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MORRISSEY MONEY MATTERS
The Property Management Firm
By George Morrissey Real Estate Broker / Property Manager
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WE HELP PEOPLE BUY AND SELL HOUSES TOO AND HAVE FOR DECADES.

MORRISSEY MONEY MATTERS RENTAL HOUSE NEWSLETTER

Las Vegas Rental Newsletter –Since 1981 - FEBRUARY 2017 ISSUE, copyrighted George Morrissey/PSI *written by George Morrissey, Real Estate Broker, Investor, Tennis Player, Property Manager,*
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We work with Buyers, Sellers, Tenants, Lease Options and Exchanges Concerning New or Resale Real Estate in Southern Nevada as well as with Referrals Across the Country. We also Specialize in Property Management. 9 - 5 PM Mon - Fri and by appointment No representation, warranty or guarantee to the accuracy, express or implied to this newsletter information is made. Any actions taken or not taken based on this information should only be considered after consulting with appropriate advisors.
Written entirely by George Morrissey (this is not a "purchased" letter from a provider like many others have).

SUBJECT: ROBYNS BACKGROUND, APPFOLIO SOFTWARE ADVANTAGES, APPLIANCE STRATEGY

When we add up the two Brokers and the Office managers experience in the Property Management Field we see that adding up the years we have been in the Real Estate Business – combined – with over 100 years of experience! Doing deals, managing property, helping people buy and sell, and doing some of that ourselves. If we then consider our Office Manager Robyn Stone (who is also a Licensed Realtor and Broker-Salesman) and her experience (30 years plus in the Real Estate Business) it just tacks on more years to our totals. We all have seen a lot in this business! Our combined staff has been dealing for another “set” of years in the real estate business too – at which point we are over 150 years of combined experience considering – everyone’s background!!!

Robyn who is the office manager has a unique set of skills as it applies to our software we use - named www.APPFOLIO.com. When I recently was closing my old office – and my family has been in the same location at 1818 Industrial Road here in Las Vegas or about 36 years – I found some old items my dad had in storage. My father was in the Air Force and a West Point Graduate, and moved our family to Las Vegas in 1967 where he bought our first home here. He began to take seminars, study real estate investing – eventually getting a real estate license and becoming a full time Agent and later a Broker when he retired from the Air Force as a Lt. Colonel after 22 years! I used to go and mow the yards and help paint for the family “rental” properties that he had begun to acquire occasionally. Anyway – he found some software that was one of – if not the first rental house management software – called RPM that he bought. Ralph Tutor was the “man” who started and ran RPM Software. And was also one of the founders of NARPM – of which we are members. That stands for the NATIONAL ASSOCIATION OF RENTAL PROPERTY MANAGERS. Bill and I have been the chapter president, and vice president of the local chapter. This group represents the BEST property managers in the country and probably the world. They have an annual Broker/Owner Retreat we are attending in March – here in Las Vegas – representing owners of companies who manage (like we do) totaling over 3, million rental houses! This is where we share and learn things like handling a medical marijuana renter, dangerous dogs, making maintenance more efficient and picking good vendors, strategies to avoid problem tenants and many others. Anyway, I found a manual in my dad’s stuff. It was in a red manual and had helped property managers keep track of income, expenses, tenants, and repairs among other things on a computer – that came with the RPM software! Part of the manual had some tips and strategy on how to retain tenants, take care of clients, and used lots of other points – to discuss strategy on how to run and operate a property management business. This was one of the first ever “courses” on how to do this ever written! One must remember that over 40 years ago hiring a Property Management company to manage your “rental house” was not possible as no one did this! This type of thinking – of buying and renting out multiple houses - was fairly new this many years (decades) ago. One of my mentors JACK MILLER also had begun investing in the late 60’s and 70’s buying rental houses too. Jack had a 3-day course called MAKING IT BIG ON LITTLE DEALS he taught with JOHN SCHAUB. My dad took that course at the SAHARA hotel here in Las Vegas (Jack and John travelled as they were from Florida) – with only about 25 people in the class. I took the class about 1980 or so too later and ended up repeating that and taking other classes as Jack and John (and Peter Fortunato and many others) offered more over the years – along with other real estate specialists – noticing I have had over 200 seminars in my career! More on Jack (who has passed away) and John (still teaching and writing) another time.

The RPM software was written in DOS and eventually the founder retired, and his family took over trying to keep up – but could not evolve as well as the competition. They sold to another “newer” software company named PROMAS which is still one of the top 5 Property Management software firms today. Then in the last 10 years or so big competition finally showed up and there has been a shakeout with software companies coming to the market to seemingly help property managers.

ROBYN, our office manager, was working with Ralph Tutor – the found of RPM software and one of the original founders of NARPM! And helped him write the strategies and run the company with his original RPM software business!! In fact, Robyn, was at the “top of the line” to help when the technical support team got stuck or did not have an answer. Robyn still has some clients today that STILL use the old DOS version of RPM software and STILL call Robyn for support!!! And , Robyn ALSO went to work at PROMAS with RPM Software and was the head of THEIR SUPPORT TEAM as well! PROMAS is still in business, and a fine company with good people (we know them personally). As over the years have experimented with looking at, buying and using various PM software including PROMAS, and later YARDI, TENANT PRO (which had so many bugs that they put people out of business!) and I ended up using APPFOLIO – which the full version is used by THE PM FIRM today.

So, ROBYN worked with PROMAS for years – whose offices are back East – and she had always wanted her family to be in the West and liked Las Vegas. Bill – my partner and one of the Broker’s here – was using PROMAS and knew ROBYN from dealing with her support team (and her) and seeing her attending various Property Management Conferences. It just so ended up that the timing was right for a lot of reasons, and so ROBYN ended up moving to Las Vegas and working with Bill’s company! And of course, is now our office manager and head bookkeeper here at our company THE PROPERTY MANAGEMENT FIRM. So, we have a terrific advantage as compared to our competition with ROBYN on our team – and with our “over a century” of experience!!! ROBYN is a valuable and a great asset to our company!!!

Oh yeah.

PROMAS – Still in business and a great company. One of the top three property management companies to use! Their accounting is rock solid! We used them in the past too!

TENANT PRO – Out of business. Their model was to offer add on services and churn those services to make more money than just their fees to run their software. I know of one company who WENT OUT OF BUSINESS using their software because enough “bugs” were in the software to make it crash too much and corrupt their data. And thus, their backups did not work so the lost ALL Their data! No one uses them anymore.

YARDI – Still in business but focused mostly on commercial and “bigger” multifamily (think apartment buildings). They have tried to offer lower cost products to the “rental house property management companies” like ourselves – but they are always too expensive, and too cumbersome to use for most people. I know I have used them too...

APPFOLIO – is the number one property management company used by thousands of management companies. We encourage you to check them out at www.Appfolio.com. This is who we use – and all of us Bill, Robyn, and myself are “not newbies” to this software, just using it better than most now! Appfolio does have some competition now but there are only a couple of systems that can compete. Most can’t keep up. Considering we can check our whole business “online” from anywhere in the world – any of our staff – at any time! That is hard to compete with. We scan and digitize our documents and have them accessible on line now too!

Some of the features of APPFOLIO include.

- Provide instant access to reports and statements directly through the Owner Portal
- Post vacancy ads to your website and hundreds of listing sites on the Internet
- Accept online rental applications and leases
- Quickly screen residents
- Streamline dues increases and rent collection online
- Perform mobile inspections
- Communicate with residents and owners through text messages

- **About AppFolio**

AppFolio is headquartered in Santa Barbara, California, and creates easy-to-use, cloud-based software that helps small and mid-sized businesses improve their workflow, so they save time and make more money. Our company was founded by a team of technology leaders with proven backgrounds in creating revolutionary software for businesses.

They have the following background on their site which also says.

Headquartered in Santa Barbara, California, AppFolio creates complete, easy-to-use, cloud-based software for multiple vertical markets. Our company was founded by a team of technology leaders with many years of experience developing applications that are built for small and medium sized businesses. Our Chief Strategist, Klaus Schausser, was responsible for creating Citrix GoToMyPC and GoToMeeting—two award winning cloud-based collaboration solutions. Jon Walker, our CTO, has been a founding member of multiple successful start-up companies that were eventually acquired. He is considered a pioneer in the area of data migration and was responsible for creating advanced migration software that has been deployed to over 40 million computers worldwide. At the heart of our products and services is a talented and agile team that understands the importance of listening to our customers to provide solutions that meet and anticipate their needs. As a result, our rapid growth continues to be fueled by very happy and loyal customers. Our products include cloud-based property management software (AppFolio Property Manager); rental syndication and lead tracking software (Rentlinx); and cloud-based legal practice management software (MyCase).

One of Appfolio's biggest advantages is that they

1) Store their data (and ours) on line so it is safer from being lost or destroyed

- 2) Can make a change at any time, and we just start using the new change! No disk to buy or install. It just works!
- 3) A search engine (like google) exists in the online software. So if we only have the first name of a tenant or owner, or partial address, or email, or even a phone number – we can find that party almost instantly!
- 4) Work orders can have bids attached! Many of you know this already. So you can see the problem come in, the bids, the writing and notes, and it's all online!
- 5) We also have a LIVE 24/7 maintenance team who answers our phones LIVE all day and night long and makes work orders for us in real time 365 days a year. This “team” works with Appfolio and is part of Appfolio so they have access to our properties data – being able to look up to see if a property has a home repair warranty (or not) and who to call (they have our list of favorite vendors) and have our staff to also back them up and be on call too in “as needed” circumstances! MOST management companies do NOT have this 24/7 live repair team!

THERE HAVE BEEN SOME GROWING PAINS PUTTING THREE COMPANIES TOGETHER ALL AT ONCE! THIS IS IMPORTANT. AND I HAVE FOUND OUT – AND THIS SHOULD APPLY TO PROPERTY SERVICES CLIENTS – THAT IF YOU HAD ANY MAIL GO TO OUR OLD OFFICE AT 1818 INDUSTRIAL, IT WILL BE FORWARDED IF YOU HAVE THE MAIL ADDRESSED TO YOUR NAME/OR YOUR VENDOR NAME IN CARE OF PROPERTY SERVICES. BUT IF IT IS ONLY ADDRESSED TO YOU AT OUR OLD ADDRESS THE POST OFFICE WILL NOT FORWARD THAT MAIL! So, ANYONE that had Insurance, warranties, property taxes, or other mail addressed to yourself to my old company AND DID NOT HAVE IT LABELED IN C/O PROPERTY SERVICES should realize this mail will be returned and not delivered. Thus, you need to contact your

Insurance company, Warranty company, Sewer Bill, Trash Bill and others to change those addressed to the old address (we can't) if they were not labeled IN CARE OF PSI!

APPLIANCE STRATEGIES YOU AS AN OWNER SHOULD KNOW...

UPGRADE? NEW OR USED? DO WE OFFER THEM OR DO? LET'S SEE WHAT WORKS...

Having had to replace and/or fix hundreds of appliances – WE ALL AGREE ON THIS ONE HERE AT THE OFFICE. We also all came to this conclusion ON OUR OWN before joining together too!

About Repairs... We fix them if the repair would cost 20-25-30-35% or less of the cost of a NEW APPLIANCE. And we NO LONGER BELIEVE THAT GETTING A USED APPLIANCE TO REPLACE THE BROKEN ONE IS A GOOD IDEA. Most used appliance “warranties” are about 90 days. They are usually rebuilt- and we should all remember – that they are past their “shelf life” and/or “guarantee/warranty time period” from the manufacturer. That tells us something right there! We continue to find that more than we like – a rebuilt appliance (instead of a new one) STILL

breaks down more often and sooner! It is not as efficient as a new appliance and the parts – if old enough may be discontinued and hard to find – costing everyone more time and more money to find those parts “if and when” that used appliance (breaks again). AND since it is already “older” its shelf life is already limited and the owner is looking at AGAIN in having another appliance problem SOONER vs. LATER. Bill, Robyn, and myself have seen this type of USED rebuilt appliance more times than we like, cost our owners more money than if they had just purchased a BRAND NEW APPLIANCE and then getting a longer life for now out of that appliance!

SUMMARY – When the expense to repair an appliance is in the range of 20-25-30-35% of the cost to buy a new one to replace that same appliance – one must think hard about replacing it vs. fixing it. And the other factor is how old the appliance is “that you are considering fixing”. Once the repair seems to be getting a bit expensive, and the appliance is old enough, REPLACE IT WITH A NEW ONE and make that problem go away for a while since the new appliance will have a much longer life than the old one “getting fixed”. Remember, WE DO NOT MARK UP MAINTENANCE AND SO PASS ON OUR GOOD PRICING FROM OUR VENDORS TO OUR OWNER/CLIENTS. We also can’t keep using different vendors suggested by owners as we have not “vetted them”, will not usually know them, and won’t have any leverage with a new vendor that the “Owner picked” vs. the ones we use over and over. Sure, the owner may beat our vendor’s prices occasionally, but not that much – AND the owner’s vendor may give them an inferior brand that won’t last as long (or be as good as) the brands our vendor recommends. When we get a good vendor we use them over and over so that they will give us good prices (this saves you the owner money) and better service if possible as we give them enough volume that we are one of their best clients if not the top!

An appliance story... A real estate agent was one of my clients (we managed 4 of his houses) a few years ago and needed to get a set of appliances (a washer, dryer and refrigerator). He saw our bid and went out shopping on his own. After three days of going everywhere from Home Depot, Best Buy, various appliance stores (used and new) - he did end up beating our price by \$95! So he went with “his vendor” and got them delivered. We compared notes when it was all over and he had not calculated the cost of delivery, installation, and taking away the old ones (his vendors charges actually were more expensive than our vendor for installation AND his vendor did NOT take them away)! He forgot to shop and include those services too. So the actual bottom line for him, was cheaper appliances for his cost, but with higher service prices he actually paid a little more to his vendor than ours. He ended up using his own truck to take away the old ones so that saved him money which balanced things out – but took more of his time (he did not mind). I then asked him how much time he had involved in this – and he had not figured on that either. But since he spent three days shopping all over town – and he is the kind of guy that drives to each store – he had a lot of hours used up. I asked him what his hourly rate was worth, and how much did he take away from his other real estate sales business – and was it worth it? And.... he realized it may not have been worth it because of his time involved.

But he said he had some free time so it was OK overall. (It may have but surely took time away from him helping his clients).

WE HAVE TWO OTHER OWNERS WRESTLING WITH SOME OTHER APPLIANCE MARKETING ISSUES...of whether to offer appliances to tenants (or not) or to upgrade them when they are working fine?. Let's discuss...

One of my owners recently are getting ready to replace their appliances – even though theirs works – because they think it is time. Their house is vacant and being turned over. They are spending some money doing some painting and some other minor fixup but nothing major. The appliances are about 5 years old look OK, and are working properly. They probably have another 2-5 years of life. However, our inspections, and opinions tell us this is NOT the time to voluntarily spend money to replace these appliances – since they do not need replacing. I told this owner he was “1 in a 100” – that is one owner who voluntarily shows up wanting to spend money when they don't have to! Most owners don't spend money when they don't have to – unless they are remodeling potentially. Now this owner did say he would live in the property in about 10 years - potentially – and I said why not wait and replace them as needed? Besides, I told him, unless you have a lot of extra money around burning a hole in our pocket, you might want to “save that money” for the GUARANTEED UNPLANNED AND UNSCHEDULED FUTURE EXPENSES THAT ALL RENTAL PROPERTIES HAVE!!! when you don't have to! We discussed this and I mentioned that there would surely be future “surprise” expenses.

SUMMARY: unless you think the house needs upgraded remodeling (and doing this one upgrade will NOT get you a higher rent at all) DON'T! Is our advice. Wait until you have to replace them and/or fix them. And save your money for the future when other things WILL NEED YOUR MONEY TO FIX THEM – and lots of unscheduled expenses occur with rental houses.

NOW ANOTHER OWNER OF OURS WITH A VACANT RENTAL HOUSE DOES NOT WANT TO OFFER A WASHER, DRYER AND REFRIGERATOR TO TENANTS – AS THE OWNER WANTS THE TENANTS TO SUPPLY THEIR OWN. – LET SEE IF THIS IS A GOOD IDEA...

Let's measure the rental landscape and how the competition handles appliances (specifically a washer, dryer and refrigerator). The question is do we offer them or not to tenants? First, in Las Vegas ALL APARTMENTS OFFER ALL APPLIANCES ALL THE TIME. So right away we have a disadvantage if we don't offer appliances too. This is normal and expected in the rental community. So apartments do have the washer and dryer and refrigerator included ALL THE TIME. This is normal (so to try to compete with those apartments with your rental house that does not have a washer, dryer or refrigerator) – will NOT help you – and could cause a longer vacancy for you with this strategy.

Now from my owners above who are willing to spend NOT NEEDED money because they just feel it IS TIME to spend more money on their rental, have also not thought about the cost to move out three appliances THAT WORK to another location (we don't have storage facilities).

So they could have SIX WORKING APPLIANCES – when they find out – the applicant HAS THEIR OWN AND WANTS TO USE THEIR (THE TENANTS) APPLIANCES – AND COULD WE MOVE OUR (NOW SIX APPLIANCES) OUT? What a major hassle and waste of money.

How do we normally combat this? Let me cut to the chase and tell you what we have been doing for years successfully and why.

WE DO STATE IN OUR LISTINGS “APPLIANCES WILL BE SUPPLIED IF NEEDED – JUST ASK!” So we WILL give a tenant a washer, and dryer and refrigerator – IF THEY NEED IT! We do NOT buy them in advance – because those 5% (estimated) of those tenants who HAVE THEIR OWN APPLIANCES will use their own. So we will save money if those tenants do have their own. But most don’t, and since they ARE SHOPPING AND MAKING AT LEAST 5 RENTAL HOME INQUIRIES your home will BE SKIPPED if you don’t have appliances and don’t offer them. This should make sense but sometimes out of state owners don’t know this. Different markets have different “expectations” and it is much more likely IN CALIFORNIA for landlords to NOT supply appliances as compared to Las Vegas!

Thinks about this. If you have a

\$1,000 rental house. And tenants skip you to rent another, and you suffer two weeks’ vacancy longer than you could have, you would have cost yourself \$500 in lost rents. Now during this two weeks of vacancy (and this is the part many forget to think about) – this vacancy costs you MORE Than just the two weeks! Why? Because you may be paying for other costs during this vacancy. For sure you are paying utilities – which an occupant could be paying for – so you are paying for the power, water, gas, sewer and trash – ALL costs that could go away – if you got it rented. (with appliances).

This \$500 in vacancy costs could just about pay for a washer and dryer. So, if your rental is vacant LONGER than this two weeks – let’s say four weeks – then you paid (the costs) for your washer and dryer TWICE.

AND with your unit continuing to have NO APPLIANCES, many tenants will continue to either skip your unit, or agents will show your unit to “compare it” to the other unit (not yours) that the agent wants to rent. And since your unit does not have the appliances (or you can substitute other things almost always needed or required like a finished back/front yard, garage door opener, or cable TV availability – all some of the top features renters want) – your vacancy may continue and on and on. Your odds DO NOT GET better with more time to get your unit rented – if it is lacking something needed such as a washer, dryer or refrigerator.

Now consider my old slogan for my old real estate company is DECADES OF EXPERIENCE SINCE 1977 - One might ask me and say “George! How many tenants had their own washer and dryer and refrigerator and moved into one of our units? (remember I have overseen thousands of turnovers since 1977). The answer is less than 1 per 100! It is VERY RARE for tenants to have

all 3 appliances. If they do, they will probably buy sooner vs. later and thus NOT becoming a long term tenant. Now sometimes a tenant (still low in the 5% category) might have the one refrigerator – wanting you the owner to then supply the washer and dryer -which we gladly would do for a qualified tenant. Or the tenant may have one washer, or one dryer wanting you to supply the rest - again something we would normally do for a qualified tenant. If you don't our property could sit there and sit there on and on being skipped with this problem causing a prolonged vacancy until solved. Time will not heal this problem!

And we recommend to NOT BUY THEM YET, UNTIL WE GET A SIGNED LEASE AND MONEY PAID FROM A QUALIFIED TENANT WHO NEEDS THEM OR ASKS FOR THEM – AND THEN WHEN THE DEAL IS THERE – WE GET THEM. This saves the owner money (as in the first example above who wants to buy appliances NOW and get rid of his 3 “working appliances” because they have money burning a hole in their pocket – and are keen to spend some money!!! I hope – and told them – to NOT buy the appliances EVEN if they are going against my advice, until we get an applicant who needs them!!

SUMMARY ABOUT HOW TO MARKET YOUR RENTAL CONCERNING APPLIANCES: In our listings, we Say WASHER, DRYER, AND REFRIGERATOR WILL BE SUPPLIED IF NEEDED – JUST ASK! And that is the best strategy we have seen work – to get your house rented faster (don't buy in advance) This strategy WILL save you money – getting our property rented FIRST as compared to the competition who does not offer appliances. We appreciate your business!!!

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