

Multi-Family Times

The first and only newspaper dedicated exclusively to multi-family property owners and real estate investors. Published quarterly and delivered to over 26,000 subscribers!



QUARTERLY NEWSPAPER | ISSUE 01

North Shore Company Develops First Website Dedicated to Multi-Family Properties

Investors can search and analyze numbers on dozens of available properties in just minutes



Buying a multi-family property can be one of the safest investments available in real estate today. Finding and analyzing multi-family investment properties can also be one of the most frustrating. But new technology from a local company is out to change all of that. MultiFamilyProperties.com, located in Newburyport, MA, launched in spring of 2016 has developed a proprietary algorithm that allows users to run detailed analysis on every available multi-family for sale in the market.

Users can search the MLS database for properties that meet their requirements based on size, price and location. But MultiFamilyProperties.com uses patent-pending search software to provide users with reliable and unbiased financial breakdowns to search and analyze properties, in real-time, by providing a full financial breakdown on all Multi-Family properties listed on the entire MLS System. Users can see: Annual expense and income breakdowns, Net Operating expense, Cash on Cash return, Cap Rates and condo conversion equity for every property instantly.

The website is free to use, and

“This is light years ahead of anyone else in the market. I own 100’s of units in the north shore area and I wish I had this technology when I purchased them.”

requires no passwords to login. Users simply add their email address and they can search the database of available properties across Massachusetts. Users can also save a search and be updated anytime a new property comes on the market that meets their specific criteria.

MultiFamilyProperties.com founder Stephen Martin agrees that speed is the key to success. “Our goal is to provide unbiased vital information to help investors make an informed and educated decision quickly and easier than before. It used to take hours to search an analyze dozens of properties, now takes minutes.” said Stephen Martin, founder of MultiFamilyProperties.com.

Investors can try the service by visiting the website www.multifamilyproperties.com and register for their free account.

When Mary Jane Comes to Town

What should landlords know about marijuana use in their properties?

In the fall of 2016, Massachusetts voted to legalize recreational use of cannabis. MA isn’t alone, as four states and the District of Columbia have also approved recreational marijuana use and 23 states and the District are allowing medical marijuana use. While implantation of the law in the Commonwealth has been slower than initially expected, it will be a reality that landlords will have to deal with moving forward.

Landlords and property managers can find themselves in a quandary trying to create (and implement) a marijuana policy that complies with both state and federal laws. Marijuana use and possession are still illegal on the federal level and federal law takes precedent over state law. Landlords who deal with federal funding – Section 8 housing is one example – are required to comply with federal law. That said, most housing laws are enacted at

» MARY JANE
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By the Numbers

Frequently Asked Questions about Multi-family Financing

Kevin Potter, Contributor

Branch Manager | Loan Originator, CrossCountry Mortgage, kpotter@myccmortgage.com | NMLS ID 41781



With interest rates near 12-month lows and investments in multi-family properties continuing to be profitable, investors naturally have questions about getting the most out of their finance programs. Multi-family finance expert, Kevin Potter from CrossCountry Mortgage, sat down with MultiFamilyTimes to talk about what he is seeing in the market and to answer questions that many potential homebuyers have been asking.

MF: Can investors use rental income from the units to help qualify for a larger loan?

KP: The simple answer to your question is, “Yes.” You can absolutely use rental income to supplement your existing income and qualify for a larger loan.

When you secure a property, the appraiser will complete a “rental grid” which looks at comparable rentals in the area by doing a market analysis that will determine “projected rents” for all the units (based upon bedroom and bathroom count, square footage etc.). Per underwriting guidelines, you are allowed to use 75% of the “projected rents” to offset your mortgage payment and help you qualify. One positive thing to note is that vacant units can still be used to qualify.

Buyers often get hung up on the price of properties – but it’s the value of the rental that drives the cost. So, lower cost buildings will likely generate lower rent, while more expensive ones will generate higher monthly revenue. In the old days, shrewd investors would make their fortunes by crunch-

ing the numbers to find the right ratio of price to proposed rental income. Today’s potential investors have the advantage of technology and can use a website like MultiFamilyProperties.com to help them estimate this value and find properties that fit their ideal profit margins.

MF: What are some of the different programs available to investors and how much is required for a down payment?

KP: This is the number 1 question I get...“how much money do I have to put down on a multifamily?” The answer to this question can vary greatly depending upon your situation and intention for the property. If you are a

» NUMBERS

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From The Publisher

Steve Martin

CEO & Founder of
MultiFamilyProperties.com



The story is pretty straight forward.

A few years ago, I was looking into investing in a multi-family property, and I was frustrated by the lack of information out there to help analyze investment properties. There's a number of key factors that one needs to consider when buying, including rent roll, operating expenses, net operating income and potential return on investment. The time it took to collect and crunch all the numbers on each and every potential property was time consuming, especially if the property ended up being a no-go. Less-than-motivated agents providing the bare minimum of information only furthered my frustration. There had to be a better way.

Enter MultiFamilyProperties.com.

To solve my problem – and hopefully yours, too – I developed MultiFamilyProperties.com, a search platform where you can find and analyze every multi-family property currently on the market. Our software crunches the numbers for you in real-time; so, in just a matter of seconds you can get an idea on what the projected rents, operating expenses and projected return on investment will be on each active multi-family property on the market.

The goal of MultiFamilyProperties.com was clear: to provide interested multi-family buyers with the necessary tools to help them make an informed and educated decision quicker and easier on their search and ultimately on their next investment

purchase.

Today, MultiFamilyProperties.com is more than a search platform for buyers, it is a marketing machine for sellers to get top dollar for their property. Because MultiFamilyProperties.com is attracting hundreds of qualified buyers each month, we can get multi-family sellers more buyers, more offers and eventually more money for their property.

What you hold in your hands now is the next venture for MultiFamilyProperties.com: *Multi-Family Times*, a quarterly print newspaper. In each issue, we will strive to deliver valuable content and feature articles about the multi-family market, from hot topics to quarterly market reports and more. The paper currently has a circulation of 26,000 – and growing! We are quickly becoming the go-to source for all things Multi-Family. Whether you're looking to add another property to your existing portfolio or you're looking to sell one of your properties, our team of experts can help you along the way.

Stephen Martin is a licensed real estate agent who specializes in the Multi-Family market and getting his seller's top dollar for their properties. He received his business management degree in 2001 from Norwich University, the oldest private military college in the country. His company is located in downtown Newburyport and Steve and his team of Multi Family experts work tirelessly to help their clients find the best deals and also help them sell for top dollar.

Steve Martin is host of The Multi-Family Market Report Video Series

Licensed Real Estate Agent with Wellsco Realty specializing in the Massachusetts Multi-Family Market

steve@MultiFamilyProperties.com

Five Things Massachusetts Landlords Need to Know about Terminating a Lease



There are several reasons why you might need to terminate a tenant's lease – failure or late payment, illegal activity, or just a general violation of the terms you've agreed upon. Whether you're a seasoned landlord with several apartment buildings, or a novice considering a multi-family property, understanding – and properly communicating – your rights can diffuse a potentially

difficult task.

Here are a handful of our frequently asked questions that can help both the tenant and the landlord understand their rights and maintain a more beneficial relationship.

How much notice do I have to provide to terminate tenancy when there is a lease that has no end date?

If the payment intervals

are 3 months or longer, than 3 months' notice is required to be given by the landlord in MA.

How much notice do I have to provide to terminate the tenancy on a month-to-month lease?

The landlord has to give the tenant a notice that is equal to the interval between the days of payment – or thirty days – whichever is longer.

What is the required notice of termination of all other leases for Nonpayment?

14 days-notice. Keep in mind that the tenant has the option to remedy or pay with interest during that time if they have received a notice to quit for non-payment of rent within the last twelve months.

Can I terminate a lease when the tenant has performed illegal activity?

Landlords have the right to terminate a tenancy with no notice to the tenant if a unit was used for prostitution, illegal gambling, the illegal keeping or sale of alcoholic beverages, or the possession, sale, or manufacturing of illegal drugs, among other violations.

If I evict someone in the wrong manner, what is the penalty?

If the landlord illegally evicts a tenant, the tenant may recover possession of the unit, or terminate the rental agreement. In either case, they can recover three months' rent or three times the damages sustained, and the cost of suit, including reasonable attorney's fees. So make sure you know what you are in for when you choose to evict a tenant!

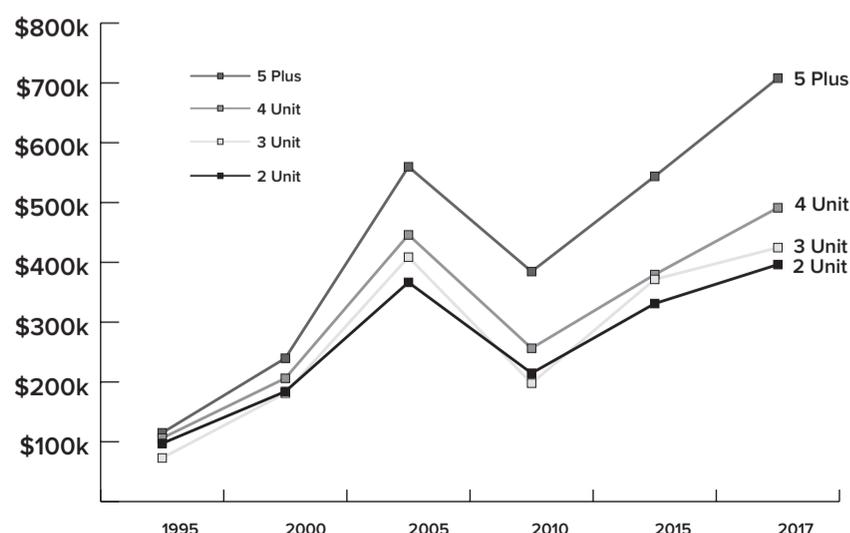
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Essex County Multi-Family Market Trends

Year	2 Unit Data		3 Unit Data		4 Unit Data		5+ Unit Data	
	Average Sale Price	Avg Days to Offer	Average Sale Price	Avg Days to Offer	Average Sale Price	Avg Days to Offer	Average Sale Price	Avg Days to Offer
1995	\$97,215	82	\$72,914	82	\$106,136	94	\$114,921	157
2000	\$184,042	50	\$181,303	54	\$206,158	76	\$239,705	123
2005	\$366,507	49	\$408,663	58	\$445,932	56	\$559,777	44
2010	\$214,608	58	\$197,914	46	\$256,308	60	\$384,538	123
2015	\$331,053	44	\$371,501	39	\$379,550	35	\$543,741	65
2017	\$396,266	25	\$424,585	37	\$491,248	34	\$707,943	54



Massachusetts
Essex County

3rd Quarter Multi-Family Sales Data

STREET	CITY	UNITS	SALE PRICE	STREET	CITY	UNITS	SALE PRICE	STREET	CITY	UNITS	SALE PRICE	STREET	CITY	UNITS	SALE PRICE
58-60 Congress St	Amesbury	3	\$236,000	11 Federal St	Haverhill	3	\$408,000	43083 Bellevue Road	Lynn	2	\$533,000	1 Nimmo	Methuen	2	\$400,000
192 Main St	Amesbury	2	\$402,500	43020 New Hampshire Avenue	Haverhill	2	\$400,000	32-34 Hollingsworth Street	Lynn	3	\$505,000	41-43 Hardy St	Methuen	2	\$430,000
11 Congress St	Amesbury	2	\$180,000	8 Kimball Street	Haverhill	2	\$250,000	58 Williams Ave	Lynn	2	\$340,000	15-17 Booth Rd	Methuen	2	\$460,000
37 Tewksbury St	Andover	2	\$454,000	12 Front	Haverhill	2	\$359,900	16 Tudor Street	Lynn	3	\$670,000	27 High St.	Methuen	2	\$384,000
19 Stirling St	Andover	2	\$420,000	289 South Main St.	Haverhill	6	\$317,000	14 Dana St	Lynn	3	\$500,000	268 Northern Blvd	Newburyport	2	\$659,000
2 Dufton Rd	Andover	2	\$422,000	109 South Pleasant st	Haverhill	2	\$222,000	30 Grove Street	Lynn	2	\$500,000	16-18 Saunders St	North	2	\$427,000
365-367 North Main Street	Andover	3	\$700,000	23 Greenleaf Street	Haverhill	2	\$420,000	50-52 Howard St	Lynn	7	\$685,000	285-287 Sutton St	North	2	\$525,000
3 Buxton Ct	Andover	2	\$439,900	76-78 Broadway	Haverhill	3	\$422,000	40 Sagamore	Lynn	4	\$600,000	291 Middlesex Street	North	2	\$430,291
6 School Street	Beverly	2	\$372,500	34-36 Arlington St	Haverhill	4	\$411,000	198 Marianna Street	Lynn	2	\$480,000	27-29 Chadwick Street	North	2	\$432,000
23 Wellman Street	Beverly	2	\$600,000	127-129 Cedar Street	Haverhill	2	\$330,000	72 Lewis St	Lynn	4	\$575,000	110 Tremont	Peabody	2	\$333,000
51 Essex St.	Beverly	2	\$510,000	15 St. Botolph Street	Haverhill	3	\$382,500	597 Western Ave	Lynn	3	\$468,000	56 Central St	Peabody	2	\$480,000
36 Thorndike Street	Beverly	2	\$899,000	85-87 Arlington Street	Haverhill	2	\$320,000	33 Rogers Ave	Lynn	2	\$407,000	17 TRACEY STREET	Peabody	4	\$625,000
75 Enon Street	Beverly	3	\$590,000	39-41 Bellevue Avenue	Haverhill	2	\$233,000	136 Flint St	Lynn	2	\$535,000	10 Northend St	Peabody	2	\$553,000
17 Central St	Beverly	2	\$395,000	32 1/2/34 Nichols Street	Haverhill	5	\$399,900	4 Kenwood Ter	Lynn	3	\$470,000	12 Goldthwaite Place	Peabody	2	\$505,000
12 Union St	Beverly	3	\$694,900	19 Pilling St	Haverhill	2	\$299,000	662 Boston St	Lynn	2	\$455,000	197 Lowell St	Peabody	2	\$500,000
50 Winthrop Avenue	Beverly	2	\$451,500	40 Howard St	Haverhill	3	\$304,000	22 MOULTON ST	Lynn	3	\$499,900	2 Dustin Street	Peabody	2	\$460,000
8 Chestnut St	Beverly	2	\$337,000	21-23 Dexter St	Haverhill	2	\$300,000	58-60 Melvin Ave	Lynn	3	\$539,000	142 Washington St	Peabody	5	\$515,000
27 Whitney Ave	Beverly	2	\$550,000	28-30 9Th Ave	Haverhill	2	\$355,000	12 Bennett Cir	Lynn	3	\$695,000	136 Washington St	Peabody	10	\$515,000
25 Cherry St	Danvers	3	\$450,000	417 Washington St	Haverhill	3	\$275,000	16 Astor St	Lynn	2	\$460,000	12 Winthrop St	Peabody	3	\$520,000
18 Pickering St	Danvers	2	\$372,000	131 Berkeley	Lawrence	6	\$759,900	77 Dearborn Avenue	Lynn	2	\$330,000	4 Lincoln Pl	Peabody	2	\$465,000
135 High St	Danvers	2	\$429,900	187 Mount Vernon St	Lawrence	4	\$502,000	50 West Neptune Street	Lynn	2	\$524,000	5 Bowditch St	Peabody	2	\$446,000
27 Holten Street	Danvers	3	\$575,000	160 Berkeley St	Lawrence	4	\$500,000	70 Marianna St	Lynn	3	\$300,000	21 Perkins Street	Peabody	3	\$630,000
21 Berry Street	Danvers	2	\$510,000	334 Andover Street	Lawrence	4	\$500,000	31 Baker st	Lynn	1	\$415,000	46 King Street	Peabody	2	\$575,400
196 & 196R Washington St.	Gloucester	3	\$430,000	42896 Border St	Lawrence	4	\$495,000	225 Chatham St	Lynn	2	\$430,000	76 Aborn St	Peabody	2	\$481,000
27-29 Derby St.	Gloucester	2	\$275,000	442-444 Lowell St	Lawrence	4	\$490,000	23 Kirtland St	Lynn	2	\$480,000	27 County	Peabody	2	\$535,000
20 Gould Court	Gloucester	2	\$251,000	42957 Logan St	Lawrence	3	\$470,000	24 OCEAN TERRACE	Lynn	2	\$490,000	179 Main St	Peabody	3	\$631,000
18-20 Pine St	Gloucester	6	\$595,000	80-82 Marble Ave	Lawrence	3	\$465,000	9 Autumn St.	Lynn	2	\$250,000	60 Margin St	Peabody	4	\$615,000
90 Maplewood Avenue	Gloucester	2	\$325,000	37257 Caulkins Ct	Lawrence	4	\$450,000	79 Essex St	Lynn	2	\$355,000	19 Granite Street	Rockport	2	\$514,000
24 Highland St	Gloucester	2	\$518,000	53-55 Basswood St	Lawrence	3	\$450,000	51 Nahant Street	Lynn	3	\$650,000	61-67 Bearskin Neck	Rockport	6	\$799,000
515 Essex Ave	Gloucester	2	\$460,000	39-41 May St	Lawrence	3	\$433,000	427 Western Ave	Lynn	2	\$401,500	12 Mount Vernon	Salem	2	\$452,500
202R Washington Street	Gloucester	2	\$430,000	2 Montgomery St.	Lawrence	3	\$430,000	102 Jefferson Street	Lynn	3	\$550,000	10 Harris	Salem	2	\$440,000
1082 Washington St	Gloucester	2	\$400,000	19 Norris St	Lawrence	2	\$423,000	24 Dexter St	Lynn	2	\$470,000	88-90 Linden Street	Salem	2	\$550,000
16 Columbia St	Gloucester	3	\$331,500	39 Chelmsford St	Lawrence	3	\$410,000	108 Bellevue Rd	Lynn	2	\$470,000	11 Beacon Street	Salem	2	\$399,900
116 Wheeler Street	Gloucester	2	\$1,042,500	51 Coolidge St	Lawrence	2	\$410,000	567 Chestnut St	Lynn	2	\$595,000	14 Lemon Street	Salem	2	\$515,000
69 Poplar Street	Gloucester	2	\$380,000	12 Berkeley St	Lawrence	2	\$410,000	28 Brimblecom St	Lynn	3	\$550,000	52 Orchard St	Salem	2	\$505,000
26 Pine Street	Gloucester	2	\$269,900	45-47 Bellevue St.	Lawrence	3	\$408,000	6 Bulfinch St	Lynn	2	\$465,000	95 Jackson	Salem	2	\$540,000
32 Perkins	Gloucester	2	\$340,000	114 Ames Street	Lawrence	4	\$405,000	109 Adams St	Lynn	3	\$429,000	14 Harris St	Salem	2	\$305,000
114 Washington St	Groveland	2	\$199,900	213-217 Water St	Lawrence	3	\$405,000	11 Sachem St	Lynn	3	\$515,000	62 Butler Street	Salem	2	\$376,000
112-114 Cedar Street	Haverhill	2	\$185,000	368-370 Lowell St	Lawrence	3	\$400,000	542 Eastern Avenue	Lynn	2	\$499,000	19 Oakland St	Salem	2	\$409,000
39-41 Cedar Street	Haverhill	2	\$225,000	211 Chestnut street	Lynn	5	\$550,000	181 Henry Ave	Lynn	2	\$505,000	49 Endicott St	Salem	2	\$510,000
30 Vine St	Haverhill	5	\$365,000	196 Broadway	Lynn	2	\$360,000	9 STONE PLACE	Lynn	2	\$425,000	44 Irving St	Salem	2	\$475,000
84-86 Emerson Street	Haverhill	4	\$337,000	41 BIRCH	Lynn	2	\$399,000	79 Lake View Ave	Lynn	3	\$630,000	69 LINDEN STREET	Salem	2	\$515,000
86 Summer Street	Haverhill	8	\$600,000	21 Glenwood Ter	Lynn	2	\$204,250	92 Warren St	Lynn	2	\$442,500	212 North St.	Salem	2	\$465,000
76 Harrison Street	Haverhill	3	\$235,000	42957 Edgemere Road	Lynn	3	\$570,000	7 Essex Cir	Lynn	2	\$529,000	26 Roslyn Street	Salem	2	\$340,000
251 Boardman St	Haverhill	2	\$304,000	26-28 Essex Circle	Lynn	7	\$725,000	59 Elm St	Lynn	6	\$605,000	324 Jefferson Ave	Salem	2	\$530,000
10 Porter St	Haverhill	3	\$325,000	25 Arlington St	Lynn	2	\$440,000	11 Union Place	Lynn	2	\$369,000	33 Oakland St	Salem	3	\$515,000
339 Primrose St	Haverhill	2	\$310,000	35 ESSEX Ct	Lynn	3	\$325,000	63 Sheridan Street	Lynn	3	\$418,500	256 Jefferson Ave	Salem	3	\$575,000
2 Tyler Avenue	Haverhill	2	\$290,000	59-61 Childs St	Lynn	2	\$458,000	224 Fayette St	Lynn	3	\$470,000	38 Willson St	Salem	2	\$520,000
39 Greenville St	Haverhill	2	\$375,000	12 Cherry Street	Lynn	2	\$620,000	22 Wyman St	Lynn	2	\$304,000	59-61 Dunlap St	Salem	2	\$530,000
42957 Varnum St	Haverhill	2	\$326,000	43 Ocean Street	Lynn	3	\$350,000	335 Maple Street	Lynn	2	\$410,000	226 Canal St	Salem	2	\$370,000
2 Marion St	Haverhill	2	\$305,000	44 Hamilton Ave	Lynn	2	\$460,000	14 Bessom St	Lynn	2	\$372,500	52-54 Appleton St	Salem	2	\$300,000
43020 7Th Ave	Haverhill	4	\$375,000	183 Marianna Street	Lynn	2	\$390,000	18 GUERNSEY ST	Marblehead	2	\$567,000	24 Briggs St	Salem	2	\$372,500
123 Grove Street	Haverhill	3	\$385,000	8 Breed Sq	Lynn	3	\$552,000	29 W Main St	Merrimac	2	\$275,000	30 Walter St	Salem	2	\$430,000
49 S. Central St.	Haverhill	2	\$409,000	70 Eastern Avenue	Lynn	3	\$530,000	30 Church St	Merrimac	2	\$440,000	60 Linden Street	Salem	2	\$502,100
18 Hancock St	Haverhill	2	\$310,000	20 Dearborn Ave	Lynn	2	\$430,000	3-A Central St	Merrimac	1	\$180,000	8 Osborne Street	Salem	2	\$380,000
200 Franklin	Haverhill	2	\$352,500	330-334 Chatham St	Lynn	4	\$510,000	8 Thissell St	Methuen	2	\$367,000	39 Turner	Salem	2	\$517,650
20-22 Broad St.	Haverhill	3	\$379,000	25 Tapley St	Lynn	3	\$646,000	16 Pond St	Methuen	2	\$400,000	13 Shea St	Salisbury	3	\$344,000
42738 Davis st.	Haverhill	4	\$490,000	55 Merrill Ave	Lynn	2	\$480,000	32 Comet Road	Methuen	2	\$384,241	96 Winter St	Saugus	2	\$465,000
91 North Ave	Haverhill	2	\$450,000	42862 Rhodes Ave	Lynn	3	\$552,000	54-56 Strathmore Rd.	Methuen	2	\$412,000	126 Winter Street	Saugus	2	\$545,000
34 S Pleasant St	Haverhill	2	\$417,500	53 Highland Ave	Lynn	2	\$430,000	38-40 Haverhill Street	Methuen	2	\$450,000	41-43 Seagirt Avenue	Saugus	2	\$620,000
25 8th Ave	Haverhill	3	\$369,900	139 Timson St	Lynn	3	\$515,000	189 Phillips St	Methuen	2	\$340,000	573-575 Lincoln Ave	Saugus	2	\$450,000
23 Arch Ave	Haverhill	3	\$330,000	531-531A Chatham St	Lynn	2	\$410,000	42925 Grassmere Ave	Methuen	2	\$435,000	34 Birch St	Saugus	2	\$605,000
3 Altamont St	Haverhill	2	\$357,900	83 Hawthorne	Lynn	2	\$366,000	40 Pleasant St	Methuen	2	\$175,000	56 Bristow St	Saugus	2	\$525,000
49 Marshland Street	Haverhill	2	\$370,000	111 New Park St	Lynn	3	\$520,000	49-51 Milk St.	Methuen	2	\$270,000	118 Vine	Saugus	3	\$575,000

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| \$100,676 Condo Conv. Equity



15-17 Central St, Georgetown, MA
\$519,500 | 4 Units | 3536 SqFt | 7
BR | 7.0% Cap Rate | 9.9% Return
| \$201,844 Condo Conv. Equity



33 Unit Package Deal
Haverhill, MA
\$4,000,000



144 Arlington Street
Haverhill, MA
\$975,500
8 Units



Salisbury, MA - \$675,000
Approval to Build 8 Townhouses
Blocks away from Beach



61 Market Street
Amesbury, MA
\$379,900
3 Units



499 Humphrey Street
Swampscott, MA
\$1.2 Million
5 Units (3 residential/2 commercial)



509 Humphrey Street
Swampscott, MA
\$1 Million
4 Units (2 residential/2 commercial)

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1112 Main Street
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5 Units



97 Southern Ave
Essex, MA
\$505,000
2 Units



33 Bradford Ave
Bradford, MA
429,900
3 Units



19 Clinton Avenue, Brockton, MA
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| (\$74,502) Condo Conv. Equity



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Condo Conversion Experience

Things to Consider Before Converting Your Multi-family to a Condo



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There are several reasons to consider converting a multi-family apartment building into a condominium. You may be tired of managing the building, you may have trouble getting tenants, or you may just think it is a lot more profitable to sell rather than rent. Whatever your reason, there are a few things you need to consider before converting the units into condos.

The Value of the Building as a Single Entity Versus as Condominiums

Your first question is to determine if the value of the condos will be worth more than the building as whole. Ask a highly experienced agent in the multi-family space to give you a current price evaluation. A good agent will put together a market analysis based on several comparable properties.

One analysis will be of the current market for multi-family houses in your area. The second will be for the condo market in your neighborhood. (Note: you'll want a separate analysis for all the units in the building unless they are identical. Using these reports to give you an estimate of your home's value will help you figure out how much you can put into your condo conversion.

The Costs Associated with the Condo Conversion

There are several steps to the condo conversion process, and each will cost you money that needs to be factored into your decisions. The two largest of the expenses are going to go to your lawyer and contractors.

■ LEGAL EXPENSES

The first thing you need to do is hire a real estate attorney. He or she will help you write and file the conversion documents, and advise you on the legal process. Ideally, they should be someone familiar with the rules and regulations in the community where your building is located. A ballpark estimate for legal costs is between \$2,000 and \$5,000 depending on the complexity of the property.

■ REHAB EXPENSES

To convert your existing dwelling into condos, there are a lot of things that will be required by the city or town you live in. An inspector will need to come out and check to make sure it's up to code. Anything that isn't to code will need to be updated before you can get the certificate of occupancy required to sell your units.

The majority of properties in Essex county that are likely condo conversions were built more than 50 years ago. Depending on how much work you may have already done, there may be a significant amount of work that needs to be done in order to meet today's plumbing, electrical, and safety codes.

Get a reputable licensed contractor to give you a quote (probably several) before proceeding.

■ THE EXPENSE OF SELLING THE HOME

One other thing people forget is that they'll be paying real estate fees for each of the units. That includes commission to your agent and in some cases, an engineer's report for the condo conversion. It's not a significant amount, but if you have three or four units, you'll be paying these fees three or four times over.

Parking

Apartments aren't required to have parking. Condos usually are; you'll need to comply with Town bylaws. You may not need a space for everyone, but you will need to consider either creating new space or arranging parking in an existing lot.

Estimate Fees for the Condo Association

There are now several people responsible for the cost and upkeep of this building and it is up to you to figure out how much each of them will pay. You will need to figure out how to pay things like taxes, water/sewer and insurance based on the percentage of ownership per unit.

Let's say for example that you have a 4-family building you're converting. To keep it simple, we will assume that all units have an equal value and each totals 1/4th share of the building. Typical annual expenses include:

- Taxes: \$5000
- Water and sewer: \$2400
- Insurance: \$4400
- Snow removal & maintenance: \$2200
- Annual Savings/Reserves: \$4000
- Overall Fixed Expense: \$16,000

With this math, you're looking at splitting \$16,000 four ways. Each unit will pay \$4000 annually, or roughly \$334 per month for condo fees.

Separating Utilities

Make sure you separate the heating, plumbing and electrical for common areas vs. per unit. Because the building is longer owned by a single entity (you), each individual unit owner need to be able to manage separate utility expenses while accounting for joint expense (like heating common areas, or lighting outside and hallways.)

Notifying Your Tenants

In MA, your tenants have the "right of first refusal". You'll need to give any existing tenants the first chance to buy the units, before they are offered to the general public. It's critical to give notice of your intentions of condo conversion with plenty of time to any existing tenants. Regulations may vary by community. If you are looking to keep your existing tenants and convert them to owners, be sure you understand what they can afford before investing the money to convert the condos. There's no sense overbuilding if your tenants can't afford it.

If you're planning on your tenants moving out, be sure you can afford the mortgage and expenses without the rental income until the condos sell.

Thinking of Condo Converting?

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The National Flood insurance program owes \$24.6 Billion



How does that affect you as a landlord?

Craig S. Childs

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The National Flood Insurance Program owes \$24.6 Billion to the treasury – and that does not even take into account the damage from Hurricane Harvey or Irma. The program itself only collects about \$3.5 Billion a year in premiums. As of today, we are not aware of any rate increases to compensate for the recent damage, however it is safe to assume that the federally backed program cannot continue at this pace.

We are starting to see more and more private insurers, such as Lloyds of London, offering alternative quotes for flood insurance. Sometimes these alternative quotes are priced less expensive than the NFIP, and other times they are not. Like most insurance, it pays to shop around.

If you already own a rental property, you may have noticed some new fees tacked on recently. A few years ago, the NFIP added the Homeowners Flood Insurance Affordable Act (HFIAA) surcharge. For people who reside in their home the fee is \$25. For rental properties, the cost is \$250. Another new surcharge created about 3 years ago was the reserve fund assessment. This new fee charges 15% of the base flood premium. Based on the current debt that the NFIP is in, it is safe to assume there will not be any rate decreases any time soon.

If you are looking to buy a property

on or near the coast- which is not uncommon here on the North Shore - the first thing you should do is check to see which flood zone the property is in. Obviously coastal properties are at the biggest risk for flooding and also the most expensive to insure. Usually you will find a coastal property in an A, AE or VE flood zone. These are the zones that mortgagees/banks will require you carry a flood insurance policy. In 99% of the cases, properties in an "X" zone do not require flood insurance.

Some of the most expensive properties to insure are usually the homes with basements.

Unless it's a "walkout" basement, once the water gets in, there is no easy way for it to get out.

Also, the only insurable items in the basement are the service machinery such as furnace, hot water tank, washer, dryer, freezer etc. If you have a finished basement, and it floods, your flood insurance policy will not pay to fix that "finished of man cave".

Elevated buildings can be some of the least expensive flood policies to buy, even on properties in the worst flood zones. For obvious reasons, the higher you are above the base flood elevation, the cheaper the building is to insure. A building constructed or substantially improved on or after Dec 31, 1974 (referred to as Post Firm construction) will require an elevation certificate if you insure with NFIP. Elevation certificates are completed by a land surveyor, professional engineer or certified architect who is authorized by law to certify elevation information.



» NUMBERS

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first time home buyer, or even a repeat buyer, but plan to occupy one of the units, you can take advantage of the low down payment options of 3.5%-5% through the FHA or Mass Housing. Conventional programs such as Fannie Mae and Freddie Mac require greater down payments of 15-25%.

For investors looking to put your money to work, you can expect greater down payments. With that said, properties being purchased non-owner occupied as an investment can typically assume 20-25% of the purchase price down as a general rule.

MFT: How long do I need to live in an owner-occupied unit before moving out?

KP: There is no clear-cut answer to this question. If someone is purchasing a multi-family as a primary residence then they are expected to move in and occupy one of the units. A year or two down the road, should circumstances change and life takes you in a different direction – i.e. growing family, job change or move etc. many people will then move out and purchase a single fami-

ly or alternative property that better suits their needs. The bottom line here is that every situation is different but needs to "make sense" to underwriting.

MFT: Can I pull money out of my existing property to cover my down payment on another property?

KP: This situation we are seeing a lot given the current market and interest rate environment we are in. With interest rates being so low and attractive, and the real estate market appreciating the way it has, many homeowners are capitalizing by leveraging their existing properties by pulling money out to invest in other properties. In some areas, we have seen 10-15% appreciation in a relatively short period of time which has made it attractive and easy to do for homeowners.

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» MARY JANE

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the state and local level.

We spoke with Rob Ciampitti of Liberty Law and asked him some of the questions that landlords might have about adapting to the new law.

CAN A LANDLORD REFUSE TO ALLOW TENANTS TO SMOKE MARIJUANA RECREATIONALLY UNDER THE NEW LAWS?

The simple answer is, "Yes." Just as you are allowed to prohibit cigarette or cigar smoking, you can also prohibit marijuana smoking. You can also prohibit marijuana use completely or allow it only in certain forms. For example, you can allow edibles or concentrates, but still forbid smoking.

Even in states that allow the consumption of marijuana, smoke or other perceived negative aspects of marijuana use could certainly impact neighbors or other tenants. Also, it is important to remember that just like alcohol, the legal age to use pot in MA is still 21. Anyone under that age consuming will be in violation of state law.

MY TENANT THINKS THAT BECAUSE POT IS NOW LEGAL THAT HE HAS THE RIGHT TO SMOKE IN MY BUILDING. I STILL DON'T WANT HIM TO. WHAT ARE MY RIGHTS AS THE LANDLORD?

Generally, it depends on what your current lease prohibits. If your lease prohibits smoking or has an anti-crime or drug clause, the fact that marijuana may be legal makes no difference; you can continue to prohibit any

type of smoking in the unit and take action to enforce those rules like you would any other lease violation.

If the lease doesn't have those types of clauses, then it gets a lot more complicated. You can include a clause prohibiting conduct that is unlawful under state and federal law as marijuana is still banned under federal law. Your best bet is to talk to a good attorney who understands the issues and can advise you based on the specifics of your existing lease.

CAN I EVICT SOMEONE FOR SMOKING MARIJUANA OR DISTURBING NEIGHBORS WITH SMOKE?

If the residence is in a state where marijuana is legal in some form, it may be difficult to evict a tenant after a single violation. Allowing the tenant to remedy the situation first would likely be the most successful course of action.

If the problem continues, and if multiple violations or constant complaints from neighbors are documented, it may be possible to evict the tenant.

WHAT ABOUT GROWING IT ON MY PROPERTY?

MA law allows adults over the age of 21 to grow up to 6 plants, with no more than 3 flowering at a time. If there is more than one adult in a home, the limit of plants per house may not legally exceed 12. Any violation of this would constitute a breach of MA law and could be treated as such under your existing lease.

Just like smoking, a landlord can prohibit renters from growing pot by including a specific rule as a clause in the lease. If the issue comes up after the lease has been signed without such a clause, the landlord would likely need to rely on an anti-drug or crime policy that hopefully was included in the lease.

You would then need to send written notice of the lease breach, citing the appropriate clause. If the renter continues to grow plants after receiving the written notice, the landlord may attempt to evict the tenant for violation of the lease.

If you don't include a specific clause, it will be very difficult to prevent renters from legally growing marijuana during the term of the lease.

Another factor to keep in mind when it comes to growing is your utilities. Horticulture of any kind requires significant power and water usage. Growing marijuana also requires a lot of moisture. In an area that hasn't been properly ventilated or designed as a green-house, excess moisture can be very harmful to the building. So, you may have very legitimate reasons to prohibit cultivation on the premises.

WILL MY STANDARD INSURANCE POLICY OR A TENANT'S RENTER'S INSURANCE POLICY COVER DAMAGES CAUSED BY POT SMOKING

This is a really good question and one without an easy answer. Now that marijuana is legalized in many forms, it is important to contact the insurance company in question to ask if they would cover such damage or decline coverage based on the federal illegality of marijuana. Many insurance policies won't pay for damages caused by illegal activities and you don't want to be on the hook if a balcony burns down due to careless smoking.

WHAT ABOUT MEDICAL MARIJUANA?

The situation with medical marijuana is different. In 2012, Massachusetts voters approved marijuana for medical use, and there

are legal dispensaries open and operating throughout the state.

Medical marijuana is overseen by the state Department of Public Health, while the implementation of the recreational marijuana law is being overseen by the state treasurer's office, which is tasked with setting up a Cannabis Control Commission.

What this means for landlords is that a tenant who is a medical marijuana patient has the right to not be discriminated against just like any other person with a disability or medical condition. If you are having issues with a person who is legally using medical marijuana, you will want to consult an attorney before taking any action that could be seen as discriminatory.

CAN BEING "POT-FRIENDLY" BE SELLING POINT?

There is a school of thought that says being pro-cannabis can be good for business. As public sentiment toward marijuana has become more relaxed, some hotels and resorts in states with legalized marijuana have created a business plan out of being pot-friendly. It's not out of the question to think that some tenants might be willing to pay a premium to live in pot-friendly building. You just need to be aware and willing to accept all the risks mentioned above.

Whether you decide to allow marijuana in your buildings is a complex decision that you need to consider very carefully. For some, the stigma attached to use of marijuana is enough to forbid it, for others it is strictly an economic decision. Regardless of how you choose to play it, clear and frequent communication of your rules and well-written lease are your best assets.

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My team and I are looking forward to hearing from you!

Call Multi-Family Specialist Steve Martin at 617.212.3251 for a no-pressure consultation. Steve is the publisher of the Multi-Family Times, the founder of MultiFamilyProperties.Com and a licensed realtor with Wellsco Realty