

the Property report

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This issue's featured Wealth Team Member™ article is from Andrew Waite, the editor of Personal Real Estate Investor Magazine related to utilizing integrated property management systems to manage your rental properties.

Hiring A Supermanager

– By Andrew Waite

Self Service Interests Served

The assumption made when you track property value and performance with a tool like The Property Ledger is that you have income property. If you are a serious investor, more likely than not this property is managed by a third party using a software tool that could deliver more profit at less risk.

Hiring A Supermanager

Supporting any property management staff is a property management

system. The goals and features of this system are very relevant to your success.

Any property management system design begins with a specific goal in mind. The system desire or ideal is to automate as much of the process as simply as possible without adding steps, more expensive skills and overall cost. Essentially deliver the “holy grail” without the “gold plated” budget.

Designing a property management system begins with accounting for the income received and expenses incurred from renting a property. But this already assumes there is a lease between a tenant and landlord that has occurred upstream of the accounting for the income and the knock-on effect that occurs and ripples forward and backward from leasing that rental property? How did the property management company come to manage the property, market and rent it? Then who are the customer audiences?

Who is the Customer?

These differing audiences or stakeholders begin with an owner, who becomes a client of a property manager, who has sales staff that is responsible for marketing and leasing up the property to a tenant, a maintenance staff that maintains the property. This process must receive tenant complaints, issue work orders to subcontractors, seek and receive approval from an owner, track the repair to resolution and account back to the owner both that the repair was completed at the cost, transaction and portfolio level!

To build a system that serves these multiple goals and audiences, and then provide the manager and the owner with full audit trail reporting and responsibility, all without adding onerous administrative tasks to the property management staff is a significant task.

This is why most property management systems are historically simple in their implementation. They begin and end as accounting systems.

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The Tax Corner

Record Keeping – As the federal government is stepping up its auditing efforts of all American taxpayers, it is more important than ever to keep accurate records related to your actual property operations as well as the time you are spending managing your rental properties, looking for additional investment properties, searching for financing and attending educational seminars. We strongly recommend that you consider utilizing a computer based accounting program such as QuickBooks to track your property operational results. In

order to track the time spent on your investment properties we suggest that you track your time utilizing an electronic spreadsheet or keeping a journal. Tracking your time is vital if you want to demonstrate to the IRS that you qualify as a real estate professional.

For more details on the requirements for qualification as a real estate professional contact your accountant or contact one of our Accountant Wealth Team Members located under the “Resources” tab at www.thepropertyledger.com.

Hiring A Supermanager

“Brothers and Sisters in Supply Chains”

Rental owners, tenant prospects and renters, vendors and subcontractor contact databases, legal document creation and compliance management, service order status management, marketing and lead management are all considered outside of the core property management system process.

This data, or these tasks, are often deemed of secondary importance to accounting for the money but there are “brother and sister” elements within this family of tasks that share common origins, data, effort and implications. These all feed a chain of events that if done well contribute to better service and greater profitability.

The goal of maintaining system simplicity often avoids answering one very key property management productivity question; If this family of business subsystems were linked, how many redundant steps, repetitive keystrokes, work-around or add-on steps could be avoided to fulfill a logical down line familial function vital to the property manager, leasing agent, tenant, maintenance staff, sub-contractor or owner client?

Foundational, Relational And Reportable

In designing an integrated property management system or linking related tasks, the basic starting point is a database. To be useful this database must contain data that is common across the property management family of applications and tasks.

The goal is to enter meaningful data one time and make this available whenever needed across multiple tasks; take a tenancy application with prospect identification, that can be easily stored in a database that can be used to populate a lease, trigger a tenant specific terms in the accounting system set up and monthly billing, manage a tenant complaint and communicate work order scheduling for property access and provide the tenant data common to any other related task.

The basic rule of database design is to expect the unexpected, anticipate the information needed to meet current, and as yet unforeseen, business functions related to property management and owner reporting.

This means quantifying every bit of data and value that exists around any property management task. Defining and naming the virtual pigeon hole where this data is to be stored and recovered, and then working out what data each task or application may need, by user role and interest. The result should be a rich and easily and quickly accessible relational database and report generator. Remember users will want to ask any question, anytime, from anywhere.

The Ideal Property Management System

Once the database is in place, the next step is to revisit the functions a property management company is expected to perform.

1. Contract with an owner to manage their property.
2. Inspect, inventory make a property rent ready.
3. Competitively price and set a competitive rent based on the available market and current demand.
4. Market that property, syndicate to rental listing sites.
5. Source tenant leads, analyze marketing expense.
6. Manage the lead to lease conversion.
7. Provide a credit and criminal background check.
8. Analyze and score tenant rental risk profile.
9. Complete a compliant rental process, fulfill renters insurance requirements (where required) and sign lease.
10. Manage tenant relationship from move in to move out.
11. Track tenant maintenance requests, scheduling and completion.
12. Track overall property condition.
13. Collect rent and administer the accounting process.
14. Report by accounting period or answer owner inquiries on the owner's schedule.

15. Re-sign the tenant or manage and orderly move out.
16. Analyze and advise on rental pricing, profitability
17. Repeat cycle

These broad steps cross every conceivable business function performed by any major Fortune 500 service corporation, but in the microcosm of sole owner operated to midsized property management companies.

Until now to achieve these functions require million dollar machines and software applications that were unattainable by all but a Fortune 1000 company.

Rental Property Data Democracy

The web has changed this and delivered the power of a pervasive outsourced computing platform or cloud computing to the smallest of property management companies serving the owner of a single rental home.

The software services that visionary service providers deliver support most, if not all of the functions described in the rental property cycle described. These features are all available today to a leading property manager in service of their tenants, owners and service providers for pennies per rental property per month.

The news for property owners is simple. Choose property management companies who choose a property management system leader. This software provider must have the financial depth, customer experience, culture and vision of what every class of rental property tenant, manager, service provider or owner will need.

For a subscription to **Personal Real Estate Investor Magazine** go to www.personalrealestateinvestormag.com

Threshold Theory

– Carter Froelich

While prices are beginning to escalate in certain markets, it is not too late to find great real estate investment opportunities as many investment grade real estate investment properties are still selling below their replacement costs. As always, it is important for you to have a thorough understanding of your market utilizing what I call “Threshold Theory”; meaning the only way to understand your market is to walk through many “thresholds” and inspect the sold properties and/or properties for rent to understand the market in your specific area. When developing your own unique “Threshold Theory” I suggest that you utilize the Real Estate Navigation Forms™ which are available via free download at our website located at www.thepropertyledger.com.

I will be writing more about how to analysis potential real estate investments in the future however, if you do not have a clear understanding of what properties are selling and renting for in your particular market you will fail before you have even started. It is absolutely imperative that you understand your market. I suggest that if you have not already done so, that you contact your realtor and/or title company and get a listing of all properties which have sold in your particular market area over the

last 6 months and drive by each one of the sales and record the information in your Real Estate Navigator Forms™. Drive the front and rear (if possible) of the properties sold and let the image of the sale become etched in your mind. Create a “mini brand” of the sale or rental in your mind so that over time you will be able to discern the value of property or its anticipated rental rate just by looking at it. This way you will recognize a bargain when you see it. Additionally, I strongly recommend that you set up appointments with all of the landlords in your area to inspect the property as if you wanted to rent the property. Ask all of the pertinent questions for you to understand the dynamics of the market including but not limited to:

- What is the asking rent?
- What is the minimum term of the lease?
- What is the required security deposit?
- How much of the security deposit is refundable?
- Do you require last month’s rent?
- What is your policy on pets?
- What is your pet deposit?
- What is included in the rent?
- Who is responsible for utilities?
- Who is responsible for landscaping and/or snow removal?

Make sure to record your finding in the Real Estate Navigation Forms™ so that you can refer to them in the future. You can then scan your results and save them in The Electronic Library™ of The Property Ledger for future reference. Only by “shopping” your competition by inspecting units and asking the questions above will you become educated about your market.

I am surprised by how many people ask be “what website should I look at to know the value of property or current rental rates?” My response to them is that you will never get accurate information from a website unless it is hooked up to the multiple listing service (MLS) in your area and even if it is integrated with the MLS service you still have to inspect the sales comps and rental comps to see for yourself what a \$200,000 rental property or a \$1,200 per month rental unit looks like. There are no shortcuts. If you try to shortcut doing your homework you will only hurt yourself financially. So do the right things in the beginning.....walk through a lot of thresholds.

Time To Purchase Investment Grade Real Estate

– Carter Froelich

It may not appear so however, now is an opportune time to purchase real estate in certain markets. With some exceptions (Las, Vegas, NV; Phoenix, AZ; Detroit, MI) real estate markets are beginning to show month-over-month decline in available inventory. The table at right illustrates the percentage change in the number of single family homes listed for sale on the Multiple Listing Service. As demand begins to outpace supply, price appreciation will begin to occur.

REGION/CITY	Mo-over-mo	Yr-over-yr	Trends over last 3 months			Months supply of inventory last year
NORTHEAST						
Boston, MA	-5.43%	-8.53%	4.18	4.42	5.06	4.57
Manhattan, NY	-3.10%	-33.71%	4.07	4.2	4.54	6.14
MIDWEST						
Chicago, IL	-1.73%	-37.00%	7.39	7.52	7.69	11.73
Dallas, TX	2.17%	-3.16%	7.06	6.91	7.3	7.29
Detroit, MI	4.15%	-49.85%	6.53	6.27	7.45	13.02
SOUTH						
Atlanta, GA	-2.48%	-26.39%	10.21	10.47	11.04	13.87
Charlotte, NC	-2.55%	-29.45%	6.11	6.27	6.55	8.66
Miami, FL	-5.96%	-68.17%	9.79	10.41	11.59	30.76
WEST						
Las Vegas, NV	5.14%	-61.28%	2.66	2.53	2.42	6.87
Phoenix, AZ	9.81%	-65.91%	3.47	3.16	2.94	10.18
San Diego, CA	-2.76%	-52.15%	2.11	2.17	2.09	4.41

Source: Mark MacKenzie Real Estate Planning

The Property Ledger™ Tip

To create a report or graph utilizing The Report Writer™ click on “The Report Writer™” tab on either the “Portfolio Summary” and/or the “Project Summary” page of The Property Ledger. At the bottom of the screen you will see a menu of available reports and graphs which may be created related to your entire real estate portfolio or a particular property. Click on the appropriate report or graph which you care to create. For a report it will be necessary to open the PDF version of your report to view the report. Once opened the PDF may be printed out or emailed. In order to create a graph, click on the graph and the graph will be displayed on your screen. The graph may be printed out if you are utilizing versions of Microsoft Windows 7 or comparable.

– Coming Soon – The Property Strategies™

Over the next few months you will find on our website under the “Order” page The Property Strategies™ which will allow you fast track yourself to greater cash flow and wealth. The Property Strategies™ are designed as concise easy to understand investment strategies which you may implement immediately in your investment activities. The first Property Strategies to be released will include “ Making Money With The

“And/Or” Assigns Clause” as well as “Creating Wealth Through the Substitution of Security Clause”. The cost for each Property Strategy™ is \$14.95. We anticipate adding 2 to 3 new Property Strategies™ per quarter.

Announcing The Addition of Graph and Reports to The Property Ledger™

If it has been a while since you have utilized The Property Ledger™ you may want to log on and explore the recent additions to The Report Writer. As of May 1, 2010 you may now email and/or print our PDF versions of the following reports:

1. Portfolio Summary
2. Property Summary
3. Property Tax Analysis
4. Acquisition Summary

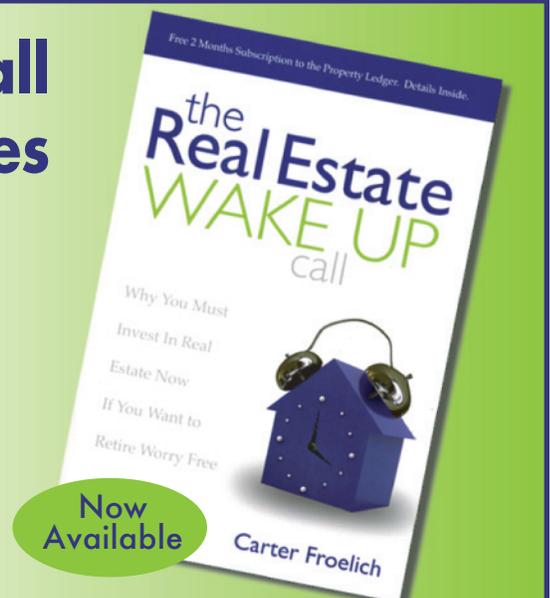
You may also create and print out the following graphs:

1. Portfolio Equity Summary
2. Property Equity Summary
3. Property Annual IRR
4. Property Net Cash Flow
5. Property Debt Service Coverage Ratio

We will be adding additional reports and graphs to The Report Writer™ over the coming months so stay tuned. If there are suggestions as to what reports and/or graphs would be beneficial please send your suggestions to support@thepropertyledger.com.

The Real Estate Wake-up Call Now Available in Bookstores

The Real Estate Wake-up Call is available for sale on Amazon.com, other web based book retailers as well as local bookstores. As **The Real Estate Wake-up Call** offers a two month free subscription to The Property Ledger, get your copy today and sign-up for your **FREE TWO MONTH SUBSCRIPTION**. The e-book copy of **The Real Estate Wake-up Call** is available for immediate download at www.thepropertyledger.com for \$4.95. Paperback versions are available for \$10.95.



Available on our web site, Amazon and in selected bookstores.