

6 STEPS

TO RENTING OUT YOUR CONDO

by Carl Dy





ABOUT THE AUTHOR

Carl Dy is a property investor and President of Spectrum Investments, a property portfolio management company. His recent post was as Director for Sales for the Philippines' largest developer, Ayala Land Inc. He has more than a decade of experience in the property business advising clients on how to balance their portfolio, manage their tenants and maintain their properties.

He believes that property investment, just like business, is not an automatic money generating product. One must have a passion for it, create and execute a strategy and give time and effort for the investment to flourish.

He has given talks, written articles on property investing and has been featured in MoneySense magazine, Entrepreneur Magazine, various broadsheets, and in several radio and TV programs, including ANC's on the money.

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STEP 1: KNOWING YOUR MARKET

One of the basic needs of every human being is having a roof on top of their heads for shelter, whether it is house or a condo unit. With condos becoming more affordable in the general Metro Manila area and Filipinos having better income, chances are that most working Filipinos are in the market for these condo units rather than getting the basic house and lot. With this trend, there are a lot of first time condo investors asking themselves one basic question: “Once I get the keys to my new condo unit, what should I do next to make this investment thrive and bloom?”

Most successful businessmen will say that investments are all about taking risks. However, what most people don’t know is that businessmen take time to study what kind of risks are involved, and if that risk is all worth it in the end. Just like every business endeavor, doing your homework is very important.

Before you advertise your unit, here are my top 5 tips so that you have an easier time finding a tenant to rent your condo unit.

TIP 1: STUDY YOUR NEIGHBORHOOD

Look at the location of your condo unit. Check if there are certain establishments such as offices, schools, malls, etc. One of the most appealing

factors for possible tenants to rent your condo unit is that it might be near their workplace, or if it is a family-friendly place near a schools for the children or recreational establishments that will allow tenants to refresh themselves from the rigors of a busy day at work.

Always put in mind that your immediate market will be the people around the general vicinity of your condo unit.

TIP 2: CAREFULLY CONSIDER YOUR MARKET

In any kind of investment, an investor should always know who the target market is for the

SAMPLE TARGET MARKETS

IS YOUR TARGET TENANT A STUDENT FROM THE PROVINCE?



OR A YOUNG SINGLE MIDDLE MANAGER WHO WANTS TO LIVE INDEPENDENTLY FROM THEIR PARENTS?



OR MAYBE A FAMILY WITH KIDS?



products or services being offered. It is very important that you have an idea of who your condo will appeal to the most.

TIP 3: KNOW YOUR PRODUCT

Before you start looking for possible tenants you need to make sure that you are very familiar with the specifications of your condo unit.

Ask yourself this, what makes your condo unit unique and interesting? Is it the only condo that is a few steps from a university? Does it have a large infinity pool and a well-equipped gym? Is your condo unit the newest in the area? If your condo is old, is it well maintained and has big room area sizes?

Once you have identified the unique features of your condo unit, it will greatly help you make a good sales pitch for your possible tenants.

TIP 4: RESEARCH THE GOING RATES

You need to identify how much the current going rate is for your condo size. Check the average price ranges, from a low bare unit to a fully-furnished condo unit. This will ensure that you don't overprice or underprice your condo unit.

This can be done by inquiring through your condo unit's building administration, checking the classified ads, and websites like sulit.com.ph.

TIP 5: RECOGNIZE THE ACCESSIBILITY OF PUBLIC TRANSPORT

If your potential market is not walking distance

from your condo unit, the next best thing you can check is the public transport routes that intersect with the area of your condo unit.

IT'S NOT A WELL-KNOWN FACT THAT THERE ARE MANY WILLING TENANTS WHO WILL BE HAPPY TO RENT A CONDO THAT IS JUST ONE JEEP, MRT OR FX RIDE AWAY FROM THEIR WORKPLACE OR SCHOOL.

Many possible tenants will consider the convenience of having a condo unit that is one ride away from the place they usually go to in any given day of the week when choosing a unit.

REMEMBER

Always bear in mind that investing in condo units is not an automatic income generating investment. One has to be patient and give it a little time and effort to realize the best outcome for an investment.

Just like any other business, an investor has to be familiar with the product that he wants to sell, consider his target market, and then make his product desirable to wow his identified market.

STEP 2: FURNISHING YOUR UNIT

After identifying your target market, your next step is to furnish or renovate your unit.

Consider questions such as: What furniture and appliances do I include? Should I fully furnish it or do I leave it bare? Do I hire the services of an interior designer? Should I just decorate it myself?

Personally, I would advise on fully furnishing a unit. Although there will be possible tenants that have their own furniture, I believe the market requiring fully-furnished units is larger.

Normally, tenants avoid buying large appliances that they cannot take with them when they transfer, so it is best you buy these items.

Examples are:

Air conditioning, washer/ dryers, refrigerators, oven and cooktops, microwave, beds and mattresses, curtains, lighting fixtures, side tables, cabinets and drawers, and TVs.

If you would like to make your unit more irresistible, you can go as far as putting in a nice sound system, iPod dock, Wi-fi router, rice cooker, kitchen and dining utensils, lazy boy seats, king size bed, etc.

I would hire the services of an interior designer as they not only draw and design for you, but they also help you save time on where to purchase the right furniture and accessories. A good interior designer knows where to buy the right pieces to make your unit look great and they might also know a cheaper place to buy your furniture. Your interior designer can also save you time on site inspections and can help you avoid problems before it happens.

Nevertheless, if you have design taste and have the spare time to design your own unit. Here are some tips:

TIP 1: DECIDE ON A THEME

Will you go Asian, European, Modern, Funky, Classic, or Oriental?

It is important that you stick to one theme. Self-designed units have a tendency to have too many elements. Make sure you have a central focus on your unit such as a beautiful painting or artwork.

TIP 2: MAKE IT UNIQUE

For your unit to stand out and be ahead from your competitor's unit, have at least one market differentiator in your unit.

Some examples are expanded bathrooms, walk-in closets, or gender-specific features such as a large LCD TV with a Bose sound system for the male target market, or a well-lighted dresser with glasstop surface for your female target market.

TIP 3: STORAGE

The goal is to keep your tenant happy so they keep staying in your unit.

One secret to retain tenants is to provide a lot of storage for their personal belongings.

Unless another unit has similar storage space, it will not be easy for your tenant to transfer to another unit. Maximize space by creating cabinets under beds, shoe cabinets, or floor to ceiling cabinets in the toilet.

TIP 4: THINK ABOUT THE COMFORT OF YOUR TENANT

Always have your tenant in mind when you furnish your unit. Design your unit in a way that you will personally be happy living in it.

As much as possible, avoid buying appliances or furniture based on a low prices alone, and also consider its durability, ease-of-use, and if it adds beauty to your unit.

Give your tenant something to look forward to when they come home. A nice washer/dryer? A nice cooktop, air fryer, Nespresso machine, or high thread count Egyptian sheets are some suggestions you might want to think about.

TIP 5: FOCUS ON QUALITY AND DURABILITY

When buying furniture and furnishings, give priority to products that will last. Having this in mind will help you save on future expenses. Good quality furnishing will also look better and add more value to your unit.

HOW LONG DOES IT TAKE TO FURNISH A UNIT?

QUICK RENOVATION
1 WEEK



COMPLEX RENOVATION
6-8 MOS.

Furnishing a unit can be as fast as one week for a quick renovation where you buy furniture off the shelf, to as long as 6-8 months if you need the services of an interior designer and a contractor to execute the drawings. Made-to-order furniture, ceiling works, repainting, and change of flooring can also add to the length of your renovation.

In my opinion, furnish your unit to the best that you can afford and to the quality that you will personally be happy to rent the unit.

If you provide a well-designed unit and make your tenant comfortable in their stay, rest assured you will get tenants who will return the favor, take care of your unit, and renew their lease contracts.

STEP 3: ATTRACT RENTERS TO YOUR UNIT

Now that you've done Steps 1 and 2, it's time for you to spread the word and attract potential tenants to come view your unit and eventually sign a lease contract with you. Many condo owners miss this crucial part of the rental process, which leads to untenanted units.

THE RULE OF THUMB IS, THE MORE INQUIRIES YOU GET, THE BIGGER CHANCES YOU HAVE.



Here's what you can do:

TAKE PHOTOS

After furnishing your unit, your next step is to take striking pictures of your unit. You will be able to use your photos in your internet posts and ad materials to entice potential tenants to consider your unit. Make sure your photos bring out the beauty of your unit and even enhance it. You can also take pictures of the building amenities and nearby establishments.



MAKE A SALES PITCH FOR YOUR UNIT

Create a description of your unit that highlights its unique features. Make sure it answers the needs of your



target tenant. Make the description exciting but accurate.

Instead of just saying 1BR unit for rent, you can say "Hotel-like 1BR with relaxing ambience for rent". You can also highlight unique features (e.g. abundant storage, king size bed, cozy interior, walk in closet, bright and airy interior, all new furniture etc.)

USE TRADITIONAL MEDIA

Advertise your unit for rent in newspaper's classified ads, buy & sell magazines, newsletters or create flyers that will reach your target tenant.



Newspaper ad placement might cost Php300-Php1,000 per placement, but it is a worthwhile expense as newspapers reach a wide audience.

USE THE INTERNET AND SOCIAL MEDIA

More and more possible tenants are also looking to online sites to look for units to rent. Online classified sites like sulit.com.ph and ayosdito.ph are popular nowadays because searching for a specific unit type is easier, and searchers immediately see images of the unit and all its features in one go.



This is where the beautiful pictures of your unit and enticing description can help your unit stand out.

Facebook and other social media sites can also help spread the word.

SEND OUT DIRECT LETTERS TO OFFICES

If you are targeting certain office buildings around your condo, another option is to make a direct letter to the HR department of these offices and present your unit. There is a big chance that the HR personnel will know who in their workplace is in search for a condo for rent.



HOLD AN OPEN HOUSE

Instead of accommodating inquiries to view your unit on various schedules, it will be more convenient to set an open house day to view your unit. This can be a one day open house or a weekend open house, whichever you think is ideal for your target tenant. You can stage your unit during the open house to make it more inviting for your inquiries (which I will discuss in detail at Step 5-Staging your unit).



SPREAD THE WORD

Your goal at this point is to spread the word to as many people as you can, the more people who come to know about your unit, the faster you are able to get to your tenant.



If you are busy and do not have time to do all the above steps, you can hire the services of a licensed real estate broker to help you find your tenant.

ANOTHER ADVANTAGE ALSO FOR THE OPEN HOUSE STRATEGY IS IF THERE ARE A LOT OF VIEWERS, THERE IS A NATURAL TENDENCY FOR PEOPLE TO WANT YOUR UNIT MORE AND MAKE DECISIONS TO SIGN UP FASTER.

STEP 4: STAGING YOUR UNIT FOR VIEWING

Now that you have inquiries who responded to your advertisements, it is time to impress the potential tenant. Staging your unit is very important since this is the crossroad between turning off your inquiry or closing the deal.

Your goal here is to make your unit stand out from other units so that clients will fall in line and rush to close rent with you.

Here are some tips to make sure your unit will be at its best:

RULE OF THUMB IS TO TURN YOUR UNIT INTO SOMETHING YOU'LL PERSONALLY BE HAPPY TO LIVE IN.



TIP 1: EXPERIENCE STARTS AT THE CURB

On your viewing or open house day, make sure you request your building maintenance to clean the lobby, elevators and hallways. Your potential tenant is already observing the building even before he enters your unit.



TIP 2: FIX ALL BROKEN ITEMS

Make sure you invest a little time and cash to fix

broken glass, leaking faucets, cracked paint, broken drawers, cabinets etc. Retouch the walls and/or cabinets. The tenant will most likely prefer a unit that looks new and feels new.



TIP 3: CLEAR ALL CLUTTER

Clean up clutter that will make your unit look cramped. Remove old magazines, old door mats, old photographs, refrigerator magnets, etc. Make sure no food is inside your fridge and oven.



TIP 4: LET THE LIGHT IN

Open all your lights and curtains to make your unit bright and spacious. Open your air-conditioner a few minutes before the viewing to create a comfortable ambience.



TIP 5: THE SCENT FACTOR

The best smell in a show unit is no smell at all. Not everyone loves the scent of flowers. A smoker may not be as sensitive to cigarette smoke as compared to a non-smoker, in the same way pet owners seem to be immune to pet scents.

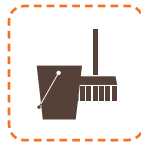


If you must use scents that are clean, crisp or mild like fresh towels or baby soap. Make sure there are no stale cooking smells in the kitchen. The best option really is to clean the carpets, scrub the floors and airconditioning units, replace old furniture or ratty carpets that may be the source of the smell. In other words, don't mask it, eliminate the source.

IF IT CAN'T BE HELPED, DON'T OVERDO THE AIR FRESHENER OR SCENTED CANDLES, DIFFERENT SCENTS APPEAL TO DIFFERENT PERSONALITIES.

TIP 6: CONSIDER PROFESSIONAL CLEANERS

If your unit has been unused for quite some time, make sure you have it cleaned before your viewing. If you are busy, there are professional cleaners that can hire to come vacuum, scrub and clean your unit for Php600-Php3,000 depending on the size of the unit. You can inquire with your building admin or concierge for cleaning suppliers. Also, have your aircon unit cleaned regularly.



TIP 7: PAY ATTENTION TO THE TOILET

Flush the toilet before your client arrives; even an unused toilet can leave a putrid smell over a long period of time. Check the grout, make sure there's no grime or mold growing over your tiles.



TIP 8: NIGHT VIEWING

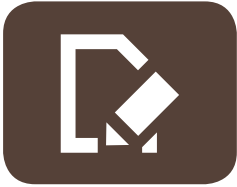
An often overlooked strategy is to view at night. If your unit has a wonderful view of city lights, maybe a night time viewing will add the edge you need. Also, if you have attractive lighting installations, it can add the drama you need to upstage other units.



REMEMBER

Your ultimate goal is to make your unit match the requirements of the potential tenant. Treat your inquiries like friends and welcome them to your unit. Know what's important to them, what you have may not always match what they're looking for. If you are busy and you're uncomfortable entertaining inquiries, you might want to consider hiring the services of a real estate professional to assist you.

STEP 5: DOCUMENTS NEEDED FOR RENT



After going through multiple viewings and client presentations, you are now ready to accept a tenant. Now the big question is, what are the necessary documents and contracts needed to make sure both the owner's and renter's interests are protected?

Initially, the LESSEE (renter) will need a Letter of Intent as the first step of the negotiation. This is not a binding document but gives the LESSEE an overview of what he is getting.

1. PROOF OF OWNERSHIP

Before entering a rental agreement, the lessee will need assurance that he or she is indeed transacting with the rightful owner or an authorized representative of the owner.

This can be as simple as showing the lessee a copy of the title or a Special Power of Attorney (SPA), it can also be in the form of a board resolution for corporation-owned units. These can be provided upon the lessee's request.

2. OFFICIAL RECEIPT AND TAX REGISTRATION

If a corporation will be renting your unit, they may need to verify your tax credentials as part of their due diligence, and you will be required

to issue an official receipt.

3. LIST OF INCLUSIONS

Prepare a list of furniture and appliances included in the condo as an annex to your contract. The inclusion of utilities like cable TV and internet must be carefully specified in the contract. It's best if you list down the price of these items, contact name and number from where it was purchased as a reference to the lessee in case something breaks.

The most important document you will need is your Lease Contract or Rental Agreement. It is there to help give clarity to the terms of agreement as well as protect you from any possible claims that may arise. Here are some tips on what information you need to include in your Lease Contract.

IDENTIFYING THE PARTIES

- Full Legal Name of Unit Owner (Lessor) - including address
- Full Legal Name of Renter (Lessee) - including an office address or home address

IDENTIFYING THE UNIT AND THE LEASE RATE

- Exact unit to be leased out - indicate all pertinent details on your unit and parking

slot.

- Term of lease - this means how long you are letting the Lessee use the unit.
- Amount of lease - usually quoted on a monthly basis, but can also be yearly, daily or quarterly.
- Advance rent - common practice is to have a 2 months advance for a 12 month lease.
- Security deposit - usually the value of 2 months rent, this is used by the owner to clear unpaid bills and fix damaged items. It is usually released 30-45 days after tenant lease ends.
- Conditions of payment - indicate the amount of each monthly payment, due date, and method of payment (e.g. post dated checks, bank payment, monthly collection).
- Utility payment - indicate if electricity, water, cable TV, internet, telephone, use of function rooms and extra parking are covered by the Lessor or Lessee, It is also best to include who pays for late payment penalties.
- Violations and penalties - it is best also to include conditions on payment for building violations, construction penalty, damages on a building's common areas.

CONDITIONS OF USE

- Use of unit - identify the purpose of use (e.g. residential, storage, commercial, for restaurant, for dry goods, for tutorial, etc.)
- Improvements and alteration - it is usually acceptable to let your Lessee improve your

unit to suit their lifestyle and taste and make their stay more comfortable unless your unit is fully fitted out and you do not want anything changed.

- Insurance - it's best to indicate that the owner does not insure the items inside the unit against force majeure or theft. The tenant may opt to get insurance to cover for their valuables at their own expense.
- Aircon maintenance - to ensure aircons are well maintained, you can specify required cleaning by your Lessee at certain intervals. (Every 6 months for split type, annually for window type are common schedules.)
- Repairs - items damaged by the Lessee are usually on their account, especially if it was damaged during the course of their use.
- Building equipment - this is to indicate that the Lessor has no responsibility to maintain or repair common building areas & equipments like hallways, elevators, general systems of electricity and plumbing.
- Inspection of premises - this clause allows the owner to inspect the interior of unit when needed. This is needed in case you need to verify if there is a violation in the usage of your unit.
- Sublease or transfer of rights - sublease is further renting out the unit to more tenants. For residential units, the usual practice is not to allow the tenant to further rent the unit.
- Maximum allowable person - it is best to agree on a maximum headcount on the

number of people who will stay at the unit to avoid overcrowding.

- Selling of property- in case you want to sell your property while the lease is ongoing, you might want to add this to allow transfer of ownership to a new owner as long as the ongoing lease agreement is honored.
- Hazardous & prohibited material - this is a clause stating that storing substances that are harmful and illegal would mean immediate termination of lease agreement and eviction of Lessee.
- Rules and Regulation - on top of the conditions in the lease agreement, the Lessee also needs to comply to regulations promulgated by the building association.
- Pets - depending on the association rules, big pets, livestock, live poultry are usually not allowed in most residential buildings.
- Abandoned property - if the unit is abandoned for a certain period of time without notice, and there is failure to pay rent, the Lessor has the right to re-enter and take possession of the unit without need of court action.
- Default Payment - in case of unpaid rent and utilities for a certain period of time, Lessor has the right to rescind or withdraw the lease agreement.
- Escalation - you can indicate a possible escalation in price. Some tenants prefer that Lessors indicate a fix escalation rate to also protect them from overpricing.
- Violations - the Lessor may consider to add this clause to withdraw or terminate the

lease agreement without need of any court action, re-enter and take possession of the unit without being liable to prosecution if there are violations made to the lease contract.

- Abandoned furniture and equipment - should the lease contract end or be rescinded, the Lessee should remove remaining personal items within a certain time period, else the Lessor becomes authorized to sell or dispose of the abandoned items.
- Attorney's fee and court venue - in case the Lessor resorts to judicial action because of violations in the lease contract, you can indicate conditions of payment on attorney's fee, court expenses and cost of litigation.

AS A UNIT OWNER, WHAT YOU ARE AVOIDING ARE PROBLEMATIC TENANTS WHO DELAY OR DEFAULT IN PAYING RENT, MISUSE YOUR UNIT, USE YOUR UNIT FOR ILLEGAL ACTIVITY AND OCCUPY THE UNIT BEYOND ITS CAPACITY.

The lease contract formalizes your agreements in writing and be bound by those agreements set by both parties. Having the proper lease contract enables a smoother transaction and having a well written and complete contract lessens the chances of unwanted tenants at the onset. It is best if you meet with your tenant before you sign up, get references or go through an experienced broker. When making that contract, you can seek the guidance of a real estate professional or a lawyer.

STEP 6: TAKING CARE OF YOUR TENANT

Congratulations. You now have a source of passive income, and your money is now working for you.

But does your job stop at just collecting rent? No way! Remember, your tenant is the goose that lays you the golden eggs. You would want them to stay as long as possible in your unit.

THE GOAL IS TO KEEP THEM, SO THAT THEY WILL CONTINUE TO RENEW AS LONG AS POSSIBLE WITH MINIMAL INCONVENIENCE TO YOU. IF YOU EXPECT ON TIME RENT PAYMENTS AND PROPER CARE OF YOUR PROPERTY, TENANTS ALSO HAVE EXPECTATIONS FROM THE LANDLORD.

Here are some tips on taking care of your tenants. Follow these and I can assure you of continuous renewals and less vacant days for your rental property.

TIP 1: TREAT YOUR TENANT LIKE YOUR BEST CUSTOMER

Give your tenants the attention and appreciation you would give to your best employee or biggest customer. A good, paying tenant is the most important formula in your rental business. Treat them well, and they will surely return the favor.



TIP 2: START OUT ON THE RIGHT FOOT

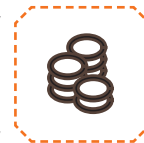
Make the move-in day special. Treat it like a ceremony for closing a 1-year business contract.



Some ideas include giving a small token or gift personalized to tenant's taste. A basket of basic first-night supplies like tissue paper, drinks, snacks, soap, instant noodles etc. will surely be appreciated.

TIP 3: PROVIDE VALUE TO YOUR TENANTS

Your rental price should be fair and reasonable. Your tenant will eventually be able to compare rental rates and you want them to feel they got an even deal. Also, try to add in some extras to make your unit stand out from the others. For example, a simple media player with a lineup of HD movies, air purifier, or orthopedic mattress will make your tenant feel they got a great deal.



TIP 4: MAKE A DIRECTORY

Create a list of service providers and repair companies. This will empower your tenant to take care of minor repairs on their own instead of relying on you. Some essential numbers include: building admin, building security, police,



nearest hospital, repair companies, plumber, electrician, air con repair and cleaning, housekeeping cleaners, etc.

TIP 5: BEREACHABLE

Just like how you respond to your best customer, if you miss a call from your tenant, call back immediately. If your tenant has concerns or worries, try to address it immediately if possible. For concerns outside your area of responsibility, discuss with your tenant courteously that it's outside your scope as lessor and offer options. Always keep an open line for your tenant.



TIP 6: BE OPEN TO UPGRADE OPTIONS

Should your tenant require options not included in your unit, avoid declining the request but instead discuss win-win solutions. I have encountered tenants who requested for darker curtains, a bigger refrigerator, brighter lights, bigger bed, etc. If your budget permits, discuss with your tenant additional increase in rent to cover for the added capital expense. Most often their request will make their living experience better and if they are comfortable, they will tend to stay longer.



TIP 7: HAVE A PERSONAL CONNECTION

The secret to a harmonious lessor-lessee relationship is to personally know your tenant. Knowing a little about them, their work, their hobbies and being able to strike a personal conversation with them like “How’s Jason? How’s the banking



industry?” will make your tenant think twice before transferring to another unit when the lease ends.

TIP 8: REMEMBER TENANTS ON BIRTHDAYS OR HOLIDAYS

A simple Christmas gift or birthday greeting will surely go a long way in making your tenant feel appreciated. Although lease payment is a tenant's obligation, it won't hurt to make your tenant feel that you appreciate his business.



TIP 9: DON'T TAKE SHORTCUTS WITH REPAIRS

Your tenant will take care of your property based on your behaviors and actions. If you show importance to fixing repairs and making sure solutions are long term, your tenant will do the same. Remember, if you don't take care of your property, don't expect your tenant to.



TIP 10: ALWAYS THINK WIN-WIN

If you are on the lookout for the best lessee, tenants are also on the lookout for a great unit with a landlord that has concern for their tenants. Always keep your tenants welfare and living conditions in mind and they will reciprocate by taking care of your unit and ensuring rent is paid on time.



Remember, your condominium investment can only generate revenue for you if there is a tenant. Once you find the right tenant, I encourage you to take good care of them and they will take care of you.



Spectrum Investments is a property portfolio management company that assists you in the selection, leasing and management of your property investments.

We partner with major developers in order to provide you with a suitable match from a wide selection of properties utilizing the best financing options available.

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