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## How To Rent Your GO Zone Property

By Dr. Chris Anderson, Ph.D.

Congratulations. You have now purchased your GO Zone property and you are well on your way to reaping your 50% bonus depreciation. Hopefully you have read this report LONG BEFORE you decided to purchase in the GO Zone. If you have not, hopefully now it is not too late.

For your property, you really have 4 distinct choices that you can make in your management approach:

1. You can completely manage it yourself;
2. You can pay someone to lease up the property and then manager yourself;
3. You can have the property completely managed for you; and
4. You can specifically seek a Rent2Own tenant which may create many different management issues

Unfortunately, most people have to choose only one of these paths when they select an approach for a property manager or leasing agent. At GoZonOnLine.com, we advocate a slightly different approach than most by keeping all options open until a tenant is found and then making a final decision at that time. However, I have only seen that option available for select and specialized properties.

In this report, we will detail each of the four approaches for you to consider. However, before we get into the specifics of each, we need to address two distinct parts of property management and what that means to you.

### The Two Distinct Parts Of Property Management

Many people really don't understand what a property manager does for them. In reality you can separate their job into two distinct parts:

*Lease Up:* This includes advertising, showing the property, and doing everything necessary to produce a tenant. Obviously if this part is done poorly, the unit will not lease and, more importantly, no revenue will be generated.

*Management:* This includes collecting rents, enforcing lease terms, answering tenant questions, distributing funds to the property owner, arranging for repairs, serving late notices, and if necessary, evicting the tenant and then doing any clean up necessary to replace the tenant.

Typically, the property manager gets paid for BOTH of these parts. During lease up, they expend very real dollars advertising the property and thus they typically want a lease up fee. In many locals, the usual and customary charge is ½ of the first month's rent.

Next, they receive a management fee as a percentage of the monthly revenue that typically ranges in the 5-10% range. Note that the actual management fee can vary widely depending upon the area.

### **Managing The Property Yourself**

If you are like many other GO Zone investors, you do not live near the GO Zone property that you are purchasing (or considering to purchase). In this situation, you should really think hard about if it makes sense for you to manage the property completely yourself. Based on many years of experience, I would only suggest this to someone who has managed several properties before and really understands all the in's and out's of property management from afar.

However, if you are new to rental properties, it is probably not a good idea to try this on your own from a distance. If you really want to manage a property on your own, then I suggest that you learn from managing a property in your own backyard and let the professionals handle your GO Zone property.

### **Pay Someone To Lease Up Your Property & Then You Manage**

In this case, you get a licensed property manager or lease up specialist to find a tenant for your property. The bad news is that not too many rental managers really want to enter into this type of relationship since they only get a portion of the revenue. While they make take your property on this basis, you have to wonder if they are going to steer a tenant towards your property or towards one that they actually manage.

This type of arrangement works really well if there is an agent (or someone you know) that ALREADY knows of a tenant. In this case, they may not be in the rental management business at all and thus glad to make a few bucks for bringing you a tenant.

Please note however that we really don't recommend this option to investors unless they already have experience managing the property. There will always be issues with tenants that are really no big deal if you are used to it, but can be quite traumatic for the out of state manager.

### **Pay Someone To Completely Manage Your Property**

For out of state owners, regardless if a property is in the GO Zone or not, this is the most common option. Typically, you sign a property management agreement for a period of time (frequently 1 year) and then the property manager begins to market (or at least you hope they do).

In this scenario, you will almost always encounter an unfortunate chicken & egg scenario: you must commit (via contract) to the property manager prior to knowing if the manager can produce a quality tenant. From the manager's point of view, they are not willing to expend advertising until you have firmly committed and quite frankly, I cannot blame them. As a consequence, you typically have to choose the best manager possible.

In order to select the manager, then we strongly suggest that you talk to them and others and determine the following:

1. Their experience;
2. The number of properties under management;
3. The number of vacant properties;
4. How they will advertise your property;

5. How many new properties do they envision adding in the next few months\*\*

\*\* This last criterion can be somewhat unique to the GO Zone. Because of the extreme investor interest, you have builders and developers trying to sell as many properties as possible to the investor. Then they enlist the aid of a property manager who then can suddenly find 50 or more properties dumped on their desk to rent up. A property manager with too many properties on the table may struggle to focus on your property unless they have adequate personnel to do so.

The last feature to keep in mind for this type of management is the requirement to “materially participate” for GO Zone tax benefits. While this is definitely a discussion for your CPA, many investors are keeping an active hand in all key decisions and updates so that they can actually materially participate.

### What About Rent2Own?

There is a last option for your property that could prove to be your most valuable weapon; Renting the property to someone that would ultimately like to own the property. This approach takes on many forms and can be called anything from a lease-option, to lease-to-own, to Rent2Own, to owner financing, just to name a few.

In concept, all of the approaches are essentially the same with the goal being to give someone a chance to own a home (specifically your GO Zone home) that does not typically qualify for a mortgage. In this day and age of tightening credit, it turns out that there are a lot of people in this category.

Back in my early days of real estate, I used to run (and own) a large portfolio of Rent2Own properties. Now the bad news for you on this topic is that most rental managers have NO CLUE how to operate this type of program successfully. They treat the people as if they are simply a tenant with an option to purchase. In reality, they should be treated as an owner who is currently renting.

The number of potential “tenants”, as compared to rental only, can double or triple if you have a good approach to Rent2Own. Since it can be very difficult to accomplish from long distance, your only real option is to find a manager who “gets it”.

One thing you can do is go to <http://www.gozoneonline.com/Jan30.html>. Depending upon when you read this report, you can either attend our live training session on this topic or you can listen to the replay. Either way, you can learn a lot from that resource and it may really help you spot a manager that actually knows what they are doing in Rent2Own.

### A Shameless Plug

At GoZoneOnline.com, we work with single family home developers who develop a small number of quality rental properties in the GO Zone. In addition, we structure our rental programs very uniquely; the properties are coupled with our [Rental Assurance Program™](#). This is a program that uses a combination of

- Rent2Own through a very experienced group;
- Access and added incentives to multiple area property managers to increase the chance of finding a tenant; and
- Tight timelines to deliver a tenant.

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We strongly believe that this combination approach, along with producing a limited numbers of properties (in order to not saturate the rental market), is the key to a happy investor experience in the GO Zone.

### About The Author:

As a native of Florida for most his life, and as a current resident of the Gulf Coast, Dr. Anderson is an advocate of the Government sponsored redevelopment of the hurricane impacted areas. As an investor and a business owner for most of his adult life, he understands the unique challenges and opportunities for individual investors.

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In addition to investing, Dr. Anderson was very active in both the engineering and academic communities. He received his Ph.D. in Electrical Engineering from North Carolina State University in 1990. After being an educator on the graduate electrical engineering faculty at the University of Florida for over 10 years, he decided to concentrate solely on his rapidly developing business and investing portfolio. He and a long-time business partner formed [GetPreConstructionDeals.com](http://GetPreConstructionDeals.com) to bring world class investing education, tools, and opportunities to the general public.

Today, Dr. Anderson contributes a 100% of his efforts to the growth and development of the on-line communities of [GoZoneOnline.com](http://GoZoneOnline.com) and [GetPreConstructionDeals.com](http://GetPreConstructionDeals.com). He is a frequent speaker, educator, and author of articles that are featured on 1,000's of web sites across the internet.

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GoZoneOnline.com is owned and operated by Investor Properties, LLC, a licensed real estate brokerage in Mississippi, Alabama, and Tennessee.

We specialize in properties with:

- Rental Assurance Program to know that your property will be rented fast;
- No Risk, Tax Qualification Program to make sure you can benefit from the GO Zone; and
- Quality single family developments for long term, growth and appreciation.

Email [chris@gozoneonline.com](mailto:chris@gozoneonline.com) to get started