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*"Chicago's first comprehensive website for the multi-unit market"*

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## Seven Laws of Multi-Unit Real Estate

Here are some general principles we call "Seven Laws of Multi-Unit Real Estate." If you have been looking for property for any length of time, we think your own experience will confirm them:

1. **The FIRST law in real estate: *Big and cheap NEVER equals wonderful.*** Many people, when they first pick property to see, focus on properties that are big and cheap... They are hoping, of course, for big, cheap AND wonderful, but that is like winning the lottery—and never applies to property that has been on the market any length of time. BIG, wonderful, and very expensive, on the other hand, can be found.
2. **The Barrel Rule: *Rarely, if ever, does it make sense to scrape the bottom of the barrel in a neighborhood.*** Most people have a choice in neighborhoods—we always recommend staying away from neighborhoods where all you can do is scrape the bottom of the barrel.
3. **The Rule Of 2 Goods and a Great: *Property, price, and location—TWO of the three must be good and ONE must be great to be a winner.*** Don't ever buy if one of the factors is bad or all are just okay. On the other hand, don't expect everything to be great...
4. **The Law of the Good, The Bad, And The Ugly: *Expect 20% of the listings to be good, 60% bad or okay, and 20% outright ugly.*** With those proportions in mind, 25 becomes a magic number: If 25 possible listings fit your criteria, you should expect to find five good properties you were glad you saw, probably one of which is great and worthy of a bid.
5. **The rule of FOCUS: *Fail to hold your focus and NO properties may appear right.*** Especially with multi-units, it is essential to set and hold a clear focus. For instance, unless you want to do gut rehab work, you should only see properties that list substantial work done. *If you do it wrong, you will end up always a day (or a week) late for the good ones.*
6. **The law of Multi-Unit Listing Sheets says: *"Multi-unit listing sheets tell you relatively little and are too easy to make sound good."*** In this market, drive-by's are always necessary. A few may end up better than the listing sheet suggested, but far more often the reality will be worse! Don't be fooled by a listing sheet that says, "You will love this property."
7. **The law of EXIT says, *"Make sure you have an exit strategy before going in."*** In other words, you must include an analysis of how you can sell a property before making a purchase. If the only way the next investor can pay you more than what you paid and make money is for rents to dramatically or interest rates to fall, you may be setting yourself up for a fall! On the other hand, if you buy with room to spare—or are able to enhance the rent potential of the property, it's almost certain you have a good exit strategy available.

**In summary, there may be two phases to a property search, and each phase must be managed differently:**

- **In Phase I, take a MACRO perspective.** When we set you up with listings, we'll show you how to analyze them and encourage you to do drive-by's to select the BEST ones. *If there are 25-50 listings that fit your filters, picture that your job is to narrow them down to the 8-12 best.* Our job is then to go see them together, and that can go quickly! If we see 3-4 per trip, 2-3 trips in the field should be enough to identify the best of the best...
- **In Phase II, take a MICRO perspective.** If Phase I failed to produce the right property, the alternative is to wait for new listings to come out. You should expect 1 in 5 to be a so great a value in terms of price it's likely to disappear from the market almost as fast as it came on. In other words, to 'play' the new listing game, you must be prepared to move unbelievably quickly. Agility and quick decisions are the critical elements to success here.