REMOTE CONTROL RETIREMENT RICHES

APRIL 2019

THREE WAYS A PROPERTY MANAGER CAN MAXIMIZE YOUR INVESTMENT

MARKET UPDATE OKC

by Adiel Gorel

1-Day Expo March 9th
EVENT RECAP

Thinking back about the ICG 1-Day Expo we had last month, on Saturday March 9th.

It was a big event, with over 700 people in attendance throughout the day.

Some of the attendees were KQED donors, who received tickets to our event as part of the Remote Control Retirement Riches Master Package.

There was a good mix between brand new investors, very experienced investors, and everything in between.

The Q&A sessions throughout the day were fun for me, and instructive to the audience. The questions covered the whole gamut and were useful for everyone.

We had the main market teams present, and some of the property managers were there. Scott Webster from All Western Mortgage described regular FNMA 30-year fixed loans (some at just under 5%, which, for investors, is a low rate – now, in April, the rates went down a bit still from March, so investors with good credit can crack the 5% barrier. Remember, investors' rates are higher than homeowners' rates). Scott also described loans available to people who can't get the FNMA loans, by virtue of owning more than the FNMA limit. He also outlined loans available to foreign investors.

Many new investors joined our QUICK LIST, to whom we send property sheets when we get them from the various markets, as well as event invitations and updates. We have sent several property sets since then.

We also introduced the Membership Area on our website. This will be an exciting treasure trove of information, in two tiers. The membership area will soon be fully populated with podcasts, blog entries, FAQ's (Frequently Asked Questions), and other useful information. I am working very hard, with other experts, to populate the members' area with great content, but all will be there by the end of April, 2019. There will also be webinars on specific subjects offered, as well as special one on one "Connect For Success" meetings with me to plan your path. We enabled people to already join the membership area at a discounted rate, and will only count their year subscription starting on May 1st, 2019. For more details, email us at info@icgre.com. You can also see information on our website www.icgre.com/MEMBERS.

The attendees enjoyed the expert speakers: CPA Joshua Cooper talked about the Opportunity Zone and other tax issues. Joyce Feldman talked about using insurance as the first and probably most important line of defense, and Lucia Ioja talked about optimizing real estate investing in the larger context of financial planning.

Many of the attendees have registered to the next 1-Day Expo, on Saturday May 18th. We will have a new market, a new set of expert speakers, and of course lots of updates and Q&As.

~~DOWNTURN~~ SIDESTEPPED FOR NOW?

There was a sentiment that an overall downturn was just around the corner.

In January, overall existing home sales in January seemed to have tapered down, increasing the sense that a downturn may be imminent.

However, in February, existing home sales rose 11.8% from January, the largest such gain since 2015. This was reported everywhere, but I am looking at article in the Wall Street Journal from April 6th , by Laura Kusisto,

In addition, mortgage rates for homeowners are down to 4.08% in the past week. In addition, the Fed has indicated it is not likely to raise rates for the rest of the year.

Altogether, the sentiment is now that a downturn has been sidestepped.

This is not necessarily good or bad for us as investors in new single-family homes. Buying during a downturn certainly has its advantages, as many markets become buyers' markets. If we had already bought a home and a downturn arrives, all we have to do is nothing! Rentals are stronger during downturns, since many would-be-new-home-buyers get scared and shelve their plans to buy a home, thus they stay as renters.

So, the "happy news" does create a better overall mood. However, for us, as constant buyers, it does not make much difference. Downturns come and so do booms, we are long term holders of property, letting inflation erode our 30-year fixed rate loans.

We will discuss this at our next 1-Day Expo on May 18th, as well as on a podcast in the membership area.

THREE WAYS A PROPERTY MANAGER CAN MAXIMIZE YOUR INVESTMENT

If you own a rental property, property management is everything. But today, top-quality property management is more complex than ever before. To create positive experiences for you and your tenants, you need a strong technology backend coupled with a personable and hyper-responsive human front end.

The Realty Medics are led in part by a former NASA Space Shuttle engineer, so we know a thing or two about systems, proprietary technology and training. But we also know that the purpose of technology is to enable the human touch, not replace it. Here are the top three ways that we—and any property manager—can help you get the most out of your investment.

1. Determine the Optimal Market Value

The goal with setting your rent is to determine the highest rate that will attract high-quality tenants. Set it too low, and you won't get the cash flow you deserve. Set it too high, and you won't attract enough interest to get the property leased and those rent checks flowing. This is easier said than done. But if your property manager has the right tools, does comprehensive property inspections and runs the right comps, then they can determine the optimal market value for your home. (Hint: We can.)

2. Find & Keep Great Tenants

Great tenants are the key to a great investment. If you can place the right tenant in your property, then you'll experience fewer headaches and greater cash flow in both the short and long terms.

We start the tenant renewal process 120 days before lease expiration. We re-examine the rent number to see if it needs adjusting. If you already have good tenants, we work to convince them to stay in your property, then draw up a new lease agreement and send to all parties for signatures. If your tenants decide to vacate, we provide move-out instructions, initiate utilities, set up pool and lawn vendors, acquire tenant forwarding addresses for the security deposit, coordinate how and where to retrieve the keys, and much more.

If you need new tenants, we send a trained home inspector to document your property's condition with hundreds of photos, then create an itemized repair list (see #3). After repairs, our Leasing Team updates the photos, lists your property on hundreds of websites, takes phone calls and answers applicants' questions. We then schedule each showing and help potential applicants apply for each property.

Once we receive an application, we execute one of the most critical steps in protecting your investment: comprehensive nationwide background checks. Once a tenant is approved through our screening process (and the Home Owner Association approves the applicant), we collect the security deposit in secured funds, draw up the lease, collect the first month's rent, provide keys to the tenant and arrange the transfer of funds to you.

3. Coordinate Maintenance & Repairs

If your property needs repairs before the next set of tenants move in, our goal is to get your home back on the market as soon as possible. We coordinate the vendors, secure the estimates and discuss any recommended repairs with you so we can get the property in show-ready condition and capture maximum market attention. During the lease period, we also coordinate maintenance and repair requests to make sure that issues are handled quickly and thoroughly, and with minimal disruption to you or your tenants.

Make no mistake: A property manager does more than just collect rent; they protect and grow your investment. If you're in the market for a property manager, make sure they're not from the low-tech "mom and pop" school of the '90s. Today, property management is rocket science, so you need someone with the systems and people in place to handle mission-critical tasks and make sure your investment really takes off.

Tom Weclew is the owner and founder of The Realty Medics, a property management firm in the Orlando area.

Tom Weclew
Owner of The Realty Medics
in the Orlando Area

market update

Before the 2008 housing crisis, Forbes named Oklahoma City as the most recession proof city. We proved that by maintaining our housing value to the current day with consistent appreciation. Recent statistics show Oklahoma City to be the 9th fastest growing metro over one million with the population expected to exceed 1.5 million in 2020. This is coupled with strong job growth and an unemployment rate of 2.8% with more jobs open.

Some of the largest employers in Oklahoma City are the state government at 38,000, Tinker Air Force Base at 45,000 base related jobs, and of course the oil and gas industry. Current break even cost for oil drilling is $26 a barrel and with current prices at $63 a barrel, employment is rising, and all levels of government are in surplus due to oil and gas revenues with the strong drilling activity.

Recent news shows that Boeing is now at 3000 employees with more expected, Amazon building a 5 million square foot fulfillment center that should peak at 6300 employees, and the main airport just started an $80 million-dollar expansion to enlarge the terminal and also add 9 more gates that will help build corporate business here with more nonstop flights.

Housing is booming with a 65% owner-occupant rate. It is important to real estate investors since you want fewer rentals to choose from, scarcity works for you. It is also significant that Oklahoma City has the highest percentage of renters in single family homes at 48%. You want more than scarcity, it is important to know where the renters are going. What also helps you is a cost of living 6% below the national average combined with Oklahoma City being the 20th most affordable city in the U.S.

We have closed on more than 1300 homes in the Oklahoma City metro area with an average 3% vacancy rate. The Oklahoma City team is growing and now consists of 5 people dedicated to discovering the best new homes in value and location. We are also connected to third party providers like insurance agents, lenders, home inspectors, property managers, and of course builders.

FOCUS ON ECONOMICS

30 yr fixed rate loans: Here to Stay

In a recent blog, we discussed how the White House is seeking to reform the secondary market for mortgages, overseen by FNMA and Freddie Mac.

The intent is to make the entities controlling the mortgage secondary market, more private rather than government-owned.

One of the first thing everyone was quick to mention is that whether a reform happens or not, the 30-year loan will not be touched.

The 30-year fixed rate loan has become such an ingrained part of American life, it is hard to see anyone dislodging it, and the political costs will likely be harsh for any such administration.

Since we absolutely love the 30-year fixed rate loan, and think it's one of the best and surest way to strengthen your financial future (when used to finance new single-family homes, in good markets, that were bought with a down payment around 20% or so), this can only be good news

Retirement Riches Testimonials

Brent and Grace L.

The expo was a very useful and likely profitable experience for us. Thank you for making it happen. And many thanks for "holding our hand". I'm amazed at your energy, intelligence and ability to give so much personal attention.
In Gratitude,

Peter K.

It had been our intention to, one day, donate to a public broadcasting station. When we saw your program, it was an opportunity for us to accomplish a win-win situation: make our first time donation to a public service we believe in, and in turn, receive your master package as a gift. My wife and I thought your program was too good to be true, but we believed we owed it to ourselves to check it out. We are very glad we attended our first ICG's 1-Day Real Estate Expo. We look forward to seeing you again at the May 18th Expo.

Tony B.

I am 61 years old now, and the homes I had bought with you are now free and clear. I have four homes in Phoenix and one in Dallas. These five free and clear homes are enabling me to be very flexible as to my next move. In fact, between my other retirement funds, and the upcoming social security, I am already set and don't have to work again if I don't choose to.

EXPERT ARTICLE FOR MAY:

"How the new Reverse Mortgage operates now" by Mary Joe Lafaye (hint, it's very different than you might have thought), and how it can give you much flexibility for your retirement future

ADIEL'S corner

Q: Are you looking at Reno, NV?

A: One of our basic premises is to buy in large metropolitan areas in the Sunbelt States. Reno is not a large city. In fact, the only large metro area in the state of Nevada, is Las Vegas. However, another of our basic criteria is: a market where the numbers work. The numbers, as of April 2019, do NOT work either in Las Vegas or in Reno. These two markets have already gone up a lot, and the rents have not kept pace (as is common). Vegas is a good place to be a seller these days (and we have investors selling in Vegas and doing 1031 tax deferred exchanges into several brand-new homes in markets where the numbers do work).

People get enamored by the "Giga Factory" near Reno, as well as other such factories. It's the same as how people get excited about the Apple new plant in Austin (where the numbers also are not buyers' friendly at this time, especially with the enormous TX property taxes).

To make a point, San Francisco just had Google, Salesforce, Facebook and other giants, expand like mad these past few months. Clearly that's impressive. However, that does not make San Francisco a good market to buy rentals at this time. That is easy to see since the prices in SF are so high. The investor coming from expensive states think that Reno, Vegas, Austin, Phoenix etc. are "cheap" since they are low cost relative to LA or SF. However, these are not good places to buy at this time. As I said Reno has the additional drawback of not being large enough, where large usually means diversity of industry and employment.

Q: How many homes can I exchange into in a 1031 tax deferred exchange?

A: There are three "identification rules" for the replacement properties in a 1031 exchange, 1) The 3-property rule allows you to buy up to and including three properties but no more. This is a rule that most applies in California due to the high cost of homes. 2) The 200% rule - does not limit the number of properties you can buy, as long as their aggregate value does not exceed 200% of the net sales price of the property you sold 3) The 95% rule (some exchange intermediates are not familiar with it), stipulates that you can buy properties with no limit, but you have to actually CLOSE on at least 95% of the aggregate value of the properties you had identified within the identification period.

I just interviewed Weiming Peng for our expert Podcast series, being posted in the premium area of our membership are on our website. He goes into more detail. In addition, Weiming has been invited to speak at our 1-Day Expo on Saturday May 18th.