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The 2011 NARPM Southwest Regional Conference



“Serve and Protect”

This February 16-18th, the Phoenix chapter of the National Association of Residential Property Managers was honored to host the 2nd annual Southwest Regional Conference. Over 100 property managers from Utah, Colorado, Nevada and New Mexico attended the three day conference of continuing education at the Scottsdale Chaparral Suites. The first day was a full class of designation nominees. The topic was Risk Management, taught by Raymond Scarabosio, MPM. This class teaches property managers how to evaluate risk and how it will affect their company’s liability exposure. Class attendees earned credits toward their NARPM designations; the RMP (Residential Management Professional) and the MPM (Master Property Manager). The second day held a Leadership workshop and an Ethics class. Both Realtors and NARPM members are required to attend Ethics classes every few years as part of their code of conduct. The Leadership workshop offered tips and inspiration on how to be a leader in their local chapters, their companies and their communities. The final day was a full day, starting with Tim Zehring of the National Crime Free Housing Association as the general session speaker. We learned how, by better securing our properties against intruders and keeping criminals out of rentals, we can lessen risk to the properties and the residents. We also learned how this can lower potential liabilities and help to increase profits. The rest of the day was filled with breakout sessions on topics such as Fair Housing, medical marijuana, policies and procedures and bed bugs, to name a few. We wrapped up the day with NARPM past National President and Arizona State Representative Steve Urie, who delighted us with a slide show entitled, “You might be a slumlord if...”!! Believe it or not, property managers DO have a sense of humor! That evening, we had a Caribbean themed dinner and we were entertained by the Chandler/Gilbert Community College mixed Jazz Chorus, directed by Marc Denton. They were fabulous! Next year’s regional conference is tentatively scheduled for Albuquerque, NM. To learn more about our professional property manager’s organization, please visit www.narpm.org.

Anne McCawley, MPM, Chair 2011 Southwest Regional Conference.

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Frank's Forum



Property Values

The Arizona Republic does a very good job of tracking and reporting property values in the Valley. An article in February (copy upon request) presented data from the Maricopa County Assessor's office.

Property valuations are projected 18 months ahead to allow for appeals. I suspect that there are fewer appeals in a down market. Values 2009 to 2010 are down (no surprise). The 2010-2011 values also drop, as do the projected 2011-2012 figures.

Valuations are only part of the taxation process. At least 5 tax districts set rates to be charged against the values. Those districts generally are running "slimmer", but we are not seeing much difference in property taxes.

Deja Vu

A New York Times item recently used the "word" TANSTAFL. This has long been one of my favorite words to use when talking about investments, especially those where the return seem higher than they should be.

The word is an abbreviation of "there ain't no such thing as a free lunch." It turns out it is a favorite expression of economist Milton Friedman. That's pretty good company for an old broken down house salesman. Who knew?

We can put this in the company of "if it seems too good to be true..."; "you can't swim against the tide"; and, "if it walks like a duck and it quacks like a duck then it must be a duck".

Queen Creek

I just spent a Sunday afternoon previewing houses in Queen Creek. Yes, I'm retired, but I had a chance to spend time with Frank Jr. and look at investment opportunities.

Barbara and I had decided that we weren't going to buy anymore. Heck, we're almost old enough that we don't buy green bananas, so looking 5 years out seems the wrong thing to be doing.

But: what deals are out there! Nice, 4 bedroom, 3 bath houses, tile roofs, garages at less (lots of homes much less) than \$100,000. Seriously, these look like a nice, steady 5% cash return with wonderful prospects for appreciation. We manage quite a few houses in the area and they seem to do very well.

Drawbacks? Don't look for leverage—these almost have to be cash deals (or at least huge down payments); and Queen Creek is still at one of the far ends of the earth and a gas crisis will affect it.

Federal Tax Rules

Our friends at the IRS are now requiring that rental property owners now issue 1099's when you pay \$600 or more to any contractor in a calendar year. The good news is that BPM has been in compliance with this for several years.

Be careful of this if you have property we do not manage. Many management companies and most owners are not equipped to issue the 1099's.

What Do We Do?

I was asked to write about the job of a property manager. Two disclosures: 1. I failed terribly at hands-on property management. 2. The technical minutia of the business has changed so much that I can't describe it.

But (paragraphs like the above always have a "but") I live with the world's best property manager (47 years so far); and I was good at managing property managers, so I guess I can tell you what I think the job entails.

The management agreement we all sign to hire BPM sets out the details of the job, what the manager can and can't do; what reports are required and so forth. These are all fairly standard, either required by state law or standards of practice.

It may sound hokey, but I believe the real job of the manager and the management company is to represent the owner of the property with

absolute integrity. Toward tenants it means operating strictly with the Policies and Procedures we use; to provide a clean and safe place to live; and to live up to the Landlord's side of the deal.

For Owners, the manager's job starts with an accurate representation of the rent we think we can collect, continues with the most cost-effective operation and management of the property, and concludes with a timely and accurate accounting of collection and expenses.

Many times there is an easier, softer way to deal with Tenants and Owners. The professional manager resists that and works with the truth.

Walkthroughs

Barbara and I try to walk through each of our properties once a year. The manager inspects the units thoroughly at lease renewal or at move-out, but we feel better if we can see them ourselves. It also gives the manager a good opportunity to show why some repairs or improvements should be done.

This year the walkthroughs were the best in quite some time. We think the economy is giving us a better quality tenant-whatever the reason our stuff looked great. Several tenants thanked us for "letting" them live in our property. I can't say I've ever heard that.

A few things to keep in mind if you want to do a walk-through:

1. This is the tenant's home, please show the respect you would if visiting a friend.
2. There are many different lifestyles in this wonderful world. Your tenant may not live like we do, but this is their "space".
3. A walkthrough is not a "white glove" inspection. We are looking for major problems, particularly those of health and safety.
4. Watch the TV program "Hoarders" before you see your occupied unit. It will make you grateful instead of critical.

Remember that we have to give at least 48 hours notice and make allowances for special circumstances—dogs, kids, jobs, illness, etc.

Movie Review

This is a first for this newsletter. We're always telling our kids and grandkids what movie to see, and they always hate our choices. Maybe our clients, investors and friends (all in one, we hope) will listen. I have to put in a word for you to see "Inside Job".

This is a very well reviewed documentary about the events leading to, and the causes of, the recession we are now suffering. Even though most of us know the role that Wall Street played in ruining the economy, this is a must see. The movie shows the players and the companies that inflated the housing market, took billions of dollars of profits and walked away as the economy collapsed.

The most infuriating part of the process for me is that almost none of the major players have suffered serious consequences; certainly few of them have expressed remorse or guilt.

I don't think the facts shown are in dispute, and I don't see how the country can do without more regulation than we have. At the very least, in my opinion, we should return to Glass-Steagall days and add oversight of the new investment vehicles such as credit-default swaps and collateral debt obligations.

My fear is that there may still be a pile of these poisonous instruments not yet come to light. Many years ago a sweet little old lady told me that Realtors were "sneaky, mean and devious." Maybe so, but we are rank amateurs compared to the boys at Goldman Sachs.

Free Band Concert

All of the Mesa high schools will be performing at a free concert March 30, 2011, at the Mesa Arts Center.

These talented musicians would love to see us all in the audience—Call the MAC box office 480-644-6500 or me for free tickets.

Richest Man



One of the best financial planning books ever is "The Richest Man in Babylon". Excerpts:

I The Five Laws of Gold:

1. Gold cometh gladly and in increasing quantity to any man who will put by not less than one-tenth of his earnings to create an estate for his future and that of his family.
2. Gold laboreth diligently and contentedly for the wise owner who finds for it profitable employment, multiplying even as the flocks of the field.
3. Gold clingeth to the protection of the cautious owner who invests it under advice of wise men in its handling.
4. Gold slippeth away from the man who invests it in businesses or purposes with which he is not familiar or which are not approved by those skilled in its keeping.
5. Gold flees the man who would force it to impossible earnings or who followeth the advice of tricksters and schemers or who trusts it to his own inexperience and romantic desires in investment.

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Call Debie at
602-301-4151

www.fiestachorus.org

II "Wealth that comes quickly goeth the same way."

III "Gold is reserved for those who know its laws and abide by them."

Genetics

After attending a National Geographic lecture last year Barbara and I decided to participate in The Genographic Project. We were sent a swab kit to gather DNA for testing and the results were interesting.

Barbara's reflected what we know of her ancestry (we have not done much genealogy work, relying on relatives who must have more time on their hands). Her haplo group left Africa about 50,000 years ago and moved into Central Europe and toward the British Isles. Barbara has German, Dutch and Welsh ancestors so that all fit.

Mine was a total surprise. We left Africa (we -all of us- started in East Africa according to National Geographic) and headed into the mid-east and on through Iran and Turkey and into the steppes and the Balkans, later moving throughout the Mediterranean.

I had always thought that my people were all English-Scotch -Irish, but these results may explain why I feel so at home in the Mediterranean Countries. We loved our time in Turkey and met several Iranian families that we enjoyed.

Give it a try!



Tee Times

Unemployment is down, house values are trending up -is the economy recovering?

I say yes, based on my own set of economic indicators (watch for the Bennett Economic Index one of these days). First, tee times are scarcer. For 2 or 3 years now the old coots I play golf with have been able to 'walk on' almost any course and play. Not true now.

Traffic is tougher. Until the housing market collapsed, the 101 freeway on the east side of Scottsdale was like a parking lot early every morning and afternoon as contractors came and went from building



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homes. For the past several months traffic there and valley-wide has gotten much busier.

Finally, we're seeing lots of Canadian buyers. Investors from all over the country have been buying like crazy and now the Canadians are here. Our neighbors to the north are smart buyers, so they must feel recovery is in the offing.

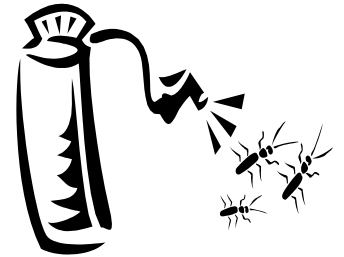
So there you have it. The Government told us quite some time ago that the recession was over. Maybe so, using their definitions, but it didn't seem so good here on the ground. Now the BEI confirms it - the economy is recovering. Please pray that gas prices don't foul it up for us.

Bed Bug's Buddy?

Are you a bed bug's buddy? This was the subject of a class we took at the NARPM Southwest Regional Conference in February. If you have read a newspaper or watched the news lately you've probably heard about the nationwide "epidemic" of bed bug infestations. Even though they are primarily a challenge in the multi-family, commercial and hotel industries, they can also become an issue in single family rental homes. Bed bugs are very tiny and they are hard to kill. One can attach itself in the bottom of a shoe and be tracked into any property. Once this bug is inside the dwelling it will scurry away into a crack or crevice. A female bed bug will have hundreds of babies in its lifetime. Once they are in a property there are specific treatments that have to be followed to eradicate them. The least expensive method is a chemical treatment. It is also the least effective, according to our instructor. The two preferred methods are heating up the affected unit for many hours until the little buggers are cooked to death. Of course, this involves the tenant

vacating the space. Their belongings have to stay in the unit because there are probably bed bugs in them. So far, Arizona has ruled that it is the Landlord's financial responsibility to bear this cost. If the Landlord can prove without a doubt that the tenant brought the bed bugs in, then the tenant can be charged. Due to the cost, however, it is probably unlikely that the tenant will be able to pay for it. The good news is that we are becoming educated in how to deal with this. Our property managers will know what to look for and how to treat the situation. We will stay in contact with you and update you. As they say, sleep tight, don't let the bed bugs bite!

—Anne McCawley



NARPM NEWS
National Association of
Residential Property Managers

Narpm.org

Visit
www.narpmphoenix.com

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To join our mailing list,
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