

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

Good Morning and welcome to Income Property Investment Talk with host Peter Mosca and co-host Dean Essa. Together they will help you make smart investments in real estate. Now here are your hosts, Peter and Dean.

Mosca: Real estate, if purchased well continues to be the single best investment one can make. Welcome to Income Property Investment Talk, a program dedicated to providing investors eager to invest well in real estate, with the knowledge, the resources and the tools to generate increased wealth. Each week we bring you the powerhouses of commercial and residential real estate to our program for you to learn from and to call at 1-866-472-5790. My name is Peter Mosca and my co-host is one of those commercial real estate powerhouses, Dean Essa. Dean.

Essa: How's things in Jersey?

Mosca: Doing very well. It's a beautiful time to be here but then again all 12 months is a beautiful time to be in the greatest state in the nation. Dean, good tenants are easy to ignore until they tell you they're moving out. Why are they leaving? What are the top factors renters site in actually choosing where to live, a sense of community, amenities, condition of the unit, safety, security? Owning investment property is definitely a hands-on investment and whether you are the property manager or have chosen to hire one, today's show will help provide the tips and techniques you need to be successful income property owners. Our guest today, Robert Cain, since 1987 has been publishing information, giving speeches, and conducting seminars and workshops for landlords on how to buy, rent, and manage property more effectively. He has spoken at real estate companies, property management associations and companies, workshops for landlords and property managers, service clubs and just about anywhere anyone is interested in

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

learning more about property management. If you are interested in learning more about Mr. Cain, subscribe to his newsletter or to learn how to immediately get started generating wealth in real estate go to today's show page at [incomepropertyinvestmenttalk.com/081308](http://incomepropertyinvestmenttalk.com/081308). Before I welcome Bob to the show, let me mention that in the last quarter of today's program we are going to update you on a new product we spoke about a couple weeks ago called [thebuildingmonitor.com](http://thebuildingmonitor.com) that helps to save energy and usage and is environmentally friendly. That said Bob welcome to the program.

Cain: Thank you.

Mosca: Bob, like I mentioned earlier in your brief introduction and we could've spent the first 15 minutes telling everyone about your background, that's why I'd rather push them to the show page at [incomepropertyinvestmenttalk.com/081308](http://incomepropertyinvestmenttalk.com/081308), but you have been talking about this topic since 1987 all across the country. Talk a little bit about what you feel are maybe the three most important or overriding messages of your presentations. What do you focus on when you get out there and talk to income property owners, landlords, property managers, etc.?

Cain: The first one is paying attention. As you mentioned in the intro, rental property ownership is a hands-on business and people seem to think it's passive investment. It's not, if you want passive investment put it in a mutual fund. Somebody has to manage the property and if it's not managed, you lose money. The second one is you have to be good with people. If you're not good with people, then you're going to find yourself in trouble one way or the other, either too soft or too hard, either way it's going to get you in trouble. The third one is just caring about your investments.

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

Essa: I really like what I read on one of your sites that you stressed how important the tenant or if you want to call him a resident, how important they are. They are the ones to pay all your bills. Talk to us about the relationship between the property manager and the tenant. What should that relationship be like?

Cain: Too often people forget that tenants, as you said, are the ones who pay the bills. They pay the mortgage, all the taxes, the insurance, and all that stuff and maybe they make you a profit sometimes. They are your customers. If you owned a store, if you owned a little grocery store or something and years ago I did manage a grocery store and your customers are valuable to you. The ones who pay you, the ones who buy stuff, even if you're only getting \$600 a month in rent from somebody, 12 times 6 is 7200. \$7,200 a year somebody is spending with you. If you owned a little grocery store or any kind of shop and somebody's spending \$7,200 a year with you, they'd be one of your best customers. Too often the property owners and the managers treat them like they are an unnecessary inconvenience and they're not. For the most part, I figure 90% of tenants are good tenants, maybe 95. We just don't remember all the good ones; we remember the bad ones and so treat them well. Treat them as valuable customers, treat them as somebody who's paying you a lot of money, who's making you money as opposed to somebody who's like are they going to call me again. If you think of it that way, you get a whole different attitude toward it.

Mosca: So it's almost like the people are an investment just like the property itself.

Cain: Well, they are and customer service is something that many small landlords especially don't get the idea of. I get e-mails all the time and I'm a member of the American Society for Training and Development and I get e-mails from them on courses

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

that they teach on customer relationship management. How do you manage the relations with your customers and this is one of the big things in corporate America now. How come it isn't one of the big things in property management? These are the folks who are actually, as you said, making you money, who are paying your bills and most of them are really nice folks.

Essa: On that note, what are some things that perhaps our property managers who are listening at this moment, landlords, property managers, what are some things they can do for their customers if you will? I know for a long time, a very, very large property manager back in the Midwest taught me to not call them complexes and tenants, call them communities and residents, it has a better resonance. Regarding our customers, give us a little jewel. What are some things we can do for our customers that will come back to pay us dividends that maybe perhaps we haven't thought of?

Cain: How about a thank you note, how about cards? My tip of the week couple of weeks ago, somebody responded with a note about sending cards for all different occasions and that's true. A friend of mine runs a little business called [sendoutcards.com](http://sendoutcards.com).

Essa: Yes, I just got a communication from her this morning.

Cain: Oh did you? He's in my postmasters club and that's how he works. He does this and apparently you can do this online and it will send stuff for you so you don't have to remember.

Essa: They stamp it, they do the card, they stamp it, they send it, and they pretty much do almost the whole thing.

Cain: How often do you get thank you notes from people or thank you cards? You get e-mails, but e-mails aren't the same. I wrote a little book called "How to Keep Good

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

Tenants" a number of years ago and I still sell it. One of the things I think I start the book with is that George W. Bush Sr. used to get up every morning and the first thing he would do is he would get on his manual typewriter and type thank you notes to people on the typewriter. You know the typewriters come out with a ribbon and they come out block letters.

Essa: The old IBM electric.

Cain: Probably an old manual typewriter, the old ones with the cloth ribbon and stuff.

Essa: Where the thing goes up and strikes?

Cain: Yes. That would be it and the keys get stuck. But every morning he'd be writing thank you notes to people, every single morning. People remember those. People remember thank you notes you send. They may remember calls on the telephone, they may remember e-mails, but those aren't the same. A letter coming to you or a card coming to you with a stamp on it and a handwritten address or whatever is far more impressive than somebody just saying thank you on a phone.

Mosca: I couldn't agree with you more and you talked a little before about CRM, customer relationship management, and there is a lot of technology and a lot of software that is available out there to help you be better with that particular aspect of the business. I caution, just like you mentioned Bob, I caution that we have to remember that this is a relationship business and while you can form relationships online, its most powerful when you perform those relationships one on one.

Cain: Exactly. Do things that people will remember. I teach speech class in college, one of the things I teach, and the first thing I tell students and I just started a new class last week, one of the first things I tell students is you don't have to be head and shoulders

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

above your competition to win. How far ahead you have to be to win a race, an eighth of an inch?

Essa: It doesn't matter as long as it's ahead.

Cain: As long as you're ahead. How many strokes does it take to win a golf tournament?

One. People don't remember the ones who came in second place but there are seconds and thirds and stuff in golf and in races but in life there are no seconds. You either win or you don't get paid.

Essa: It's funny you say that about writing out the personal note because Chuck and Angela Fazio, they are very good friends of mine and they are I think one of the top 35 residential realtors in the whole state of Arizona and they write out personal thank you notes in their own handwriting. They said every time, literally without fail, and they've been doing this now for about seven years, every time they've done it they have at least got one sale out of it. For some reason when people get that personal note, they call them to thank them for the thank you note. Whereas, if you get something on e-mail people aren't typically going to call you and say thank you for the e-mail. It happens, but for some reason their phone rings and they usually end up getting a sale. They said it's the best return on their investment that they've done.

Cain: Look at that. How many people get stuff, what do you get in the mail usually? Crap and bills. That's redundant but that's what you get. But if you get a little card from somebody or a little thank you note of any kind... what you can really do is you can make your own stationery, it's really simple. Here's the thing, you don't have to have this big fancy stationery or anything, you've got a computer, you've got laser printer or an inkjet, you can make your own, run them two up side-by-side on landscape, put your

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

picture on it, put anything you want on it and then you can write in big letters. You don't have to write a big, long note either. Write it big, write it in marking pen or something so you don't have to write so many words but the fact that you wrote it by hand, you addressed it, and you mailed it is what's impressive and that they got it in the mail. It doesn't have to be a two page letter, just a couple of paragraphs saying thanks for your business, thanks for being such a good tenant, thanks for paying your rent regularly, thanks just for being our customer because we really appreciate it. People don't get appreciated.

Mosca: You're listening to Robert Cain, Rental Property Reporter, been in the business since 1987 and when we get back from this short break we are going to talk more about property management, the role of the tenant, the role of the landlord and maybe focus on something that Bob told us the last time he was on our program where he talked about the frontline equaling the bottom line. So when we get back from the short break we'll talk more to Robert Cain, Rental Property Reporter.

**BREAK**

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Peter or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Peter and Dean.

Mosca: Welcome back, we are talking to Robert Cain, expert rental properties, property management, landlords, and author. To learn more about Mr. Cain go to [incomepropertyinvestmenttalk.com/081308](http://incomepropertyinvestmenttalk.com/081308). Bob, before we left I talked about the frontline really equaling the bottom line and what I was getting at there is how important a property manager is to the overall success of an income property. One of the things

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

that's most important, I think let's start out with how do you select a good tenant, what makes a good tenant, and we can move from there.

Cain: Good tenants, pretty much the criteria are the same or they're going to vary by property who's qualified or not but the fact that they have a good rental history, that they have a history of paying the rent on time, and that they are who they say they are. You're only as good as your last tenant selection because bad tenants can cost you a chunk of change.

Mosca: Is there any kind of info, background, how do you go about determining or do you have... in other words if you buy a used car today you can go to that one particular site and find out where that car came from. Is there something like that to find out where tenants come from?

Cain: Oh yeah. There are a number of things. If you don't use a tenant screening service, you're shooting yourself in the foot. There are so many of them. I have a couple of people who advertise on my website who have been with me for some time and they not only run credit reports but they will actually tell you if these people are real. You know that people actually lie on their rental applications.

Essa: Get out.

Cain: I know, it's hard to believe but they do and they forget to put things on their rental applications that are really important.

Essa: You mean like the triple homicide?

Cain: Yeah, that would be it, the triple homicide, the child molester, little things like that. They forget those and they forget places they lived. I just can't understand that. They do and memories are bad especially if you're on drugs.

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

Mosca: Hey Bob, on that note let me switch over because our producer is just letting me know that we have a caller who has a question. Let me bring that caller onto the show.

His name is Kent. Kent, are you there?

Kent: Yes I'm here.

Mosca: Can you ask your question Kent?

Kent: Hello Robert. I work on a number of tenant in common projects and I think one of the things that might be useful for a number of the listeners to look at is when your property manager is not doing their job in trying to manage a property may be the way you want and keeping the good tenants in there and keeping them happy and weeding out those who are not, the ones you want to have so you can keep your turnover expenses down, maybe to talk about some of the techniques that you would recommend to manage that manager.

Cain: Absolutely. Excellent point. Your property manager is a contractor just like anybody else. Just as you wouldn't let a plumber work on your property without proper references and without being licensed and all that other stuff, you should never hire a property manager without references and making sure that this is somebody you can work with. In the states that have to be licensed, of course they better be licensed. Not every state requires it but you have to figure out which states those are. Second, it has to be somebody you get along with and if you can't get along with them, they don't talk the way you do, if they're going to mess with you and they say this is the way it is, then no thanks. Always remember that you're in charge here. If you're the property owner, you are in charge; the property manager has a fiduciary responsibility to you because you're the property owner. They represent you. If they are a realtor, they should know that. If

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

they're licensed, they should know that. If the property manager isn't doing the job he or she is supposed to do, the first thing you need to do is fire them. If they're licensed, then you can report them for their evil deeds to the real estate commission or agency or department or what ever it is in the state. File a complaint. Make sure to always keep on top of them just as you would any contractor. You can't just turn it loose. As I said, rental property ownership is a hands-on business and as I said in a column that just came out yesterday, it doesn't necessarily have to be your hands but you have to pay attention to your property manager. If you own a couple hundred units, chances are you're not going to manage those units yourself, that's just too many. That's a full-time job for you. Pay attention. Make sure that they're not overcharging you. Make sure that their tenant selection is accurate. One of the things I do is that I okay any application. They will call me or e-mail me or fax me with the qualifications of the applicant and I'll say yes or no based on that. I don't care about doing the screening or anything like that but they're going to have to tell me what they have found.

Essa: Kent, was there any particular issue you're having currently with any of your managers that we can address while we have the expert on the line?

Kent: There's a whole host of techniques that we here at RealSource Equity Services have tried to employ and of course I was interested in hearing a few more. One of the things we've also done is we try to leverage our property managers where we have a number of larger projects with them thereby we have a big part of their business; we've got their attention. For the clients though that are out there managing their own, that might be a little difficult for them to do because they might have 10 or 20 units and in those kinds of situations, that's very hard. Even 50 units or even 100 units sometimes, it's even hard to

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

get the attention of your property manager. So I was thinking maybe some suggestions to those people on how they can go about leveraging some way to get their property manager's attention. For example, one of the things that I've seen some groups of clients do is get together and come together how they're going to be able to manage that manager and get their attention. So they would collectively get together.

Cain: Are you talking about management companies or individual property managers?

Kent: I'm talking about groups of people maybe in that area that's working with a specific property manager getting together and talking about ways to manage that property.

Cain: That would give them a whole lot of leverage. Squeaky wheels do real well too.

That's the thing, if you have an issue or question or something with your property manager, call and say what about this. Don't call accusingly unless he's obviously screwed you. Call questioning. Just say I don't understand this and start dumb. As soon as you go in accusing, you'll create a reactive situation. They'll go on the defensive.

Kent: And that's something you want, you want them to be your partner.

Cain: You go with the assumption that they are trying to do a good job and they're trying to work for you until you know otherwise, until you have evidence otherwise. You don't go in saying you're really screwing up here; just ask questions. The best way to find out anything is to ask questions as opposed to saying you really screwed up this time. Just ask I don't understand this.

Essa: I always felt exactly what you said that the relationship between the property manager and the tenant is absolutely paramount, but I also think the most important relationship for the owner is between the owner and the property manager, especially for

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

living in one state and having a property in another. That relationship has to be forged and has to be stronger than the cords of death.

Cain: Yeah and you've got to trust them. If you don't trust them then you need to get somebody else.

Kent: Sometimes it can be that you might have a great relationship with the property management company and some of the key players there but there still might be problems at you're property with the people that they've got working on it. One of the techniques that we've employed is sometimes if we feel the need to do so if we suspect there's a problem is to do a shop with the property manager and that way we get some kind of a report card of what's going on exactly at that property. I was curious if you have any sources that you use to do that. That might be helpful for those people who need to do that.

Cain: There are companies that do shopping of various kinds. They do it for all different kinds of organizations. I don't know who does those but Peter do you know anybody who does those services, the shopping?

Mosca: I don't know anyone specifically that I can mention right now over the airwaves but we could definitely do a little research on that and put it up on our website if anybody's interested.

Cain: It's a valuable service and even so, even if you don't know somebody, don't call yourself because they might recognize your voice but have somebody else do it.

Kent: Very often the brokers in that market where you bought the property would have some sources in that local market where they could refer you to get that done. We've used it that way and it's been pretty effective in being able to turn things around because

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

sometimes you don't necessarily want to turn away a property manager and get a new property manager. That could be pretty expensive and burdensome on your tenants there too. Sometimes it's just some minor changes that you want to make with your site people.

Cain: You just have to make sure that they're doing what you expect them to do but you have to know what you expect them to do in advance. If you don't know that they are going to do whatever they do and that becomes your expectation. You need to know in advance what you expect the people you hire to do.

Mosca: Kent, we appreciate you calling in to the program today, Kent Anderson from RealSource Equity Services. If anybody would like to get in touch with Kent they can go to our show page today, [incomepropertyinvestmenttalk.com/081308](http://incomepropertyinvestmenttalk.com/081308). Kent thank you for joining us today.

Cain: Yes, thanks Kent.

Kent: Thank you Robert.

Mosca: Bob, we have about a minute left to the show. One thing I wanted to ask you real quick on the flip side is if you have a good property manager, do you believe in incentives, incentivizing that person?

Cain: If you need to. Again, thank you notes are real helpful. References, if you send them other business they really appreciate that too.

Essa: One thing we've done over the years is that if we've taken over a project that needed perhaps a rehab or had horrible management there and the occupancy was down to 75%, when they get 85%, we bonused the manager, when they hit 95% we even bonused them again. We always wanted to consider our managers our partners and we've never had bad experiences from bonusing our managers. A lot of people feel that they do everything

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

they can to try to pay their managers less and we feel and have for many years that that relationship is so important that you have to cherish it like you would your own spouse.

Mosca: Bob, hold that thought because we're running up on our break. We also got word from our producer that we get back from this next break we're going to hear from Stan Hanks. Stan is from RealSource Commercial and he's going to talk to us about what is happening in the mortgage market right now, how to secure commercial real estate financing. Then we'll talk more with Robert Cain when we get back from the short break.

**BREAK**

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Mosca: Did you hear that? That's even more bad news, news about commercial financing and what is happening in the marketplace. You can't open up an Internet site, open up a newspaper, listen to a radio station, or watch TV and not hear about how hard it is to get financing but we have on the air today Stan Hanks from RealSource Commercial. Stan has been providing investors across this country with financing packages to meet their needs. Stan what is happening right now in commercial financing?

Hanks: You know I don't know that people really know. I can tell you that I have read article after article that say that things are going to turn around in the third quarter of this year and I read in the same article, the partner who wrote the other part of the article will say it's going to turn around at the end of 2009. So, suffice it to say that there is much confusion and much anxiety out there in the market. That's what's out there. I'll tell you though for someone who wants to get a loan on a property that still exists. What used to

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

maybe take 30 days to get may take 60 or 75 days but it can happen and we are able to do that.

Mosca: Is that the clamping down that you keep reading about that the government has put in more rules and regulations and the industry is saying we're going to do more of this and that and is that why it's going from 30 to 60 to 75 days?

Hanks: I think that clearly that's part of it. Clearly as most people understand what's happened in the residential industry in the meltdown from the sub-prime that's now moving, which people aren't quite aware of but it is moving now into the prime industry where people who have good credit, who purchased their home but decided to do an interest only for a period of time and then it would turn into an interest and principle.

These are people with great credit and not just sub-prime lending. Those loans are now turning from interest only to PNI so they're saying that there is a clear indication that there will be some real challenges in those lenders who have lent just to regular prime borrowers. Another foot may drop but how does that impact those buying commercial properties? It really shouldn't but it has and it has solely by the fact that by association. The study just came out of the second quarter defaults in the commercial lending have not significantly changed. Nothing near what's happening in the residential market. So, solely by association that we do real estate lending is commercial being impacted but through all that the real answer is that there is still money to be had because the principles behind commercial lending are still intact.

Essa: Let's say Stan, we have Bob on the line by the way, our guest, let's say Bob wants to pick up a multifamily property, say 20 units. What should Bob expect now as far as a

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

down payment, an interest rate, and reserves, just run us through a real brief scenario so we know how much is changed or if it's even changed at all.

Hanks: It has. What someone should expect is and I'll compare it to the heydays when someone could put down 15 to 20% on a property, they could provide one month of historicals, but a nice pro forma going forward and be able to secure a good loan, a nice five year fixed rate with three years of interest only. In comparison to that today the days of lending and I'm going to quote "the days of lending on pro forma numbers or on anticipated increases in rents or occupancies are gone." That's a quote from an article I just read. So, what we're going to see is we need true historicals and if it's been rough than the lender is going to say I'm going to need you not to put in 25 or 30%, maybe even 40% because we have a rough history but on a stabilized project you should expect to put down 25% at least. We have seen 20% down and 80% loan to value, those are nice to have and they don't happen too often and so people need to be ready to put down that extra 5%.

Essa: Robert, do you have any questions for Stan?

Cain: Yes, what I was thinking about is that in terms of somebody who wants to sell a property at this point because the cap rates are going to stay the same and the value of a property is a function of cap rates. So, if you're rents aren't high enough or as high as they should be then you just cut your throat is what it boils down to because you're looking at historical figures not pro forma figures and that means that the value of your property just sank.

Hanks: That's why what you do is so important because the reality is they want to see rents. They are going to underwrite at your rent that you're getting and so property

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

owners need to really get with they're property managers, understand the market, and say we need to maximize our cash flow in this project, we need to maximize our rents, we need to be aggressive in our advertising, we need to do some repairs, some rehab, spice this place up because all that will turn into value. It's interesting, cap rates from market to market, there are some slight changes but the reality is when you come up with the cap rates you're going to apply to today's numbers not to a pro forma number and that's really important.

Essa: So, what I envision is working in concert. Say for example an owner wants to put a property on the market and it would seem to me that it would be a great chance to have a meeting with the lender to say if this is where the property needs to be in order to get financing this day, go to the manager, go to the owners and say these are the changes we're going to have to make. So if the manager needs to get more money out of the owner, whatever they need to do to turn around the resident base, tighten it up, do whatever deferred maintenance needs to be done, and get the rents up as high as you possibly can and get ready for the exit. Would you agree Stan that maybe perhaps this would be a time for everybody to work in concert towards that goal?

Hanks: I think that's an excellent idea and in a perfect world that should happen. It seems that owners often times say I think I'd like to sell my property and then once they get the idea that they want to sell, it's hard to have the patience to say now and going to make some of those repairs, I'm going to raise my rents because that process then needs to become stabilized. So the lender needs to look at that project six months after you've done it, not three weeks after you've done it. So, the best approach would be exactly what you said but a year before you want to sell it or at least six months before you want to sell

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

it so all that impact can roll through to the financials and really can benefit the asking price. I'll tell you, I'm getting, more and more I'm getting brokers who are about to list a property, they send me the financials, they ask me what kind of loan they can get that I can get for them, and then they put that information into their broker package because they don't want a surprise a month into it when someone's wanting to buy it and they can't get the loan that the broker thought they were going to be able to get. I'm getting involved more on the front end and that's a good thing but owners need to understand that that's different than it was a year or two years ago.

Mosca: Stan, that's excellent advice right there and with the next 30 seconds because we need to get back to Bob and talk more about property management specifically, what is your golden nugget for today?

Hanks: Anyone that's having challenges getting lending should give me a call literally and I'll tell you and anyone who is tired of trying to find their own lending should give me a call because I'll package them in and put them with a tenants in common project time after time I've been able to get lending for that when someone's individually trying to get lending its often times much more difficult. It really flows well into a tenants in common if that's a way someone wants to protect their 1031.

Mosca: Absolutely that is your niche and we appreciate that Stan. Do you want to give us the number since you mentioned the number?

Hanks: Please call me at 800-929-2150, again 800-929-2150. My name is Stan Hanks and I'd love to help you out. You can also find is at [www.RealSource.net](http://www.RealSource.net).

Essa: Remember, the difference between Stan Hanks and the rest of the lenders is he actually carries the money in his pocket.

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

Mosca: Stan, thank you for being on the air. We look forward to having you back on the show.

Hanks: Thanks.

Mosca: Bob, I was reading an article, AP released an article about some real estate agents in Atlanta and they were talking about how to offset the lack of business that some of them are starting to get into foreclosures, they're buying and selling foreclosures, but now what's happening is they're being held liable because city inspectors are coming out and looking at these properties and some of them are rundown properties and they're holding these agents accountable for these code violations. Are you seeing anything like this or is this something that an income property owner listening to us today should be concerned with when they are maybe considering the foreclosure market?

Cain: Only after you've bought it are you liable but I ran that on my website, I pulled it off someplace or the other where the city was holding the listing agents liable for substandard properties. They are not even owners, I don't know how they could be considered, they're only the agents for selling not for anything else. The deal was they couldn't find the real owners because they were banks and they were from another state so they couldn't go get them, so who's the first person in line, the realtors. As soon as it goes to court it's going to get tossed, you know that. A point that Stan was talking about maintenance, I looked at a property a plex in the Phoenix area a bunch of years ago, probably 10 years ago and I looked at the numbers and there was a whole bunch of maintenance in the previous year and I thought what's the deal here, that was apparently deferred maintenance that they had caught up with. The first thing I thought of was how

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

much more is there that's why it's important to keep it up all the way along as opposed to doing it all at once. It's cost you more to let it go that it does to just keep...

Essa: Occasional roof repairs at \$100 a pop are much better than 15 grand.

Cain: Oh yeah. Replacing a tile roof is real spendy, as you know, you live in Phoenix, as opposed to just putting a new composition roof on. So, the point to be made is that there is probably with foreclosures there is going to be a lot of deferred maintenance since the people who lived there didn't take care of it anymore.

Essa: Do you know it's a huge movement right now in the foreclosure market? The banks are actually hiring companies to go around because when the people are walking away from their properties whether it be commercial or residential, when the people are walking away from their properties then the pools are getting green and ACs are going out. So, what they're doing is it's being more cost-effective for the banks to actually pay services to go around to the vacant homes that people have walked away from and to spend money to keep up on the deferred maintenance because they'd rather lose \$1500 now than lose 50 grand in the asset. I know somebody who actually got hired and he is working with his crew from six o'clock morning till 11 o'clock at night every day and every time he walks back in the office the bank puts a whole other stack of files on his desk of houses or small multifamily projects that he needs to go out and do that too.

That's a movement.

Cain: It is and think about this movement...

Mosca: Bob, we're running up on a break right now. We can talk more about this movement when we get back with Robert Cain, rental property landlord expert.

**BREAK**

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Peter or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Peter and Dean.

Mosca: Welcome back and please welcome to our show Mike Waters. Mike is here to talk to us about something we introduced a couple of weeks ago called [thebuildingmonitor.com](http://thebuildingmonitor.com). You can find out more information about this if you go to [incomepropertyinvestmenttalk.com/thebuildingmonitor](http://incomepropertyinvestmenttalk.com/thebuildingmonitor). Mike, you're here to talk to us about this and what it means to owners of property, how to reduce energy costs and usage. It's environmentally friendly as well. So, Mike tell us a little bit about that, give us an update on where we are with this product.

Waters: Peter this is one of the most exciting products that I've come across in a long time. It was invented by a RealSource client to deal with specifically the central boiler system in a 10 unit building that he had purchased through his RealSource tour in upstate New York where you know the winters get cold. The challenge with central boiler heat is the landlord pays the heat bill because it only comes in one bill. Mike Klein the proprietor of, the inventor of the building monitor is an electronics genius if I may say and he looked at the situation and said heat is either on or off. It's a binary code.

Mosca: So specifically through this program that he created you as the owner are able to assign, in other words it's almost like you're creating single-family ownership with each one of the units as it applies to energy usage.

Waters: Yes, that's the bottom line. It allows precise measurement of heat to each unit in your building, each one of your residences and you know down to the BTU how much heat that unit used, that resident used. Also then Mike created the website and the

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

software and it monitors your building over the Internet, produces individual bills for each tenant, and you can then bill out, pass the cost of the heating onto the residents of your building.

Mosca: Mike, this most definitely is exciting news and I want to spend the last few minutes with our guest here, Bob Cain because I know he wants to leave our listeners with some exciting information but with this besides going to [incomepropertyinvestmenttalk.com/thebuildingmonitor](http://incomepropertyinvestmenttalk.com/thebuildingmonitor), tells a little bit about what you have to offer the listeners in terms of a price reduction.

Waters: The Building Monitor for Income Property Investment Talk listeners is offered at a 10% discount and it's already the most cost-effective device. The payback for installation is usually under two winters, about a winter and a half will pay for this.

We've done cost analysis for other buildings, for example we were looking at a 100-unit building in Kentucky that to convert over to individual gas meters and put separate furnaces in to solve this same problem was over \$300,000. To put The Building Monitor on that same property and do the same job, accomplish the same thing was a little under \$30,000, about 1/10 the cost.

Mosca: That's great. Costs go down, usage goes down, and it helps to create a better environment for not only the building but the community. Again, Mike Waters thank you for coming on. If anybody wants to learn more about this go to [incomepropertyinvestmenttalk.com/thebuildingmonitor](http://incomepropertyinvestmenttalk.com/thebuildingmonitor). Bob, we were talking about a number of different things before we left and we were speaking to Mike on this for that last break. Let me ask you this, what are some of the items that you wanted to touch on that we didn't speak about yet? We have about 3 1/2 minutes.

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

Essa: I remember you mentioned something about deferred maintenance you wanted to touch a little bit more on that.

Cain: As Hanks talked about, lenders are going to look at the past year. They might even look farther than that especially a buyer might look further back than a year. I looked at a property about 10 years ago in Phoenix, eight units or something and I got the numbers on it and they spent a lot of money in the past year doing stuff. That skews the numbers completely as far as your internal rate of return on your cash rate because they spent all of that on maintenance in the past year. That really messes up your numbers. I also wondered at that point what hadn't they done, what had they let go that they didn't fix and spent all this money on in the past year? What else had they let go because that was the first thing that crossed my mind. Had there not been this huge jump in maintenance from the year before I wouldn't have thought anything about it.

Essa: It would've been a regular, if the numbers had fluctuated that much, all those questions in your mind usually don't pop up. If you see a huge jump your thinking and in another three years am I going to have another pop like this.

Cain: Yes, and what did they choose to fix and what did they choose not to fix? There's something else going on here too because the property had been let go apparently for some years and then they spent all this money so they could sell it. You've got a bunch of swamp coolers sitting on top of units and those aren't real expensive to fix but other things can go wrong at the same time. I'm thinking what else would I have to fix in this. So I just passed on it. I'm sure somebody else bought it and I hope they came out all right but I wasn't about to take that chance.

**Episode #45**  
**Landlord & Property Manager Tips for the Income Property Owner**  
**August 13, 2008**

Mosca: If you have any questions of Bob, obviously it's too late in the program to give us a buzz but if you did download RealSourceradio.com and downloaded the memory program you could send us an e-mail, we'll answer it that way. You can go to our website, there is an ask us section that you can send in a question. We'd be more than happy to answer it. You can go to [incomepropertyinvestmenttalk.com/081308](http://incomepropertyinvestmenttalk.com/081308). Bob, we have about a minute left. Give us your golden nugget for today.

Cain: I have so many golden nuggets I can hardly stand it. First of all, bad tenants don't deserve the privilege of living in our properties. It is a privilege to live in our properties assuming we have maintained them well. The only two times a landlord gets into trouble, the only two times and I've said this for 21 years, is when he's in a hurry or when he feel sorry for somebody. You treat your business like a business and that's what too many landlords forget.

Mosca: That's excellent advice. Bob we thank you for coming on the program. We look forward to having you on again. Next week, Dean we're going to have Dr. Matthew B. James who's going to discuss something called Huna and how that can help investors maybe get off the fence and be more confident with their investments.