



HIERARCH
REAL ESTATE & INVESTMENTS, INC.

Disrupting An Industry

Brought to you by Hierarch Real Estate & Investments, Inc.

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ENTREPRENEURS

When Was Your Last Legal Check-Up?

Heading into the final quarter of the year is a good time to evaluate for next year and make sure you're caught up on paperwork, fully compliant, and in good legal standing.

It's also a good time to think about changes that will help your business grow and succeed. Here are some things to review:

Consider your legal structure: Many businesses begin with a simple legal structure, but as they grow and become more complex, they find that a different structure is more appropriate. For example, small businesses often begin as sole proprietorships, but eventually opt to form an LLC or incorporate for purposes of liability protection, tax flexibility, and potential funding opportunities.

Reassess your physical or operational footprint: Maybe it's time to expand, relocate, or enter a new market. It may be an opportune time to add a new line of business or enhance your product line. A bit of market research can reveal if conditions are right. The Bureau of Labor Statistics, the Economics and Statistics Administration, and local commerce websites are good places to start.

Take a look at staffing: Evaluate your team and identify where professional development and/or additional staff or contractors may be needed going forward.

Review regulation concerns: If you have changed the company name, business address, board membership, or operating structure, you may be required to report these changes. Also, licenses and permits may need to be renewed. And, of course, it's critical to address your tax liability and file or pay what is owed.

REAL ESTATE

Five Essential Contract Clauses to Protect Buyers

A seller lists their property for sale, but typically a potential buyer initiates the negotiations to purchase that property. As a result, the buyer's agent often puts language into the contract that limits the buyer's potential financial liability. Here are five conditions that all contracts should include to protect buyers.

Financing is probably one of the most commonly used contract clauses. Most buyers don't have the liquid capital to buy properties without additional financing arrangements. This clause protects the buyer against the potential inability to secure a loan for the property. It is highly recommended that you seek advice from a mortgage professional prior to proceeding with any potential offers to buy.

Insurance is now commonly required in order to secure financing. Quotes are easily obtainable through most insurance brokers, and a short amount of time is usually sufficient to fulfill this condition.

Title searches help buyers determine the true owner and any rights or encumbrances that are associated with the property. It should also identify any unresolved debts held against the property's title that could hinder the final sale.

Environmental assessments are more common with industrial or commercial warehouse properties, but there are a variety of reasons that investors may wish to review the environmental integrity of a property. Older properties could have buried fuel tanks or contain contaminants that could harm tenants.

Review of documents is an essential part of the due diligence required to safeguard your investment. Documents concerning the building history and operation are necessary to make an informed purchase decision. It is recommended that you consult knowledgeable professionals to assist with the review of these documents.



How to Win Big in Today's Economy

The altered economic landscape presents innovative and nimble businesses with opportunities to thrive.

Find out how by requesting my free report "How to Win Big in Today's Economy" by emailing me at info@hierarchrei.com or calling 209-753-0123.

Are You Using the Start/Stop/Continue Technique?

The *Start/Stop/Continue* technique is a simple and effective way to get customers to reflect on their experiences with your company and help you identify areas for improvement or expansion going forward.

The procedure requires no special equipment, training, or knowledge, and you can easily adapt the technique to gain helpful insights into products, services, methods, or processes.

Start

To begin, initiate a conversation with a customer and ask him or her to suggest new products, services, or activities that they would like to see your business offer in the future. Prompt them to think about new ideas, trends, or developments they may be aware of.

Stop

Next, ask the customer to look retrospectively at any problems or unmet needs they may have

encountered when dealing with your company in the past. It's important to ask specifically about any negative behaviors or low standards they observed.

Continue

Finally, ask your respondent to think about the core strengths of your business. Ask them why they do business with your company and encourage them to focus on those aspects that they believe you should continue or even double down on in order to improve future outcomes.

You can use the Start, Stop, Continue technique to get meaningful feedback from both internal and external stakeholders.

Because of its simplicity, the S/S/C method is a great tool to use with project teams, small groups and committees, all-staff meetings, and personal performance evaluations, as well as customers.

Worth Reading

Four Things Leaders Misunderstand About Performance Reviews

By *Rashan Dixon*
Entrepreneur.com

Employees often dread performance reviews. That makes sense; as this article describes, the format of performance reviews needs a review. Potential improvements include scheduling these more often, making them less formal to avoid turning them into second job interviews, and allowing employees to give feedback to their leaders. Management creates the culture for employees, so if managers are willing to change to improve, their employees may follow that example. **More:** <https://tinyurl.com/worth0919a>

Apply These 4 Techniques to Improve Project Management in Your Small Business

By *J. T. Ripton*
Smallbiztrends.com

Your small business needs to think like a project manager, even if you don't have one on staff. This article describes how to develop that mindset. Know what you want to accomplish and all the steps involved. Most importantly, this article argues, learn to work well with the people on your team. People aren't projects, but all projects involve people. **More:** <https://tinyurl.com/worth0919b>

How to Run a Family Business Successfully

By *Kerry Hannon*
Forbes.com

Regular business transitions become more complicated when business partners, bosses, and colleagues are your family members. This interview with Rob Lachenauer of Banyan Global Family Business Advisors discusses how to work with parents, siblings, and children. His insights may improve your relationship with your family, even if you don't run a business with them. **More:** <https://tinyurl.com/worth0919c>

WISDOM

Quotes on ... Law

It is not wisdom but authority that makes a law.

Thomas Hobbes

The law always limits every power it gives.

David Hume

Lawless are they that make their wills their law.

William Shakespeare

If we desire respect for the law, we must first make the law respectable.

Louis D. Brandeis

At his best, man is the noblest of all animals; separated from law and justice he is the worst.

Aristotle

No man is above the law and no man is below it: nor do we ask any man's permission when we ask him to obey it.

Theodore Roosevelt

The best way to get a bad law repealed is to enforce it strictly.

Abraham Lincoln

Three Hot Topics for Multiunit Investors

Real estate investment can take on a variety of forms depending on an investor's skill set, knowledge base, cash flow, and time constraints.

Larger-scale multiunit residential properties (five or more units) can offer investors economic advantages. These advantages impact budgets, financing, and property management considerations.

Here are three key areas to explore prior to investing.

Financing Options

At first glance, the higher cost of a larger multiunit property could seem insurmountable. But lenders look at these loans as lower risk than smaller-scale investment properties. They benefit from lower default rates due to their cash-flow resiliency. It is strongly recommended that you get a pre-approval letter before making an offer on a property. This will not only help you set your budget, but it will also ensure there are no unexpected financial surprises after the offer has been submitted.

The financial resiliency of this type of investment property is driven by the number of units within the building and the rental income that each unit

generates. Even with a few vacancies, these types of properties can maintain positive cash flow. This resiliency should be clear within the financial statements for the property. A thorough review of the income and expenses should clearly show patterns concerning maintenance, vacancy rates, and building expenses. The property's cash flow and expenses will directly impact the final costs.

Property Management

The calculus for hiring a property manager changes when considering a property within this investment class. The cost per unit to manage the property is lower than a traditional single-family home. It makes it more cost effective to utilize property managers to handle the day-to-day operations of your building. This allows larger-scale investors the opportunity to specialize in the areas of the businesses they excel at while bringing in skilled professionals to round out their team.

Property managers typically charge a fee, which can be a flat monthly rate; however, it is usually a percentage of the monthly rents. The rates they charge can be influenced by the breadth of their duties. The more duties that your property manager can complete, the more time and energy you will have to devote to other areas of your business.

Tenant Assumption

Assuming existing tenants will stay can be a tricky proposition.

This is an area where looking closely at the vacancy trends for a specific building can sometimes be telling.

If there is an upward trend in a building's vacancy rate, it may indicate that there is a change in the local neighborhood, there could be tenant relations issues, or the building may be falling into a state of disrepair.

As a potential owner, you will want to make yourself aware of any and all possible issues with the building's tenants prior to taking possession of the property. Pay special attention to tenants with rental arrears or a history of late payments. Review complaints made by tenants with an emphasis on tenant-versus-tenant complaints.

Every landlord has their own tenancy standards. Do the current tenants meet yours?

If you're considering a multiunit investment, I can help you review your options and determine what makes the most sense based on your financial and business goals.

LINKS YOU CAN USE NOW

This Month – Business Forms

Having the right tool for the job makes all the difference in the world. This truth applies to everything from construction projects to paperwork. When you need appropriate forms for your business documentation, check out these helpful sources.

Whether you need a bill of sale template or an employment contract, you can search here for a variety of free template downloads in Word and PDF formats: <https://tinyurl.com/links09191>

If you need to share forms via email or other online methods, Google Docs offers

a good solution. Learn how to create forms with this software here: <https://tinyurl.com/links09192>

Do you need to send forms that require a signature? Here's how to create fillable pdfs: <https://tinyurl.com/links09193>

For basic small and home-based businesses, check out this collection of free business templates, forms, and letters: <https://tinyurl.com/links09194>

For access to hundreds of business templates, sign up for a free account with Entrepreneur.com here: <https://tinyurl.com/links09195>

Quick Quiz

Each month I'll give you a new question.

Just email me at info@hierarchrei.com or call 209-753-0123 for the answer.

This month's question:

A European superstition states that a guest who leaves his/her napkin on the chair will what?

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BUSINESS EVALUATION

Performance and Financial Metrics That Matter

As a start-up, your focus is mainly on the bottom line. But as your business grows and evolves, a look at some key performance and financial metrics is warranted. Here are some critical metrics to track.

Customer acquisition cost (CAC) refers to the cost of acquiring a new customer and includes everything from cost of goods sold (COGS) to indirect inputs such as marketing, rent, and payroll. To calculate CAC, divide total costs over a specific time frame by the number of customers gained during that time. Generally speaking, the lower your CAC the better.

Customer lifetime value (CLV) measures the revenue you receive from repeat customers and can help you determine how much to expend on CAC. You can extrapolate CLV from what you know about customers' shopping behaviors, including the dollar value of their average purchase and purchase frequency.

Retention rate and churn rate are measures of the percentage of customers that stay or leave, respectively, over a given time period. This is particularly relevant for service businesses and subscription model enterprises. If you have 100 customers at the start of the month and 95 at the end, your churn rate is 5 percent. Generally, the goal is to keep your retention rate high and your churn rate low, although these metrics should be evaluated in combination with each customer's CLV.

Return on Advertising Spending (ROAS) is a calculation of the return generated by paid ad spending. Simply divide the sales generated by the amount spent on advertising and promotions.

Margin refers to the difference between revenue and expenses. To be cash-flow positive, or "in the black," your revenue must exceed your cost of goods sold and your total operating expenses.

Whether you are just starting out or your business is in an expansion phase, it's important to know what to measure and how to calculate, track, and use these key metrics to improve your business.

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