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MORRISSEY MONEY MATTERS RENTAL HOUSE NEWSLETTER

Las Vegas Rental Newsletter – Since 1981 – July 2018 ISSUE, copyrighted George Morrissey/PSI *written by George Morrissey, Real Estate Broker, Investor, Tennis Player, Property Manager, GRI, E-Pro Certified, Bachelor of Science in Finance, NARPM, UNLV Alumni, Alpha Kappa Psi*

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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).

**WE HELP PEOPLE BUY AND SELL HOUSES TOO AND HAVE
FOR DECADES from \$40,000 to over \$800,000!
We are Licensed Real Estate Agents, Realtors and Brokers**

From First American Title Company (FATCO) – An Escrow and Title Company nationwide and here in Las Vegas. Here is their local website link below:

<http://www.firstam.com/title/nv/las-vegas/index.html>

Here is some of what they reported recently about some Las Vegas Real Estate Statistics

From Monday July 23, 2018 – from First American Title Company

The median list residential sales price for Las Vegas, NV is \$388,888.

They say their conditions favor the property seller currently.

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This is a Strong Seller's Market – as per First American Title (and I agree).

FATCO says - Home sales continue to outstrip supply and the Market Action Index has been moving higher for several weeks. This is a Seller's market so watch for upward pricing pressure soon if the trend continues.

Real-Time Market Profile – from FATCO (with my comments parenthesis)

Median List Price	\$388,888 (higher than \$385,000 when last tracked!
Per Square Foot	\$174 (higher than \$172 when last tracked!
Days on Market	86 (lower than 87 when last tracked! (this is about 3 months for those that “do sell” and one must realize not all property “sells”)
Price Decreased	35% (higher than 32% when last tracked! – yep prices do go down as sellers ask too much in a hot market!
Price Increased	7% (lower than 8% when last tracked!
Relisted	8% same as before when last tracked when it was also 8% Sellers put the property back on the market again after the listing time expires and it does not sell.
Inventory	3351 which is higher than 3071 when last tracked (this is the amount of residential properties on the market for sale)
Median House Rent	\$1550 higher than before when it was \$1,495. Rents are going up it seems!
Most Expensive	\$16,800,000 (*still the same as before). – Looking just for fun seeing the price of the most expensive home in Las Vegas!
Least Expensive	\$95,000 which is more than the previous \$80,000 price! So, prices are going up still! (this is the “least expensive” listing asking price for a residential property on the market for sale today).

The Index is STRONG for sellers today.

Market Segment – Each segment below represents approximately 25% of the market ordered by price. (absorbed is those that sold, DOM = Days on Market)

Median Price	Sq. Ft.	Lot Size	Beds	Bath	Age	New	Absorbed	DOM
\$257,249	1,540	4500-6500sf	3	2	25	282	483	56
\$335,0900	2,043	4,500-6500sf	3	3	17	190	285	57
\$458,894	2,745	6,500-8,000sf	4	3	16	112	190	81
\$799,000	3,960	0.25-0.5 acre	4	4	16	82	144	151

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Several our clients are selling their property. Some are tired of having an asset “being valued below” for what they paid for it, but now since it’s above their purchase price some are selling.

Some owners are “don’t wanters” and really don’t like owning rental property. It bothers them to get random phone calls for maintenance and decision making concerning their rental house. I understand this as I am a rental house owner too but have found not much else “better” than what my rental properties do for me! I remind them that not many (if any) other investments can duplicate what a rental house does for your financial health! Most investments don’t give you Income (rent) and Growth (appreciation) and Tax Shelter (depreciation and write offs) with great Leverage (you can buy a house with 20% down)! You must put down 50% to buy stocks for example.

I have had several clients “sell” and not want to tell me what they are going to do with the money and later find out they did not do much with it and their house (that they sold) was doing better.

So, if you are going to sell be sure you have a good use for the money and you are not just selling because you “feel like it” and don’t have a reason except to do something!

Here are some ideas that you might want to consider or have not thought of.

Don’t sell one of your rentals to buy another house to live in! Let your rental house do its job over time and keep working for YOU! Las Vegas is poised (as in per many professional opinions) to have houses DOUBLE in value in the next ten years! It has already gone up 10-20% in the last 18 months or so and so is well on the way to meeting this goal. When you sell they say you pay about 8-12% of the purchase price for all the closing costs needed for that sale. If you don’t sell you would save – by not paying those

closing costs! If you kept buying and selling – one would see – that one would use a lot of “costs” to make things happen. And this would substantially eat into your value and equity from your rental property. You would have MORE equity if you sold less by paying less closing costs! Then your net worth would not go down as much with all the sales costs eating your equity! And you could just borrow – most of us could - the money for the next purchase by getting a mortgage! If that rate was about 4.5% (or lower and it is!), you would save that 8-12% in costs and not go “backwards” with your net worth. Borrowing would cost you about the same (or less) in interest. Plus, you would have two properties in your “asset base” instead of just one by keeping that one rental house.

Some clients are selling to take the money and put into another investment. One client was selling multiple properties to put their money into stock market investment they said was “guaranteed” by a stockbroker they know. Disclosure: I used to be a Stockbroker as well with my background of having a Finance Degree with a concentration in Real Estate from UNLV. My stockbroker license is not current right now, but I do have a stock market investment portfolio. My bigger portfolio as you can imagine is my group of rental houses I have purchased over the years. Anyway, their stockbroker promised them he could earn them a guaranteed 3% on their money that was left over after the sale. Some people might consider this stockbroker to be “churning” and dealing with another client’s relationship (mine in this case) and interfering with that relationship – which would not be looked at favorably. If I was in their position with several rental houses – especially at the beginning of this “push” of rising prices –would hold on – and my family is! To see where prices go the next few years! We see them going up by the way!

That being said, I did ask my client if they knew where they could get 6% on their money? They did not! I mentioned that AT & T stock (as of this writing) is paying returns of OVER 6% - with their dividends they issue quarterly – on an annual basis right now! Go ahead. Look it up. The stock symbol is “T”. Now sure the stock price can go up and down and this does affect your principal value, but this company in many people’s opinions (mine too) is not going to go out of business. The stock came down to about \$31 from \$38 because of a variety of factors and expenses - they are trying to buy some big companies like TIME WARNER right now. Look that up!

Many “big money earners” who get annual bonuses” (think wall street executives) are too busy to play the market so they put a big chunk into a stock like AT & T and love earning over 6% while they wait for slow appreciation! This is much better than bank rates of course! With some more risk as the principal can fluctuate. You can do this too – and invest in an investment that pays more than a mortgage would cost you and earn the spread. Some clients – myself included – would leave my rental house(s) alone, and just go and get a bigger mortgage to buy the next property because rates are so low!

And one should remember, an investment caveat or “rule” which is

WHEN YOU BORROW MONEY, YOU HAVE TO PAY IT BACK WITH COSTS AND INTEREST ON TOP OF WHAT YOU BORROWED. This gives more risk to your financial life and of course could affect your credit too -if you don't pay them back.

Some clients are selling to put their money into their business. This makes sense, but one must remember, once sold it is very hard to replace the rental house with another – therefore my family does not sell much. Looking back, we have noticed we have only sold one house in the last 25 years and that was because the house was in a bad part of town and had a few bullets go into the outside wall from a drive by shooting!

People need to remember this: A house is not a stock! You don't sell based on it going down or up like a stock. It does a lot more “different” things than a stock. You can still make money from your rental house even if it goes down in value (*values surely did go way down in Las Vegas the last few years). You can still make money with the house going down in value by still earning “rent” and “paying down” the mortgage every month by just making the payments.

Over time that “amortization” of “paying down” the mortgage is an additional forced savings program for you. And well worth owning. I know a variety of investors – who are long term owners – who look very smart now by having “hung on” to keeping all their rental houses here in Las Vegas. Now they are up about 20% the last 18 months or so and rents have finally – dramatically – gone up!

Some of our clients I know are doing the following:

They are selling house #1 and using the proceeds to buy house #2.
This may seem like a good idea on the surface but is it really?

One client has a mortgage that only has a 4.5% interest rate (others have a lower rate). He does not know that if he keeps house #1 and turn that into a rental house that he can borrow the money (instead of using cash) to get the mortgage for his next house.

When one uses cash to “avoid borrowing” the return (yield) on your money is “that” which you are saving by not borrowing. So, if you don't borrow at 4.5% then you are ‘saving 4.5% or “earning” 4.5% since you are paying cash. Then again, if you took some cash and invested it in a higher “something else” like AT & T stock earning 6% then you could take that money and pay your 4.5% mortgage payment and have 1.5% left in your pocket making a spread every month! Over time – in the far future – eventually your mortgage will be paid off and you will STILL have a lump sum of “investment” value in the stock (in AT & T stock in this example) which is better off than paying CASH

And having no spread

And having no lump sum of “value” of stock (in the future using AT & T as an example).

Rarely will you invest it in another investment that does as good as your house

And remember owning a rental house year after year is like having a forced savings program. Each month you get rent which helps offset your other expenses. Not many investments do that. And each month when you pay your mortgage payment, your equity GROWS as your debt GOES DOWN because each month's payment lowers the amount you owe (unless you have an interest only loan). So years can go by and one day you wake up and see that your house has gone up! Your mortgage balance that you owe has gone down! And the rent has been increased! These are all good things!

Many times, someone who owns something that is good "long term" looks smart years later. My mom lost a major amount of money "on paper" with the foreclosure crisis that occurred here in Las Vegas, but she did not sell one house. She just kept renting them out (we manage them and yes, she pays normal full fees to our company) and now her rent has increased on ALL her houses from what it was during the "low rent" foreclosure years! So, she gained most if not all her equity back and now is getting some comfortable gains on paper as prices continue to rise. And she is enjoying better cash flow with the higher rents now (finally) too!

So, you really should think twice to be sure about selling as it is not always as good for you as you think.

Two of my houses for my clients that I have sold (one is sold, and one is in escrow) are being sold to an investment group (small family that started in real estate investor groups, made friends, raised a lot of money and are buying quality) that is buying hundreds of houses in Las Vegas. So far, they have purchased about 800 houses and plan to buy 1,000.

They have their own property management team and are paying cash for each house. One of my terrific mentors JACK MILLER said one day some "big money" would eventually figure out how good rental houses are and buy thousands of them. That day has already been here since some HEDGEFUNDS from WALL STREET have gone out and purchased hundreds of thousands of houses across the country. One bought over 5,000 in Las Vegas (one of my friends managed them for several years). They probably paid too much and spent too much fixing them up. But they bought at the bottom of the market so made money anyway. On average it is estimated they spent about \$18,000 per house and raised rents about \$100 per house too – in an environment where rents were NOT going up.

The 800-house purchasing team setup their own property management business (why not as they are bigger than us!) but do use several realtors/agents to go out and make offers on their behalf. They buy the same type of houses I try to buy so we speak the same language. They plan to sit back and enjoy the appreciation – houses doubled from the "foreclosure years" until today and get good rents at what some consider some of the "lowest house prices here in Las Vegas" as compared to the rest of the country.

If I had a magic wand and more money I would buy more houses too as I know the best kind to buy and the ones to avoid. And I would hold onto them for the long term. And that of course is what my family already does.

SUMMARY: Really think hard about selling your rental house in this seemingly “growing” rising price market that seems to be at the beginning of another run up in values for a few years!

Since prices have gone up – in a lot of areas – vendors have raised their prices too! The “cheap cost” to put in a hot water heater, or low-cost air conditioning unit are gone. We do have good vendors and do try to use “handymen” when we can and when legal to keep the costs of repairs and services down. Owners forget that here at our company we DO NOT UPCHARGE vendors repairs or services. This means if it costs you \$500 for a repair of any kind, we do NOT charge you more than the actual cost of the \$500! This helps us be loyal to our “good vendors” who give us good service and good prices which we pass on to our owners.

Owners should remember that when any turnover occurs, the owner should consider to:

A) Install an alarm system to protect against squatters and/or vandalism. We can arrange for this – it takes a few days – cost about \$650-\$750 and we found the only alarm company in Las Vegas that will let you use them on a month to month monitoring service -and can cancel once we find a tenant. (Consider doing this when our house is for sale too!).

B) We can arrange for special custom “welded” cages to go around your air conditioner units on the ground (about \$425) or on the roof (about \$750) to avoid homeless stealing copper from the units --or even “pro bad guys” stealing the whole unit which HAS happened to one of our clients.

Special note – we just recently had an empty house for sale in the East part of town. A “bad guy” STOLE our lockbox off the front door and took out our front door locks and installed his own! (We do NOT usually have FOR RENT SIGNS any more in the front yard of houses to avoid bringing attention to the world that “HERE IS A VACANT HOUSE” – for security reasons. Anyway, the bad guy created an ad and placed it on CRAIGSLIST offering \$700 for an \$850 house. He answered the phone, met the potential tenant, had her fill out an application right there = and approved her on the spot! He took two months of her rent for \$1400, plus a security deposit of \$700 for \$2,100.00 total! He took CASH from her, signed the most “simple” 2-page lease I have ever seen and gave her the keys! Which worked of course! How do I know this? Because we discovered her living there and had to ask her to leave and/or evict her. She shared with me the story and gave me a copy of the lease. We cannot turn the power or water off – as that may endanger her and her family (she has a young daughter). She is being cooperative but

realizes she was scammed. And I pointed out to her that the “bad guy” now has her birthday, her signature, her full legal name and her social security number!

Too good to be true usually means it is. This is going on and on in Las Vegas and continues to be a real problem. One could also install an alarm system now (it would be a feature for your tenants and should be able to be “written” off, and maybe put on a cage on your air/heating units (my family is doing this or has done this for most if not all our houses). This just makes the bad guys skip our houses!

We appreciate your business!

George Morrissey Real Estate Broker / Property Manager / Investor

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