



# Chicagoland2to4Flats.info

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## EFFECTIVE Property Searching

In this market where listings range so much by type and condition, it is so easy to end up on a wild-goose chase. **What must occur instead is to learn to separate wheat from the chaff and hone in on what you want.** Here is how we think an EFFECTIVE property search works:

- 1. First, analyze and compare all neighborhoods of interest.** Under Sales/Demographics at our website, we provide 10 years of price appreciation data and detailed maps of each of the 77 areas you can print. The “60% more detail” tab will let you register for our exclusive private client reports. And the Chicagoland2to4Flats.info ‘Magic Map’ property search will let you quickly overview many areas—to SEE what different areas offer.

When all is said and done and you know several neighborhoods to investigate, ask us to set up for you a ‘closed-sale driving tour’ so you see exactly what investors are paying.

- 2. We will help you learn to intelligently read listing sheets.** Here are some clues:

What's the difference between 'new', 'newer', and 'updated'? 'Newer' and 'updated' are NOT new! A newer kitchen may be 7-10 years old! Rehabbed' or 'Gut rehab' may be misused, but should mean <i>all is new</i> .	'Mechanicals' (roof, heating, etc/) are the 'bones' of the building. Unless a listing says 'rehabbed' or specifies what is new/newer, you should assume OLD mechanicals (it won't say "old roof," but if it says <u>nothing</u> , the roof is probably very old).	Be sure to watch for <b>illegal units</b> (e.g., 3 units described on a 2-flat listing sheet); you may still want to buy the property but we will never recommend renting anything illegal. (We think it often makes sense to duplex.)	If you see a rent amount listed but NO security deposit or lease term, then the rent may just be an estimate (often overestimated). For Section 8, we typically see 800-850 for a 5-2-1, 950-1000 for a 6-3-1, and around 1250 for a 8-4-2.
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- 3. We will also want to help you clarify and set a focus on property condition:**

<b>“LITTLE OR NO” WORK</b>	<b>“SOME” WORK NEEDED</b>	<b>“GUT REHAB” NEEDED</b>
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We say “Little or No” work, but – trust us – few 2- to 4-flats in Chicago truly need NO work over the next several years. Here's a chart of typical costs (add the numbers and you'll find **50K on the light end, 100K in the middle, 150K at the high end**):

Time	Typical \$	Description
<input type="checkbox"/> Yrs 1-3	10-20K	<i>Immediate safety and building 'stabilization' issues</i> (i.e., the building inspection list of short-term, important repairs). Few 100-yr old buildings need NO work!!!
<input type="checkbox"/> Yrs 1-3	10-30K	<i>Duplexing or enlarging apartments if possible to increase rent</i> (and to eliminate any illegal garden units). Many buildings can command enhanced rent!!!
<input type="checkbox"/> Yrs 3-5	10-20K	<i>Mid-range necessary building repairs</i> (i.e., the building inspection list of things that didn't have to be done immediately).
<input type="checkbox"/> Yrs 4-6	10-40K	<i>Updating/upgrading windows, heat, electric, plumbing, etc..</i> Putting on a new roof or rebuilding porch and/or garages probably must happen at some point!!!
<input type="checkbox"/> Yrs 5-7	10-40K	<i>Some modernizing</i> (kitchens/baths, etc.) eventually will probably be needed unless the future of this building is to deconvert or condo'ize.
<i>And then there is the PORCH.' Virtually NO porch built before 2007 meets the new code—and there is no grandfather provision. The city can't ask EVERYONE to rebuild their porches—but they will be ask some to!</i>		

Does this seem daunting? We can offer this hope: most investors view the first loan they take out as a temporary loan. That is, their intent is to refinance the property in as short as one year so as to let the building pay for its own updating.

In addition, we would point out that, especially if you choose 100% financing, you may be investing very little of your own cash into this purchase. The funds you might have invested are now available to help you take care of the building. And we can even help you get up to a 2% seller credit at closing to help you have the funds you need to manage the whole transaction.

4. **Establish realistic cash-flow expectations.** Remember, unless you put a huge amount down, the PRE-TAX CASH FLOW is never large on a 2- to 4-flat. Probably the TAX SHELTER will please you more (your tax advisor can help you understand exactly what's involved). But even the post-tax net may not be that large. For most investors, it's the third factor – PRICE APPRECIATION versus the small amount invested – that 'seals the deal.'

By the way, even Commercial property (5-units plus) generally only break even on a pre-tax basis (unless you put more than 20-25% down). In other words, even for larger property, it's not about short-term Pre-Tax Cash Flow; it's Tax Shelter and Price Appreciation.

5. **Get pre-approved.** We are pleased to have **Guaranteed Rate**, the Midwest's largest independent residential mortgage lender, as our lending partner. They have an expertise in the 2- to 4-flat market, a wide range of products, and an ability to help you intelligently pick the right loan. **BRIAN WEIS** is our contact; his direct phone is 773-290-0591.
6. **Now you're ready to go see listings. But, before you ask for any showings, your job is to rule out 80% of them.**
- If you know a neighborhood and the market extremely well, this stage can be completed at home. But, for most investors, **drive-by's are a key part of this step:**
  - In addition, using the Chicagoland2to4Flats.info Property Analysis Spreadsheet, you should **conduct a careful financial analysis**. Only by examining many listings will you get good at seeing which ones are the best.
7. **Go inside only those properties you think you might want to buy.** The point is that you need to get quickly get to properties of highest potential—and not waste time on the rest.
- 20% of the listings out there will probably be worth going to see—they are the wheat, not the chaff. Your goal must be to hone in on the 1 in 5 truly worth your (and our) time.
  - If the existing listings don't fit the bill, then you must learn to play the new listing game. Here the rules are different: 1 in 5 new listings will be so hot it flies off the market, and so here it is the most AGILE investor who wins.
  - You should also be aware of what we call EXIT STRATEGY (which means to consider the time frame you will need to hold the property and the amount of work you will need to do in order to sell it for a profit).

Overall, here's a standard to shoot for: if you do all the homework listed here and drive-by's, you shouldn't need to see the inside of more than 6-8 properties if going non-owner occupied or 10-12 if owner-occupied before putting an offer in.

*Does this all sound a bit tricky? We think NOT – as long as you have the help of a good lender and a good realtor. And, as far as working with Chicagoland2to4Flats.info, we are pleased to tell you that all our services to you are FREE (we only get paid if you buy and then 100% of what we get paid comes from the seller)*

*On the other hand, while our services to you are free, we will ask that you **HIRE US**, meaning that you agree to work exclusively with us for your purchase (as opposed to having multiple real estate agents), a request that we think is only fair.*