



A Property Manager At BPM

A Property Manager's Perspective

During my 6 year tenure as a property manager with Bennett Property Management, I have often thought that our investors may not be aware of the internal operation of BPM. Please allow me to provide some enlightenment.

The office is comprised of 2 owner/brokers, 21 property managers and 7 administrative support staff. We currently manage 2137 single and multiple residential properties within a 40 miles radius throughout Maricopa and Pinal Counties.

The term 'manage' has many definitions and connotations, therefore please allow me to expound by providing some details. All the property managers are independent contractors. Their hours are determined by paperwork requirements, home showings and work orders. In other words, whatever is required to maintain the following:

Property managers wear many hats and are responsible for plumbing and electrical repairs, landscaping, roof repairs, pool cleaning and repairs, general cleaning, carpet and tile replacement, painting, mold remediation, rekeying, and generally maintaining the structure and safety of the dwellings we manage.

Management also includes addressing non-payment of rent by sending 5 day notices and appearing in court, if required. Scheduling home viewing appointments, completing the required background checks upon receiving applications, writing new and renewal leases. These require many hours of showing properties and yearly inspections for lease renewals.

Managers take an average of 50 calls per day, and the time spent fielding calls doesn't include reading and responding to emails, texts and correspondence. Much phone time can be spent with investors and tenants. We attempt to disarm difficult scenarios, but there are occasions where an impasse must be addressed by our broker, Anne McCawley. She can usually transform a sow's ear into a silk purse. We try to please everyone. Because we must remain within the guidelines of the Arizona Department of Real Estate, the management agreements and the tenant leases, this is not always possible.

We are acutely aware of the current business climate and take into consideration the ongoing home foreclosures and bankruptcies, job losses and reduced incomes. This year has been difficult and all indications are that 2010 will also be similar to 2009. Once the foreclosures subside and the job market improves, the affordability factor will improve and Arizona could regain its prominence as the most affordable state, therefore improving investor opportunities.

As a final note, the Bennett Management Team aggressively strives to provide the best customer service and we always welcome suggestions. All of us at Bennett Property Management wish you a safe and healthful holiday.
...by Mike Noggle

Disclaimer

It's probably painfully obvious that we personally produce all of the content of our newsletter, not relying on the "canned" product most real estate companies use.

Please keep in mind that we don't set ourselves up as experts in any real estate specialty except maybe property management. Even there we learn something new all the time.

For everything else, investing, taxes, travel and life, we are happy to share our experiences and results-good and bad. For advice in those areas, please go to the experts.



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www.bennett2rentit.com

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Michele Winkles

Owners

Anne McCawley

Frank Bennett, Jr.

Frank's Forum

Property Taxes

Every year we get requests for advice on appealing property valuations done by the County Assessor to establish property taxes. It will come as no surprise that there are fewer appeals in rising markets, when tax valuations lag market values. The Maricopa County Assessor has reported a record number of appeals this year as owners try to reduce costs wherever they can.

I took a close look at the tax numbers on properties we have an interest in. Property taxes are up 8-9% from last year (except for Queen Creek--down 6%). Property valuations are down and seem to reflect market values pretty well.

Why the discrepancy (taxes up, valuations down)? There are three numbers used to arrive at tax amounts: Full cash value, limited cash value, and tax rate. Our tax bill is obtained by multiplying the limited cash value by the tax rate.

Back to the original question: should valuation be appealed? My experience is that the guy that makes money on the appeals is the preparer. The Full Cash Valuation might be reduced (most preparers base their fee on this reduction), but the reduction is not reflected fully in the Limited Cash Value (which is the number used to get the property tax).

We do not handle appeals and cannot recommend a preparer. If you feel your assessment is not fair you can do the appeal yourself (forms available on line) or consult a real estate attorney.

One more thing: rental and owner occupied properties are assessed and taxed at the same rate. The only difference is that rental properties do not receive the State Aid Credit on their tax bill. This could account for a \$50 to \$300 difference or more

between rental and owner occupied homes on the tax bill.

Home Runs

I bumped into one of my good friends on a walk a few days ago. He wanted my opinion about "flipping" property.

This is another part of real estate that I'm not good at. It always seems to me that every time the small investor buys a home to re-sell he is betting everything on the deal. You have to buy "right", and there is a boat-load of competition for those properties; then you need to keep expenses and carrying charges low; and, finally, you need a rising market to boost profit. You have to hit a home run every time you're at bat.

Long time readers of our newsletter know that we believe that residential real estate in the Valley is as near a sure thing investment as one can find as long as you're in it for the long haul.

It's much easier to hit singles than to hope for home runs.

Investment Planning

There was some criticism of the last couple of newsletters -- too much travelogue not enough investment or management advice.

Good point. It is a lot easier and more fun to talk about beautiful places we've visited than to try to be thoughtful and serious about business. I've tried to do better with this edition, but won't promise not to slip in the future.

The fact of the matter is that I've tried several times to articulate an investment plan or guidelines, but have found it very tough to do. We are not sophisticated investors.

Our philosophy has been to look at every opportunity that comes our

way and buy whenever we have enough money for a down payment, so long as the rents cover most of the mortgage payment and the location is good. Our feeling is that the market will take care of us over the long haul.

We've never worried too much about price. If the other numbers fit, the price should be okay. We've been at it long enough that the bad deals just don't smell right and we stay away. Usually.

When we've made a bad buy, and you can't do this for 30 years and not make a bad buy, we still hold on. The market normally fixes the bad mistakes so we don't get hurt too bad.

The owners of the company and many of the senior managers own rental property. All of us are happy to share the good, the bad and the ugly parts of these investments. We are honored when clients ask our advice.

Luck

On the golf course we often hear "I'll take luck over skill any day." So true, at least for those of us with little skill.

A recent article in the business section of the New York Times began: "the link between success and luck is stronger than many people think." I think, for many of us that upon honest reflection we would agree with that.

For many years I've been quoting a saying that "luck is the residue of design."

The relationship of all this to real estate and property management is all too obvious. In general we are all lucky to own property in the Valley of the Sun. Over time investments here will out-perform almost anything else we might buy.

Buyers in the 2005-2007 time frame often complain of bad luck, but was it? We hope that investing in property is not a total gamble, relying only on luck for success. There were many signs and warnings that

the market was over-heated, that we were headed for a fall.

As an aside, speaking as an old house-salesman, it is very hard for an agent to resist the tide, to say to a buyer, "maybe we better hold off on this--it can't go much higher.

We are responsible for the decisions we make as investors. Nothing goes up forever--there are no free lunches. Maybe the old carpenter rule should apply to investment decisions: measure twice, cut once.

The best way to be a lucky investor seems to be to do my own research, listen to several experts (not sure who those are, really), and think about my goals before committing my hard-earned money.

Frank, Jr., is my home-grown expert on real estate in the Valley. I know he would appreciate a chance to work for you, too. Maybe you'll both get lucky!

Things that Matter

Excerpts from an interview with William D. Green, chairman and chief executive of Accenture:

"There are three things that matter. The first is competence--just being good at what you do...The second is confidence... The third thing is caring...this is about giving a damn about your customers, your company, the people around you.

We believe that this describes the Bennett Property Management philosophy. We are good at property management; it is our only business. We are confident in our operations because we have decades of experience in working with integrity. Our owners (tenants too) come first. We know that, if we take good care of our customers, we will be successful.

We appreciate your business and your trust.

Technology Rules!

Just like every other area of our lives today, Property Management is improving through the use of high tech tools.

-PAYLEASE. Rents and funds from owners can be paid online for a very reasonable fee (normally much less than the cost of envelopes, stamps or the price of gasoline to deliver the funds to the office). The payoff is increased efficiency and, best of all, NO BOUNCED CHECKS!

-DVD LEASE PRESENTATION. We pioneered this innovation wherein our Tenants all watch and listen to identical presentations of the entire lease, then meet with their manager to sign and complete financial details. This will soon be available in Spanish. Managers can carry this into the field on laptops and even cell phones. WOW!

-WEBSITE ADVERTISING. We constantly are expanding our strong website presence, the most effective marketing tool for rental property. Advertising costs have dropped 50-75% from the good old days of print media.

NARPM NEWS

National Association of Residential Property Managers

Narpm.org

**Monthly Meeting
January 21st &
February 18th
1pm-4pm**

**Phoenix Metro Chapter
Meetings at SEVRAR:
1363 S. Vineyard
Mesa, AZ**

**Arizona Realtor &
Property Manager
Convention
Prescott, AZ
March 10th-14th**

To join our mailing list,
please email us at :
susan@bennett2rentit.com

Savings- Philosophy

Pretty much everything I know about money management I learned from my mother. She was a child of the depression who had to leave in the middle of her first year of college when the market crashed in 1929. Inevitably these experiences shaped her.

Not too long ago I found a list of adages that reflected her philosophy (and mine). They bear repeating:

- time is more important than timing.
- you can only get poor quickly. To get rich you have to do it slowly.
- the most important road to wealth is regular savings
- pay yourself first
- credit cards are the crack cocaine of the financial world.

And even though my kids are sick of hearing me say it, I've still never had a pizza delivered to my house, I wash our cars, (usually) and Barbara cuts my hair. These are the bedrock values of Bennett Property Management and we try to treat your assets as we would treat our own.
...by Frank Bennett, Sr.

Caution

A Realtor friend of ours brought us this story and we think it is worth discussion.

One of his clients was struggling with his mortgage payment and had received the first notice to begin foreclosure. After many calls and much pleading the lender agreed to consider loan modification, insisting on a large up-front fee for the process.

The client paid the fee and began the process. Naturally, it is long and involved. Some say it is worse than getting the loan when the purchase takes place.



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After some period of time the lender found out that the Private Mortgage Insurance would pay off the entire loan in the event of a deficiency after foreclosure and sale. Making the obvious business decision, the lender foreclosed and (here's the nasty part) kept the fee.

Now, for our purposes we will assume the foreclosed loan was a second that the client had decent credit and was employed, and that he had not hired a third party to do the loan modification.

My opinion is that the foreclosure was a cold, hard business decision; the only thing for the lender to do. Keeping the fee is kicking a guy when he's down. Arizona's Attorney General has filed several suits against "loan modification specialists" who scam their clients--this belongs in that category.

Where is the caution for us? It is my understanding that most lenders are not allowed to charge up-front fees and that their costs must be 'reasonable'. If you are in trouble with a loan there are several free resources for advice counsel. Start there.

If a service is advertising guaranteed results or wants an up-front fee run, don't walk, away. The old saying about things that look too good to be true sure holds here. Please let us help.



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