

**MULTIFAMILY
LAUNCHPAD**

WITH JONATHAN TWOMBLY

REAL ESTATE INVESTMENT
EDUCATION



ASSET MANAGEMENT PART 1 – YOUR ROLE

Module 10 – Video 4

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VIDEO OVERVIEW

What's covered:

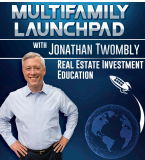
- Your role as Asset Manager
 1. Increase asset value
 2. Report to lender
 3. Report to investors
- Managing the Manager (Part 2)
- Understanding the Reports (Part 3)





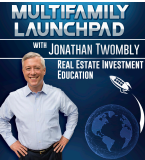
INCREASING
ASSET VALUE

YOUR ROLE – INCREASE ASSET VALUE



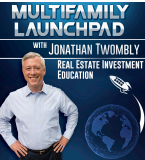
- At its most basic, your role as asset manager is at least to maintain, and preferably to increase, the value of your asset
- Thus, your role is to:
 - Approve annual budgets prepared by management company
 - Monitor performance of asset through review of financial statements, discussions with manager, and site visits
 - Make major decisions about the property, such as approving bids for work
 - Monitor the market to understand rent levels, expense levels, and comp sales
 - Seek ways to improve Net Operating Income:
 - ✓ Cut expenses and seek efficiencies
 - ✓ Improve revenues – new sources of income, better processes, etc.
 - Decide when time/market is right to sell the property

YOUR ROLE – INCREASE ASSET VALUE



- Some ideas for cutting expenses:
 - ✓ Reduce turnover costs by being careful with rent increases
 - ✓ Requiring renter's insurance – claims paid, insurance increases avoided
 - ✓ Reducing utility expense by installing low-flow toilets and showers, identifying and stopping leaks, installing LED lighting in common areas, etc.
 - ✓ Closing down the pool – saves water and insurance costs
 - ✓ Review and re-bid all provider contracts every year
 - ✓ Buy other properties nearby and share staff or bid out all vendor contracts together for volume discounts
 - ✓ When you grow big enough, ensure all properties on a single policy to save costs
 - ✓ Challenge all property tax reassessments

YOUR ROLE – INCREASE ASSET VALUE



- Generally easier to add new revenue than to cut expenses
- Some ideas for increasing revenues:
 - ✓ Water/sewer chargebacks (RUBS) and pest/garbage chargebacks
 - ✓ Laundry machines and vending machines
 - ✓ Pet rent
 - ✓ Application fees and early termination fees
 - ✓ Storage space & bike parking rentals
 - ✓ Covered parking or reserved parking
 - ✓ Rent clubhouse for tenant events
 - ✓ Billboards and cell phone towers
 - ✓ Converting non-revenue spaces into new units



REPORTING TO LENDER

REPORTING TO LENDER



- As asset manager, it's your role to report to the lender
- Submit financial statements according to loan documents
 - Often: monthly for first 12 months and quarterly after that
 - Annual budgets and annual reports
 - Annual personal financial statements for Key Principals, Guarantors, etc.
- Ensure that property is meeting required DSCR levels
 - Must make sure that property manager understands how they are calculated, because lenders differ (ex. MTM leases, etc.)
- Can delegate reporting to your property manager, but it's your job to make sure manager is complying with lender requirements
- Also coordinate between lender and others, such as insurance broker, accountants, etc.



REPORTING TO INVESTORS

REPORTING TO INVESTORS



- Report on same schedule you report to lender (monthly, then quarterly)
- Send financial statements from property manager along with commentary summarized from your discussions with manager:
 - Routine operational matters
 - Staffing changes
 - Unplanned capital work since the last report
 - Upcoming planned capital work
- Inform investors immediately of any material issues affecting property
- Oversee accountants in preparation of K-1s, tax returns, and annual reports
- Make distributions (monthly, quarterly, or annually, etc.)
- Goal: never have an investor call or email asking for information



Q&A IN THE FACEBOOK GROUP

Next up:

**Module 10 – Video 5
Asset Management – Part 2
Managing the Manager**