

How Can I Make a New Rental Cash Flow?



Dear Property Guy

By Mike Zoormajian

Dear Property Guy:
With all the people moving here, and not enough new construction, Central Oregon property looks to be a solid investment. Especially with the stock market where it is. I am looking at buying a rental house in Bend or Redmond. How much will I need to put down to get into this, and for it to cash flow for me?

— Bend Investor

Dear BendVestor :
The short answer is: It depends. Achieving positive cash flow depends on a number of factors, but let's look at some very general assumptions.

First, let's define "cash flow." This is a term used by real estate investors to describe an asset that generates enough rental income to cover all its expenses (taxes, maintenance, insurance, reserve fund, etc.).

The biggest factor for achieving a positive cash flow is how much cash you put down initially. If you pay cash for a million-dollar house, and rent it for a couple thousand a month, you will have positive cash flow. This would be a poor return on investment, but it would be positive cash flow.

Conversely, when financing a rental ("non-owner-occupied property" in real estate speak), any lender will generally require 25% down. Coincidentally, this is also the bottom end of the range where a property will be cash neutral. That is, neither generating, nor consuming cash.

Whether this holds true for a particular property depends on many factors, including: acquisition cost, finance rate, rent, depreciation strategy, tax rate, management fees, and maintenance costs. Working through a detailed financial forecast with likely revenues and expenses is critical before making any investment.

I recommend joining Central Oregon Rental Owner's Association (COROA). They are a great source of information and resources. There are also many worksheets available online to analyze a rental investment.

— Mike

Dear Property Guy:
My daughter and granddaughter are moving to Sisters from the east coast. They will need to have a rental ready for them when they arrive. Can you give me a list of questions to ask potential landlords, and questions they need to be prepared to answer?

— Sisters Grandma

Dear Grandma:
Great question. Most tenants don't ask the hard questions beforehand, so you are definitely one step ahead.

From the landlord side, generally speaking, all they want to know is: "Can you pay the bills?" and "Will you keep the place nice?" So she should be ready with: credit history, rental history, and proof of employment or other income. That's it. Easy.

In addition to reviewing the lease closely, here are my top five questions to ask any landlord:

- Are there any

- non-refundable fees?
- Describe your ideal tenant.
- What is the pet, guest, sublet policy?
- How are repairs handled?
- Is renter's insurance required?
- Who handles landscape maintenance?
- What are the average utility costs?

In addition to the above, the very best way to see if you really have a fit is to talk with the current or past residents and ask about their experience.

— Mike

Mike Zoormajian is Principal at WetDog Properties in Sisters. Providing investor, property management, and relocation services. Send questions to: letters@wetdogpnw.com

Legal advice is worth what you pay for it. Consult an attorney before doing anything crazy.

It's not Just a Transaction... It's a Relationship.



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Appeals court to consider Trump family planning rule

SAN FRANCISCO (AP) — A federal appeals court says it intends to quickly consider whether the Trump administration can impose new abortion-related restrictions on federally funded family planning clinics.

The 9th U.S. Circuit Court of Appeals on Thursday issued an order in lawsuits brought by more than 20 states and healthcare organizations challenging the new rules. The rules include a ban

on taxpayer-funded clinics making abortion referrals.

The appeals court also clarified that the government has the green light to impose the rules as the cases move forward. Some of the plaintiffs had believed an earlier decision from the court blocked the rules.

It doesn't appear that the U.S. Department of Health and Human Services has yet taken steps to put the rules into effect.

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