



# A Guide to Arm-Chair Investing in Real Estate

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MACK Companies, a premier provider of turn-key investment properties, gives high-net-worth individuals a low-maintenance way to invest in real estate.

With more than five million new renter households expected to be created over the next 10 years, single-family investment properties continue to be an attractive investment. MACK Companies, a premier provider of single-family turn-key investment properties and one of the largest owners and managers of single-family rentals in the Chicago area, explains that turn-key investment properties allow investors to reap the benefits of owning an investment property without having to become renovators and landlords.

## What is a turn-key investment?

"A turn-key investment property delivers all of the benefits of owning real estate and enables investors to focus on their jobs, families and hobbies – not the investment property – while enjoying a steady stream of income," said Eric Workman, vice president of sales at MACK. The firm provides the following services for each of its single-family turn-key investment properties:

- Performs all due diligence needed in identifying the right property
- Redevelops the property to new-construction standards
- Finds good tenants
- Manages the property and retains tenants long-term

## Benefits of turn-key investments

Purchasing turn-key real estate with the right turn-key partner allows and inexperienced investor to essentially operate as an expert. Investing in a turn-key investment property delivers both near- and long-term benefits:

*Immediate benefits of a turn-key investment property:*

- Delivers a fully vetted, redeveloped and tenanted property
- Provides immediate rental income

*Long-term benefits of a turn-key investment property:*

- Ability to appreciate over time
- Provides equity growth
- Generates an annualized return based on the amount invested
- Sustains the profitability of the investment through ongoing property management

## Turn-key investments vs. going it alone

"Real estate is a very time-consuming investment unless you're going the turn-key route," said Workman. "The various pieces all seem simple on the surface, but it can quickly become a full-time job."

Without taking the following steps pre- and post-purchase of an investment property, investors can quickly find their budgets blown, timelines unmet and profitability wane:

*Researching a property:*

- The vibrancy of a property's surrounding commercial corridors
- Strength of the community's infrastructure
- Quality of the local schools
- Proximity to major interstates and public transportation

*Getting the property rent-ready:*

- Compliance with local construction codes
- Adherence to the town's permitting processes
- Knowledge of general contracting and various trades

*Finding the right tenants:*

- Research employment and income history
- Investigate rental history and conduct a site survey of current residence
- Obtain credit, skip tracing and criminal background checks

## **Costs and returns**

Depending upon the market in which the turn-key investment property resides and the number of mortgages the individual holds, investors can expect a 20 to 25 percent down payment requirement. "Based upon the down payment, an investor invested in a market like Chicago, where MACK operates, could expect to make anywhere from 18 to 22 percent return on investment. This includes down payment, closing costs, monthly management fees, insurance, taxes and mortgage," said Workman. "This equates to an average of \$500 net cash flow per month on each property in our market."

## **Property management – the key to long-term success**

"The primary reason that turn-key investments yield the best long-term profits is because of the ongoing management of the property – and of the tenant relationship," said Workman. He explained that even collecting rent can prove challenging for property investors, which is why MACK's property managers personally collect rent each month. This provides an opportunity to get to know the tenant on a personal level, in addition to conducting a site survey to ensure the property is in good condition.

## **How to find the right turn-key provider**

So how can investors know which turn-key provider will give them the best investment? The first thing, says Workman, is to go with a firm with a proven track record:

- Experience in the market
- Sufficient capitalization
- Number of homes they've bought, redeveloped and are managing

Each investor needs to match his or her goals to that of the turn-key provider. Workman explains that a shared philosophy is critical to a successful investment. "There are numerous real estate 'buckets' individual investors can buy into: single-family homes, apartments, parking lots and offices, among others. Those buckets contain investments that vary in quality as well as type. Each turn-key operator fits somewhere in that spectrum, and investors need to make sure their investing philosophy is aligned with the turn-key operator's."

Workman added, "The manner in which investors choose to invest in real estate, and subsequently manage their assets, can make the difference between enjoying a positive monthly cash flow and losing money."

### **About MACK Companies**

MACK Companies is Chicagoland's premier provider of rehabilitated properties, and one of the largest owners and managers of single-family rentals in the Chicagoland area. MACK purchases bank-owned properties, redevelops them to new construction standards and delivers truly affordable for-sale and rental housing. On average, the firm buys, redevelops and leases a home every day, and currently owns and manages more than 1,000 homes totaling more than \$150 million. For more information, visit [mackcompanies.com](http://mackcompanies.com).

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