

Don't Make the Mistake of Minimizing the Role of a Property Manager
Episode 19 - February 13, 2008

Peter: Real estate, if purchased well continues to be the single best investment one can make. Welcome to Income Property Investment Talk, a program dedicated to providing investors, eager to invest well in real estate, with the knowledge, the resources and the tools to generate increased wealth. Each week we bring the powerhouses of commercial and residential real estate to our show for you to learn from and to call at 1-866-472-5790. My name is Peter Mosca and my co-host; a commercial powerhouse in his own right, Dean Essa is tending to a family emergency.

Dealing with bad tenants, cleaning problems, financing questions, are your property taxes too high, have tenant selection concerns? Consider a factor ranking highest among renters in choosing where to live was a sense of community in the apartment complex. The other factors to choose from are amenities, conditions of unit, rent, value, but who is the most important or the most integral part of creating that sense of community? The property manager and the property manager will be the focus of our program here today. Our guest, Robert Cain, since 1987 has been publishing information, giving speeches, and conducting seminars and workshops for landlords and investors on how to buy, rent, and manage property more effectively. He has spoken at real estate companies, property management associations, companies, workshops, and an all-out genius when it comes to landlord property management issues. I could go on and on with the bio. If you want more information about Bob or today's program please visit our website at incomepropertyinvestmenttalk.com. Bob welcome to the program.

Bob: Thank you Peter.

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Peter: Bob, what we like to say on this program when we talk about property management is the frontline really does equal the bottom line. The property manager will not only help an investor to continue to make informed decisions but will definitely be the difference in the performance of the property. Owning investment property is a hands on investment. We know that, but Bob do you think that the hiring of a property manager may be the most important decision an investor can make?

Bob: Yeah in a couple of different ways. First of all whether you're going to hire a property manager at all and second the property manager that you hire. Whether you hire one or not depends on your skill in dealing with and your persistence or ability to deal with people and with property itself and your tolerance for being bothered. Now I know that I don't manage my own property because I know my own limitations.

Peter: I would think that you would have to be someone who is skilled in repair work, but also skilled in dealing with personalities because you must be dealing with a multitude of different personalities i.e. the people who are renting the properties from you.

Bob: Absolutely, because one thing is that lots of times people who own and manage investment real estate or who own investment real estate are pretty good with things but they're not much good with people. Generally they're pretty nice folks and they trust people. They've always dealt with people who are like them and who do a good job, who do what they say they're going to do, who understand the importance of paying their bills on time and you know things like that. And then, they get a bad tenant and they are good, bad tenants are really good at interviewing and getting to rent from people because they have a lot of practice, and so they get sucked into these stories about the hard luck, the grief, the horrible things that have happened, and they rent to them because they feel

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sorry for them. One of the only two times the landlord gets in trouble is what; when he's in a hurry or when he feels sorry for somebody. Now a good property manager won't get sucked in like that because they have systems, they work it all out and presumably they've been doing it for some time, for a long time or they still wouldn't be in business.

Peter: So really that first question that you came up with then, whether or not to hire a property manager, in most cases would you say that the investor should really look towards the professional services of the property manager?

Bob: Well absolutely, I think about it because I know as I say I know my limitations but people think oh this is just something that I do part-time, it's just something I do. They don't think of it as a business. You would not dream of having, if you own say \$2 million worth of property, you would not dream of running a \$2 million business all by yourself. You would hire people to take care of the things that you were not as capable of taking care of for example. Like accountants, people don't have any hesitation about hiring accountants.

Peter: Right.

Bob: But they don't want to hire a property manager. Well, duh, property managers know how, they have systems to make things work. Most landlords who are just doing it part-time, have real jobs, work out on weekends and get the phone calls and have to go over and make all the repairs, all that stuff, some people like doing that. I don't even like working on my own house, so somebody else's, nah. But they don't have any hesitation about hiring an accountant but they won't hire a property manager. But they don't have a system, they don't have a whole thing worked out where you just go checklist and here's what you do first and here's what you do second and here's what you do third because

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they haven't spent enough time. It's already done for you and the property manager will actually save you money if he or she is a good property manager. But of course they're not all good and you have to select accordingly.

Peter: Well let's look into that Bob. Just like any profession I would think that there's going to be for the majority of a profession, most people know how to do their jobs well. That's why they've been in the business. I would think length of time doing this type work is one of the credentials someone should look for. Maybe you'd want to touch on that and maybe talk a little bit more about what an investor should look for in a property manager. What are some of the key attributes of a successful property manager?

Bob: You mention the first thing is experience. Look for a resume. Whose properties have they managed, whose do they manage or are you going to be the only one? What systems do they use? One of the most important things is I have fired property managers because they irritated me. They probably did a good job but they didn't speak the same language I did, I couldn't communicate with them or they had an attitude and I thought I don't have to put up with this. I had my own business for 20 years and I don't put up with much, especially someone who's working for me. Landlords seem to think lots of times will just get bulldozed by these folks. You have to go in with expectations of what you expect your expectations when you hire a property manager, one of which is look at their systems, look at their experience, look at whose properties they're managing now, and call their current clients. See how they're doing. They should have no hesitancy about giving you a list of the people whose properties they're managing now.

Peter: Yeah, I think that's what most people have a concern with, is doing that type of follow-up, whether it's a property manager or any other professional. I would encourage

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the listeners to do just that. Why not, why not take the minutes that it takes to do something that could save you significant dollars over the lifetime of your investment?

Bob: Let me tell you a horror story. A fellow who I did some consulting work for a year and a half ago in downstate Illinois called me and he was concerned that he was not going to make a good investment. He had a whole bunch of property he had lined up to buy and he was buying it for no money out of pocket at all and he was thinking, "I'm going to lose money on this." So I ran numbers for him and I said government thinking, if you don't buy this, because he was going to net \$18,000 a year, net, net, net even with the vacancy rate without spending any money at all. Now that's pretty good cash on cash isn't it?

Peter: Absolutely.

Bob: And so he wouldn't have to do anything. Well as you made it out in the beginning, rental property of the hands-on business even if you have a property manager. It's still hands-on. You can't just turn it over to them and say oh thanks a lot man. So, anyway, he called me the end of last year and he says, "I'm in trouble". I said "John why?" He said, "I've been ripped off." The guy who had financed the property for him in the state of Illinois had said he would manage it for him and I was hesitant at the time because I said, "Does this guy have any experience, does this guy know anything?" He said, "Yeah, well he seems to." and I said, "You know him I don't, it's your decision." Anyway, the guy had never sent him, the property manager, had never sent him any money at all. He had stolen essentially \$30,000 from him. There were no receipts, he had no rent receipts, no nothing and so when he called me he said, I guess it was November/December, it was one of those two months I can't remember, the point was is he said "I need to evict some

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people." I said, "well, you can't evict for nonpayment of rent for anybody who's paid you this month because you have no records proving that they didn't pay you. So you're going to have to start right now at this point forward. And the next thing you're going to have to go inspect every one of those properties." There were 42 of them. Some of them were duplexes, fourplexes and some multiunit buildings and some single families. They were just scattered all over a three county area. I gave him a whole list of things to do and said when you get those done let me know and we'll start again. He went to a lawyer and he'd gotten new lease agreements drawn up so they'd be appropriate and everything.

Peter: I'm curious to know, this gentleman that you're speaking of, was he nearby the investment or did he...

Bob: Oh yeah, absolutely.

Peter: He was. He still didn't do...

Bob: Did not do due diligence, he didn't even drive by the places. This is why it made me crazy is that again hands on investment. But the point is, what I'm getting to here, is that first of all, he didn't drive by, he paid no attention, how come when he didn't get any money each month he wasn't calling the guy and saying what's going on? But in the state of Illinois, you do not need a property management license. There is no such thing.

Peter: Oh boy.

Bob: There's a leasing agent license. Now I know this because I did the instructional design for the broker's class, real estate brokers class, in the state of Illinois for Thompson Corporation. They have an online course, and I did the course for them. I had to go over the entire Illinois law otherwise, I would have no clue about what Illinois law is because I live in Arizona. As it happens, I had to become relatively expert in it just in

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order to create the courses. So, again, one other requirement is that if they're licensed in the state, if there is a license requirement in the state and not all of them are, then they better be licensed or if there is a license requirement, they get in deep dodo if they don't have license.

Peter: All right, Bob, let me do this because we're coming up on our first break of the morning. Let's look at how we could take this hands-on approach to property management to the next level, maybe through technology. So when we get back we'll talk more with Bob Cain about property management

BREAK

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Peter: Welcome back we're here with Robert Cain. Bob, we were talking about how this is a hands-on investment, how important property management is and joining us for the second segment on the program is Mike Waters with Max Cap Property Management.

Mike are you there?

Mike: I'm here.

Peter: Hey Mike, I know you said, on the break we talked, you said you listened to the first part of the program and Bob, one of the things I wanted to transition to before we bring in Mike to talk to us about how technology is helping to bring the property manager and the investor together, one of the things I wanted to ask you about Bob was in terms of hiring that property manager, one of the things I like to look at is professionalism, is education, is there a designation that we can talk about, let the listeners know about, that

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they can look for in a property manager that might insure more success or more professionalism from that property manager?

Bob: Well there are. It's not going to ensure it but it's certainly going to give you more credibility. The people who actually paid attention to their own business are going to be more likely to, and kind of been educated, have designations, are going to be more likely to do a good job than somebody who just hung up their shingle and said yeah I'll manager property for you. Two organizations that do this, the National Association of Residential Property Managers, NARPM, and you can go to their website, NARPM.org. They have chapters in different places, not all over the country, more in some places than others, but they have a number of different designations. There's the RPM, the MPM, and CRMC, which I have a link to on the rental property website, and look for those. It talks all about the educational requirements that these folks have in order to get these designations. They have to go to school, pay attention, and take a test, and things like that. The other one is due to real estate management and they're the ones who designate the certified property manager. Chances are for a small residential investor; you can't afford them because those are the ones who manage the big buildings, the big commercial buildings and office buildings and things. They will do an excellent job for you and they know their business really well or they wouldn't have the certified property managers, CPM designation. So whenever you see CPM, you've got somebody who knows the business. You will also see RPM, MPM, and CRMC, and I'm not going to tell you what they all mean, you can go to the NARPM website, National Association of Residential Property Managers website and it will tell you all what they mean and what they have to do to get the designations. But if they are members of either IRM, or NARPM, you can rest assured they at least take their

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business seriously. They go to meetings, they will talk to other property managers, and exchanging war stories does a lot for you to understand the issues that other managers are up against because you're not all out there by yourself. No issue is something that's never happened before.

Peter: Right. Mike one of the things, and again I want you to do a quick intro, but, and we are speaking with Mike Waters from Max Cap Property management, Mike if you could talk to us briefly about what Max Cap is and why it's important to the investor listening to us today.

Mike: Thank you. As you know Max Cap is affiliated with RealSource in Salt Lake City and around the country. Max Cap was devised to maximize our client's capital, clever name. What we have found over the almost 2 decades that we've been helping people put their money in growing markets is just what Robert mentioned earlier. The most important part of the entire investment is the management. If you can't get good management, you may as well take your money to the track. So we set up the Max Cap system to oversee management selection and assist the clients utilizing technology. There are so many great innovations available through the Internet today and computers. So, using that technology to help track the assets, and manage the assets.

Peter: So with the software package like Max Cap, that horror story that Bob referred to earlier basically wouldn't be able to happen because the investor is consistently kept abreast of what is happening with their property whether it's improvements made to the property, whether it's landscaping that's going on, or rental checks and cash on cash being sent to the investor, those are the types of things that an investor can keep abreast of.

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Mike: Indeed. I want to clarify here Peter; Max Cap is not just software per se. It's the entire scope of technology in one package. So there are several hundred property management programs on the market today. Each has their own strengths and weaknesses. What we do is gather information from all of these points and oversee it. Different managers in different markets use different property management software packages. We can work with that. It's more tracking the information and keeping a central database of rents, expenses, management, experiences, feedback from clients, and then there's other parts of technology. We use instant messaging, e-mail is probably the most powerful communication tool and then broadband video from both managers. We have devised a system. It's in its infancy now with the broadband expansion of next year; I know it's just going to get better.

Peter: Bob, listening to Mike talk about this product, I'm sure you're saying to yourself wow that sounds great and one of the things that I believe this product does or one of the areas that I think is an important area and something that I know you focus on is how does an investor know how much to put into rehabbing a property? How does one figure out, if I spend this much what will I get back in the future or something to that effect? I would think that's an important part of owning income generating property.

Bob: Well, it is and of course you make your profit when you buy the investment and you reap when you sell it. If you buy stupid, you're going to end up screwed. Whenever you buy real estate, any investment real estate you have to consider, first of all, the plan you have for the property itself.

Mike: Absolutely.

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Bob: If you don't know in advance you're going to buy stupid or you could buy stupid, not necessarily, you could luck out. But, are you going to keep it five years or are you going to keep it forever? Either case is correct, if you have decided that's what you want because it's the goals you have for your investment. You look at the investment and you say well, when you look at any property, how much is this property going to cost me right now? Are you going to have to spend a bunch of money on capital improvements? And if you're only going to figure in holding your property for five years it's not real bright to have to make a bunch of capital improvements on the property. That's money out of your pocket that you can't recoup in taxes, you can't recoup it into you sell it. So if you're going to have to put a whole new roof on the place, you're going to have to put new heating units in, put a new foundation on, that's money that you can't expense out. You can't take advantage of your taxes and it's going to cut into your bottom line when you sell it. So you need a property if you're going to sell in five years that doesn't require a whole lot, just some touchups here and there and some better marketing maybe or whatever it is. But if you're keeping it 20 years, somewhere down the line you're going to have to make some major repairs on it and do some major stuff. But if you don't know in advance, going in, at how long you're going to keep property then there's no point in investing at all.

Mike: Right.

Peter: Mike, in terms of the product that you're talking about here today, is that something that you're, I guess the software side of it would calculate for an investor?

Mike: Yes and no. I mean, as I mentioned, we look at Max Cap as a system, as an integrated system, information system. That's what we deal in real estate, that's what we

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deal in as brokers; we actually deal in information here. Buying an apartment building is really mostly information and so one thing, as Robert has pointed out, having a plan for your business, Robert again pointed out this is a business, and also having a system to manage. One thing I know about management Peter is if you can't measure it you can't manage it. And that's what Max Cap provides is the tools for managing. So as we gather historical information, that's one thing to look at, also the capital expenses and return on investment there, but that all needs to be done prior to purchase. If you haven't taken care of that by the time you've closed escrow then you're starting off handicapped. One thing that we advocate is to find a good property manager before you buy and to work closely with that manager in the due diligence process of acquisition.

Bob: That's a really good idea. That would help because then you can go out and do the due diligence on the property.

Mike: Oh yes, and brokers, God love them, are coming from a different point of view at this point.

Bob: Yeah, they don't get paid unless they sell.

Mike: Exactly.

Bob: And it's the same point I think I pointed out with the consulting, I get paid whether you buy it or not, whether you rent it or not, whatever. So I have no interest one way or the other. I don't care. If it's a bad investment I'll tell you, if it's a good investment I'll tell you. A broker won't tell you that.

Mike: The broker will tell you it's always a good investment.

Bob: Yeah, you can't lose.

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Mike: Well, in the 30 years that I've been involved in this side of real estate, I've never known a broker that had a building available where the rents weren't low for all kinds of just ridiculous reasons.

Peter: Gentlemen, we're coming up on our second break and I want our listeners to know if they go to incomepropertyinvestmenttalk.com both Robert and Michael have put up a PDF document there that further gets into property management and how important it is. And when we get back from this second break, I'm hoping that Robert and Michael will stay with us and we can get into more of the important items that investors should look for when working with and utilizing the services of a property manager.

BREAK

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Peter: Welcome back and I am excited to have for you, right now we will have Bob and Mike back on to talk about property management, but on the phone with us right now is Jack Peckham. Jack started the Real Estate Cyber Society many years ago. In fact, I met Jack for the first time in the early 1990s. He is one of the first people in the realtor community to recognize the power of the Internet, to recognize how the online community could be such a factor in making real estate professionals, commercial and residential professionals, so much more effective. He's here to talk to us today about an online convention that's going on right now. And in fact you can find a banner ad to click on and go directly to that conference on our website at incomepropertyinvestmenttalk.com. But ladies and gentlemen, welcome Jack Peckham to the show. Jack...

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Jack: Peter it's great to be with you thanks you.

Peter: Oh it's fantastic to have you on our phone. Any time I can speak to someone who was at the forefront of recognizing the power of technology in the online world, talk to us a little bit about the Real Estate Cyber Society and what you're doing, then lead into the convention. I'm, you told me at break just now that you might surpass 50,000 registrants at the convention.

Jack: Well Peter, this is our seventh annual online convention. We started this back in 2002, shortly after 9/11, and it's built and built and built and we've just gotten a huge, not only convention, but a brand-new experience for anyone who has not been to it. It's completely virtual, it's 3-D, it's very, very engrossing, but the punch line is that real estate professionals and investors alike can go in and they can enjoy the convention free, and they can enjoy it from their desk, from the home, right online by going to <http://recyber.cyberconventions.com>. When you attend, you come into a completely different world than you're used to on the web. And in that world when you walk into the lobby there's escalators moving, there's men's and ladies rooms that work, there's banners, there's airplanes flying by the windows of the mezzanine carrying a banner, and you just go to the four things that people go to conventions for. You go into the convention lounge, networking lounge, and you can network, you can have fun, you can talk to other attendees. You go to the Expo floor, and you see hundreds of booths with new ideas for people that are in the real estate business or people investing. At the booths you can talk to the people, the vendors that are at the booths. You can see videos. You can download information. And probably the most popular place is the speaker stage. And at the speaker stage you can listen to a lot of very, very smart people dispensing a lot

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of great information. For example, you can listen to keynoter Dave Litiger, whose chairman of RE/MAX International. You can listen to Stu Siegel, who is CEO of Eneighborhoods. You can listen to several good commercial speakers like Robert Ringer, the outstanding author, Bob Macomb from Top Dogs, Colleen Sheraton, Rochelle Stone on 1031 exchanging, Margot Weinstein. You can listen to Bill Gates' keynote talk as CEO. So there's a lot going on there. There are over 30 nationally rated speakers, plus the keynotes, plus in the showcase, some wonderful training sessions.

Peter: It's unbelievable what you've done with these conventions, Jack.

Jack: You get just about everything you ask for at a convention without leaving home.

Peter: I'm sorry I didn't mean to talk over you there but it's just wonderful what you did with this convention and have done over the years. Outside of the convention, your site continues throughout the year. I mean the Cyber Society is just that, a cyber society so, an investor listening to us today or the realtors who are listening to us today, how do they get involved in that aspect of the site?

Jack: Well you know the Real Estate Cyberspace Society has over 10,000 members, 120 chapters all over the world. It's made up of real estate professionals, investors, appraisers, property managers, and so forth. That site is at www.recyber.com. That's recyber.com and this site gets between 2 and 8 million hits a month because it has a depth of information for all real estate specialties there. There are several sections based on specialties, one of them is the investment section. There's information there on, I think there's 180,000 pages of information there, well organized for people who have an interest in real estate.

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Peter: Jack again, it's a pleasure to talk to you again. It's been a while and I from a distance have been admiring all the good work that you've been doing for realtors. I too consider myself a friend of the realtor community and I try to do exactly what you're doing with our program today. Remember if you're listening right now you can go to our website at incomepropertyinvestmenttalk.com, click on the Real Estate Cyber Convention banner and go right there and register for the event and take advantage of what Jack just told us about. Jack I thank you for coming on the airwaves with us today.

Jack: Peter, my pleasure. God bless.

Peter: Thank you again. Mike, Bob, exciting news from Jack there on the online convention.

Bob: That is pretty cool.

Mike: It is cool. I clicked on the banner while you were talking to him Peter.

Peter: Yeah, that's the power of this program. I love the fact that we can do an educational hour like we're trying to do here today talking about property management, while at the same time the listeners can be clicking around picking up information, going to our website at incomepropertyinvestmenttalk.com. Jack, one of the workshops that you do is titled "the 11 Immutable Laws of Real Estate Investing". You caution buyers to not purchase solely on emotion. What are some of the other tips or laws as you call them that you can share right now with our audience? Bob?

Bob: Oh Bob, I thought you said Jack.

Peter: Did I say Jack? Oh I'm sorry Bob. Isn't that surprising that he's doing a similar workshop to you?

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Bob: Tell me about it, you know. One of them, of course, is one I mentioned earlier, that you make your money when you buy your property, you make your profit when you buy and you realize it when you sell and paying attention to the, I'm sorry, you caught me off guard here.

Peter: Oh no that's all right I thought we had a problem with the phone line.

Bob: No, no, it's okay. You do complete due diligence on your properties. You study your market, which is the first issue, always study your market to make sure where your market is going because look for things, for example, where cities are expanding, where the new things are going in. For example, if there's a new convention center going in you might want to buy property in the area because that means that whole area is going to increase in value because they take your property and have to pay you for it because it's worth more now and they're going to do something with it or because you can rent it for more because it's more attractive.

Peter: You're talking about looking at the data from the perspective of employees, jobs, businesses, schools, education, all of those things that bring about a quality of life and I know Mike, that's when you talked about RealSource, that's what RealSource basically does for its investors, finds the markets that makes sense.

Mike: Absolutely. We have a whole division as you probably know headed by Dr. Aric Krause and staffed with some very competent economists, and they just study the markets
7/24.

Peter: And Bob, you talked about due diligence and is the due diligence that we do when we have and when we sit down with a property manager, there's due diligence when you

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are looking at a potential market to invest in, so due diligence is an integral part of being successful in real estate.

Mike: Oh absolutely. In fact, I have often advocated to Mike Anderson that we should take a page out of Dante's Inferno and put above our doors "abandon hope all ye who enter here". That, as Robert said, is the first thing to give up when you go into real estate is hope. Let's not hope we made the right decision, let's not hope we bought in the right place, let's not hope this all works out, you make your best deal before you make your profits, as Robert said, before you buy the property and realize them when you sell it.

Peter: Well, that's an excellent nugget to leave our listening audience with here today.

Mike Waters, we appreciate you coming on and joining us here. Max Cap Property Management, you can find a link to Max Cap at our website at incomepropertyinvestmenttalk.com. Bob Cain we appreciate you coming on. What last words of wisdom can you leave our listeners with in regards to property management and investing in income properties?

Bob: Pay attention. If you don't pay attention it does not put your money in a money market and hoping it all makes money, this is a business/investment where you have to pay attention to it. This is not passive investment, its active investment, even if you have a property manager managing it for you.

Mike: Oh yes.

Peter: Again, we thank Mike Waters from RealSource Max Cap Property Management, Bob Cain, Bob we appreciate your coming on the air. I look forward to having you on sometime again in the future. When we get back from this break will be talking to Dominic Prevete, regional vice president of Weichert Realtors.

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Peter: Welcome back, like I mentioned before the last break we're here with Dominic Prevete, regional vice president for the northern New Jersey region for Weichert Realtors which currently consists of about 27 offices. He's held that position for seven years. He's here to talk to us today about something that Weichert is trying to urge Congress to do which is pass a first-time homebuyer tax credit. It's a proposal that Jim Weichert, president of Weichert Realtors came up with and I guess if I understand this correctly Dominic, you're looking at an income tax credit for first-time purchasers of homes that would be retroactive to January of this year and last until April of 2009? Could you tell us a little bit more about that? Did I get that right?

Dominic: Yeah, that's exactly right. We're working hard to urge Congress to pass some type of housing stimulus and we think, well first let me back up and say I think everybody recognizes the impact that housing has on the economy. By most estimates housing accounts for 25 to 30% of the overall gross domestic product and has accounted for about a third of growth in the recent years of the US economy. I think there's so much talk today about the state of the economy whether or not the economy is in recession or heading for recession, there's so much talk about how to stimulate the economy and we think that by stimulating the housing market and in particular the first time home buyers in the housing market there's a great service paid to the economy.

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Peter: I mean one of the things that I talk about, I do spokesperson training for realtors all across this country, residential and commercial, and one of the things that I tell them and I truly believe in, you cannot have a healthy economy without a healthy real estate market.

Dominic: I think it's hard to argue your point. I think that's exactly right.

Peter: What are you trying to do; I guess flesh out what the goal of the proposed tax credit is. What are you hoping that the tax credit will do? Talk a little bit more about that.

Dominic: I think everybody recognizes that and again we think the proposal should be geared toward first-time home buyers, and I think when you look at the housing market which we all have to admit is certainly for lack of a better word stalled in the last 24 months, I think one of the really important parts of the housing market is that first-time home buyers segment because I think it's the beginning of the process. So, when you sell somebody a first-time homebuyer house typically they're buying a house and that person that owns that house is usually trading up to a larger house, or a new house. So by stimulating the first-time homebuyers to take action to enter the market we believe you actually stimulate the whole housing market. When you look at what's happening in the housing market I think there's two characteristics that have negatively impacted the housing market. One is consumer confidence in purchasing a house. That's been really negatively impacted by the negative stories about the housing market, the negative stories about pricing, about what's happening in the mortgage industry. The confidence that the consumers have and in particular the person who's never purchased a home before has certainly been affected. So you look at that and you look at one of the effects of that has been this inventory situation. All across the country, as I know you know, and I'm sure

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you speak about on the show, the inventory of available homes for sale has been soaring for the last 24 months. All the stimulus talk that I've heard about in terms of what to do, in terms of the mortgage market and housing market, has been geared towards helping at risk homeowners who might be in a mortgage that the rates are set to increase and maybe they won't be able to avoid those increases. But really there's not much being done to stimulate activity to get buyers to overcome that fear and get into the housing market at what happens to be in my opinion a great time to get into the housing market for a purchaser. I think when we look at what's happening in the housing market, if we can agree on its impact on the economy, if we can look at what's happening in the housing market and what do we want to have happen, what we want to have happen is we want to have buyers enter the housing market, particularly first-time homebuyers, and there's so many positive effects on the economy when that happens.

Peter: Well the economy is, just looking at the presidential campaigns that are going on right now, look at who is likely to be the candidates for both parties and what are they talking about more than anything is the economy. People are concerned with the economy. You mentioned that fear and I think that fear stems from having been told over and over and over again how horrible things are, and yet what we're trying to tell people on this show and I believe what you're trying to say as well is that there are markets across this country that are doing well. There are investments that make sense. There is money available and right now money is sort of cheap isn't it?

Dominic: It's very cheap, and you know better than most if you looked at the last 45 years, if you're borrowing money you could find few times when borrowing money in the last 40 or 50 years that could be this attractive.

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Peter: So let's talk about that impact on the economy that you were leading towards. I want you to be able to flesh that out as well. You are going to talk about I believe how the economy is positively impacted when we stimulate activity in real estate.

Dominic: I have a couple of statistics that I point to. One is a study that was done by the National Association of Homebuilders and the National Association of Homebuilders, two points that I want to make in their study, new home buyers spend within a year of purchasing a new home, buyers spend \$8,642 on appliances and furnishings within a year of buying the home. For existing home purchasers, purchasers who buy a house that was not new construction, they spend also around six or \$7,000 in appliances, furnishings, property repairs, and alterations. There are study after study that's been done to indicate how many benefits there are when someone purchases a home to the economy. Also, I have another study here also done by the National Association of Homebuilders, that the average single-family home when one is sold, a new home, generates 3.47 jobs and \$82,269 in tax and other government revenue. You're in New Jersey here right where you're doing your show?

Peter: Yes.

Dominic: Take one example of what the State of New Jersey has done with the real estate transfer fees over the last five years. Real estate transfer fees in New Jersey alone have gone up probably over 200% in the last five or six years. So when housing sales stall so does revenue to the State of New Jersey. There's so many ways in terms of how many people go to work and when someone buys the pink cape cod that hasn't been renovated since '72, they go out they buy a new dishwasher, they rip out the shag carpeting, they put on the new siding. I mean there are so many positive impacts on the economy when

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someone purchases a home. I don't think anybody would argue that to be honest with you.

Peter: No I don't think you can. I think the most important part of all those numbers that you just talked about was the jobs that get added into the economy. Now with that Realty transfer fee, I know a friend of mine up in North Jersey probably has a big smile on his face because he's someone who's been working to reduce that fee back to levels that it once was because that fee is preventing New Jerseyans from buying property right now.

Dominic: I don't disagree with that. I think it's gotten to the point where, well first of all the increases have been abusive, in my opinion, and also, it's one of those taxes that really your passing in the cover of night because no one knows about it unfortunately, until they go sell a home.

Peter: That's right. It is a hidden tax. Dominic I think we have about a minute left on the program. I know Weichert has offices throughout the country. What would you like to say, whether it's regarding this issue, you have about 45 seconds, go for it?

Dominic: Well thanks. I guess I just want to make the point that, you mentioned that the election's taking place, and I watched a couple of the debates both Republican and Democratic, the presidential debates, when asked about the economy I think almost every single candidate mentioned that we need to do something to help the housing market. I ask you to think about some of the proposals that are out there and I don't hear a lot of proposals.

Peter: Dominic we thank you for coming on. Hopefully we can have someone, yourself or someone else from Weichert back on the program. Next weeks show we will have

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Brendan Faber from First American Exchange Company talking about the 1031 tax-deferred exchange.