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MORRISSEY MONEY MATTERS
The Property Management Firm
By George Morrissey Real Estate Broker / Property Manager
May 2018, updated Since 1981 Copyrighted PSI/GM

**WE HELP PEOPLE BUY AND SELL HOUSES TOO AND HAVE
FOR DECADES from \$40,000 to over \$800,000!**

MORRISSEY MONEY MATTERS RENTAL HOUSE NEWSLETTER

Las Vegas Rental Newsletter – Since 1981 – MAY 2018 ISSUE, copyrighted George Morrissey/PSI *written by George Morrissey, Real Estate Broker, Investor, Tennis Player, Property Manager, GRI, E-Pro Certified, Bachelor of Science in Finance, NARPM, UNLV Alumni, Alpha Kappa Psi*

THE FIRM is a Full Service Real Estate Company • All Agents Are Realtors® in Good Standing + Members of the
MLS

We work with Buyers, Sellers, Tenants, Lease Options and Exchanges Concerning New or Resale Real Estate in Southern Nevada as well as with Referrals Across the Country. We also Specialize in Property Management. 9 - 5 PM Mon - Fri and by appointment No representation, warranty or guarantee to the accuracy, express or implied to this newsletter information is made. Any actions taken or not taken based on this information should only be considered after consulting with appropriate advisors. Written entirely by George Morrissey (this is not a "purchased" letter from a provider like many others have).

**SHOWING AGENT FEE FOR
RENTAL HOUSES OWNERS NEED TO KNOW**

When we put a house on the market for "Rent" we also list it for rent in the Multiple Listing Service (MLS) so 13,000 other local Realtors, Agents and Brokers can "see the listing" and "show it too". This is great marketing and one of the advantages of being a Realtor and member of the MLS – of which I have been since 1981.

We offer to pay a showing agent, a "fee" if they show a rental property to a tenant that we take. That potential tenant "still" must qualify and jump through our hoops so to speak to get approved as a tenant to move in. If they don't qualify, they don't move in. And if they don't qualify, we don't pay that "showing agent" anything!

For Rental houses, we do xxx pay whichever agent that shows the rental property - to a tenant that we DO rent to a showing agent "fee". This is only paid when we have a successful rental transaction. And only paid once. So, if the rental is shown 12 times and we get it rented to showing agent #11 to "Mr. Tenant" the owner is only obligated to pay that showing agent fee that one time. Usually the fee right now in today's market here in Las Vegas is about \$300. This can be any amount from \$1.00 to \$2,000 or more, but it is best to be competitive with other showing agent "fees" for the other rental properties that are competing with us. This fee can be adjusted by us and by you should you so desire and as needed with changes in the market. Some things to consider maybe if the house is very expensive for rent – and we have had rentals as high as \$6,000 – than the fee should be possibly more to encourage more "high end" showings.

Also, if the property is vacant longer than we like, or no matter what is not getting enough showings, we should potentially raise that fee. We can lower it sometimes, but this does not always work as if "agents out there" who are showing multiple properties see "ours" at \$250 for example) and 5 others offering \$300, they may "skip our listing" and show the other 5 getting THOSE RENTED FIRST and leaving ours vacant longer -which is never good.

Sometimes these referral agent fees are a bit lower for lower priced property or higher for higher priced property.

One strategy might look like this. = A \$900 property has a \$30 a day vacancy, so raising the showing agent fee from \$300 to \$350 is a good idea sometimes to "help" those other agents deciding which properties to show - to show yours and earn \$350 instead of \$300 by showing another rental. Also since this property has a \$30 a day vacancy – getting it rented even one day faster will put more money sooner in the owners account than later – and that is part of the overall idea and strategy, right? Normally, the \$300 showing agent referral fee works fine right now so we usually stick with that.

According to FIRST AMERICAN TITLE COMPANY

And their Market Report

They reported in May the following: (comments from George in parentheses)

For Houses below:

Median List Price \$383,900 (yes, the Median Price in Vegas has gone up dramatically!)

Per Square Foot \$169 (Ouch. Seven years ago, I bought a house for \$54 a Square foot!).

Days on Market 92 (even though it is a hot market, it still takes time to sell a house)

Price Decreased 30% (This shows us and reminds us many sellers are asking TOO MUCH since the market is so hot, and their high prices does not work, so they must lower their price a lot to get some showing action. A 30% decrease shows many sellers are "thinking" they can ask for the highest price possible – and this is not realistic as they just can't ask for an unreasonable price -even in this hot market and get it).

Price Increased 8% - Yep, other sellers see enough action, they sometimes raise their asking price! But this is LESS than the 30% decrease as mentioned above.
Relisted 2815 (these properties were not sold, and so are back on the market).
Most Expensive \$16,800,000 (the current highest price listing)
Least Expensive \$80,000 (the current lowest price listing)
Market Action Index (to 100) Strong Sellers' Market – Index shows us #53

For Condos below:

Median List Price \$205,000 (yep, Condos have finally come up in price as they are less expensive than houses, meaning the average buyer can afford them so this causes less expensive prices to rise!)
Per Square Foot \$177 (ouch, no more “cheap prices per square foot anymore”)
Days on Market 73 (somewhat normal)
Price Decreased 20% (again sellers being too greedy with high prices just doesn't work)
Price Increased 6% (some sellers list it, and then raise their prices, the key is “some”)
Relisted 8%
Inventory 1092
Median Apartment Rent \$1,028
Most Expensive \$6,900,000 (the highest price condo on the market, yep, \$7 million!)
Least Expensive \$32,500 (a low-cost condo, no thanks I say)

OWNERS CONTACTING AND COMMUNICATING WITH TENANTS

These stories are to show owners this is NOT a good idea if they have another (that's us as their property management company) who oversees talking to the tenants. What we see is usually owners who for whatever reason talk to tenants directly can cost themselves MORE money than normal, and add to their liability. These are real stories.

Story # 1 about the “many evictions served” tenant. JB. Owner. I had a fellow student at UNLV I got to know over the years who ended up being one of my owners who moved away and we managed his rental house for him for years. I met him at a college party at the dorms one night. The subject of 3 card monte came up – a street card game one should NEVER play. Being an amateur magician, I am aware of this game. Basically, the “tossed” has 3 cards, such as 2 kings and one ace. They move the cards around with their backs to the “player” and have you “bet” and “guess” which card is the Ace. Unknown to the player, there are various versions of sleight of hand that can be used so visually it looks like the Ace was tossed to the left but it was not! So, this discussion came up at the party, and then another student came over and asked about how it went... So, someone brought out a card deck, and he said so it goes like this? And showed two queens, and one Ace and moved the cards around and had us guess where the Ace was. Well I knew what he was doing, but no one else did, and he had everyone guessing wrong! He fooled everyone, and I realized what a good magician he was and we became friends. His name is JB and he ended up graduating from UNLV like I did, and worked for David Copperfield for 7 years as his Illusion Manager. He can be seen on the Copperfield magic special “Walking through the Great Wall of China”. He retired from traveling the World with David and runs a successful furniture store with his wife and kids. And in the last 12 months or so the podcast called THIS AMERICAN LIFE hosted

by IRA GLASS did a feature on the DAVID COPPERFIELD SPECIAL AND ILLUSION ABOUT DAVID VANISHING THE STATUE OF LIBERTY and JB was featured on the podcast! I was driving one day and hear the tail end of this podcast, and hear JB interviewed (he was there of course) and so called JB up and he confirmed that YEP! He was the “JB” on the podcast bringing up cool memories! You can look up this podcast (they are FREE online or on your phone usually). Look for THIS AMERICAN A neat aside to this association with David.

Here is the link for this specific podcast about the vanishing of the Statue of Liberty.
<https://www.thisamericanlife.org/619/the-magic-show>

Anyway, his kids had heard from their dad (Joel), about his adventures traveling with one of the greatest magicians of all time, but they had their doubts (of course). So, one Saturday while David Copperfield was traveling in their section of the country – he showed up (secretly preplanned) at their house and had a long lunch with their family meeting their four kids and giving them a memorable experience to say the least! Pretty cool unpublished story!

If you live in the area check out JB’s furniture store at:

JB's Furniture
8075 N 76th St.

<https://www.jbsfurniture.us/>

P. (414) 357-8550

Milwaukee, WI 53223

Anyway, back to the rental property.

We had a tenant who continued to give us problems falling farther behind in his rent and not paying on time so we continued to give him 5-day eviction notices for nonpayment of rent. Now, JB (my client) and his wife know me, and I had them well “trained in advance” what to do if a tenant ever contacts them for any reason.

Here is part of that “be careful of what you say to a tenant if they ever contact you” advance warning I tell owners when this comes up.

Owners: Remember, when tenants contact you directly they normally do “not” tell you how great their property manager is. They usually tell you “we are not doing a good job”. Why? Because they want to build rapport with the owners – and hope to gain favor so maybe (in the future) they can break some rules, get some concessions, gets some benefits that some owners would not give others through our office etc.

And because we enforce the rules many tenants don’t like that. We represent the owners not the tenants. We make tenants pay for things that they don’t want to pay for such as broken windows, an eviction notice, an HOA violation etc. So, we are not always presented by the tenants as the “good guys”. This all must be kept in mind.

Thus, if a tenant ever contacts you (an owner) for any reason don’t “commit” to their plans just yet. They may have a great idea – such as doing something to improve your property, but one really wants to have the details in writing to avoid liability and miscommunication and keeping the money straight.

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Many details are already in their lease for a variety of circumstances that could come up – so no new “agreements” must be followed – but those tenants who contact owners usually have other motives in mind to change things...

So, this tenant, got tired of getting eviction notices from us – which the tenant did pay for – and looked up on the Tax Assessor’s website the owners legal mailing address. The owner’s address for any property is listed on the Tax Assessor page and is considered “public information” so any one can look it up and contact you. If you are not sure what information is on the Tax Assessor page about your property look it up below contact them to make changes.

The County Tax Assessor (Remember this record is PUBLIC and is available FREE) has a mailing address for you listed on their public records. You should check as you certainly do NOT want them to use the rental address as your contact address – as things will get lost and communications will not go through. THIS IS PROBABLY BAD for you. This means if the assessor has the wrong address for you that ANYONE sends all your mail (think: property tax bills, insurance, foreclosure notices, utilities, the public, anyone wanting to contact the "listed owner" and other important communications) to this listed address, and so you don't get your mail! And when others want to try to contact you they can't because you won't get your mail because they only know the rental address to find you! And since most tenants throw away or "return to sender" mail not labeled "to them" you will still not get your mail!

So, if your address listed on the Assessor site is WRONG and not your current address - YOU SHOULD CHANGE YOUR ADDRESS WITH THE ASSESSOR! (we can't as we are not the owners). Otherwise (again!) all mail that is being sent to you will be sent to the wrong address!

I HAVE PERSONALLY SEEN TWO PAST CLIENTS ALMOST LOSE THEIR HOUSES BY NOT UPDATING THEIR OWNERS CONTACT ADDRESS AND SO THEY DID NOT SEE THEIR PROPERTY TAX BILLS - THEY WERE SENT TO THE RENTAL HOUSE - FOR A LONG TIME, AND THE TAX ASSESSOR WAS FORECLOSING ON THE RENTAL HOUSE -BUT ONLY SENDING THE FORECLOSURE NOTICES TO THE RENTAL HOUSE - BEFORE IT WAS DISCOVERED – BY ME - FOR UNPAID PROPERTY TAXES! I FOUND OUT BEFORE THE OWNER DID!

Be sure and check this and change it as needed. We can't as we are not the owners! Remember this address for your “rental house” is "public record" and available for anyone else to find and use.

To change your formal rental house address listed with the Tax Assessor go here =

Contact <http://www.clarkcountynv.gov/assessor>
(The Clark County Tax Assessor)

702-455-3882 Monday through Friday 8-5pm
500 South Grand Central Parkway, 2nd floor
Las Vegas, NV 89155

So back to JB's rental house...

This tenant looked up JB's actual mailing address with the Tax Assessor. Once he had that address he went to the library (or called someone with the out of state phonebook where JB lived). Then the tenant – who was under an eviction notice -called JB up! He called JB up on THANKSGIVING MORNING surprising JB! JB listened on how bad we were – the tenant complained of course – about how we kept racking up eviction notice charges and the tenant would like to stop that and make better payment arrangements with the owner. Now JB is a smart guy. JB listened and just said to the tenant – he had been warned by me and remembered what I said in case this ever happened – any deals we make will go through George's office. Anything they enforce or not will go through the property managers office. They have the authority to do most anything and that's why I have a property manager so tenants deal with them and not me, so don't call me again. And if you do, I will direct you to them again!

This tenant was surprised to say the least! He ended up catching up on this eviction notice. And the last payment he made was at 5pm. I raced to the afterhours bank that was opened and did cash his check for my client the Owner. This really surprised the tenant as he called me the next day and thought we would deposit it the next day (and it would have bounced we found out). But because I went to his bank directly and had his bank trade in his check for a cashier's check to my business, this effectively cashed his check and gave the funds to us – for my client the owner. This tenant ended up skipping and left and did not fulfill his term of the lease.

Story #2 was an owner who was in town and drove by – without our knowledge – and knocked on the door and met the tenants. The tenants (of course) told how bad we were and convinced the owner – who lived in Colorado – to let us go as managers and

- 1) Take over managing the property herself from Colorado
- 2) Give half of the tenant's deposit back now as she had paid on time
- 3) And give the tenant money for some receipts for money spent by the tenant on the property (for stuff we would not have reimbursed the tenant for).

So, the owner did let us go, and took over. I tracked it. 1 month of getting behind had our owner – allow the tenant to leave owing more than a month of rent. This was in the summer. And because the owner wasn't paying attention (we sent her reminders of what to do should the tenant leave – like turning on the utilities – the owner didn't – and her grass yard died.

So overall the owner suffered the following:

- 1) Not a full deposit to pay a full month of rent if the tenant got behind (and she did).
- 2) Did not turn on the utilities and so lost her green grass yard, which turned into dirt (which it can fast in the summer heat here in Las Vegas!)
- 3) Let the tenant get more than a month behind in rent!

- 4) Let the tenant moveout and the house was not marketed for 3 months
- 5) The owner suffered a lot of vacancy and turnover costs and finally gave up and just sold it – right before the “boom” of fast rising prices so the owner missed all that upside!

Summary: Don't talk to the tenants!

Story #3. An out of state owner in the Army was stationed in Germany. He gave us a raised maintenance limit of \$2,000 so our hands would not be tied and a reserve of \$1,000 in his account as he was so far away. This was smart. After five years he was going to visit Las Vegas and he insisted on seeing the inside of the house and meeting the tenants. I told him we could shoot new photos of the property, he could hire a formal inspection and/or we could visit again too and give him reports. I warned him that usually seeing a tenant is neutral at best and possibly could cost him money too!

He still went to the house with me – who warned him not to agree to anything with the tenant -even if a good idea – until later!

When the owner showed up the tenant – who was a painter – asked if the owner would reimburse the tenant to pain the outside of the house! He would normally charge \$2,000 but for this owner he would only charge \$1,000. The owner instantly agreed! Then we went inside and the tenant did the same thing offering to paint the inside for only \$1800 but giving the owner a deal to only charge \$900! I kicked the owner slightly reminding him not to agree and he still said OK! And the tenant whipped out an invoice receipt book and had the owner (against my wishes and advisement) sign it and agree to pay him \$1900!

The owner was very happy stating how he had saved himself almost \$2,000! I then hand to remind the owner of the following – some of which he knew and forgot, and other items he did not know which were:

- 1) The tenant has just signed a new one-year extension to his lease so no painting was required or necessary.
- 2) Agreeing to have tenants paint a property for “pay” we normally don't do, but if we do we have a signed agreement made up stating how the tenant is an independent contractor responsible for all licenses, permits, taxes, liability, injuries, cost of materials etc.
- 3) That we have had some tenants paint for “free” with the owner only paying for paint. If this were to happen with this house it would have cost the owner only about \$500 for paint or less not \$1900!

Finally, on the drive home the owner said --- hmmm --- maybe I should have not agreed to that huh?

I have seen a few (not many) owners communicate with tenants directly over the years and really have never seen an advantage that takes place from this. I have seen a lot of

disadvantages for owners though! Property managers do get an exclusive right contract to do all the necessary tasks and activities to properly manage the property – and owners can really mess this up.

Here is some of what I have seen owners do – contacting tenants directly – that cost them money and put them in a higher liability position:

- 1) Not raise the rent! In a market where our expertise and knowledge shows us we FOR SURE could with the tenant not moving!
- 2) Not extend the lease – again where we see we can make this happen but the owner passes on this task!
- 3) Give the tenants the ability to pay rent late with no repercussions from late charges or eviction notices
- 4) Paying eviction notice fees for tenants!
- 5) Allowing a tenant to paint the inside of the house. And moving away not restoring the house to the original color sticking the owner with a very bad color that had to be paid for to change again! We had one owner allowing his tenant to be approved even though he did not qualify, to paint the inside of the home BLACK as he was a day sleeper, and to pay half a deposit. And this tenant was a car mechanic so the tenant could work on cars there too! (A bad idea). I predicted to the owner that we would evict him and we did after about 10 months. When we took over there were 3 cars there at the property in “not running” condition. Two of the owners figured it out and got their cars back (had to be towed) and the 3rd we had to tow (at the owner’s expense). This house had to be repainted too and this was a lot of trouble as it takes more than a couple of coats to paint over BLACK!

SUMMARY: You hired a property manager who gives you a bundle of services. Some of these services are accounting, record keeping, strategy, advice, sensation of marketing to dozens of sites, tested vendors, better paperwork, coordinating, maintenance, privacy, communications, lowering liability, and much more. Of course, our understanding of the law – and this is important – will help us make LESS mistakes than an owner might make! An owner could also face some real problems by agreeing or doing something that would go against the 1) law and/or 2) our rental contract – and that would be the worst – since then we would have a contract we are supposed to enforce – with an owner telling the tenant that’s ok, that won’t be enforced! Don’t let this be you! If contacted by a tenant, pass on what was said, don’t agree to anything, and tell that tenant all decisions will be made through our office! We appreciate your business!

George Morrissey Real Estate Broker / Property Manager / Investor

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