



ANALYZING A PROPERTY

*Thinking about How to
Think*



Your Guiding Statement



YOUR GUIDING STATEMENT

Every month/year (circle one), I'm going to save _____ towards buying a rental property.

I'm going to buy rental properties that are:

___ single family homes

___ multifamily

___ I'm open to either option

I'm looking for properties that cost less than _____ in total. If it's a multifamily, I'm ideally looking for _____ per unit, or _____ per bedroom.

I do/do not (circle one) want to buy properties that need a significant amount of upfront repairs to become rent-ready for the first tenant. I define "significant" as _____.

I will not buy a property until I have a minimum of _____ set aside as cash reserves for this property. While that is my personal minimum reserve requirement, I would ideally like to set aside _____ before buying this property.

My objective is to buy _____ properties per year / per every two years / per every three years / per every four-five years or longer. (Circle one).

I will only buy properties that have a minimum cap rate of _____ in the estimated middle-case scenario.

I will only buy properties that have a gross rent multiplier of _____ or lower.

The following characteristics are "dealbreakers" that would cause me to NOT buy a property:

1. _____
2. _____
3. _____

The following characteristics are "red flags" that would cause me to hesitate about buying a property:

1. _____
2. _____
3. _____

The following characteristics are ideal that would get me excited about a particular property:

1. _____
2. _____
3. _____

I will require my tenants to meet the following criteria:

1. Credit score? _____
2. Income? _____
3. Number of years with the same employer? _____

I will be flexible about the above tenant-screening criteria under the following conditions:

(For example: if a tenant has no credit score, will I rent to them?)

I will/will not allow pets. (Circle one)

If I do allow pets, I will only allow the following types of animals _____

If I do allow pets, the maximum number of pets I will allow in the home will be _____

If I do allow dogs, the maximum weight limit and the restricted breeds, if applicable, is _____.

This is how I will handle the positive cash flow from my properties:

1. I will maintain a minimum cash reserve of _____
2. I will maintain an ideal cash reserve of _____
3. If I spend my cash reserve as a result of repairs, Capex or vacancies, I will prioritize replenishing my cash reserves above all other goals until my reserves reach a minimum of _____
4. I will use the cash flow from my rental properties for the following (circle all that apply):
 - growing even larger cash reserves
 - making upgrades and improvements to the property
 - saving for a downpayment on another rental property
 - making extra payments towards the principle balance on the mortgage
 - other: _____

I will only sell my home under the following economic conditions:

For example (writing prompts):

If there's a market decline and the home value drops 50 percent, will you sell?

If the home value stagnates, but does not increase, will you sell?

If the rental income stays flat, but does not increase, will you sell?

If neighborhood rents decrease, will you sell? How much will the area rents need to decrease (e.g. what cap rate would you need to experience) before this triggers a "sell" signal?

If you have two consecutive negative tenant experiences, will you sell?

What if you have three consecutive negative tenant experiences?

If the property -- either by a tenant, or by normal wear-and-tear, or by a weather event or other natural cause -- needs \$X in sudden repairs, will you sell? What is that \$X threshold?

If selling the home could generate enough income that you could repay other mortgages or debts, would you sell?

I will only sell my home under the following personal conditions:

For example (writing prompts):

If you or a loved one experiences an illness or an accident, will you sell?

If you and your spouse divorce, will you sell the property? Will one person get the rights to the property? Will that person buy out the other spouses' share, and if so, how will the valuation be determined? Will you both remain co-owners as business partners, and if so, is it mandatory to use a property manager?

If you need a large lump-sum of cash -- for example, to pay for college -- will you sell?

If you move overseas, will you sell?

How will you determine if you are satisfied with this rental property?

How often will you revise and update this guiding statement?