

Episode #29
Professional Remodeling and the Impact on
Real Estate Investment Properties
April 30, 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 just happens to be one of those commercial real estate powerhouses, Dean Essa. Good morning Dean.

Dean: How you doin'?

Peter: I'm doing well. How you doin'? Letting everyone know of course that the host is from New Jersey. Our first guest, William Carter, CR, CKBR, is first vice president for the National Association of the Remodeling Industry, or NARI. William has been involved with NARI since 1994. He has worked in construction for more than 34 years and owns his own residential and commercial remodeling business, the William Carter Company. In fact, The William Carter Company won the 2007 Contractor of the Year award in the Entire House Category from \$500,001 to \$1 million category. He grew up in Bakersfield, California before moving to Sacramento when he was 17. Carter graduated from Sacramento State University. Locally he sits on the Board of Directors for The Society for the Blind and has worked with that group since 2006. He has a long bio and if you would like to learn more about William Carter please go to our website at incomepropertyinvestmenttalk.com. William, thank you for being on our show today.

William: Good morning Peter and Dean, how are you doing?

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Dean: Fantastic thank you.

Peter: William, before we talk about remodeling and its impact on the real estate investor, I'd like to take the time to ask you to talk about NARI, the National Association of the Remodeling Industry and its members and why your organization is important for investors and property owners to know about.

William: Well, the National Association of the Remodeling Industry is the only organization in the nation that is solely dedicated to the remodeling industry. Our core purpose is to advance and promote the remodeling industry's professionalism, product and vital, public purpose. Doing so, they are actually networked with over 100,000 individuals and more than 7400 companies nationwide that share these ideals, this code of ethics, these values and purposes.

Dean: I noticed that there are some designations, I was reading up on your website and I'm familiar with a lot of the real estate designations. I wasn't very familiar with some of the remodeling designations like, you even have some accolades behind your name, the CR, CRS, CKBR. Can you go through a few of those?

Walter: Yes, the CR is the oldest and most prominent program we have and that's the certified remodeler. It's professional remodelers who provide a full range of remodeling services. There is the certified remodeler specialist, which would be a subcontractor, a materials supplier, or an associate member. You have the certified kitchen and bath remodeler, which is our newest certification.

Dean: You have that as well, right?

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Walter: Yes, and that gets more in the weeds with kitchen and bath and specifics on remodeling where as some of the smaller contractors or smaller isolated businesses that do just kitchen and bath have a certification that doesn't get as involved as the certified remodeler. You've got the certified remodeler associate. You've got the certified lead carpenter, which is for the hands-on field personnel who oversee the projects, the customer satisfaction, personnel management etc. So, why certify? For the homeowner, it's a huge decision you're making to invite us into your house and you want to make sure that on your single, biggest investment you'll probably ever make that you have a full-time professional staff working on your house.

Peter: William, let me ask you about this. We are speaking now to property investors, homeowners, realtors, and other industry professionals. Why should someone look toward and find a NARI member? How do you go about finding one and besides the code of ethics and the certification which are too powerful reasons why, what are some of the other reasons why someone should look for that NARI, I'm assuming there's a logo in and around your association as well?

William: Yes, we are actually going through a, starting a huge marketing and branding cycle for our association to bring our prominence up nationally. It's a huge undertaking. To find a contractor through NARI, you would first of all visit www.remodeltoday.com. You can call the NARI headquarters at 800-611-6274 or see if you have a local NARI chapter, contact that chapter and find a remodeler, find a supplier, find a chapter. They are all available through that website.

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Dean: I know another way too because I did it this morning. I just went on your site, NARI.org and there's a link there that says select a professional. I went in there, I put my zip code in to see who was around my neighborhood and it popped up. Right there, it's fantastic.

William: It's very, very user-friendly and you ask for some of the reasons. You stated there's a number of people that we're talking to, investors, homeowners that remember we're all cut of the same cloth. We either do it professionally, we do it at our own home, we all do it every day just how we do it and when we do it is what separates us. How to select a professional? We have the certification; we have the code of ethics. You want a professional to help you plan your project, to maybe lead you somewhere to find financing. You need to think about design and function. You need to think about local codes and permits. You need to make sure you have a well-written contract and have a course of action, have a time in action schedule, a verbatim job description, keep everything up and above so there are no unknowns that throw you into those what we call if you will "contractor nightmares".

Peter: Before we go into that direction William let me ask you this because I think you're going down this path and it makes a lot of sense. Whenever you're dealing with a professional, whether it's an investment professional, a realtor, you're always recommended to ask specific questions in and around that professional's business. What are some of the questions that an investor should ask a remodeling contractor when they first sit down to interview that contractor and how many do you suggest that an investor

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or property owner interview before they move forward with a particular remodeling contractor?

William: This is a lovely, lopsided question. The reference questions or interviewing questions, I think the number one thing is to find out how long has the person been in business. How well do they communicate? This is I think the key issue, can they communicate with you, can you find a person when you need them, will they answer your questions? Do they show up on time? Did the remodeler fulfill his contract with past clients? What are the starting times? Who is the project supervisor? I probably have got 50 questions here that I encourage homeowners or clients to ask me because really the communication like I said is the number one aspect but a lot of people are not communicating because 75% of the time it's the first time they've done this.

Peter: Right, and what we've been talking about in this program whether it's real estate investing, whether it's trying to find financing, and in our case today whether you're reaching out and looking for a remodeling contractor, relationships is a big part of success. So I guess what you're talking about is a lot of your questions so far are in and around building a relationship with that contractor?

William: Most definitely. The one question that you did ask me was how many contractors should you interview? This is a highly contentious point. We try on our end to cement the relationship upfront and then enter into a design, build, negotiated phase with the homeowner because I have found historically that everybody says get three bids minimum. Well, if you don't have a thoroughly designed set of specifications and

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parameters and a budget, you're going to get back three different scenarios. If you're not good at spreadsheets or correlating this information, you're going to be lost at the beginning. So you really need to cement a relationship with a reputable contractor, finance people, architect designers first, ask a lot of questions see your neighbors, go to neighborhood group's cocktail circuit, whatever you do but definitely ask questions. Look in your neighborhood for people that are doing work and had successes, the job that hasn't been sitting for six months with no action, those kinds of things. They are definitely key points to keep in mind.

Dean: William, is it appropriate or let me ask you this, what type of reaction do you see typically or what type of reaction do you give when someone asks you if I wanted to ask can I see your previous jobs or how many jobs have you done the last 12 months, and can I have references. Are those offensive questions? Those are important to me if I was, I would really like to know, can I even have the numbers of somebody who you've done work for so I can ask them what they thought of the job. Are those questions appropriate?

William: Very much so. I actually offer that information up. I give the number and just the name and just a real quick synopsis of what we did for that person so they can get something that relates to what they're doing. Obviously if you're doing an addition and we did a commercial TI then that may not be the right person to check for on what we actually did. The references are very important and I have found that when I give them, people call them. I will get my clients calling me saying "Joe blow gave us a call yesterday and asked us about you" and I said thank you. It actually not only secures in

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their minds that you've got somebody else out there that's an anchor point but that we're pushing our branding, we're pushing our name, we're pushing NARI and it just grows from there.

Peter: William that Joe blow seems to be very good at all these professions when we talk to professionals like you. There always seems to be a Joe blow out there that's doing very well. In your answer you talked about TI, am I missing something? What does TI stand for?

William: I'm sorry, tenant improvement. That's like in fills on commercial projects. Say the shell has been built and you go inside and you finish out a space inside a commercial shell.

Peter: Okay, we have about a minute left William. So basically what you're saying is when it's time to invest in remodeling for your investment property or for your home or for any type of real property for that matter one of the things that you recommend is to look for that NARI member because when you're working with a NARI member you're confident of the ability of that particular professional.

William: Very much so. Ask a lot of questions.

Peter: So asking questions is important, building relationships with the remodeling contractor, that's important. So when we get back from this short break, William, we're going to talk more about estimations and what you should look for in terms of the project. Maybe get into a little bit about remodeling versus not remodeling, the enhancement and the value of the property and what goes into getting involved with remodeling. So when

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we get back we will talk more with William Carter, first vice president for the National Association of the Remodeling Industry.

BREAK

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Dean: More bounce to the ounce, that's what we give you on this program more bounce to the ounce.

Peter: We're talking to Sacramento's own William Carter, first vice president for the National Association of the Remodeling Industry or NARI and William, our first segment we talked a lot about NARI and how important it is to work with a qualified professional. A little bit more toward the remodeling project itself, how do you go about determining the cost of the project? I know you spoke a little bit about this in the first part of the program, how important it is to lay the groundwork. Is there a way to figure out costs ahead of time, length of time of a particular project, those types of things ahead of time or is that not something you should be focusing on upfront?

William: To me, that is the primary focus up front. A lot of times we'll find that we get possibly a job scope or a set of plans and you get into a situation where you put three sets of numbers to it and the owner is totally blown out of the water. They didn't know what to expect, it's three times their budget, and then they go into total overwhelm. My approach is to interview the client and at the same time hopefully they're interviewing

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me. I want to find out if I can exactly what their needs are, what their budget is roughly, and you never get that straight from them the first time but that will determine the length of the project. Now, you have two different schools of thought here. You're dealing with a NARI professional contractor and they've got a business structure, salespeople, project managers, field crews. They can handle jobs start to finish without any delays. You get into we'll call the remodeler with the pickup truck and the dog changed to the toolbox and you're going to see him, and you're not going to see him, it's one man wearing all the hats. This could determine the length of the job, night and day between these two organizations.

Peter: William, can you share with us when you say I like to sit down to figure out their needs, is there something there that we can learn from, different consumers or investors or property owner needs that we can learn from, maybe a job that you most recently completed or started for someone that might have been a little bit different. Is there anything you can share with us in that regard?

William: My goodness, every job is different. It's amazing what people want today, what they've seen, what they've been exposed to on the Internet, and what we haven't been exposed to that they've seen. I get blindsided daily with requests and just a lot of unreal stuff and having been in this for so long and worked on both sides of the fence, I was my own worst client, my own worst when I did my own house. I think that the question we want to ask the client up front is exactly what you're trying to achieve in this project. A lot of times they don't know, they just think well I need this room or I need this garage or

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I want this sunroom and then how is it going to affect their life. Is it going to affect other parts of the property? Do you need to upgrade old systems? Do you need to get your energy consumption down? Are you going to build green? Just go down the list and find out what the key points are, where the pressure buttons are and then construct the job description from that and then what we like to do is get into a...

Dean: Whoa, do I hear Pink Floyd?

William: Hey, there he is.

Peter: William, one of the questions that I want to ask you when we get back from our next guest who's joining us on the program is I would think financing is a big part of the remodeling process but right now as you can hear Pink Floyd's "Money" and that means that Stan Hanks from RealSource Commercial is on the line. William, if you could bear with us a minute, our listeners like to hear what's happening with financing. Obviously financing is a big part of real estate investing. Stan, are you there?

Stan: I am.

Peter: Good morning Stan. Thank you for joining us. It's good to hear from you again.

Stan: It's good to be on the show and it's good to be able to visit with you again Peter.

Peter: We have William Carter, who's the first vice president of the National Association of the Remodeling Industry with us. Stan, what is happening right now with financing? What if we're looking at commercial real estate, which we define as five units and above? Despite what we hear or read or see, give us the straight, what's happening with financing right now?

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Stan: Well, there's a lot that's happening with financing. There's a lot less that some people think is happening or believe that's happening and a lot more is actually happening than they think. For example, if somebody was looking for a loan just a year ago compared to now, they'd have 70% less number of lenders to talk to, which is a huge change in the industry and maybe not a surprise to many, but that number is astounding as what has happened in general.

Peter: Stan, let me just repeat that. You said 70, 70, 70% of lenders, there is less than 70% then there were a year ago?

Stan: That's correct. That's if you include and combine the residential as well as the commercial across-the-board, that's what's happened whether it's through mergers, whether it's through buyouts or whether obviously it's through closing of the doors.

Peter: Can I argue that that's a good thing right now?

Stan: Well, you can argue that and I think me as a lender, I think it's what needs to happen. I think that there were some problems out there in the lending industry and we were not lending on principle and now we are, which is the point that I needed to make and I'd like to make. If someone is buying a property and there are good principles on a property, they'll get a loan and when I say good principles, meaning that the property cash flows and that the occupancy is reasonable to provide the cash flow that the lender is going to require.

Dean: I have a question regarding, since our guest online specializes in remodeling, can you talk about financing now that the credit markets have changed a little bit? Is it, I'm

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hoping the answer is yes, is it feasible to now work in rehab and remodeling into our commercial projects?

Stan: Yes, in fact I'm in the middle of getting a loan for someone, actually two different types of programs, which is right down that question. For example, we have one that the construction loan, which we're in the middle of getting and it's larger. It's going to be around 17, \$18 million loan and that's a straight construction loan. I am also getting a loan for someone who has a 50% occupancy but it's just a little different. We have to show that the people who are buying this property have experience in buying and then leasing up and doing what they need to do, the marketing, the rehab to get that property up to a stay alive position. You can't just have someone not experienced and expect to go in and be able to buy a 50% occupied building if they've never done it before or to resolve that they could obviously partner with someone who had done it before, a great property manager who had done it before. It can be done. Let me just tell you some of the terms that going down that path we have a three year term, we have, it's 215 basis points over the 30 day ????, which may not mean a lot to you lenders but the interest rate that it comes up to is 5.01%. That's not bad. That's a floating rate obviously until it's stabilized, but a 5.01% on a property that 50% occupied is not bad.

Peter: Stan, in terms of, I mean all projects are different, all units are different, all investments are different but what are you seeing now? Are people wary of getting off the fence, or are investors recognizing that this particular market might be a good market if I can find the right location to invest in?

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Stan: I think that there are people that want to buy. I think the bigger challenge is that the money that they are using to buy it with is harder to come by because in the past they've just sold their property and then they've been able to go and put that money down and buy a property. Now, there's a lot of property that they'd like to buy but they just can't quite sell, which to me is an opportunity for them to refinance that property and then go and buy the next property and not worry about selling at this point.

Peter: William Carter, do you have any questions of Stan Hanks? Anything going on that you would like to ask in and around financing?

William: Not really, it's definitely a tricky thing right now and...

Dean: I have one and I would love to be able to ask it. We only have a few minutes till break and maybe if we can hold you over just after the break, I wanted to throw out a scenario, which involves both of you, and it's a live scenario that's happening right now that I need some guidance on. I just want to see how we can dovetail in the financing aspect of it and the remodeling aspect of it and then we can start to get a response and then we'll have to go to break. I have an office building and I have a buyer and the person who did the TIs didn't pull permit. I have a new buyer coming in who wants to reconfigure the property and then go ahead and acquire it, reconfigure it, and finance it. The couple questions I have are how do we handle the fact that the permit wasn't pulled originally and then how do we handle finance on an office that they need to work in the acquisition costs and the TI costs?

William: Who do you want first?

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Peter: Go ahead William.

William: Well as far as the permit issue goes, that's interesting that you brought that up. More than likely I would get a meeting with the local building officials and walk the building prior to any signatures or any commitments and see what they want. A lot of times if you're going to do reconfiguration, you'll be opening up walls and ceilings, they can take a look at things that are going to stay, you can establish that as an as built, and then get new plans, new engineering, and then acquire a permit and get back into the straight.

Dean: Excellent. Stan?

Stan: On the financing side, if you roll in all the costs of the person, the owner, would like to, the total cost of the project including the improvements and including the six month of interest payments, I think what you do then is you come up with the total number and the lenders going to say put down generally 25% of that number and sometimes we can get it to 20% depending on the true construction and the leverage of the buyer and they should be able to get a loan.

Dean: Excellent, thank you both.

Peter: Stan Hanks, RealSource Commercial, if someone wants more information, very quickly, how do they get in touch with you?

Stan: The best place, just go to the World Wide Web which we all have access to at RealSource.net, click on commercial loans. Our rate sheets are there, they are updated

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every week, our contact information is there and we look forward to helping anyone out that we can.

Peter: Thank you Stan, have a great day.

BREAK

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Peter: And that number again is 1-866-472-5790. Take the opportunity; call William Carter, first vice president for the National Association of the Remodeling Industry or NARI. William before we left, we were talking about estimates and doing projects. I wanted to get back to your one certification, which is I believe if I remember correctly, certified kitchen and bathroom remodeler and one of the areas I wanted to talk about was what type of remodeling project enhances a particular piece of real property more than the other? I'm sure there's some and I'm thinking that it probably has a lot to do with that designation, your certified kitchen and bath remodeling designation.

William: Now that's true Peter. When you think about getting started on a remodel, the first thing is you're looking for space, so I think that's the biggest thing. That usually involves the kitchen, and the bathroom or bathrooms, which are your wet areas, they get the most use daily, they're functions of life that we can't deny and you get the most return on a good kitchen and on bathrooms. Then from there you can move into great rooms, outdoor kitchens, the areas where larger families and people looking to redo their

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house for the first time will be looking at. You can get a very finite job and you can get a whole house remodel.

Peter: It's funny that you mention outdoor work. That seems to be a major trend right now. A lot of people are not only taking advantage, you mentioned space inside the home but a lot of people are looking outside the home and doing some wonderful things outside the home.

William: If you look at what it costs today to put a gallon of gas in your car, what it costs to go to the movies, what it costs to eat out, and you're finding a lot of people that are staying home. They are putting in media rooms; they're putting in outdoor kitchens and are they're living more on their property. 60% of your net worth is in your real property so you're finding a consolidation of recreational and family events now around the home.

Dean: I show both commercial and I have a team of residential agents as well so I've done quite a bit of residential too and I have to tell you when I'm out and I'm showing somebody a home, it is amazing the difference of the reaction of someone who walks into let's say for example it's an older neighborhood, somewhere built in the '90s, the reaction, especially the wife, when the kitchen and baths have been remodeled. Unbelievable, when they see granite counters, they see upgraded cabinets and of course the opposite too, when they see that stuck in the '90s and then they are straining to like the house.

William: Right. You've hit it right on the money. It is a huge emotional thing for people. You have to look at it this way, here we come into your house and we're living with you for anywhere from three to six months, every day. Think about it, every morning you

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wake up we're there at seven o'clock tearing your house up. You're going through life, we're there trying to make life better for you and we have our ups and downs, but in the end you've got a great product and then you're more grounded. I love the experience. Every time I start a new job with the client I get excited.

Peter: William, what is a person supposed to do when you're invading their home as you say? What do you expect as the remodeler coming in? I'm sure it's nice to have someone who offers you some type of refreshment throughout the day whether it's coffee in the morning, water throughout the day, maybe even offer to pick you up a pizza or something like that but other than that, what is the home owner or property owner, I mean I'm sure you go in a lot of times and the investor says here, here's my property do what you want to do and just basically leaves. What about the stay-at-home dad or mom or whatever the case may be? What do they do to help you to do your business well?

William: That's a very, very good question. In the largest percent of my work, we move the people out because we basically get into the house 50 to 100%. I ask them a few questions, number one are you a first timer? Have you done this before? What are we going to take out of your house? Are we taking out the kitchen and the bathroom or the bathrooms? How are you going to function here? Are you going to camp? Are you going to set up an outside kitchen? Are you going to live in the garage? You have to look at those things because that's an aberration on your life that affects how you are doing business on the other side of that and we need to keep the homeowner healthy so they can make decisions, pay the bills, and recommend us when we're done.

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Dean: Do you happen to have, do you come across a scenario a lot where they have a budget to work with, they have 50 grand that they can use and then they're kind of relying upon you to say where this 50 grand is best spent?

William: I really, really enjoy it when the homeowner or the client will be truthful upfront and share the budget because then we're not shooting for pie in the sky in finding out we're four times over what they thought they had. A lot of times they need a little bit of education to find out that maybe that \$50,000 budget will not do what they want to do in the fashion that will make it to where they can phase it and do some more later. You don't want to throw good money after bad. A lot of people will do cosmetic stuff and not think of the infrastructure whereas if you do the infrastructure and then your cosmetics you can make the money stretch a little further. The infrastructure is a big cost that's going to be there for a long time. The cosmetics can be, if you're really budget strapped you can go in with lower end trim pieces and come back later and retrofit. We offer a lot of different scenarios but definitely planning and drawings are the cheapest way to judge a budget and to make changes.

Peter: Well, that's important as well for the commercial real estate investor. They need to know if they're going to put in a certain amount of money, what they can expect in returns over the course of 1, 2, and three years. The show's sponsor, RealSource has put together a proprietary piece of software they call RealSource analyzer where an investor can say I have 25 units and I want to put in \$5,000 in each of the units and this piece of software says if you do that you can expect this much back in year one, year two, and

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year three. I guess that's basically what's inside your brain. You allow, or you tell the investor, the homeowner, or the real property owner this is what we can do for you and maybe this is what you can expect back in terms of value in the future added to your particular piece of property.

William: Very much so, in fact, I like the term using investor. I think that can apply across the spectrum because your home is a huge investment. It's your first investment.

Dean: Sometimes the largest.

William: Oh yes. And what do you put up half the time when you're borrowing to do commercial investments? You're signing your house off half the time so really investment is the way to look at this not as something that oh I have to put money into this or oh what about this. You're investing in the future of your property, your kids, I mean it's got a big picture, it's got a very big picture scenario here.

Peter: Well, William, we were talking a little bit about outside and we talked about your designation in the inside being the kitchen and the bathroom remodeling but I was under the impression that the biggest bang for the buck in terms of investment value in a project is a deck addition. Do you find the deck addition to be something that adds value to the home especially today with the way all the scenarios that you brought up earlier?

William: Well, I would think in certain geographical areas it would be more than some other areas like out here in California yes an outside deck fantastic. You get to use it almost year round. You come back up into the upper Midwest and you may be under

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snow for six months and a screened in porch or some other type of improvement may be better for them in that aspect.

Dean: Have you found in a soft market whether it's commercial or residential that sometimes that's the thing that can get the property to move, doing a remodel? Because I found that sometimes properties will sit there forever because people walk in and it doesn't have that wow factor. Have you found that maybe that could be the solution to some people's situation out there?

William: Oh, definitely I would think so and I like the wow factor because when you walk into a piece of property with the client and you watch for their reaction, you look for the pupils dilate, you look for the excitement level, and see where they're going, the guy is always going to go somewhere else, the lady is going to go somewhere else. Then you have to find out who's the dominant one here, what are we going to do first, you get a set of criteria in chronological order of what you want to do. A soft market, like I forgot the gentleman's name on the investing...

Dean: Stan Hanks?

William: Stan, there's always going to be lending, there's always going to be a market out there and it's just the triple A paper people are going to move a lot more frequently than those who are stretching and can't justify it.

Peter: William, I'm a big believer in threes and what I noticed in doing some research about the remodeling market is that in 2008 it's expected to reach about 300 plus billion dollars. That is a big time industry. I want people to know also that NARI's roots go back

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to 1935 so you have a history of providing professional remodeling projects for the last how many years that is, 73, 74 years. I know that there is a three R in the business that you look at; I believe its repair, rehab and remodel. What does that mean to the value of an investment knowing that most Americans right now have their wealth built inside of their real property, built inside of the real estate that they own. So how important are those 3Rs, repair, rehab and remodel?

William: Well, number one repair. The minute it starts going into a decayed state, you're losing value and you've got to keep it up. Rehabbing and remodeling to me get sort of clustered together. Rehabbing, remodeling, how do you differentiate that, but either way you're improving the property above and beyond in the position you've acquired it to go for how many ever years you want to use this.

Peter: Now, when you sit down with a remodeling contractor and you're going through should I repair, rehab, remodel, you go through those 3Rs, I'm assuming that a big part of the process is sitting down and asking do you have insurance. Something as simple as that, are you licensed?

William: Yes, I think the biggest thing is, they're going to ask a lot of questions because it's such a mystery but number one yes are you licensed, are you insured. How many projects like mine have you done? Can I see some of them? Have a list of references. Are you a member of a trade association, are you certified? I get a lot of these questions but people are asking about a reasonable timetable.

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Peter: What we can do William, is because we're butting up on a break right now, we're about 15 seconds into it, when we get back we'll talk more about timetables, hiring a remodeling contractor, the value of different projects. We're talking with William Carter, the first vice president of the National Association of the Remodeling Industry.

BREAK

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Peter or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Peter and Dean.

Peter: William, up until this point we been talking about how NARI helps the investor get the maximum value and enjoyment really from their dollars that they invest in remodeling. Let's just finalizes this out now, in terms of projects that outperform others and enhancing value we've talked about kitchens, we've talked about bathrooms, what are some of the other investments in a property that seem to hold or increase the value of that property?

William: I think today when we're thinking along the green line, we need to look at our HVAC systems, our plumbing systems, our electrical systems, our lighting, our high efficiency appliances, all these things here tend to keep your cost of living in line which is going to escalate in the future.

Peter: And green is a big part of what is happening right now and it's a sensible part. I'm just shocked we haven't turned this way years ago. So I guess this is something that's helping to drive more business your way?

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William: To an extent yes and out here in California especially but it's something that yes why we didn't go there because everything else is so much more convenient and it's a matter of education. Now we're starting to learn and be educated that we have to do something about this.

Dean: I have a painful question to ask but I think a lot of our listeners would like to know this. I know people sometimes, they know that somebody with a designation, somebody that's licensed and bonded, they know that they're going to get a better service but they're concerned with the cost. I think that's why sometimes they go up on Craigslist and try to cheap out on it. Is it safe to say that if you hire someone from NARI with a designation, do you think that they're more likely going to end up paying more and if so is it worth it?

William: In the short answer there yes, I think if you hire somebody who is a professional who carries all of the insurances and gets permits and is involved in their business you're going to pay more for that service. If you say you can't afford it now, when you go through all the trouble and problems you're going to have when you get into a bad relationship with a contractor, can you afford to pay for it later at a higher dollar cost?

Dean: I can tell you a funny story about that and this happened to a mutual friend of Peter and mine. He had this plumber that did all this plumbing and then one time he tried to do a bathroom on his own and so he botched up really badly. He called up his plumber on a Sunday night, his plumber was sitting there having dinner with his family and he said hey Joe, I kind of botched this job up can you help me. He said I'll tell you what, I'm having dinner with my family, I'm going to come over there and I'm going to help you and I'm

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not even going to charge you but you're giving me all your plumbing tools. So he went over there and he started looking at the job and he saw mangled pipes and he said what did you use to mangle that pipe right there? He showed him his big crescent. He said give me the crescent. He said I spent 80 bucks on that. He said give it up and he took the crescent and put it in his toolbox. He said what did you use to mangle that pipe with? He said a hammer. He said give me the hammer and my friend said hey that's not a plumbing tool. He said hey I know that and you apparently don't, give me the hammer. He took the hammer and so there's kind of a false economy into thinking you can save money sometimes. My garage door, I went ahead and bought a really nice garage door opener at Lowe's and I cheaped out and had someone on Craigslist come install it. I have had nothing but problems. So guess what I did yesterday, I went over to Lowe's and asked them if they could come and reinstall it and I'm going to pay them and the cost and all the aggravations that I've had in the first place.

William: Exactly. You answered your own question there and we've all done it. We've all been through it. I'm not going to hack on these but the DIY shows, the do-it-yourself shows and those give everybody a false sense of security that this is really a no-brainer thing and there's a lot that goes into it. When you're going to live there, has your wife been upset at you for doing something that just didn't total to get finished? Has it sat there for two or three years? Then you wanted to go finish it and you find that you can't get the rest of the parts because they don't make them anymore?

Dean: That's just like Kramer on Seinfeld wanting to build levels into his apartment.

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William: When you think about all that, it's true. One other thing that we were talking about was the timetable. Think about, you get somebody in, you get them out, and you enjoy. If you get somebody in and you can't get them out, you can't find them, you won't enjoy, you'll pay, you'll be aggravated, you'll just go into overwhelm again. I think that the timetable and the budget shouldn't be the primary focus but I think the focus should be on trust and quality, reputation trustworthiness and that budget and timetable is going to fall into place.

Peter: Well, let's look at some of that trustworthiness and some of the things that investors and property owners come up across. For instance, salespersons, they try to give you if you sign the contract today, you'll get this special price or they try to pressure you into signing a contract or they don't give you any references. These are some of the things that really might be a signal that you are dealing with someone who is untrustworthy. Is there anything else that you can focus on William in the minute or two that we have left that are signs of untrustworthiness?

William: Remember the old adage, if it's too good to be true it is. You've got to be realistic about the thing. You've really got to take a knowledge-based approach to what you are doing and be realistic. Realistic, be open to communication, don't under finance a job and get everybody involved in it. It's easy to ask questions and plan on paper like I said, before you get in and start changing walls and foundations, that's key.

Dean: You know what I think is really nice, I was reading on your website and for example the CR designation, certified remodeler. I read what it takes to be one and I was

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quite impressed. It said be employed by or own a firm that derives that least 90% of its sales volume through remodeling and they adhere to the NARI code of ethics. They have a minimum of five years of continuous experience in the remodeling industry. On and on and on and backgrounds and taking an exam and it's not just waking up one day saying hey I think I'm going to be a remodeler, because I guarantee you those people are all over the place.

William: Let me tell you a little something about that exam, it's tough. I've taken the California State license test, I have about six or seven state licenses and I have never taken a test in construction that is comprehensive and is as difficult as this certified remodeler test. And I'll tell you something else, we're actually going through psychometric evaluations and we're going to get these accredited nationally. This is a big thing for us. It's one of our flagship things to have these certified professionals because they exist nowhere in the nation.

Peter: Well, while you're on certified professionals William you have about one minute. Give us the last piece of advice, where to go, maybe you want to mention the website and the phone number one more time.

William: Go to www.remodeltoday.com, you can go to NARI.org, or call NARI National Headquarters at 1-800-611-6274 and enjoy your investment.

Dean: You know, Peter is so confident; he always asks that question, where do you go. Every time I ask somebody that I get a smart answer. Peter is so confident in himself; no one ever says anything smart back to him.

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Peter: Well, not on the air anyway. William Carter, first vice president for the National Association of the Remodeling Industry, thank you for joining us and we thank Mary and Gwen at NARI for setting this up. So thank you again.

William: Gentlemen, thank you very much. It was a pleasure talking with you and the audience.

Peter: Excellent. Next week Dean, we have J.P. Dahdah from Entrust Arizona, Jeremy Hanks and Michael Madsen from RealSource Retirement Services. We're going to talk self-directing monies into real estate, IRA funds. See you next week Dean.

Dean: All right.