

Property Tour Guide

Over the years, I walked numerous properties and over time created a comprehensive questionnaire I use to cover all the information I need during property tours. You can see these questions in the Property Tour Questionnaire.

One way to use the Property Tour Questionnaire is to copy the questions to [EverNote](#) on your phone or iPad, and use them in your tour. I like using Evernote because I can take photos and record memos and attach them to my notes, so I have everything in one place. If you don't like using an iPad on tours, you can simply print the Property Tour Questionnaire.

The best and most effective way to do property tours is to have your property manager with you. They can provide important information and help you understand the property condition better. Tours are usually conducted with the broker and the seller's on-site property manager. The key to a successful tour with the seller's property manager is to engage them and make them an active part of the tour. Make them feel comfortable with you and encourage them to talk candidly about any problems or concerns that they might have. This is how you can gain some valuable information from them about your prospective purchase.

After the tour is done you'll need to update your underwriting based on the new information you received. You should also receive an updated operations and CapEx budget from your PM.

Here are instructions to show you how to use the Property Tour Questionnaire and what to look for when you tour a property. You can find the clean version of the Property Tour Questionnaire in this folder.



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Prior to Property Tour

General Information

Come prepared to the tour and have the information in this section ready in front of you.

This section is designed to be a quick reference while you tour.

Year: year of construction

Units: number of units

Sold: when and for how much (e.g. “sold in 2012 for \$65K/door”). You should have this information if you purchased access to an information platform such as Yardi or CoStar.

Otherwise, you can ask the broker during the tour.

Class: what is the property class A/B/C

Cap rate: based on what the broker tells you and based on your underwriting (can get different #s here).

Price: what is the whisper price

Area Observation

This part will incorporate information about the property’s surrounding area. Drive 2 miles in each direction before/after the tour. I always try and see if I like the area and feel safe there. I also try to assess if the area is in the path of progress – if the neighborhood is improving, or if I see old retail near new retail. Always think from tenants’ perspective: will they want to live here? Is this place a desirable place to live? It doesn't have to be fancy, but homey, clean, and not overly secluded.

A/B/C location? Is this an A, B or a C location?

Churches nearby: how many and how far from the property?

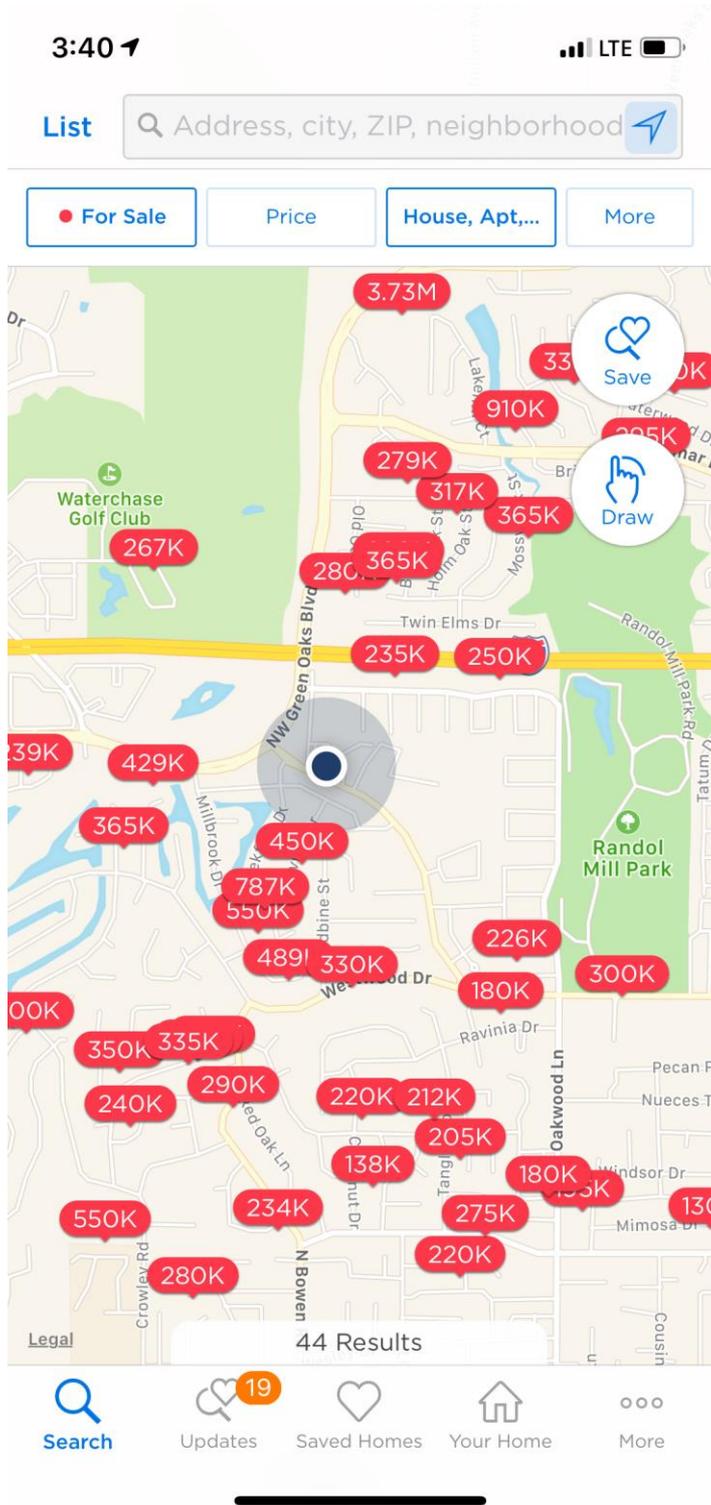
How far are schools: how many and how far from the property?

Any restaurants nearby: how many and how far from the property?

Nearby home prices: open Zillow and look at nearby home prices. If they are \$300K+ and above, then it’s one indication that the area is strong. However, if home prices are \$70K, then it’s a red flag. These numbers are true for the markets I’m active in. Those number can change, of course, based on your market. Here’s an example:



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Closest retail center: is it old or new? A new retail center could be an indication of a strong area.

Closest Chipotle, McDonalds, Walmart: are they old or new? If those large companies invested in a new store, then it could be an indication of a strong area.

How close is Starbucks: if Starbucks is less than 1mi away, it's a great sign. I call it "the Starbuck's test". Starbucks have a huge budget to search for strong demographic fundamentals to build their next store. The further the Starbucks is from the property, the more I question the strength of the area.

Is there a park nearby: the more parks – the better. Tenants love parks.

Shop the Competition

This stage takes time and requires going to nearby properties. You can go or send someone or your behalf to pretend to be a potential tenant. You can also talk to management and tell them that you are interested in buying the nearby property and ask for their cooperation in sharing information. I've done both. When you shop the competition, get information about rents – both for classic and renovated units.

Ask to walk a vacant unit and understand the level of renovation that is popular in the area and the premiums they generate. Look at amenities to understand how your property is compared to comps.

Lastly, ask for all the different fees they charge (they usually have a print out). It's an important piece of information, because some fees are included in rents, and you want to make sure you compare apples to apples. For example, a renovated 1-br apartment rents for \$950 and a similar size renovated unit across the street is renting for \$1,150. Now, the first property is either under market, which means you can buy it and raise rents by \$200. Or, the second property includes utilities and pet fees in the rent, and if you add those costs to the first property, rents are the same.



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During the Property Tour

Initial Observation

Start with walking around the property, the entry, parking lot, and around the building.

Is the property easy to find? If you found it hard to find, other tenants might not even know it's there and you'll have to spend more on marketing to attract tenants.

Curb appeal: how strong/nice is the curb appeal? Look at landscape, signage, the general look. Do they need refreshing? Do they look good? Bad curb appeal isn't necessarily a bad thing; you can improve landscaping and put nicer signage and attract more tenants this way.

Condition of exterior: is it in good condition, or deteriorating?

Are there signs of cracking on the exterior?

Condition of parking lot: does it look good or needs stripping? Fill potholes? Repaint parking spots?

How is the lighting in the parking lot? Do you need to add more lights?

Are there any covered parking? If yes – what is the premium and is there demand for more? If no – what could be the premiums and is there demand/need to build carports?

Are there any security cameras? Usually there is one at the leasing office and/or the pool area. Do you need/want one on the property?

Is there a security gate? Do you need a security gate?

Is there any deferred maintenance? If the owner needed to replace the roofs, for example, this year, but didn't, you will need to budget for that.

- I also make a note of the cars I see parked outside. Cars that are old and falling apart, or missing a window will tell you a great deal about the tenants.

Amenities

Continue with touring the amenities.

Which amenities get a lot of use? You might want to improve popular amenities that need a fresh look, such as new gym equipment.



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Which amenities would you add and at what premium? This is a chance to ask the property's PM what amenities they would add. They know the property and the tenants (not in all cases, but in many cases). This could be a good opportunity to brainstorm some ideas and verify the demand for other ideas that you thought to implement in the property. The PM will tell you if there is need for new/improved amenities. Examples are: Reserved Parking, Carports, Premium Parking Spaces, Garages, Storage, Bike Storage, Pet Yards, W/D (washers and dryers), Technology Package (Nest, USB, etc.), Amazon Locker Parcel, Dog Park, Dog Wash Station, Shared Office Space, etc.

Which amenities would you eliminate? The PM will tell you which amenities are not being utilized by tenants, so you can consider whether you want to convert the space and use it for something else. For example: adding W/D in units and converting laundry facility to an Amazon Locker Parcel.

If I give you \$150K, how would you spend it to fix or improve the community?

Fees

Try to understand if there is an opportunity to add more fees and increase NOI. You can add new fees or increase current ones if they are below market.

What fees can we add and at what premium?

- * Valet Trash
- * RUBS
- * Pet Fee
- * Pest control
- * Pet Deposit
- * Location Premium
- * View Premium
- * Short Term Leases
- * Club House Rental
- * Premium Gym Classes



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Interior Tour

Time to walk the units. Ask the PM to show you a classic (unrenovated) and a renovated unit, if possible.

What is the condition of the unit? Does it look decent? Just OK, or smells like mold?

Are there cracks on the walls? If yes, consult with your PM and ask them to look into it.

Are there leaks around the windows or ceilings? If so – consult with your PM

Is the unit representative of a typical make-ready? This will give you a good indication of the look and feel of a unit tenants rent.

Is there a large walk-in closet? That would be nice...

Is the kitchen open concept? An open concept is always better. Sometimes you can open a kitchen for relatively low cost. Consult with your PM.

Any W/D connections? Connections are expensive to install, but most apartment have them. If you have connections but tenants bring their own W/D, you can add W/D as an amenity and charge a premium.

What types of units are in demand in that area? You want to understand if the property is at, below, or above market standard.

Unit Renovation

of renovated units: X

Renovation cost: \$X

Renovation premium: what is the premium that renovated units get compared to classic units?

Renovation scope: write down what the renovation includes. Usually it has a least one of these: Stainless steel appliances, Granite Countertops or Resurfacing Countertops, Faux Wood Floor, New Fixtures, Lighting Package, Backsplash, etc.

Suggested Renovation

Is there a strong demand by existing residents for upgraded units?

Are renovated units rented by existing tenants?

Have residence left for newer or renovated properties?



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of units to be renovated:

Renovation cost: to be estimated with your PM

Renovation premium: what is the future premium and is it proven?

Renovation scope:

General Questions for Owner PM:

How long have you been managing the property? Try and get a sense of how knowledgeable the PM is.

What's today's occupancy? Confirm the info you received from the broker.

Lowest occupancy since you've been here? Try to understand why it was lower.

Who is your biggest competitor? What is their main advantage? The PM will know who they are losing tenants to. Look closely into the property's biggest competitor and the reason for that.

What is the main selling point for this property over the comps? Why do tenants choose this property over comps?

Are there any down units? If yes -how many?

Tenants

Who lives here? Understand the property's demographic: blue/white collar, students, young professionals, tech people, senior citizens, families, etc.

Is there crime on the property? What type of crime and how frequently?

How do you screen tenants? You don't want to buy a property with problematic tenants. Criminal, credit check, etc should be done by current management.

Do you except felons? Well that's an important question...

What are your income requirement? The standard is 3x. Some properties do 2.5x. Below that will be a red flag.

Are there any section 8 tenants? If yes -what percentage?



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Rents

Are there any month-to-month leases? If yes- how much?

When was the last time rents were increased? If management hasn't raised rents in a while, it could be a good opportunity. Try to understand the reason for that.

Do you use LRO or YeildStar or do you set your own rent? if they don't use a professional software, there might be some room to raise rent to match the market.

Do you think you are charging the maximum amount for rent, or do you think you can push the current rents?

What is your retention %? If it's low, try to understand why.

Is there a peak leasing season? Many times it's around the summer time. You might be buying in off-season, so take that into consideration.

CapEx

Look closely at the CapEx related areas with your PM. Make sure they take notes and budget for those items.

Are there any drainage/plumbing/mold/foundation issues?

How old is the roof? Some roofs need replacement after 10-20 years, and even if they are in good shape, you need to budget for that just to be safe.

Are there any roof leaks?

When was the last time you repaired the roof and parking lot?

Has there been any foundation work done?

Has the property ever flooded/any storm damage?



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General Notes



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