



FEATURED WEALTH TEAM MEMBER ARTICLE

Good Property Management Does Not Cost, It Pays!

By Bill Spain

Property owners often think of property management as a necessary evil. Necessary because they do not want to take the midnight calls about a leaking water heater but evil because there is a cost associated with having a property professionally managed. The astute investor knows that this perception is not only inaccurate but counterproductive to achieving optimum results for the real estate investor.

"Property Management encompasses so many different elements

that owners can easily overlook essential components," commented Patricia Hatton, Vice-President of Property Management Services for Provident Partners Companies in Scottsdale Arizona. "The most important aspect of successful property management involves the placement of tenants," added Hatton. "Background checks, rental history verification, tenant interviews and sufficient security and trust deposits are all very important and often not addressed by individual owners."

Many property management companies lure owners with promises of low fees, hands-off owner involvement and rents stronger than the market can provide. The owner becomes disillusioned shortly after realizing that the "promises made" were merely verbiage used to "land the account." In reality, a strong property management company

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Ten Principals of Successful Real Estate Investing

By Carter Froelich

1. Know the real estate market in which you are buying property better than anyone else. This includes all of the sales comps and rental comps in your neighborhood. To get a hand in tracking market trends, you can download our Real Estate Navigation Forms™ from our website at www.thepropertyledger.com under the "Resources" tab.
2. Real estate investing is a team sport, so add qualified professionals to your team including a: real estate broker, mortgage specialists, banker, escrow agent, property manager, lawyer, certified public accountant, bookkeeper

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The Tax Corner

This issue's Tax Tip relates to property taxes. As we all are aware property purchased years ago quickly doubled in value, but now as property values are falling, your property's assessed value may still show this "paper windfall". As such, make sure that review all of your property tax statements to determine if the property's current assessed valuation is within a reasonable range of value given the unique circumstances of your particular market area. If the assessed value is in excess of what you believe is reasonable, consider appealing your assessed value with the county assessor's office in order to lower your property tax bill.

Should you want to appeal your property's valuation, here are some tips:

- 1) Do not delay as all property tax appeals are subject to time constraints.
- 2) Check proportions. Exam the notice of value to determine that your property's dimensions are accurate.
- 3) Compare you assessment to six or eight similar properties in your area with the same age and size to determine their assessed value.
- 4) Battle the bureaucracy. Set up a meeting with the assessor and back up your claims with tax records, photos, and/or recent appraisals.
- 5) Hire a consultant. If you don't have the time to fight the valuation, hire a professional to fight for you. These professionals are typically paid on a success basis.

Good Property Management

advises potential clients of the need for consistent interaction, communication and strong maintenance of the property in order to compel tenants to remain in the property for long periods of time which is key to have a performing real estate asset.

"I don't think most investors think about the importance of a long term relationship with a professional property management company," added Jody Nelson, Chief Operating Officer of Provident Partners Companies. "Once a property is purchased and becomes an investment for a real estate owner the most important relationship to insure success is the partnership created between the owner and their management company," added Nelson. "A local company with long term employees who communicate effectively with both the owner and tenants is a true necessity for developing a successful real estate portfolio and is often forfeited based on loss-leader, fee-oriented promises that never come to fruition," she added. Owners become frustrated with turnstile management companies where every time they call they reach an automated system or a brand new, just out of college temporary employee.

Numerous property management companies model the services they offer based on the projected bottom line for the company, which, in turn, results in too few personnel to monitor owner's best interests and provide any level of service or communication. Some management companies do not even offer individualized owner attention but work on a boiler room philosophy where thousands of properties are handled by a phone bank of minimum wage paid message takers supervised by one newly licensed real estate agent. Naturally, the results for owners who utilize this method of property management are poor and result in frustration and ultimately in unnecessary expense to the owner.

Important things to look for in a professional property management company include:

Represent the owner's interest first and foremost - An owner hires a property management company to represent their interests while working with the tenant to maximize the owner's bottom line. Some property management firms forget this important aspect and accommodate tenant requests at the expense of the owner's interests. A fine line distinguishes actual "management" on behalf of the owner.

Local understanding of the market - National property management firms lack local knowledge, personnel and ability to react quickly in the multiple markets they handle. Find a local company that will know your name when you call and need help and has employees who live in the local community. Make sure your property management company is a member of the local Better Business Bureau or do not use them.

Advertise Wisely - Property management companies tend to advertise in newspapers which are expensive to the owner and not as productive as web based advertising and multiple other internet opportunities that are much less expensive and provide faster results.

Assigned Responsibility - Utilize a management company that assigns a specific person to your account. An Account Representative is ideal to insure responsiveness and accountability and creates a relationship between the owner and the management firm. Nothing is worse than having no one to speak with.

Professional Reporting - There are a multitude of software systems on the market and many are user unfriendly. Find a property management company that uses an interactive system that will allow the owner to access reports via website or that offers emailing of reports on a monthly basis.

Auto-Payment Option - Every reputable property management company should offer the owner and the tenant's options in order to make and receive payments in current time. Property management companies should pay the owner in the current month rather than a month late. ACH payments and direct deposits are very beneficial to owners receiving funds in a timely manner.

Full Time Leasing Agents - Leasing property in a timely and professional manner is a key requirement. Professional leasing agents who provide comparative market analysis for the owner so that properties are accurately priced is another basic necessity. Nothing is worse than overpricing a property that then sits on the market for ninety days gathering dust because it is not priced realistically in that specific area.. Listings should be marketed on the multiple listing system and opened to all real estate agents in order to lease the property as quickly as possible. While this requires commission to the agents involved, savings will come from the immediacy of the rental versus months of marketing time.

Competitive Maintenance Division - Property management firms that have "in-house" maintenance employees tend to have higher maintenance costs and more repairs, strangely enough. This costs owners more money. Use a property management firm that develops affiliations with numerous maintenance and repair companies in order to offer competitiveness and immediate response to maintenance needs. In house maintenance is slower, less likely to have extensive expertise in all repair categories and once again tends to pad the management companies bottom line at the expense of the owner.

Professional Independent Inspections - Work with a company that offers quarterly or semi-annual inspections of the property by an independent affiliate. The report should include pictures and comments about the status of the property, condition and how well the

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property is being maintained by the tenant. There is normally a fee for this service of about \$100, but is well worth the investment.

Reasonable Stated Fees - Gimmicks are just that...**GIMMICKS**. Misleading an owner with reduced fees for a few months before bringing down the hammer of truth is unfair and creates distrust. In assessing general market conditions, a property management company that charges 7%-8% is very competitive. An annual fee for year end statements or releasing is typical and should not exceed a few hundred dollars. All other fees are junk fees that are assessed by property management companies to increase their bottom line profit. With the management fee should come all of the services already described. One or two person offices may charge less, but the services received will pale in comparison.

Another important aspect for success in owning real estate long term is finding a property management company to work with that has an honest and open communicative style. Owners need to be able to have input and receive feedback that enables all parties to obtain strong results. Both sides need to listen to what the other has to offer and then develop an action plan to address specific properties needs.

Bill Spain is the designated real estate broker for Provident Partners Companies, as well as a mortgage broker for Provident Partners Mortgage. Provident Partners Companies is a boutique "One Door-One Solution" company that offers full service property management, real estate and mortgage services. The company is a Better Business Bureau Ethics Award finalist as well as the Scottsdale Chamber of Commerce "Sterling Award" finalist. Bill Spain may be reached at 480-314-1414 or via email at bill.spain@providentaz.com.

Ten Principals of Successful Real Estate Investing



and a handyman to your investment team. For a listing of our Wealth Team Members™ in your area, visit our website at www.thepropertyledger.com and look under the "Resources" tab.

3. Maintain control of your investment decisions and never delegate the investment decision to others. Only make real estate investment decisions after you have developed a thorough understanding of the market, performed a detailed property inspection and have prepared your financial analysis to evaluate the financial returns of the property using The Property Ledger™.
4. Utilize prudent financial planning techniques. Always invest with your goals in mind (i.e. retirement, creation of wealth, cash flow, etc.) and be true to your goals and tolerance for risk.
5. Do not gamble. Only invest in properties where the existing rental income will cover all of your operating expenses and mortgage payments.
6. Purchase properties in great locations that will always be in demand. By this I mean properties within a 10 mile radius of the major employment center of the community in what I like to refer to as the "romantic locations".
7. Buy properties with terms. Look to purchase properties from sellers who have equity in their property and are willing to assist in the financing of the purchase. Many people would rather receive 6% interest secured by real estate than 1.7% secured by the FDIC.
8. Look for expandability in your purchases. When purchasing property always look for purchasing properties which will allow you to increase the revenue stream. This could be as simple as cutting back overgrown landscaping, painting and replacing carpet or as involved as adding assigned parking, storage units, vending machines, and waterfront docks.
9. Know your tax benefits. Non-cash write-offs are money in your pocket and income property is the most favored asset in the United States. As one of the huge benefits of real estate investing are the tax benefits associated with owning property, it is imperative that you understand the tax implications of your investment decisions. The Property Ledger's Tax Analysis Report will provide you all of this information.
10. Everyone needs a place to live. Not everyone needs gold, stocks/bonds or an office building, but everyone needs a place to live. As such, residential real estate is the best investment opportunity today.

The Property Ledger™ Tip



Compare Actual Operating Results to Proforma Projections

We have evaluated all of the real estate investment software on the marketplace today and none of the available software allows you to replace your anticipated operating results which you projected when you were acquiring the property with the property's actual operating results. As such, all of the software available today is only good at analyzing a potential acquisition and is not of much after this time.

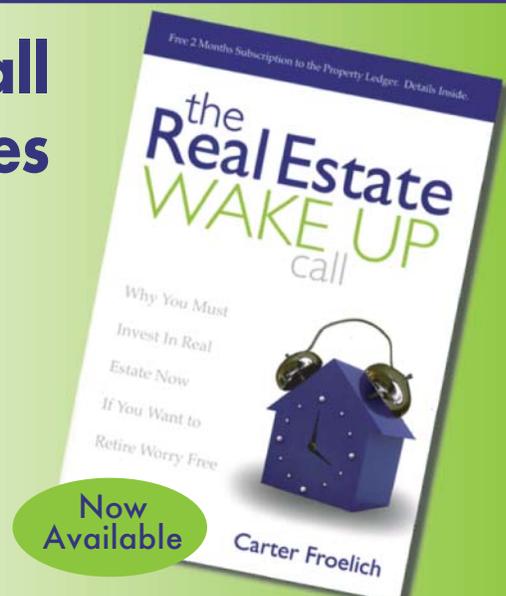
In order to allow the software to continue to provide you with meaningful operating results and to help you more informed investment decisions in the future, we designed The Property Ledger™ to allow you to not only use the web based software when analyzing a potential acquisition, but to also allow you replace your proforma projects with actual revenue and expense information so that you can see how your property is performing against your

acquisition assumptions. If necessary you can then revise your projections going forward to have a better understanding of how your property will perform over the coming years. We are not aware of any other software in the market which will allow you to do this.



The Real Estate Wake-up Call Now Available in Bookstores

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