

# INVESTINSTUDENTRENTALS.COM

*with Gillian Irving*

The truth is, when the perceived risks associated with student rentals are identified and dealt with, the upside, especially the stronger than average cash flow – makes them a fantastic real estate investment.

This is how we at InvestInStudentRentals.com handle some of the most common perceived risks:

- 1) **We have student rental insurance.** There are lots of insurance policies out there, but it is really important to get insurance designed specifically for student rentals. It is a bit more expensive, but it covers you for specific risks (like vandalism) that regular insurance policies often don't.
- 2) **We have an awesome property manager.** My property manager is an expert in the student rental market. It is his core business competency. He is known as the “party wrecker” by some of my tenants and I love that! It's not that I don't want students to have fun at university; I just don't want them to damage my house while they do it. A property manager who regularly “patrols”, drives by and checks in during weekend nights, will signal to the kids that their parties can't get out of control without someone noticing.
- 3) **We have a “bullet proof” lease.** This is the most important document in a student rental. Our lease protects us from most of the perceived downside risks. In our leases, for example, students are “jointly and severally” responsible for any and all damage above ordinary wear and tear in the house. That means, if someone throws a rock through the kitchen window and doesn't admit to it, everyone in the house has to jointly pay to fix it.
- 4) **Eliminate Drugs and smoking.** We are sure to include a clause about illegal activities and smoking not being tolerated in the house. I am not totally naïve. I know that some students smoke pot inside anyway, but at least we have the option to evict if we suspect or catch them.
- 5) **Have a “cleaning clause” in the lease.** A cleaning clause protects us from things getting really, really dirty and unsanitary. It allows us to give the students 24 hours notice of their obligation to clean to our satisfaction otherwise a professional cleaning crew will come in at their expense and do it for them. Most students will scrub properly and quickly if given this option.
- 6) **We get parents to co-sign the lease.** My parents never co-signed anything for me, nor did the parents of anyone I know. But times have changed. Parents are much more involved in the choices their kids make and are ready to step up financially in most cases too. This co-signatory gives you the

# INVESTINSTUDENTRENTALS.COM

*with Gillian Irving*

protection you need from non-payment. If the student doesn't pay, you go after the co-signer.

- 7) **We offer an on-time payment reward.** Landlords are not legally allowed to financially penalize students if they pay late (e.g. charge \$5.00/day for late rent payment). But we are allowed to incent them to pay on time. For example, we set rent at \$520 month, but if the student tenants pays on time on the 1<sup>st</sup> of the month, rent is only \$500 month. If the student is late paying more than once or twice, the higher rate will be in effect for the rest of the lease.

Alternatively, we can ensure prompt payment by a) asking for post-dated checks b) getting your students to sign up for online payment options (like RentMoola.com or tenantpay.com) or c) set up a PAD program with your bank.

- 8) **We reward great behavior.** We have one group of students that keep their house absolutely spotless. As a reward for their great behavior, we buy them all pizza every once in a while. It is inexpensive, builds goodwill and encourages the good behavior to continue.
- 9) **We take time to explain the lease to your students.** For many kids, this is the first time they have been away from home. They have no clue what a lease is and what their obligations are. We have had students who simply moved out mid-lease and had no idea that they were on the hook for the payments on the room even though they weren't living there anymore. A simple 20-minute meeting can remedy the most common problems.