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MORRISSEY MONEY MATTERS RENTAL HOUSE NEWSLETTER

Las Vegas Rental Newsletter – Since 1981 – October 2018 ISSUE, copyrighted George Morrissey/PSI
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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

I found some interesting information (I love good deals) that may apply to you if you celebrate your birthday (or others!) Here are some ideas:

At Denny's - You can get a FREE GRAND SLAM BREAKFAST on your birthday just by showing your ID!

At the Capital Grille Restaurant – You get a FREE Chocolate espresso cake on your birthday after you eat!

At the Cheesecake Factory - You can get a FREE bowl of ice cream on your birthday!

At the Cracker Barrel - This was a little vague – but the information I have is that you get a free dessert (usually is the vague part) if you tell the waiter it's your birthday).

At Iguana Mia - You can get a FREE entrée (up to an \$18 value), FREE fried ice cream and a free photo of yourself wearing a sombrero on their site!

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At Wester Sizzlin - Get to eat FREE on your birthday.

At the Benihana restaurant - You must sign up to their club called the “Chef’s Table” but after you do you get a \$30 gift certificate you can use for the whole month of your birthday! Most of the FREE food deals stated above require you (of course) to show your ID to qualify and any of these deals or offers are subject to change or cancellation. So, check!

Some other retailer good deals on or during your birthday month are:

At the American Eagle Outfitters company – If you sign up for their AER Rewards you get 15% OFF what you buy (mostly) during your birthday month!

At the Anthropologie company - Be sure and join their customer loyalty club and get 15% off (mostly) what you buy during your birthday month!

At the Benefit Cosmetics company - Get a FREE arch for your brow on your birthday.

At the Body Shop Company – Sign up for their email updates and get a \$10 reward coupon during your birthday month!

At the Columbia Sportswear Company - Sign up for their email rewards club and get 20% off what you buy during your birthday month!

At the Sephora company - Sign up for their email rewards club and get a free gift during your birthday month!

At Victoria’s Secret - Sign up for their club (called the Angel Card) and you will get a FREE birthday gift.

At CVS (the drugstore) - If you join their CVS Extra Care beauty club you get \$3 off whatever you spend in their store on your birthday.

If you are a golfer - be sure and ASK because many golf courses will give you ONE FREE round of Golf on or around the date of your birthday! So, ask!

Other retailer deals, and coupons and discounts are:

Shop at Ace Hardware? If you do get a \$5 off coupon when you join their membership club called Ace Rewards.

Shop at ULTRA Beauty? Receive a free gift by signing up for their club.

Shop at DSW? You can get a \$5 coupon for shoes on your birthday.

Shop at Hallmark? You can get a 20% off any one item coupon on your birthday.

Shop at Famous Footwear? Get a free gift when you sign up for their customer program.

Privacy Note – many consumers use “another” email for all their shopping. So, this “other” email is not linked to your bank, your business, or other sensitive items. This means if anyone “gets inside” this “other email” they only get access to your shopping memberships!

Some Important Insurance tips which owners don’t know about or forget (including insurance agents):

Most policies have changed over the years and no longer cover as much as they used to. So, doing an insurance check is invaluable every year or two.

You should know if you are paying for insurance for a dwelling that:

If you make some insurance claim many policies will NOT pay for what you think! And thus, you are underinsured!

Most insurance coverage is NOT ENOUGH for building code updates. Building codes change but buildings do not! Most likely an older building’s last owner (or you) have NOT upgraded the electrical or plumbing or other systems over time – and especially did not upgrade any systems when building codes changed over time, year after year

Many times (most times probably) local codes, laws and ordinances make it very specific – that damaged buildings (think you are making a new insurance claim now) must be fixed and/or repaired in accordance with any new laws, codes, ordinances and the like – even if those laws, codes and ordinances were not in force when the original systems were installed. Thus, the older the building the bigger (bad) news exists that may make the local authorities force you to upgrade a lot more than what you were thinking about when making a repair. Sometimes this may mean installing some materials that are not compatible with the current materials that are already on site at the building. Piping may come into play for example if you must replace pipes using only copper pipes which do not connect well with galvanized pipe – which can cause a whole lot of other problems if not installed correctly - which may mean you would need to “repipe” the whole section (or building?).

Here are some bad news examples:

In Dade County – in Florida – As per local ordinances - A hurricane or other calamity that has destroyed a home more than 50% must have the entire home torn down. If by

wind, then the entire home must be torn down and rebuilt from the ground up with the new structure raised above flood level. Few insurance policies would cover a teardown and complete rebuild. This type of ordinance is being instituted more and more in these areas.

Many policies will NOT pay for upgrading your property to existing codes! This can be VERY expensive. SO, CHECK AND TALK TO YOUR INSURANCE AGENT.

To cover yourself for these types of risks and to try to be protected against them you would need possibly an additional rider (again check with your insurance agent). This rider would say something like the policy would pay over and above like-kind replacement, to bring a property up to code. These types of riders may be stated using language like: "building ordinance coverage," or "law and ordinance insurance,". Be sure and CHECK all your policies!

Also, insurance policies – have options for replacement or depreciated coverages – and most “default” coverage is only giving you the depreciated cost (this is bad). Here is an example:

EXAMPLE ABOUT REPLACING A BURNED ROOF: You have a \$9,000 roof. The roof has a 30-year life but is 15 years old. The house burns down. So, since the roof is 15 years old they ONLY give you the remaining life left of the roof – the remaining 15 years – so the claim ONLY Pays you \$4,500 for the remaining life value NOT paying you to replace the roof.

Thus, most people who want to be conservative WANT the REPLACEMENT COST COVERAGE not the Depreciated cost coverage in their insurance policy. So, CHECK with your Insurance Agent.

A list of coverages you may want to consider are:

HIGHER DEDUCTIBLES: Have a higher deductible to allow you to pay a lower premium. If you own a lot of properties this can save you a lot! But those with a thin wallet, are who are conservative or don't like to come out of pocket with a “lump sum” when a surprise occurs - probably will want to have and pay the lower deductible.

VANDALISM is optional coverage. Most Don't get this (we don't normally). Most owners do not know that if your property is vacant longer than thirty (30) days the policy will NOT pay for Vandalism costs! This rider may be somewhat expensive – so we suggest putting in an alarm instead – which is a one-time cost instead of a recurring cost for vandalism coverage every time the property goes vacant.

LOSS OF RENTS is an optional coverage. This means if your house has a problem and tenants cannot stay there – like it burns down and it takes 10 months to rebuild the house

then the policy pays the rent for you! This happened to the house I grew up in here in Las Vegas that my family still owns and rents out. The insurance company will PAY the rent during this time. Since the rent was \$1,000 a month on my family house - my mom ended up getting \$12,000 in rents paid to her by the insurance company over the next 10 months! This was superb! This optional coverage cost us about \$6 more a month for that one house at the time as I remember. After my dad passed away I went through ALL the policies and checked ALL the coverages for all our houses. I ended up upgrading all the coverages and this has saved us thousands as we have had two fires, some vandalism, and some replacement (again my home I grew up in) needed.

REPLACEMENT COST VS. DEDUCTIBLE VALUE cost. Remember the roof example above. MOST people want the replacement cost coverage. Then they get a Brand-new roof (instead of half the value if the roof's life is half over). Check your coverage carefully on this one.

PERSONAL ITEMS FIXTURES THINGS AT THE HOUSE – this may mean the appliances, window coverings, flooring etc. This can add up. This is usually in a policy already. And for a rental house the policy (sometimes has a very high amount they cover which is unneeded) which may be a waste of money for an unfurnished house.

LIABILITY: The normal policy default is about \$300,000. Well they say a death can cost about \$250,000 so if you have two tenants in a rental and both pass away this could be a \$500,000 loss against you! If you only had the \$300,000 in (average) liability coverage this would mean you would have to come out of pocket the extra \$200,000! This would be terrible of course. The good news is that raising your liability from \$300,000 to \$500,000 usually only costs a smaller amount more per year! This may only cost you \$150 or \$250 for the YEAR for this coverage. So, this is a NO BRAINER to upgrade your liability coverage. The extra coverage is not expensive because most claims are not that high – but if they are you will be glad for a couple of hundred dollars to have this coverage!

From 2018 – from First American Title Company (FATCO)

The median list residential sales price for Las Vegas, NV is now \$349,000 in October (this was \$365,000 in August).

Market Action Index they say is now a 39 (it was 45 In August), so the strength has gone DOWN as a sellers' 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.

Market Profile – from FATCO (with my comments parenthesis)

Median List Price	\$349,000 vs. August \$365,000 (yes it went down again) This is the winter months which factually is always the slowest time of the year to buy, sell, or rent in Las Vegas.
Per Square Foot	\$171 (It as \$172 in August)
Days on Market	80 days vs. 73 Days in August. Sales are taking place a bit slower. (this is about 3 months for those that “do sell” and one must realize not all property “sells”)
Price Decreased	46% vs. 40% from August - yep some prices can be lowered by some sellers!
Price Increased	5% and August was at 6% So prices are a shade softer. Other sellers raise prices after they see the activity
Relisted	10% now vs. August 9% - this number has crept up a bit from 8% before. Sellers put the property back on the market again after the listing time expires and it does not sell.
Inventory	4881 in October from August which had 4010. This number is creeping up a bit too! This is the amount of residential properties on the market for sale as of this date.
Median House Rent	\$1425 vs. August of \$1550 – Rents soften in the winter months as do sales.

times, the “lower cost housing” becomes more expensive because more people can afford the lower prices, so that creates demand pushing the low prices higher.

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.	Beds	Bath	Age	New	Absorbed	DOM
\$245,000 vs. \$249,000		1,424	SF	3	2	29	220
	55 vs. 50 in August!						186

\$309,900 vs \$314,999 in August

1,870 SF 3 3 17 152 143 57 vs. 54 in
August!

\$399,900 vs \$414,970 in August
2,453 SF 4 3 16 130 138 71 vs
vs 69 in August

\$700,000 vs. \$729,978 in August
3,673 SF 4 4 16 78 78 135 vs. 132 in
August

//////////////////////////////////// End of the Statistics!

My bias is that I am a long-term rental property owner. And my family is the same. I tend to think about selling occasionally but almost always I see that the good thinks the property is doing for me now – will not take place if I sell and take my money elsewhere.

I know there will be sales costs, vacancy costs, get ready costs, buyer costs, utilities etc. And then I must pay taxes on the profit AND the recapture of depreciation. These costs and taxes would take a big chunk of my close of escrow money away from my wallet. Then I would have less to invest somewhere else. And my next investment – assuming it was another rental property – will also have some buying costs. Appraisal costs, Inspection costs, down payment, Insurance in advance, property taxes in advance. Then if it is vacant we would have vacancy costs until we get a new tenant and then have those lease up costs as well. Note my family and myself ALSO PAYS our company here ALL THE FEES THAT OUR CLIENTS PAY WHEN WE ARE MANAGING THEIR PROPERTY. So, YES, I am paying a Leasing Fee, releasing fee, inspection fee, marketing fee, Rental Referral commission and monthly management fees JUST LIKE MY RENTAL HOUSE OWNER CLIENTS.

Now if I am ready to buy another rental house I normally take the following into consideration:

I do NOT borrow against my equity from property I own to buy another property. Why? Because when you borrow you must pay it back! And there are multiple loan costs! Anyone getting a new loan knows getting a loan is time consuming, has lots of paperwork, has lots of costs and you still must pay it back. And one must pay interest on the loan over time. This also makes it harder for you to qualify for something else – as this “new payment” will count against you and your credit. And the (small) risk exists where the loan – if not paid back – may foreclose on you and get your house back and you lose it all! I prefer to let the “rental house do its thing” and over time see the loan getting paid down, the rents come in, the repairs to be fixed and paid for. This hopefully allows me to enjoy any long-term appreciation. And since the tenants know I am a long-term owner

they can relax and become a long-term tenant! This cuts down on my vacancy, turnover, and repair expenses!

I will save and invest other money to come up with any money needed to buy the next property.

I am constantly amazed at owners who sell when they have a quality property that is “doing its thing” with a track record showing long term tenants, decent rents, with reasonable expenses in a growing market – like Las Vegas is now. And they sell “just because”. I think sometimes people just need to be busy and can’t just let things well enough alone as they say. Again, my bias is as a long-term owner and I am certainly going to help any client who wants to sell (and have as I have sold about 9 houses in the last 12 months). And I have references too. Some clients have very good reasons to sell.

Some have sold because:

- A) They are taking the money and investing in their business. This was a very good reason and a smart one for this client.
- B) Another client sold and took his profit to use a bigger down payment to buy a more expensive home (his last one) to keep his mortgage payments “lower” and because he was going to retire.
- C) Others sold to take their profit and invest it in the stock market earning steady income (I have done this with other funds I have) buying dividend type of stocks so there is more consistency in their income.

So be sure and really think about selling your rental house and “killing” the golden goose that can give you many benefits in the years to come. Houses are hard to come by. They are hard to buy. Once you own them yes, they can be expensive but are usually easier to own than to go buy. So, make sure you have a good reason to sell as you would hate to miss the opportunity – which many including myself – think exists where Las Vegas will double in price (starting from two years ago). Other than that, I would be happy to help you sell your house, and you can talk to some of my recent clients of the ones I have sold in the last 12 months. Some of my owners were in China, Reno, and in Germany when I sold their house!

We appreciate your business!

George Morrissey Real Estate Broker / Property Manager / Investor / Realtor

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