

HOW TO ESTIMATE RENT

Ah, the age-old question: what will this property rent for? There are Zestimates and online calculators galore! But are these numbers accurate?

It depends on the neighborhood. And the search radius that the online calculators are using.

It's always best to do your own research, so you can then accurately calculate cap rate. It's not hard, but it does take a bit of research. Let's get started!

LET'S ESTIMATE RENT RATE STEP-BY-STEP!

Step 1: Pick a zip code. It doesn't have to be the area in which you want to invest. Any old zip code will do! The purpose of this exercise is to become familiar with the process of estimating market rent.

Step 2: Enter said zip code on realtor.com (or another similar site) and click "rent"

Step 3: Narrow down the results by choosing only single-family homes with three beds and two baths.

Step 4: Zoom in on a particular neighborhood and select three properties within a one-mile radius. Now record the data below for each property.

PROPERTY #1**Address:** _____**Monthly Rent:** _____**Square Footage:** _____**Rent per bedroom** (monthly rent/number of bedrooms): _____**Utilities included?** _____ **If so, which ones?** _____

Describe the finishes of the house (e.g., does it have granite countertops? Have the bathrooms been updated? What kind of flooring does it have? Be as descriptive as possible!):

Follow Up (see below for instructions on this):**Week 1:** _____**Week 2:** _____**Week 3:** _____**Week 4:** _____**PROPERTY #2****Address:** _____

Monthly Rent: _____

Square Footage: _____

Rent per bedroom (monthly rent/number of bedrooms): _____

Utilities included? _____ **If so, which ones?** _____

Describe the finishes of the house (e.g., does it have granite countertops? Have the bathrooms been updated? What kind of flooring does it have? Be as descriptive as possible!):

Follow Up (see below for instructions on this):

Week 1: _____

Week 2: _____

Week 3: _____

Week 4: _____

PROPERTY #3

Address: _____

Monthly Rent: _____

Square Footage: _____

Rent per bedroom (monthly rent/number of bedrooms): _____

Utilities included? _____ **If so, which ones?** _____

Describe the finishes of the house (e.g., does it have granite countertops? Have the bathrooms been updated? What kind of flooring does it have? Be as descriptive as possible!):

Follow Up (see below for instructions on this):

Week 1: _____

Week 2: _____

Week 3: _____

Week 4: _____

NEXT STEPS:

Set a reminder on your calendar to check back on these listings once a week for the next month. Note any changes. Has the rent price moved up or down? Is the property no longer listed? Document any changes or additional information that strikes you.

Repeating this activity in the neighborhoods you're interested in purchasing your first rental property will help you become very familiar with market rent in these areas and notice trends (Are utilities always included? Does every home have granite countertops and a Jacuzzi??) and enables you to accurately calculate cap rate. Happy researching!