

Bennett Property Management, Inc.



Volume 8, Issue 1

March 1, 2008

Technology Advances

Technology and increasing expenses are pushing change on our business. Almost all of our owners have signed up for direct deposit of their monthly checks. This is far more secure and cost-effective for all of us. Beginning in June all owners with internet access will receive on-line statements ONLY. We expect this to be much more efficient for owners and managers.

For some time now our tenants have been able to pay rent on line (no cost to owners). This program has been very beneficial to us all. Virtually (no pun intended) all of our advertising is now done on the internet. Tenants can go to our web-site to find vacancies, get rental qualification criteria and download applications.

We invite you to visit our web-site (bennett2rentit.com). Any suggestions for improvement will be gratefully considered.

Institutional Advertising

We are very proud of the fact that we've grown to be one of the largest residential property management companies in the Valley. We do no "institutional" advertising where we tell everybody how great we are (except maybe here). All of our new business is from referrals and visits to our website. Our owners are very loyal and trusting, and we greatly appreciate it.

BPM Vacancy News

JAN '08	Central locations: 4.6% "Fringe areas*": 14.8%
DEC '07	Central locations: 9.5% "Fringe areas*": 14.8%
NOV '07	Central locations: 10.1% "Fringe areas*": 13.7%

*Fringe areas include Queen Creek, Buckeye, Goodyear, El Mirage, Surprise.

NARPM NEWS

**National Association of
Residential
Property Managers**

Narpm.org

**Phoenix Metro Chapter Meet-
ings at SEVRAR:**

February 28th - 1-4pm
April 24th - 1-4pm
June 26th - 1-4pm
August 28th - 1-4pm

FREE RENEWAL HOURS!!
AZ Landlord Tenant Act III

PROMAS users group
12-1pm at SEVRAR.

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



January saw a major loss for our company. Beth Prather retired after 18 years with us. We will miss Beth's (almost) unflinching good humor and her work ethic. Beth and Barbara and I were the dinosaurs down here, and the average age has sure dropped now that we're gone.

Beth and I started selling real estate in 1972. Our offices were across the street from each other and of course the Realtor community was so small that it seemed like we all knew each other. There were only 70,000 people in Mesa, which will pass 500,000 pretty soon.

Particulars of the business have changed- we had no fax, e-mail or cell phones, and our copier worked on thermal-sensitive paper so that the copies disappeared if left in the sun. The character traits that Beth brought to the business- honesty, hard work, professional ethics- are still the best ingredients for success and longevity in any business. Have fun Beth-We'll miss you!

Broker

Anne McCawley
Katherine Dean
(Licensed Assistant)

Office Manager
Mike Mumford

Bookkeeping & Clerical

Michele Van Sickle
Olga Aguirre
Brittany Smith
Jackie Mance
Rosey Reich

Property Managers

Daniel Anderson
Ginny Casselman
Jason Casselman
Kate Erbe
Kristina Fogliano
Jodi Griffin
Melissa Guerrero
Karen Homa
Joe McCawley
Jane McCawley
Sarah Johnson
Mike Noggle
Travis Reich
Sandy Shannon
Luana Sainz-Sheldon
Carolyn Summers
Kim Tracy
Jim Wilson
Sharon Wilson
(Assoc. Broker)

Owners

Anne McCawley
Frank Bennett, Jr.



Medicare

Well, here's the report from the senior front. Medicare and the prescription drug program are terrific. At least for us. Barbara and I enjoy good health, but we still have spent an impressive amount (or at least the taxpayers have spent) on our up keep. We are grateful, but fear that the county will be greatly harmed by the costs of taking care of the flood of retirees coming behind us.

Nobody seems to know where the brake is. The politicians keep adding benefits because it helps elect 'em; we keep using the benefits because they cost (almost) nothing.

Our vote is in favor of some kind of means test, or of any system that makes the user responsible to at least some degree for managing the cost of care.

Immigration

It's hard to pick up a newspaper or listen to broadcast news without a mention of this hot topic.

As most of you know, Arizona has one of the toughest laws in the country to prevent the hiring of illegals (I think undocumented aliens is the correct term). No matter where you come down on the issue it is obvious that the new law (effective Jan 1, 2008) has already had an impact.

In the parts of town with the larger Hispanic populations, Mesa Public Schools has reported a significant drop in enrollment. A client of ours that owns restaurants and other businesses in the same area say business is down 20%. There is little doubt the law is working as the legislature intended.

The total economic impact has yet to be measured. For our company there seems to be little or no impact. The politicians (our right-wing pride-and-joys) say there will be a large drop in medical (emergency room) costs, education (\$4500+ per student) and crime. The impact of lost business (in some sectors) and possible employee shortages is unknown. Only time will tell.

Trader Realism

Ben Stein's column in the Sunday New York Times is something I try not to miss.

Last week Stein had a great take on the stock market losses we've seen lately. Some of the same view will apply to our real estate market, especially the mortgage-backed securities problem. His conclusions are based on something called "legal realism" he learned in law school.

Legal realism was a theory that judges make up their minds based on their predilections, their biases, which lawyer was their friend, and what they had for breakfast that day. Then they pick precedents to support these biases and issue decisions. "It was all show business and personal bias and what's in it for the judge."

Stein expands this theory and calls it "trader realism". Traders "don't act on the basis of what seems to them the real economic situation, but what's in it for them."

He claims that this explains the huge losses in the U.S. Markets (\$2.5 trillion) stemming from a potential real loss of \$100 billion in the sub-prime fiasco. The traders have sold (and sold and sold) into the fears of the

market.

So...my conclusion? Try not to operate from fear. We have a strong country and a strong economy. These will take care of us over the long haul in stocks and in real estate.

Philosophy

- Time is more important than timing.
- You can only get poor quickly—to get rich you have to do it slowly.
- The most important way to wealth is regular savings.
- Credit cards are the crack cocaine of the financial world (my wife has been free-basing shoes at Nordstrom's).

Side-effect

A recent article in The East Valley Tribune says that 26% of foreclosures in our area involve homes that are not owner-occupied.

This has been a nasty little side-effect of the foreclosure problem, involving tenants who have no idea that the property owner's economic problems will drastically effect the tenant's life. Tenants can be evicted almost immediately (5-7 days, usually) after a

trustee sale (foreclosure). Almost every property management company (us, too) has been caught by these sudden evictions. We have changed our management agreement to give some protection to the tenant in these cases. It is never pleasant for the parties involved (tenant, owner, manager, lender).



Fiesta Chorus

We need a new home!

We are a chorus of about 45 women in need of a rehearsal space. We rehearse weekly on Monday nights from 7-10pm. We have our own risers, so we need an acoustic room and (hopefully)

a place to store the risers. We are a non-profit group and can provide documentation of that and excellent rental references.

If you know of an available space, please call Anne at 480-363-4826 © or Susan Calfee at 480-838-6694.

Sing with us!

OPEN REHEARSALS

are held Monday nights 7:00 pm—10:00 pm Please join Fiesta Chorus of Sweet Adeline's International, The world's largest women's singing organization. Call Liz at 480-962-4911 for more information.

www.harmonize.com/fiesta



Sign up now for the 17th Annual A New Leaf Bowl-A-Thon in June!

Contact Doreen at 480-464-4648 or visit www.turnanewleaf.org for more information.

A New Leaf maintains & operates 2 domestic violence shelters, a homeless family shelter & the Domestic Violence STOP program.

Frank's Forum



The Blame Game

Mortgage lenders and investment bankers are playing the blame game, each trying to step away from responsibility for the collapse of securities backed by mortgage loans (a small percentage of which were in the sub-prime category)

The change in the source of mortgage loans from local banks to the FNMA/FDMC—type corporation to Wall Street securities has been good in the sense of the availability of capital; but bad because risk was moved from professional supervision to less-sophisticated investors. When local banks provided money they were stringent because any losses came out of their pockets.

The lending sequence is roughly customer—loan officer—underwriter—lender—loan reviewer—investment banker—broker—investor. Every link in the chain has weakness. The loan officer tries to pressure the appraiser and underwriters. The lender pressures the underwriter and then the loan reviewer because that influences the price the investment bank will pay for the loan.

At every step of the process the employee or sub-contractor knows that their income depends on the quantity, not quality, of paper they let through. The pressure to relax standards is unending.

Now that the market is collapsing, investors are claiming they were misled; investment bankers are claiming that reviews were manipulated; reviewers are claiming that appraisers/ loan officers/ borrowers conspired to commit fraud.

A little bit of fault at each level has combined into a major problem in the credit markets. Merrill Lynch, Citi Bank and many others have lost billions—not because of actual losses on the securities, but because they really have no idea what the darn things are worth, and are selling out of fear.

I think a lot of money will be made by some smart, patient investors who are buying these securities for pennies on the dollar.

Negative ROI

A November blurb in the New York Times charted home values versus mortgage amounts. According to a well-known Real Estate research firm, more than 15 percent of the homes bought in the past two years are worth less than the amount of the original mortgage.

The data does not show the original loan-to-value figures, but I suspect that a large number of those properties were purchased with little or no down payment. For a while there were even programs available to allow borrowing more than the purchase price so that closing costs and/or home improvements could be rolled into the loan.

Buyer/Borrowers whose properties are upside down under those circumstances have two choices: ride it out—the market will probably take care of us. Or walk away—you'll lose a little money, some pride, and take a major ding on your credit. This will prevent you from buying anytime soon, which you probably wish had been the case a few years ago!

Practical Fix

Maybe it's because I'm getting older, but the stuff coming out of Congress (and our own State House) seems to get worse and worse.

Two "fix-it" measures are floating around (like something in a cess-pool, but I

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promised the Broker I wouldn't talk like that in here).

The Treasury Department is trying to slow down foreclosures by freezing interest rate adjustments. This may help a few - a very few-people but will not even approach a solution to the problem.

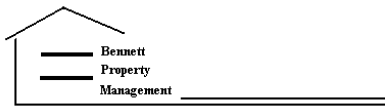
The president and congress have rushed through a stimulus package to keep us out of the recession they say we're not in yet. Who do they think they're kidding? Do any of them really believe that any significant amount of the money proposed will actually reach the economy? And do they believe that a one or two percent addition to the GNP will help anything?

I think what they do believe is that the appearance of action will help them all be re-elected.



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Featured Homes



2241 E. Pinchot C-7



1744 W. Amberwood



1654 E. Christopher