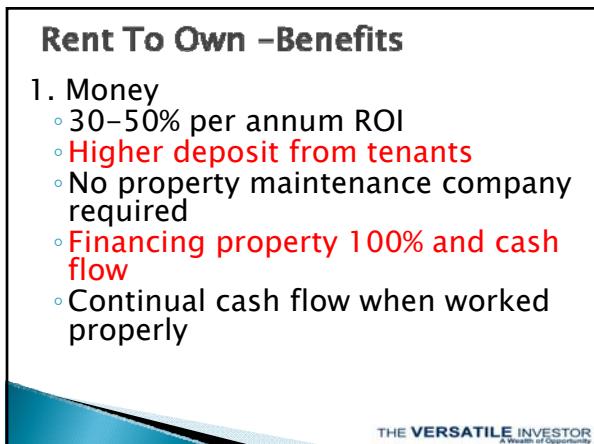
## Rent to Own: Simple, Profitable and Versatile



## Rent To Own -Benefits

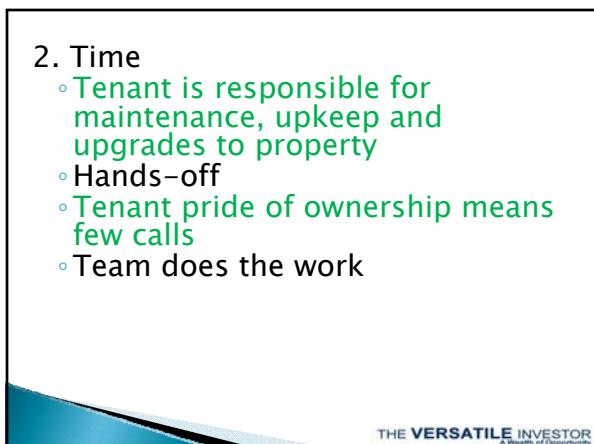
## 1. Money

- 30–50% per annum ROI
- **Higher deposit from tenants**
- No property maintenance company required
- **Financing property 100% and cash flow**
- Continual cash flow when worked properly



## 2. Time

- Tenant is responsible for maintenance, upkeep and upgrades to property
- Hands-off
- Tenant pride of ownership means few calls
- Team does the work



## Rent to Own: Simple, Profitable and Versatile

- 3. People: A Simple & Secure Solution
  - Fixed exit strategy
  - Cash flows in any market –  
Actually easier in a down economy
  - Promotes home ownership –  
Dignity included
  - Positive situation for everyone involved
  - Lease can be conditional on  
securing qualified tenants

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## 1<sup>st</sup> Step: Choose Your Strategy

## 3 strategies you can use for Rent to Own:

1. Traditional Lease
2. Sandwich Lease
- 3. Tenant First**



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## 1<sup>st</sup> Step: Choose Your Strategy

### Type 3: The Tenant-First Strategy

*The tenant-first strategy is just as it sounds. Before you find a property, you choose your tenant, then find the property to match their needs and qualification.*



## The E-Harmony of Real Estate!

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## Mark Loeffler

[theversatileinvestor.com](http://theversatileinvestor.com)

## March 2011 Ontario

# Rent to Own: Simple, Profitable and Versatile



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**1<sup>st</sup> Step: Choose Your Strategy**

Tenant-First: Huge Benefits

- ▶ No Maintenance – Tenant is responsible
- ▶ Pre-planned Exit Strategy
- ▶ Pre-qualified, Quality Tenant
- ▶ Solid ROI
- ▶ Low Risk



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**PLUS! PLUS! PLUS!**

- + Tenant's deposit is used when you are locating your financing instead of your own deposit – OPM
- + Tenant is in place – no need to worry about the property being unoccupied, leaving you with no monthly cash flow
- + You have pre-qualified your tenant, leaving you with less to do

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# Rent to Own: Simple, Profitable and Versatile

## Choose Your Tenants

Step 2 in Your RTO

### 2<sup>nd</sup> Step: Your Tenants

Look for the 3 Q's:

**QUALITY -**

Good people with genuine motives for buying and a real desire to change their situation

**QUALIFIED -**

Both now AND at the end of the rental term with the appreciation rate

**QUICK TO MOVE -**

Ready to go, quick to get you documents and other information, their applications are complete - examining these details and behaviour is the number one way to determine how your tenants will act in the future.

## Choose Your Property

Step 3 in Your RTO

## Rent to Own: Simple, Profitable and Versatile

### 3<sup>rd</sup> Step: Your Property

Here are some tips:

- ▶ Buy low, Sell high applies
- ▶ Don't buy the biggest most expensive house on the block
- ▶ Single-family homes are typically more liquid vs. multi-units, as they give you a broader-base to sell.
- ▶ Find a knowledgeable realtor IN THE AREA who has experience with, or is, a real estate investor.

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### 3<sup>rd</sup> Step: Your Property

## Mark's Top 5 Cures for Property Headaches:

- ▶ Turn off all lights, take photo with digital camera with flash on, it will help you identify water marks on the ceiling
- ▶ If basement is exposed, look for knob and tube wiring

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- ▶ A typical furnace is 20–25 years IF it's been maintained, anything older than that you'll probably need to replaced
- ▶ If you see icicles hanging from the eves there's heat-loss in the attic (insulation issue)
- ▶ Gauge the seller –meet them, trust your gut and find their motivation for selling the home.

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# Rent to Own: Simple, Profitable and Versatile

## 3<sup>rd</sup> Step: Your Property

You've Got A Property In Mind – But Is It A Good Investment?

The quick way to find out: A great spreadsheet!

This working spreadsheet, at 80% financing, is available on The Versatile Investor.com.



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### Sample Spreadsheet:

Hamilton, ON  
Property

4 Year Term

•Treat Each RTO as its own Profit Center.

•Each RTO has its own P&L

Purchase Price	%	Monthly Figures	Actual Figures
<b>Financing Information</b>			
1st Mortgage	80%	\$225,000	
Total Mortgage		\$220,000	
<b>Investment</b>			
Down Payment	20%	\$55,000	
Land Transfer Tax		\$2,000	
Legal Costs		\$1,148	
Disbursements (GST + PST)		\$400	
Tenant Locator Fee		\$8,000	
<b>Less: Security Deposit (from Lessee)</b>			
Total Investment	21.69%	\$59,648	
<b>Profit from Sale/Transfer</b>			
Sale/Transfer Price	6/5/5/6%	\$334,264	
Add: Exercise of Option Fee			
Less: Remaining 1st Mortgage		(\$205,516)	
Less: Legal Cost to discharge		(\$350)	
Less: Initial Investment		(\$59,648)	
<b>Less: Security Deposit (from Lessee)</b>			
Less: Monthly Credits to Lessee		(\$7,500)	
Total Profit from Sale/Transfer		(\$13,932)	
<b>Gain from Monthly Cashflow</b>			
Less: Payments		\$1,935	\$9,886
Less: Debt Service - 1st Mortgage		(\$875)	(\$41,997)
Less: Property Tax		(\$308)	(\$14,748)
Less: Insurance		(\$60)	(\$2,880)
Less: Debt Service - Investor			\$6
Total Profit from Cashflow		\$692	\$33,219
<b>Net Profit</b>			
Net Profit		\$80,583	
<b>Return on Investment (Per Annum)</b>			
Return on Investment (Per Annum)		34%	

## Your Target Marketing

Step 4 in Your RTO

## Rent to Own: Simple, Profitable and Versatile

## 4<sup>th</sup> Step: Your Target Marketing

If you are using anything other than a tenant-first strategy, your marketing strategies will fit in here. If you choose a tenant-first strategy, you will use these marketing techniques before you hold your open house



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# You Need A Tenant – Get The Word Out!

## Internet

- More bang for your buck, you can write something, add pictures etc
- You will receive a more targeted base of inquiries instead of wasting your time with people who aren't educated about the area
- Reaches more qualified people than traditional advertising



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## 4<sup>th</sup> Step: Your Target Marketing

## Offline Advertising:

- ▶ Local Newspapers
- ▶ Smaller local newspapers – usually cheaper
- ▶ Post flyers on bulletin boards and, if legal, lamp posts in the area your property will be
- ▶ Word of Mouth – use your network!



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## Rent to Own: Simple, Profitable and Versatile

## Choose Your Partners

## Step 5 in Your RTO



## Write Your Deal

## Step 6 in Your RTO

## Rent to Own: Simple, Profitable and Versatile

## Final Step?: Writing Your Deal

## Determining The Rental Term

- ▶ Based on the credit score and the items on the report, you must now determine the rental period.



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## ► Things To Consider:

- How long will it take a tenant to repair their credit?
- What is their TDS, and can they realistically pay them down to be mortgage-ready in a few years?
- Someone who has slightly bruised credit may only need a 1 year term, whereas someone with severely-beaten credit would need a 3 year term to give them the time to increase their score

You are dealing with people, respect that

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## Final Step?: Writing Your Deal

## The What If's...

- ▶ The tenant moves out in the middle of the night?
- ▶ The tenant trashes the house?
- ▶ The tenant doesn't pay the rent?
- ▶ The tenant can't afford to purchase the property at the end of the term?
- ▶ The tenant wants to buy out early?



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# Rent to Own: Simple, Profitable and Versatile

## Why Rent To Own

Time, Money, People...

Thank you

[www.theversatileinvestor.com](http://www.theversatileinvestor.com)