

Soliloquy of the President [rental management] vol.36

Elementary and intermediate level of land usage “the real story of that nobody else tells” No. 16.

This time is the 16-month series No. 16. A talk that is *painful for the ear* divided by beginners course for people (tax savings of 100 million Yen, the number of rented units is around 100 and the total assets after 10 years is 500 million) and intermediate people (tax savings 500 million, the number of rented units is 300, 20 years of experience and 2 billion yen assets).

The ⑯ points of beginners are, ① “Discard the 3 points of selfishness” ② “Know the basics of management” ③ “Suspect the common sense” ④ “Compare before decide” ⑤ “make successful 1 thing” ⑥ “the right floor plan” ⑦ “Know to calculate tax saving” ⑧ “Lover the rent” ⑨ “Objective is the win concept” ⑩ “Why have vacancies” ⑪ “Start to win” ⑫ “Which one is correct” ⑬ “Estimate the rent” ⑭ “loosing rent” ⑮ “repairs and renovation” ⑯ I’ll talk about selling the land.

Why beginner landowners “*sell the land*”? I can’t consider it. I was the eldest son of a salaried employee that’s why we had not even a square meter land. I bought 49,500 square meter land (4.95 hectare) in a period of 40 years. I built and managed apartments successfully (512 units, average 2 vacancies), those land owners who build apartments will *succeed* absolutely, definitely, always.

However, they will *fail* if using famous apartment builder companies that can be seen in TV. The only way is to succeed to follow what “*I tell you*”. I advised about 300 landowners who “*all succeed*”, “*that’s my track record*”.

Further, if selling the land than the cash will soon disappear. One must pay tax after the profit of acquisition cost, long-term capital gain and real estate commission, that is the same amount money as the remaining amount after 7, 8 years of a properly run apartment, as I recommend. Assets must be increased, not reduced. I think that is a sad thing.

Well the ⑯ points of intermediate course, ① “Don’t trust the accountant”

② “Know the construction and building expenses” ③ ” Master the depreciation completely” ④ “Free the debt. As soon as possible” ⑤ “Stop learning 1 thing” ⑥ “Changing or fixed interest rates” ⑦”Overseas real estate investments” ⑧”Separate vacancy management through the year” ⑨”Vacancy is absolutely bad” ⑩”Compare the competitors” ⑪”Elderly people housing service” ⑫”Buy land” ⑬”Found management” ⑭”Rental winning” will be continued ⑮”Family business” will be continued ⑯ I talk about debt-free management.

Do you know that “*debt-free*” management is the hardest thing for intermediate landowners? Intermediate landowners were told that. This is a mistake at the first place.

If you forgot then please remember that debt was necessary originally. ① The local government tax is 1/6 when you build an apartment. ② Inheritance tax will be zero when you build an apartment. ③ The cash after the tax reduction for monthly rent income is welcome. ④ Please remember that you have debt because you had no cash when you built the apartment.

Yes, here “*thank you debt*” shout is certain. *Japanese people* especially *those in Nagoya* are saying that “I *hate* debt”, “debt is *no good*” and “debt is *bad*” but I think that a well managed debt is necessary when doing business especially in the apartment rental business.

For example, after 10 year you will be “*debt-free*” but must pay ① almost half of your income as income tax, ② a large amount as inheritance tax, ③ inheritance tax after you're the cash that you have, ④ the repair and renovation costs of an old apartment, sorrow things will start.

Well, my way is only one. When I become debt-free (every two, three years in my case) then I get a new debt and build an apartment so everything settled well, the debt will not grow but the assets will increase.