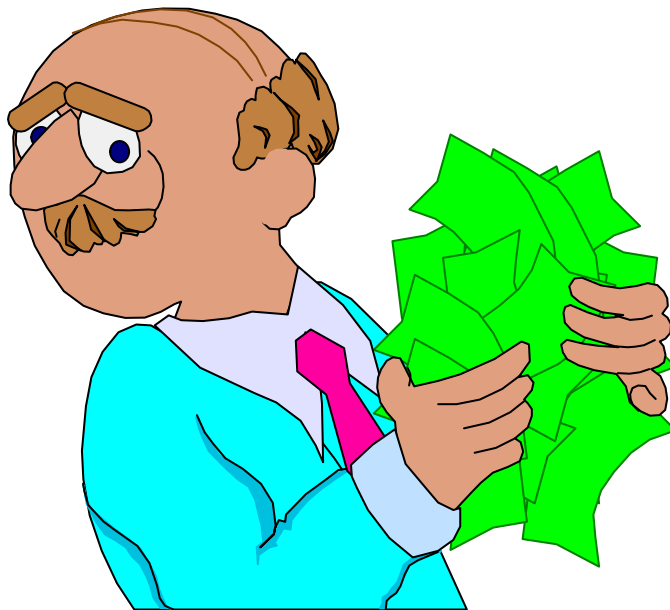


The Manager's Manual



"THE ROAD TO MANAGER'S MECCA"

A GUIDE FOR PROPERTY MANAGERS

OF SINGLE FAMILY HOMES

THE MANAGER'S MANUAL

"THE ROAD TO MANAGER'S MECCA"

A GUIDE FOR PROPERTY MANAGERS OF SINGLE FAMILY HOMES

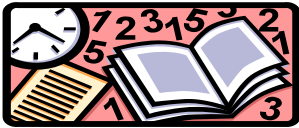
By
Todd Breen

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“Introduction to Manager’s Mecca”

Indulge yourself working in a quite office, with satisfied clients, compliant tenants and good vendors. Now imagine your monthly gross income increasing 50% as well! Sound inviting? This is “MANAGER’S MECCA”.



Webster defines mecca as “a goal or aspiration, a place revered as a birthplace of a faith or policy”. Is your goal and aspiration anything like “MANAGER’S MECCA”? The MANAGERS MANUAL will show you the policies that can take you down your road to MECCA!

Too many property managers I’ve talked with tell me they have the opposite of the above MECCA – a busy office, demanding clients, uncooperative tenants and challenging vendors. Sadly, they arrive at the end of their hectic month with little “extra” money after paying the bills. I was one of these property managers in 1993, the year I bought Home Property Management.

About the Author

I began to work for Home Property Management in 1985 and bought the company in 1993. While working at the company for the previous owner, I learned the nuts and bolts of managing rental property. No doubt you’ve learned these same nuts and bolts in your company – how to pick tenants, manage vendors, enforce leases and the like. But there’s more to running a PROFITABLE business than simply knowing the basics.

Immediately after purchasing the company and assuming TOTAL responsibility for its success, it occurred to me that I’d bought a full time job, with all the overtime I cared for!

In 1993, I started with approximately:

- 🏠 200 single family homes, duplexes & triplexes
- 🏠 An annual gross income of \$180,000
- 🏠 Working hours per week: 60

As of the date of this publication, I have:

- 🏠 125 single family homes
- 🏠 An annual gross income of well over \$350,000
- 🏠 Working hours per week: 30 w/10 weeks vacation each year.



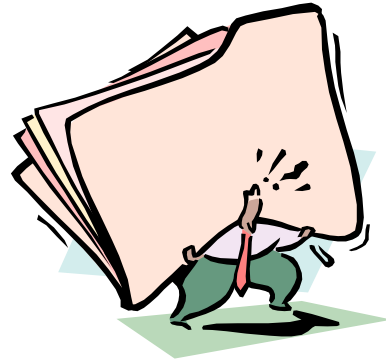
Yes that is really 67% more money for managing almost half the number of properties! I trust the concepts in this Manual will benefit you the way they have me. Once you reduce the hassles and stress of this business, it really can be quite rewarding and profitable.

Check Your Sanity

In 1994, one year after purchasing the company, I was exhausted and discouraged. The “thrill of small business ownership” had long since worn off. Many days found me on the verge of insanity.

Webster defines insanity as “mad, or senseless”. A better definition of insanity could be “doing the same thing over and over again but expecting a different result”! I hung this definition on the wall by my desk.

(This definition of insanity became the driving force behind the changes I knew I had to make.)



Rather than continue the “madness”, I made a conscious decision that I would either improve my work place, my lifestyle and my income- or I would sell the company.

I made fundamental changes to my thinking and my policies and obtained a different result- profitable sanity. Do you want better, different results from your company? If you do, keep an open mind about the changes you will need to make!

The following test will help you determine where you are on your trek to “Manager’s Mecca.”

Manager's Mecca Test

Date completed: _____

OFFICE

Describe your general office environment.

Quiet 1 2 3 4 5 Hectic

CLIENTS

Describe a typical client's attitude toward you and your services.

Content 1 2 3 4 5 Dissatisfied

Do you have any expectations from your clients? (Circle Y or N)

If yes, list them below:

TENANTS

Rate your average tenant's opinion of you and your company.

Satisfied 1 2 3 4 5 Dissatisfied

Rate your average tenant's opinion on the home they are renting.

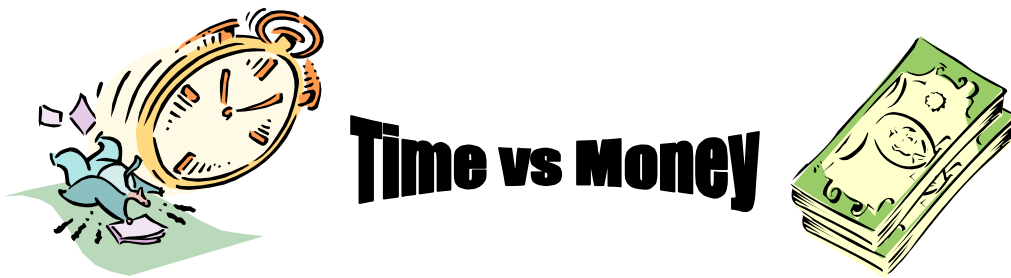
Satisfied 1 2 3 4 5 Dissatisfied

Scoring: Write your total score here _____

RATE YOUR RESULTS:

16-20	INSANE	Our condolences!
12-15	Poor	MECCA'S not far
8-11	Fair	MECCA is in sight
4-7	Excellent	You are there!

If I had taken this test in 1994, I would have scored well over 15! Now, I can confidently score in the 4-7 range! If you scored higher than 4-7, take heart! Armed with the **MANAGER'S MANUAL**, you will score better soon!



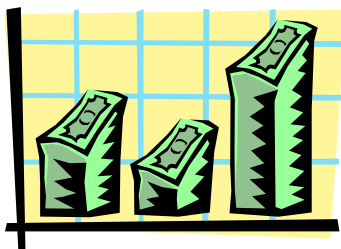
Which goal do you value more- improving the quality of your time spent at work or increasing the quantity of your income? Can't decide? Relax! Whether you'll pursue either or both of these goals is less significant than you may think. The fact is, you can achieve them both! Your company and market will likely differ from mine, however, the majority of these concepts outlined in this Manual will work in **any market!**

Throughout this Manual, you will find a MECCA policy followed by a "MANAGER'S MANUAL \$\$\$ TIP" or two. The **policies** are designed to improve the quality of your life. The **\$\$\$ TIPS** will increase the quantity of your income!

Enjoy The Manager's Manual! You deserve it!

Preparation

Before reading any further, PLEASE DO THE SIMPLE EVALUATIONS OF YOUR COMPANY RIGHT NOW! DON'T WAIT UNTIL LATER- DO IT NOW SO YOU'RE "ON THE SAME PAGE" DURING THE REST OF THE MANUAL.



MANAGEMENT FEES AS A PERCENT OF TOTAL INCOME

First, let's examine how much of your company's income is derived from management fees. Using last years' profit and loss, fill in these numbers:

Annual Management Fees divided by Annual Gross Income.

The result is your ratio of Management Fees to Gross Income.

The lower this ratio or percentage is, the better!

Ratio of 75% or MORE

If your company earns more than 75% of it's income from management fees, odds are you're missing out on thousands of dollars of lost income per month! MECCA will be an incredible PROFITABLE destination for you!

Ratio of 60- 74%

If your company earns 60-74% of its income from management fees, congratulations! You're already on the way to MECCA!

Ratio of 59% or less

If your company earns less than 60% of it's income from management fees, you know how important it is to continue reducing this ratio and thus increase your profitability! Enjoy the rest of the way to MECCA!

In 1993, my ratio of management fees to gross income was well over **80%!!!**

After devoting 4 years to reducing this ratio, I've finally got it down to 41 %! That mean I earn 59% of my income without having to manage anyone's property. THIS IS MECCA DEFINED! (Editors note: as of 2002, this number has fallen to 34%)

AVERAGE MANAGEMENT FEES PER RENTAL CATEGORY

This analysis is so simple, and yet so significant. PLEASE DO IT NOW! (It only take approximately 10 minutes per 100 units managed.) It's a real eye opener the first time you run the number. Do it now so you'll fully comprehend the rest of the MANUAL.

1. Print a list of your management portfolio in rental rate order.
2. Beside each unit, write your monthly management fee in dollars.
3. Divide this list into three equal parts, representing your low, medium, and higher priced units. (Example: if you manage 100 units, you'll have 33 low, 33 medium, and 34 higher priced units.)
4. Total the management fees you are earning from each of the three categories: low, medium, and higher rent units.



5. Divide the total of each category's management fees by the number of units in the category to determine your average management fee per category. **Example:**

Lower rent-total mgmt fees	\$1875
----------------------------	--------

Divided by number of lower rent units	33
---------------------------------------	----

Average mgmt fee per lower rent unit	\$56
--------------------------------------	------

Medium rent-total mgmt fees	\$2850
-----------------------------	--------

Divided by number of medium rent units	33
--	----

Average mgmt fee per medium rent unit	\$86
---------------------------------------	------

Higher rent-total mgmt fees	\$4970
-----------------------------	--------

Divided by number of higher rent units	34
--	----

Average mgmt fee per higher rent unit	\$146
---------------------------------------	-------

Notice anything unusual about how you earn your living?

You earn considerably more money per unit when you manage higher priced rentals. We'll look at this in more detail a little bit later.



The preceding two simple evaluations of your company are so important. It is vital that you perform these evaluations monthly so you can chart your progress along the way to MECCA!

Premises of the Manager's Manual

1. Changing your basic assumptions about property management is vital to survive and thrive in this industry. You can no longer ASSUME that property management is supposed to be difficult, time consuming and frustrating! You must assume that property management is supposed to be simple, fast, and rewarding. This manual will show you how to make it so, but *you've got to change your expectations from your company so that your company can begin to meet your new expectations!*

For those of you who are still skeptical, take heart! In 1994, when I had reached the end of my rope, I changed my policies without changing my expectations. The results were so dramatic that my expectations began to escalate almost overnight. YOUR expectations will change too!

2. Lower rent properties cannot be managed as profitably as medium to higher rent units. You can spend up to two-thirds of your time, money and effort managing the lower one-third of your portfolio. As you get rid of the lower rent one-third, or 33% of your portfolio, you only lose around 15% of your gross income while gaining 50% or more of your time back!!! By creatively employing the time you regain, your income will increase dramatically!
3. Making money from management fees is great! Making money without managing someone else's property is even better! Therefore, any money you can make without directly managing someone else's property will likely be easier than if you do manage their property.

4. To be a property manager, most states require you to be a licensed real estate broker.

In addition, to managing property, brokers can list and sell real estate. If you are not already listing and selling property, **YOU SHOULD BE!** It's not terribly difficult! If it weren't for the "easy money" in this business, why else would we all be doing property management? See APPENDIX A for further information.



The Journey to Mecca

If MECCA is the place to be, how do you "arrive" at this Manager's Mecca?

Simply put, you need good properties, owned by good owners, THEN you steadfastly wait for good tenants. The significance of these 3 items cannot be understated! More importantly, there is a reason to the order of these three items:

 Properties

 Owners

 Tenants

You've got to begin working toward the right properties, then the right owners and then, finally the right tenants. Too often, the education I've received in the industry focuses exclusively on tenant selection as the key to success in this business. Good tenants are merely the result of good properties and good property owners.

1A GOOD PROPERTIES or "JUST SAY NO"

Nancy Regan taught the youth of our country the power of just saying “NO” to drugs.

The Manager’s Manual is “borrowing” this concept! Here’s why!

The fellow I bought the company from just couldn’t say “no” to managing a new property. He’d manage anything! Worse yet, he had a flat rate fee schedule. He’d manage a \$800/month house for the same percentage management rate as a 1/1 apartment that rented for \$250/month.

Take a moment to look at your 5 lowest priced units.

Compare the amount of work you spend on these units with the 5 highest priced units. The amount of work needed to manage a low price rental is actually far greater than the work needed to manage a higher priced unit. This axiom is true no matter what market you are in.

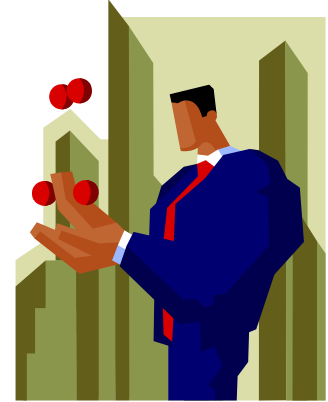


Not sure if this applies to your market? Examine the number of late payments, evictions, turnovers and repairs you have in your current portfolio. Odds are that you’re spending the majority of your time solving problems in the lower rent one-third of your units.

I track all of these factors. When I matched the work load to the price range of my portfolio, I quickly realized that the lower priced units were taking much more time to manage! Worse yet, I was making less money on these lower priced units because I was making a percentage of a lower rent! It’s tough to find your “MECCA” at \$20-50 per month per unit!

OK, now you know you work harder on lower priced units and make less for doing so!

Can you “say no” to signing on more lower priced units? At first, I had a difficult time saying “no” when asked to manage these low rent units. After all, it’s tough to turn away business when you are eager to grow your company, right?



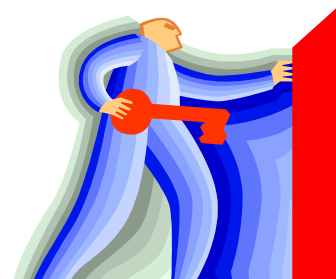
I thought I’d try doubling my rates for lower rent units. If the prospective client said OK, I’d figure “WOW- I’m making a great deal here!” I quickly learned however that *lower rent units are not worth the trouble of managing at any rate!* Think about it. Even at double your normal management fee, you’re still making only somewhat more money for a lot more work!

Still, it hurt my sense of “industry” to turn away clients willing to pay me to manage their lower rent units. What to do ...?

MANAGER’S MANUAL \$\$\$ TIP #1

Instead of saying “NO” to lower rent unit owners, say “YES”! After signing them up, sell the signed management agreements to a competitor! I’ve had no trouble selling these units to a competitor for at least 2 months management fees, usually the 1st and 3rd month management fees. You may even get more!

When asked to manage 40 lower rent units, I signed the client up and immediately sold these units to another local management company for \$4276. My time invested into









signing up these units was 5 hours @ \$855 per hour! The competitor is probably still making minimum wage managing these units, but that's his choice! I've decided my time is worth more than minimum wage!

Your management agreement must contain an assignment clause for you to do this. Once you have established rapport with this new client, they will accept your endorsement of another competitor and willingly go with a competitor who can better suit their needs. If your relationship with your competitor is good enough, you can simply refer the client to your competitor without completing a management agreement.

MANAGER'S MANUAL \$\$\$ Tip # 2

The lower rent units you already manage are still worth a fortune! Before "dumping" these units, try the following methods to make money on the way out:

-  Rehab the unit if you make money from repairs
-  List and sell to earn a sales commission
-  Rehab, list and sell for fun and profit!
-  Raise your rates until you're happy or the client leaves
-  Sell management agreement to a competitor
-  Trade unit(s) to a competitor for higher rent units that may be "too far" for the competitor to manage effectively.

1B GOOD PROPERTIES DEFINED

ACTION POINT- If you currently have the standards or criterion for the properties you manage, write them below:

1.)

2.)

3.)

4.)

Let's examine what defines a good property. Better yet, listen to what your tenants describe as a good property. My tenants tell me they want a home in a good area, in good condition and with desirable features.

Good **area and features** are fairly self explanatory. Our firm used to be located "by the airport". Realizing that we were right in the middle of lower rent areas, we moved the office about 8 miles away to be closer to the higher rent areas of our country. (Believe me, it was worth the trip!)



What about the **condition** of the properties you will manage. Too many property managers don't have standards when it comes to the condition of the properties they manage.

GOOD CONDITION is vital. The implication of properties in

GOOD CONDITION cannot be over-emphasized.

Properties in good condition:

HAVE FEWER PROBLEMS FOR YOU TO SOLVE,

REFLECT WELL ON THE OWNER- AND YOU!

ATTRACT AND KEEP GOOD TENANTS

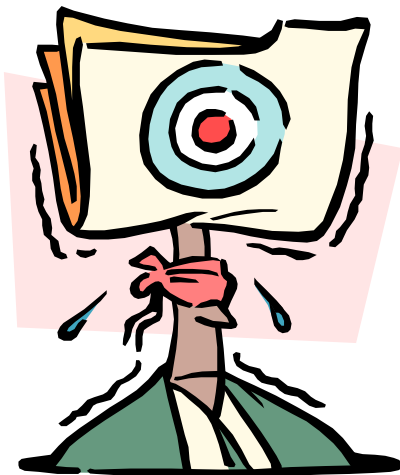
Read the preceding three lines again. Why? Because too many times, we agree to manage properties in POOR condition.

Properties in poor condition:

HAVE LOTS OF PROBLEMS FOR YOU TO SOLVE, REFLECT POORLY

ON THE OWNER- AND YOU! ATTRACT POOR TENANTS THAT ARE

HARD TO KEEP!



WHEN WE AGREE TO MANAGE A PROPERTY IN POOR CONDITION (for lack of a nice way to put it) WE ARE NUTS! LOONEY! INSANE! The following sections will illustrate why.

1C GOOD PROPERTIES USUALLY MEANS A GOOD OWNER

FEWER PROBLEMS TO SOLVE means you save time!!! On the other hand, if lots of deferred maintenance exists at a property, this REFLECTS POORLY ON THE OWNER! When you see deferred maintenance at a property, your common sense alarm should go off at once!!!



Ask the owner
maintenance?"



"Why is there deferred
The answer is crucial! Here's why..."

OWNER ANSWER #1 -

"I DON'T HAVE ANY MONEY TO FIX THE
PLACE UP"

If the owner says he can't afford the repairs needed-WATCH OUT! How will you find a good tenant to take a poorly maintained property? With a less than good tenants, how will you reach your "MANAGER'S MECA"?! I've regretted every management contract I've signed with an owner that was BROKE! What about you?

OWNER ANSWER #2-

**"I'D RATHER NOT WASTE MONEY ON ...
SO TENANTS CAN DESTROY IT"**

When an owner tells you that he's not willing to spend the money, I understand! Many owners say "Why waste my money on rotten tenants?" You've got to educate and motivate this client to part with the bucks! Otherwise, you'll be stuck trying to find a good tenant who'll take a bad property.

Ask the owner what qualifying they've done on previous tenants. Explain how you will qualify their tenants to bring them only good tenants, but that good tenants won't take a run down unit! Use your tack record. "The last time I had damages in excess of the security deposit was 1995! That's less than 1% risk/loss ratio!" Give it your best shot, but remember,

**IF YOU CAN'T CONVINCE AN OWNER TO PROPERLY
MAINTAIN HIS PROPERTY, DON'T MANAGE IT!**

MANAGER'S MANUAL \$\$\$ TIP #3

IF AN OWNER WON'T OR CAN'T PAY TO FIX UP THE UNIT, offer to lease it without your management services. Explain to the owner that you can still try to help him or her find a good tenant without being accountable to the tenant for the condition of the property. Assure the owner that once he or she can afford to properly maintain the unit, you'll be glad to manage it! Many owners will be surprised that you can turn away new management business that's not up to your standards. Explain to the owner how we can't meet *our mutual objectives* of **good tenants and a stable income** without a good property!

The result -many owners "find a way" to pay to bring the unit up to par! The rest of the owners will pay me an average of the 1st month's rent or more just for leasing their unit. Many of these clients have later "seen the light" and become full management clients- on my terms!

MANAGER'S MANUAL \$\$\$ TIP #4

If you've been unable to persuade the owner to pay for repairs & maintenance, you've laid the groundwork for the next step. Since they can't afford to maintain the property, they aren't likely to attract good tenants. Without good tenants, do they really want to rent the property?



Consider telling the owner, "Now is an excellent time to sell and have buyers ready to go right now!" I've listed and sold these properties to my existing clients who can afford to fix them up and have me manage them. By declining to manage the property, I've made FOUR additional incomes:

-  LISTING COMMISSION
-  SELLING COMMISSION
-  REPAIR & MAINTENANCE PROFIT
-  MANAGEMENT FEES



GIVEN THE CHOICE BETWEEN MANAGING A BAD PROPERTY FOR A CHEAP OWNER OR MAKING ALL OF THE ABOVE FEES, WHICH WOULD YOU RATHER DO?

REMEMBER JUST SAY "NO"!

2A GOOD OWNERS

A GOOD OWNER IS A PASSIVE OWNER

Would you believe I have well over 100 happy and passive clients? I recently hired a new office manager. After her first few months on the job, she hung up from a phone call with a client and remarked, "I swear, every client I've spoken with loves you- they all think you hung the moon in the sky! Don't you have any unhappy clients?" The answer? NO I DO NOT! This is part of "MANAGER'S MECCA!"

Once you've identified a client who owns the type of property you want to manage and who is willing to keep the property well maintained, shouldn't it be relatively easy for you to do your job? You know, pick a good tenant, collect the rent and send it to the owner on time? Well, once you've done a good job, you owe it to yourself to TELL

THEM WHAT YOU'VE DONE!



When I first sign up a new property, I carefully go over what it will need to attract a good tenant. The owner agrees, writes a check and I then get this work done. Once I rent the unit, I LOVE to personally call the owner and break the good news:

“Mr. Owner! We rented your place in only 6 day to a great tenant with good credit, stable job etc... and we got full price!!! THANK YOU MR. OWNER for the new carpet & fresh paint... it REALLY made the

difference. I'll let you know if anything comes up, and in the meantime, no news is good news!"

With this conversation, you will condition your client that:

- 1.) Your advice is good advice
- 2.) Your client can expect to be rewarded when they follow your advice, and,
- 3.) Your client shouldn't expect to communicate with you until you have further advice to give them!

Are you intentionally conditioning your owners? If so, how? I'll let you in on a little secret- you are conditioning your owners from your first point of contact. If you let them tell you how it's going to be in the first meeting, they're going to keep telling you how it's going to be *until you condition them otherwise*.

It is not uncommon for me to go a year or more without communicating with a client. On the other hand, any time I've picked a poor property or cheap owner, I've been on the phone with that owner much more than I cared to be. The road to MECCA is paved with good properties and good owners!

2B GOOD OWNERS = GOOD CLIENTS

Do any of your clients try to micro manage you? You know the type. They call or come



to offer you all sorts of suggestions on how they like their properties managed. Some of the more assertive clients will even demand that you manage the property "their way".

Several years ago, we were referred to an attorney to manage his 9 town homes. The referral came from a valued client. We were anxious to impress this prospective client and live up to the high praise our referring client had given us.

The attorney came to the office & took control of the initial meeting, telling us in detail how he wanted the properties managed. We listened patiently as the man went on & on, telling us how to do our job. Any attempt to interrupt this fellow with why we managed property differently than he served only to make him more combative as he pressed his point.

After telling us how to run our business, this gentleman then brought out a copy of our management agreement and proceeded to describe the modifications we would have to make to “get his account”. It should go without saying that he expected us to “drop our rates” and “give him a volume discount”.

How do you respond to these types of clients? Write out your response in the area below:

When this prospective client had finally talked himself out, our response was to smile as we rose to shake his hand and say “You appear to have everything under control, so

much that you don't even need our services. Please accept our best wishes as you continue your search for a new management company. Good day sir!"

Realizing he had "overstepped his bounds", the attorney paused, smiled and sat back in his chair as he said "All right, tell me how you will manage the properties". Our response was simple, and along the line of "*As if they were our own and exactly how we see fit!*".

If you wouldn't respond to an obstinate owner in exactly this manner, that's OK! How you get your point across matters little. *What matters is that you do make the point!*

Review what you wrote as your response. Did you make the point? If not, write out your response to an obstinate owner again, and this time, be sure to get your point across.

THERE IS NO ROOM FOR PUSHY, OBSTINATE OWNERS IN YOUR MECCA!

This attorney was obviously an aggressive negotiator, well accustomed to fighting to get his way. **Many of your clients will be of this same mind set *if you let them!*** We made it clear that we were not prepared to be controlled by him or any other client. We showed him we were ready to walk away before accepting his terms.

Are you prepared to walk away? It's liberating! The attorney recognized that the same *determination and resolve* he saw *directed at him* would be *directed at his tenants*.

Furthermore, he
standing up for our

respected us for
management style.

What became of this



referral? This

attorney gladly pays our full rate, does exactly what we tell him to do and has been a very cooperative, silent and passive client since signing our management agreement, *without any modifications!* Take a moment to imagine what life would have been like had we given in to his many demands...

Before discussing GOOD TENANTS, lets look at ways to find these GOOD PROPERTIES and GOOD OWNERS.



“MECCA” MARKETING TIPS \$\$\$

NEW HOME COMMUNITIES

Have you ever managed a new or nearly new home? Did you have much trouble renting it? Once it was rented, did you have many problems with the property? The obvious answers to these questions practically screams NEWER HOMES ARE PART OF MECCA! I’ve thoroughly enjoyed every new property I’ve had the pleasure of managing, and you will too!

**PURSUE NEWER HOMES AND YOU’LL SPEND LESS TIME AND MONEY
MANAGING THEM!**


Many buyers can borrow 95% or more of the cost of their home. Then, the lenders allow them to finance their PMI (private mortgage insurance) so that the homeowner is fully leveraged or even “upside down”. This means many new homeowners who have to move cannot afford to sell. They simply can’t bring cash to the closing table. New developments seem to be full of “upside down” owners. (Sounds a lot like new car owners, doesn’t it?)


MANAGER’S MECCA includes managing newer homes in desirable communities. By now you’ve decided that MECCA is where you want to be. So how do you effectively market these newer communities?

I send a post card that advises the owner who needs to move not to compete with the builder by trying to sell! Unlike conventional real estate offices, I can do more than just sell his house, and so can you. Many owners will be intrigued by your:

“3 POINT MARKETING STRATEGY TO AVOID PAYING YOUR
MORTGAGE PAYMENT WHILE TRYING TO SELL A VACANT HOME”.

Tell the prospect you will market the property:

 For lease with “Hassle Free Management”

 For lease with option to buy, and/or

 For sale

Whatever happens first, you run with it! The homeowner will love you for this approach.

Why? Because they have to move, they can’t sell quickly without bringing cash to

closing, and they dearly want to avoid paying for a vacant house while it's for sale!

We'll illustrate this concept in greater detail in a later section.



Another method of marketing the newer homeowner is to warn the homeowners “DON’T SELL BELOW COST!”, followed by this analysis :

Price you paid to Builder	\$125,000
Average resale price while competing with the Builder(s)	\$122,000
Less average closing costs & commissions	<u>\$ 9,233</u>
Average NET sale to YOU	\$ 111,777
CASH YOU BRING TO CLOSING (MLS market data for ABC subdivision as of __/__/__)	\$ 12,233
AVERAGE market time for re-sales is 163 days or 5 + months	

That’s a long time for you to make your mortgage payments while you’re not living there!

YOUR MORTGAGE PAYMENT \$ _____

YOUR MORTGAGE PAYMENT x 5 \$ _____

**HOW MANY MORTGAGE PAYMENTS CAN YOU AFFORD TO PAY
WHILE WAITING FOR YOUR HOUSE TO SELL?**

WHY TRY AND SELL UNDER THESE CONDITIONS?

USE OUR “NO HASSLE” LEASING & MANAGEMENT SERVICES.

WAIT UNTIL THE BUILDER IS FINISHED AND THEN SELL!

CALL NOW FOR DETAILS!

MANY QUALIFIED TENANTS AVAILABLE!

MANAGER’S MANUAL \$\$\$ TIP #5

How do you effectively market a property for sale while it is occupied by a tenant?

Many brokers I’ve talked with shudder at the thought! Not us! We’re armed with confidence and experience- right?

Let’s start with a vacant property which you just signed up for your management services. The owner would like to sell, but can’t afford to leave it empty. Here’s the plan:

Advertise for sale, lease with option to buy, and for lease.

Whatever happens first, the owner is happy. Odds are at will rent before it will sell or lease option.

When the property rents, write the lease with these goals in mind, subject to the tenant agreeing to these



terms, in order of desirability:

- #1 A 12 month lease that can be cancelled upon sale. Continue marketing for sale with lockbox at property. I don't get many of these!
- #2 A 12 month firm lease that cannot be cancelled. Begin marketing for sale 10 months into lease. This is common, especially when the tenant is definitely vacating at the end of the lease. Put a fine/penalty in your lease for EVERY showing the tenant is unable/unwilling to accommodate w/notice...it works...
- #3 A 12 month firm lease with a tenant that wants to stay on at the property- the most common scenario.

Wait until renewal negotiations begin and then introduce the letter below to the tenant who would like to stay at the property beyond the end of the lease term.

February 15, 1996

Mr. MECCA TENANT
123 Maple Street
Palm Beach Gardens, FL 33410

RE: Lease extension at 123 Maple Street, Palm Beach Gardens, FL

Dear Mr. TENANT:

Please be informed that a renewal of your current lease will not be available when it expires February 29, 1996. The owners of the property need to sell it. They and our company appreciate your tenancy to date. Should you be interested in continuing to reside at the property beyond 2/29.96, a month -to- month tenancy will be available to you on the following conditions:

ACCESS TO SHOW THE PROPERTY ON DEMAND- we will be installing a MLS lockbox on the door. The key to the house will stay in the lockbox so that real estate agents can show the property. We will attempt to contact you to inform you of scheduled showings when possible, however, any showing will be required to be permitted at any time by any agent, with or without notice. You will no doubt understand that this policy is needed to sell property.

FIFTEEN DAY NOTICE TO VACATE- either party may give any fifteen days written notice to vacate for any reason.

RENTAL RATE & SECURITY DEPOSIT- your rent will remain at \$895 monthly and your security deposit at \$1395 will be refundable per the terms of the lease. (Please note that the lease par 5 states, "NONE OF THE SECURITY DEPOSIT MAY BE USED AS LAST MONTH'S RENT".)

All of the other terms and conditions of your lease will remain in effect. Please select one of the options given you below and return this document by no later than February 20,1996. Thank you.

Todd Breen
Property Manager

_____ I understand and agree to the terms outlined above and wish to continue living at the property on a month-to-month basis. By signing and returning this letter, it will become an addendum to / extension of my lease dated 2/16/96 between MECCA OWNER and MECCA TENANT.

Mr. MECCA TENANT

DATE

This letter works and it is a gold mine! You get unfettered access to showing the unit for sale while the owner gets rental income. If the tenant doesn't want to be forced to move, they sign and cooperate with showings. This letter works so well, I've even had tenants remove their pets from the property so every showing attempt would be accommodated whether they were home or not!




When pricing the unit for sale, inform the owner he's only got a limited "window of opportunity" to sell the unit before the next tenant gets tired of showings and moves. With this in mind, the owner should price the unit at appraised value. You'll have an aggressively priced listing that will get showings and sell quickly!

If the tenant moves and the owner wants you to re-rent, keep trying to sell while you are trying to re-rent the unit. When it does rent, you start all over again.

You'll be amazed at how effective this technique is at putting cash into your pocket!

MANAGER'S MANUL \$\$\$ TIP #6

If you are like most businesses, you only have a limited budget for direct marketing. Consider focusing your direct marketing budget exclusively on new home communities! Use alternative marketing and/or distribution methods to reduce your costs, ie:

-  Advertising in community newsletters
-  Door hangers distributed by students
-  Notices hung on bulletin boards at the pool/clubhouse




However you market these communities, commit to doing it monthly for one year and watch for the results!

Now it's time to turn our attention to your marketing program.

YELLOW PAGE ADVERTISING

DON'T UNDERESTIMATE THE VALUE OF BEING THE BIGGEST AD IN YOUR YELLOW PAGES! Many brokers object to the high price of yellow pages advertising in their community. This year, I'm contracted to spending \$945/month for my yellow pages ads. (Yes, that's over \$10,000 per year.) Why? Because I've found it pays to have the biggest and best ads in the yellow pages.

Do you track the source of each new management agreement you obtain? I do, and I've learned that *smaller ads don't pay off the way bigger ads do*. Here's the data:

-  Since 1985, my company had had an ad in the yellow pages.
-  Since 1985, my company has tracked the source of each new management contract.
-  Since 1985, my company has more than paid for the yellow pages ad from new management contracts and other income sources.


In 1994, my company changed our ad format and the results were tremendous! Prior to 1994, our single ad appeared only under the Real Estate- Management heading. We had the largest display ad under the Real Estate- Management section. The Real Estate Management section is located after the primary Real Estate section. Anyone who knew what a Real Estate Management company was would look under Real Estate Management, see our ad and call us.


Then, we tried MECCA MARKETING!


In 1995, I took out a second ad in the yellow pages, renewing my ad under Real Estate-Management, while adding a new one under the first Real Estate section.

Note this ad is located where my competitor's ads are not, under *general* real estate.

Why? Because most *homeowners* don't know the difference between a real estate office and a management company! Think about it:

 The average homeowner who needs to rent his house goes to the yellow pages and just looks under Real Estate for a company that can RENT his home

 This average homeowner probably *doesn't know what management is*.

 This average homeowner, if he does know what management is, *thinks any real estate office offers management or can do management well!*

The largest lettering on the first page of ads is ours and it says "WE RENT HOMES".

Most homeowners who need to rent their properties call us first because we specialize in

what they need. Once they call, we can inform the callers of the difference between our firm and the rest of the real estate community.

This ad will pay for itself many times over! Remember, you don't have to manage each and every unit you are called on to manage. As a MECCA MANAGER, you will make sure every new unit you manage meets your high standards. To make money, you simply need to be prepared to evaluate each call for any of the following opportunities:

MECCA TEST RESULTS

SERVICES YOU WILL OFFER

Good Property & =
Good Owner

Management Agreement

Good Property & =
Bad Owner

Exclusive Right to Lease Listing, or
Exclusive Right of Sale Listing

Bad Property =

Management Agreement for sale to a competitor
Exclusive Right to Lease Listing, or
Exclusive Right of Sale Listing

This combination of ads will assure you a fairly steady flow of calls. It should go without saying that these ads pay for themselves by generating new *management* clients every month.

Remember- each call could net you thousands of dollars once you expand your outlook to include the above opportunities! *Hardly a month goes by that I don't make at least \$2000 and often much more from prospective properties management clients without managing their property!*

If you do not already have a steady flow of calls from prospects, look at your yellow pages. See how many of the larger display ads advertise leasing and/or management services. Call your yellow pages ad rep to inquire what it will cost to gain a presence on the first page of display ads. I really do average one call or more per day from my ads...

3A GOOD TENANTS- THE RESULT OF GOOD PROPERTIES AND GOOD OWNERS

Now that we've determined what type of properties and property owners we are going to manage, let's focus our attention on the tenants we will select to occupy these properties.

Much has been written on tenant selection. Landlord associations, apartment communities and the like have written volumes on how to screen and then manage tenants. The MANAGER'S MANUAL assumes that you already know the basics of how to check out your tenants credentials. For now, let's look at a MECCA type tenant.

Your ideal tenant appreciates, no, EXPECTS, a good property! So much of what has been written by investors about management tells owners how to increase cash flow. How to cut maintenance costs, how to defer or reduce expenses. This sounds great until you manage the good tenant who expects a good property from a cheap owner.

In 1993, I found myself struggling to reconcile my tenant selection process with reality. I was striving to find the very best tenants, but far too often I couldn't attract or keep them! Put yourself in the following scenario:



You're managing a home where the landlord isn't forthcoming with the funds to properly maintain it. The carpeting is "mature", the décor is "dated". Deferred maintenance is readily evident even to the casual observer. The dead tree in the yard is dropping limbs everywhere. The owner says she'll try and have a relative take the tree out because she can't afford to pay a tree service to take it out right now. The owner is calling you 3x weekly, wondering if you've found a tenant yet so she can pay the mortgage. Yeeeeeeesh!

In this scenario, you are charged with the mission of finding a responsible tenant to rent a property from an irresponsible owner. How do you do it? Truth is, you can't! I couldn't! If you are honest with yourself, you'll probably agree that you can't either! I usually wound up "setting" for the applicant who came closest to my standards. The ensuing months would usually confirm my fears when I dropped my tenant selection standards... late payments, extra roommates, HOA violations, skip tracing and the like. MECCA IS NOWHERE IN SIGHT!

3B GOOD TENANTS- THE ROAD TO MECCA HAS NO MINE FIELDS

I like to compare the preceding scenario to walking through a MINE FIELD on your tip toes, hoping you make it through to the other side in one piece. Why is this scenario like a mine field? Because GOOD tenants don't generally rent bad properties. Let's say you are able to find a good tenant without too lengthy a vacancy. How do you keep this good tenant? There's nothing worse than defending a deadbeat owner to a performing tenant. I stopped doing it and you should too!




The last time I made an exception to this policy, my company was sued because dead trees fell on a tenants' car. Fortunately I had copies of quotes to remove these trees from tree services to which the owner responded by instructing me to wait because she "couldn't afford it right now"! *Even though I won the suit, I still lost – time is money and that suit cost me time.*





Whenever I find myself in this position, I stop long enough to ask myself, "HEY, EINSTEIN- WHAT ARE YOU TRYING TO PROVE? GET BACK TO BASICS AND GET OUT OF THAT MINE FIELD!" THERE ARE NO MINE FIELDS IN MECCA! KEEP REMINDING YOURSELF OF THIS FACT AND STAY OUT OF MINE FIELDS!

EXAMINE A FEW OF YOUR RECENT "MINE FIELDS". Examples include evictions, lawsuits, broken leases and the like. Apply your new mecca standards to these mine field situations. After taking this test for the past 4 years, I've found that 80% or more of my problems originate with the property or the owner, NOT the tenant. You'll find it's rare that the PROPERTY AND OWNER MEET YOUR MECCA STANDARDS while the TENANT FAILS TO MEET YOUR MECCA STANDARDS.

When both the PROPERTY and OWNER pass the MINE FIELD test and the TENANT fails, it is often because I'VE FAILED in my tenant selection process! Examples of how I've failed include:

-  Carelessly screening landlord references
-  Quickly accepting a tenant who was in a rush to move in
-  Dropping my credit standards

Finally, there are unforeseeable situations when genuinely MECCA TENANT FAILS to meet the terms of their lease. Examples of why this happens include:







-  Divorce
-  Job loss
-  deaths
-  job transfers

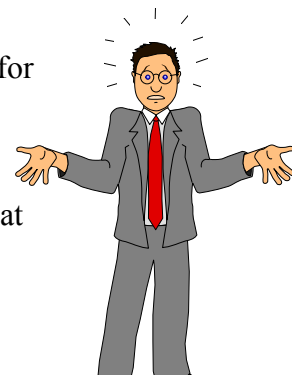
WHEN YOU MANAGE MECCA PROPERTIES AND OWNERS, YOU'LL ATTRACT AND KEEP MECCA TENANTS. NEED PROOF?

Print a list of your tenants in rent amount order. Look at the higher rent tenants you already have. How many of them are MECCA tenants, i.e. paying on time, taking care of the property, etc...

ADDITIONAL SERVICES

BEFORE PROCEEDING ANY FURTHER, WRITE YOUR ANSWERS TO THE FOLLOWING QUESTIONS:

-  Who inspects your properties between tenants?
-  How much time does this take for each turnover?
-  How many turnovers do you average each month?
-  Multiply your time to inspect each turnover by the number of monthly turnovers to see how much time you spend in this area.
-  How do you document the condition of your properties for security deposit claims?
-  How do you tell an absentee owner that work is needed at his property?



INTRODUCTION TO VIDEO PROPERTY INSPECTIONS

In 1994, I realized I was spending a lot of my time, gas, and patience driving around town to inspect each property every time it turned over.

More than anything, I dreaded meeting with the exiting tenant to “walk through” the property. The tenant linger around, defending every defect with “that was there when I moved in” or “I don’t know how that happened, but we never did it!”. Yeeeeeeehh!

Another problem that haunted me was that I didn’t have the time or opportunity to regularly inspect each occupied property. Deferred maintenance was accruing, tenants were abusing or neglecting the property and I wasn’t aware of these situations.

One night, I watched an HBO special on the power of video tape. I was fascinated!

While that video camera was rolling, employees worked harder with fewer breaks.

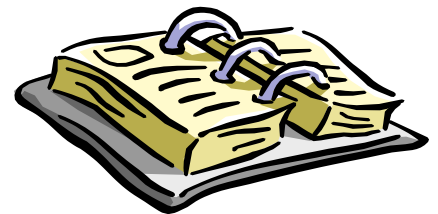
Employee theft was way down! Shoplifting decreased! Private investigators help win huge divorce settlements by catching “indiscretions” on film! Insurance detectives catch “injured victims” doing aerobics and getting claims thrown out of court! I thought to myself, “This is powerful stuff!”

Do you see where this is going? The next step was to start video taping my vacancies. I bought a small video camera and kept it in my car. Every time I inspected a turnover, I ran a tape. I had a video before and after each turnover. I thought I’d have to wait a year before the benefits of these tapes would pay off. Was I in for a surprise!

A new tenant moved in and ONE MONTH LATER called to ask that we repair two cracked windows at his property, stating they were cracked when he moved in. I told him I would review the video we had taken prior to him moving in to determine if these cracks were in fact pre-existing. His response surprised me! “That’s ok, Todd, my kids probably did it. I’ll replace the glass at my expense.” The tenant gave up with out a fight, before I could even pop my tape in the VCR! Why? Because he knew that he had caused the damage and he knew he couldn’t argue with a video tape!

This was so exciting! NO MORE ARGUING WITH TENANTS ABOUT PRE-EXISTING DEFECTS! Now I could hardly wait for the first turnover to see how this technique would work on security deposit claims!

After a year of taking these tapes, tenants started to move out and I could finally test my new program. I ran a second tape on each vacated unit. I was ready to defend this batch of security deposits claims! After the tenants received the deposit claim letters I mailed them, the phone rang with the usual barrage of outrage. My response? I calmly invited each irate tenant to bring their documentation to my office where it could be compared with our before and after videos. AFTER 4 YEARS OF MAKING THIS OFFER, NO ONE HAS TAKEN ME UP ON IT! Why? PEOPLE DO NOT WANT TO SEE THEMSELVES PROVEN WRONG ON THE TELEVISION SET IN MY OFFICE! Better yet, they don’t want to take me to court so that everyone else can see how they left the place. I’ve only been sued for two security deposits refunds since 1994 (I WON BOTH SUITS). The beautiful part of the using these tapes to fight in court, *is using them to keep us out of court!* That’s powerful stuff!



Wait- it gets better! I bought one of those little TV/VCR sets to review the tapes at the office, but no tenants ever came in to see the tapes. What a waste of money, I thought. Then it hit me! I should be the one looking at the tapes in my office instead of being the one taking the video at the property. What follows is a comparison of the old way of managing property versus the new way! See which one you like better!

1. Tenant vacates
2. You drive to the property to inspect
3. You write up work order
4. You drive back to the office
5. Give work order to handyman
6. Handyman drives out to quote price to write up materials list
7. Handyman gets bid approved, drives back out to do work
8. Handyman turns in bill
9. You drive back out to inspect work before paying bill *(or do you?)*



The only folks making any money the OLD way are TEXACO, GOODYEAR, and your MECHANIC.

NEW TURNOVER ROUTINE USING VIDEO

1. Tenant vacates by turning in keys and signing over unit
2. You send handy man to change locks, video tape all work needed at the property and write his quote/materials list

3. Handyman brings you the video with quote
4. You watch the tape in your office and prepare security deposit claim letter *while watching the video.*
5. Handyman goes back to property, does the work and takes a second video which highlights the work he has done.
6. You watch the video and you're inspected his work, plus documented the move-in condition for the next tenant!

The best part of Manager Mecca is saving time. What used to take me an average of 2 hours per turnover now takes far less than 20 minutes! WHAT A BEAUTIFUL THING!

BENEFITS TO YOU AND YOUR CLIENTS

Did you notice that the old routine had a lot more steps, most of which involved you driving all over town? By contrast, the new video routine involves learning to master your VCR remote control!







Did you notice the handyman was running a video tape of the property both before and after he had done his work? My handymen know they have to highlight the work they have done on the video. I've found this really motivates the handyman to do a good job! I've had FEWER CALL BACKS and FEWER COMPLAINTS FROM NEW TENANTS.

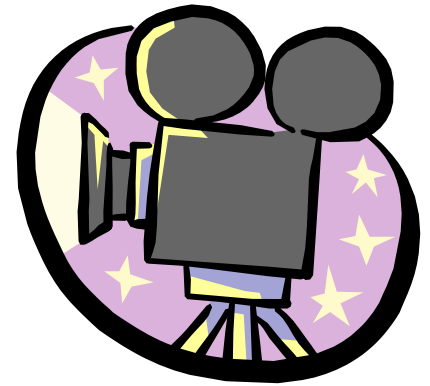
Did you notice I am no longer meeting tenants to do "walk throughs"! That alone ought to be reason enough to get excited about using videos. In case you need more information, keep reading!

STARTING YOUR VIDEO INSPECTION PROGRAM

I've really "fine-tuned" this program over the past four years. Here are some suggestions on how you can implement your video program.

1. Start the program by telling your clients the benefits:

-  Evidence for security deposit claim defense
-  Documentation for insurance claims
-  Copies available to absentee owners upon request
-  "All for the introductory price of \$29.95"



2. My handymen used to run out to the property for free just to bid the work and write up the materials list. Now I pay them to go out and bid the work, and so can you.

As a prudent property manager, you need to change the locks immediately after a tenant vacates, right? (PLEASE say yes) You can pay a combined fee for labor to change locks and run your move-out video tape. The trick is always to get your handyman or leasing agent to run the video while they're already at the property.

3. Buy your video camera(s) from a national chain that offers an extended three-year warranty with loaners and/or immediate replacement. **YOU WILL LIKELY NEED TO USE THE EXTENDED WARRANTY!** I use VHS-C tapes because they're smaller than full size VHS tapes, and can be played in a VCR with a VHS-C tape adapter.

4. Whoever you have do your videos, sit down with them to watch the first 5 tapes.

Point out the need for a steady hand. I like to compare it to taking a series of still shots linked together. Tell them to hold each shot while they count to 5. This makes viewing, fast forwarding and rewinding much easier.

5. Before starting the tape, open all window treatments, turn on all lights, open all cabinet doors. This makes the video brighter and helps it to flow better. Turn the focus from auto focus to manual focus while you are inside. The reason for this is that white walls tend to make the auto focus feature go “hyper-active”. You are better off with your manual focus set at a range of 4-6 feet while inside.

6. Make sure the video camera is set to show the date on the tape. The person taking the video should begin and end each tape by stating their full name, the date, the property address and the previous tenant’s name (if applicable).

7. Start and end each tape with the same shot. I like to see each tape follow this same order:

- a. House address numbers with verbal introduction
- b. Front entry door
- c. Go through front entry door
- d. Keep turning left until you’ve done every room and returned to the front door. Each room shot should include
 - Initial overview of every room

- Each wall shot at a time from left to right with both sides of doors
 - All window panes & screens
 - Ceiling fixtures
 - Flooring
- g. Exterior of property from front door all the way around and back to the front door again, paying attention to lawns, screens, landscaping, fencing, drive way, soffit vents, shutters...
- h. House address numbers with verbal conclusion
8. Use a red laser light pointer (\$30) to highlight defects. This shows up beautifully on the tape. (And it's far more professional than your handyman's pointer finger complete with the bandage and dirty fingernails) Also, have your videographer make a noise or belltone when a defect or quoted item comes up. This allows you to "multi-task" while at your desk viewing the tape. Just like Pavlov's dog, you look up when you hear the tone.
9. Instruct your handyman to hold his quote pad up in the corner of the view during each shot in which he is quoting work. (This way, you'll know to stop fast forwarding the tape because something important is going on when you see that quote pad!) This method is better if you intend to actually view every part of each video.
10. Call the property owner immediately after viewing the tape so that you can go over it while it's still fresh in your mind. If the owner isn't available, e-mail or fax him your proposal.

I ask my handy man to number each item he quotes and submit written text and price quote on two separate pages:

Page1	Page 2
123 Maple Street	123 Maple St.
Work quoted on __/__/__	Quoted by :_____
All prices good for 30 days	Date __/__/__
1. Paint interior- complete	1. \$225
2. Replace verticals in LR	2. \$ 55
3. Pressure clean exterior & walkways	3. \$ 70

When quoting the work to the owner, I simply photocopy Page 1 and add my prices directly beside the written text. I am then prepared to fax or mail this quote (if needed) directly to the owner for his initials (when required). Fast & Simple.

WAIT! WE'RE NOT DONE YET! THERE'S STILL MORE BENEFITS TO USING VIDEO PROPERTY INSPECTIONS!

Let's consider the plight of your absentee owner. He's miles away, trusting that you are doing your job, hoping the property is well kept. You call him to inform him that it's time to repaint the exterior because it's beginning to peel. You also tell him it's time to replace the flooring in the living areas. And those trees need pruning! The

owner responds with “I’ll wait until the next time I’m in town so I can check it out myself”.



I’ve actually had owners fly in to town just to inspect their property. Not so much anymore they don’t!

When they tell me they want to see the place, I offer to ship them a “complementary” copy of their latest

video(s). Why? I’d rather spend \$10 to send them a tape than have them camping out on my doorstep and taking my VALUABLE TIME.



One poor chap whose property I manage was transferred to Bejieng, CHINA. I guess there’s not much to do in China, because he took to e-mailing me once a week with questions, instruction and the like. (I’ll remind you of my previously stated position on clients trying to micro manage me- I find it

intolerable.) Still, it must have been difficult for this client to go to the other end of the world and become completely dependent on my firm to look out for his best interests. So, to set this fellows’ mind at ease, I had my handyman run a video tape of the property while he was there to perform a service call. I then shipped the owner a complementary copy of the video at a cost to me of \$65, with a letter stating I was happy to run him a new video and ship it to him anytime for \$125. In this letter, I informed him that I preferred showing him his property over telling him about it. He viewed the tape and sent me one final e-mail in which he praised me for my fine work at the property and expressed his appreciation for the video. Now I hardly ever hear from him unless he wants to pay \$125 for a video.

Need another reason to keep your absentee owner away from the property? You and I are agents. Agents represent principals in transactions. Once the principals meet and exchange phone numbers, you and I as agents lose control. I can think of many bad experiences that have resulted when an owner and tenant have met, for example:

REASON #1 FOR KEEPING OWNERS AWAY FROM TENANTS

Tenant approaches owner directly to buy property, trying to cut you out of the transaction. Owner says okay and terminates management agreement. A few months later, the tenant is now the owner and it's really hard for you to collect your commissions!



REASON #2 FOR KEEPING TENANTS AWAY FROM OWNERS

You upset the tenant when you enforce the lease. Tenant gets on the telephone and cries to the owner or lies to the owner. Either way, you no have more problems to solve! I don't like my tenants using the old "divide and conquer" method to pit me against my client, the property owner. Best to keep these parties apart!

Sending a "complimentary" video inspection to your client and keeping them away from the tenant is far better than risking the above complications!

If the owner is coming into town and wants to see the unit, I'll explain the danger of the owner "befriending" the tenant lest the owner create an environment where the tenant can

contact him directly and thereby “divide and conquer”. Several owners have even come to my office to view the most recent tape of their property rather than risk visiting the property and having to “get involved” with their tenants.

THE POWER OF VIDEO AS A SALES TOOL FOR YOUR REPAIR DEPARTMENT

During certain times of the year, my repair and maintenance volume lightens up. When this happens, I'll send my handyman out to do video inspections of occupied units at no charge to me or the property owner. While handyman is there, he can charge out any of the below work provided he documents the need for it in the tape:

- Fertilize the lawn
- Adjust the sprinklers
- Lubricate the door locks/hinges
- Clean the A/C filter
- Trim the shrubbery
- Clean the gutters

While there, he can also video tape the need for, and quote prices to perform any deferred maintenance items such as:

- Repaint the exterior
- Replace any rotten wood
- Seal coat the driveway and etc...

When the handyman returns from the property, I now have:

- A bill for any routine maintenance done at the property
- A quote for the more expensive work needed
- A free video taped inspection of the property

I then mark up the quote and forward it to the owner with an offer to send a copy of the video inspection to the owner for \$35. The offer states that this same \$35 will be applied toward the work should they authorize us to do it.

NOTE: I pay my handyman \$35 extra for each quote that is accepted. This reimburses the handyman for the time spent taking all the video inspections for me. Notice my repair personnel are never idle!

OK- THERE'S EVEN MORE REASONS TO BEGIN YOUR VIDEO PROGRAM!

VIDEO MARKETING OF PENDING VACANCIES

The current tenant gives notice that he is vacating in 30 days. The current tenant may have a trained attack dog, may have changed the locks... for whatever reason, it is difficult or impossible to show the unit to new tenants or buyers. You probably have to wait until the current tenant moves out to begin marketing the unit, right? Not so!

Put up that sign! Run that ad! You can still show the unit! Tell the prospective tenant (or buyer) that you are offering video previews of the property from the comfort of your office! It happens like this:

1. You receive tenants notice to vacate
2. You order the yard sign up & place the ad the same day, listing the property address in the advertisement.
3. Prospective new tenants call and drive by the property.
The ones who are interested call you.
4. Explain to the prospect that you value your current tenants' privacy, so much that you would like to show the prospect a video of the unit rather than impose a parade of showings on your valued tenant.
5. The prospective tenant gets the "warm fuzzies" all over the fuss you make not to disturb you "valued" tenant (the same bum who wouldn't let you in anyway!)
6. The prospect comes to your office to view the tape. You show the prospect the most recent pre-move in video of the vacant home with fresh paint, clean carpets...
7. If after viewing the tape, the prospect is interested in renting the property, you then have the prospect complete your application. (Notice you still haven't left your office).
You tell the prospect that an appointment to actually view

the unit can be made after you determine they are qualified to lease the unit.

8. What you do from there is up to you and the prospect. Many prospects will want to physically view the property prior to signing the lease, in which case, you make an appointment to show the property. But, I have actually written leases before the prospect has visited the property. How? I simply write the lease subject to the property being in similar or better condition than what's shown in the video when the new tenant moves in.

When was the last time you were able to lease or sell a property WITHOUT LEAVING YOUR OFFICE OR CO-BROKERING THE DEAL? If I can do this regularly, chances are YOU CAN TOO!



The marketing theme for the MANAGER'S MANUAL says I make more money in less time. Specifically, it states that I used to work 50+ hours per week but now work around 30 hours per week. How? One thing I am NOT doing is seeing how many evening and weekend appointments I can make to show property. (Our physical office is actually closed weekends!)

BENEFITS OF VIDEO MARKETING:

Fewer showings means fewer interruptions to your existing tenants. You will get better cooperation from your vacating tenants in this manner. It's harder for them to deny you a showing when you explain all of the effort you've spent qualifying the prospect.

Getting the jump on marketing these hard to show units means less rent lost due to vacancy. This impresses your clients! (Especially when you go out of your way to point this out to them!)



You're sitting in your office- not driving your car! No waiting 15 or 30 minutes at the property to see if you're being stood up. I let the prospects have as long as they want to run the video while I'm working in the next office.

What the heck, I even offer them a soda!

- * How many hours per week do you spend showing property?
- * How many showings are wasted on unqualified prospects?
- * How many showings actually result in taking an application?
- * How many applications do you turn down?
- * Would you rather turn someone down before or after you've invested your time, gas and effort showing the property to them?
- * How often are you able to fill a pending vacancy without letting it sit empty?

VIDEO MARKETING TO OUT OF AREA APPLICANTS

I've had prospective tenants call me from out of state to inquire about an ad I've run in our local classifieds, Yellow Pages or internet... I tell them enough to "whet their appetite".

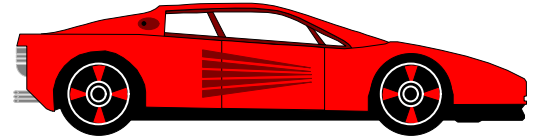
Prospect says "I'm moving there a week from Saturday and still haven't found anything...Can I see this unit when I arrive?" I explain the unit will likely be gone by then, and besides, we're not open on weekends to show them the property! BUT I CAN HELP THEM RIGHT AWAY! I offer to overnight a video, with an application and a welcome package (with area coupons worth over \$200) from Chamber of Commerce, all for \$50, charged to their credit card. Prospect says okay & authorizes the charge so I ship the video. The next day, an application appears on my fax machine with another authorization to charge their credit for the application fee. You know the rest of the story...This is leasing property the easy way, folks! The next section puts the entire matter into the proper perspective.

TAKE THE VIDEO CHALLENGE

Ok, so now it's time to make a choice. Are videos for you? Take a moment to review this entire video section again. When you are done reviewing it, write out the pros and cons.

If you are concerned with the cost of the equipment, look at the last year's turnovers. Count them- how many new tenants did you place last year? Multiply this annual number of turnovers by \$29.95. See if this won't pay for the camera, the TV/VCR, and the tapes in less than one year.

While you're at it, why not look at your auto expense for the last year? Go ahead, add up what you spent on fuel, tires, repair, and maintenance, depreciation on your vehicle(s). How does this total compare with the cost of starting your video program?



HINT: You can't afford not to try using some or all of the video techniques. I know I can't afford going back to the old way!

About the price change I charge for the videos; I've never had one client object to the \$29.95 price per turnover. Not one! I admit to being somewhat timid about introducing a mandatory new service at an extra cost, so I priced it low. Too low! OBVIOUSLY, if NO ONE objects to the price, it's TOO LOW. You may consider charging more!

Not only did no one object to the price, many new clients said they chose my firm to manage their property in large part because they liked the availability of video property inspections and video marketing. This has been on my brochure for 3 years now. As of the date of publication, no one else in my market offers video inspections. Cutting edge technology is the sizzle that sells my steak!

Absentee owners love this program. Put yourself in their shoes for a moment. Wouldn't you appreciate the opportunity to pick up the phone and ask for a copy of the most recent video of the most expensive asset you own?

One owner told me, and I quote, "Videos don't lie the way salesmen do - that's why I chose your firm (HELLO!). You're obviously willing to stand behind your work if

you're prepared to send me the video both before and after each tenant." This owner was one of the few who requested and paid for a copy of the video of his properties. He later stopped asking for him. When I inquired why, he said "I'll ask for one again sometime, meanwhile you'd better keep up the good work!". This client had grasped the video concept so well, he was actually using it on me! BRAVO, MR. OWNER!



I'm actually quite proud that this client:

- * Chose my firm because of the video technology
- * Used it to check up on me a few times
- * Doesn't see the need to continue wasting money for copies of videos that prove what he knows to be true, specifically:
 - o He's hired a professional landlord
 - o I'm on top of things at his property
 - o He can relax without worrying about his units

YOU'LL NEVER KNOW HOW WELL YOUR VIDEO PROGRAM WILL WORK
UNTIL YOU TRY IT!

Are you beginning to see how you can have passive, happy owners that leave you alone to do your job of managing their property? OWNERS LIKE VIDEOS. Owner trust and confidence builds loyalty. Loyal owners renew with you year after year. This is another part of MECCA- CLIENT RETENTION!

The journey to MANAGER'S MECCA isn't hard, its easy. BUT, the hardest part of any journey is the first step. BEFORE PUTTING THIS BOOK DOWN, PLEASE COMPLETE THE NEXT SECTION.

ROAD MAP TO MANAGER'S MECCA

Date Journey STARTED:_____

DEFINE A GOOD or "MECCA" PROPERTY:

THIS IS NOW YOUR "MECCA" STANDARD FOR A PROPERTY. REVIEW IT
BEFORE ADDING EACH NEW UNIT.

DEFINE A GOOD or "MECCA" OWNER

THIS IS NOW YOUR "MECCA" STANDARD FOR AN OWNER. REVIEW IT
BEFORE ADDING EACH NEW CLIENT.

GET YOUR LIST OF THE LOWER ONE-THIRD OF YOUR UNITS. APPLY THE
ABOVE MECCA STANDARDS TO EACH ONE OF THESE LOWER RENT UNITS.

THE UNITS THAT FAIL TO MEET THE ABOVE MECCA STANDARDS
NEED TO GO.

REFER TO THE OPTIONS AVAILABLE TO YOU ON PAGE 14 FOR
SUGGESTED WAYS TO STOP MANAGING THESE UNITS. PLAN
TO PHASE THESE PROPERTIES OUT OVER THE NEXT MONTHS

MANAGER'S MANUAL \$\$\$ BONUS TIP

Just in case you STILL need any motivation to run the MANAGER'S MANUAL ANALYSIS of your rents and management fees each month, TRY THIS! I MADE \$412.22 THIS YEAR JUST BY DOING THIS ANALYSIS! HOW?

Since you are calculating your scheduled management fees anyway, compare your calculated fee against the fee actually posted to each property!



Comparing my actual management fees posted to each property against what the management fee should have been pays off every month! Look for both errors and omissions. You'd be surprised how few owners will call you to tell if you undercharge them or forget to charge them.

MANAGER'S MANUAL \$\$\$ BONUS TIP

What do you do when a tenant approaches you for consent to break a lease? I used to cringe, but now I just smile!

Many apartment communities in our area allow their tenants to cancel the lease with 30 days notice by paying one month's rent as a "penalty" and forfeiting their security deposit. I had the idea that perhaps I could keep the "penalty" as my management agreement does allow me to keep any fees collected from tenants.

When I first heard of this policy, I wondered who would be crazy enough to agree to that? Seems awfully harsh, doesn't it? Do you know who will agree to this? MECCA tenants! The ones who have good credit and want to keep it that way. You are going to have MECCA tenants if you don't already, right?

Well, I had to give it a try, and it works! I give the owner all of the security deposit. I keep the "penalty"! These "penalty" fees can quickly add up to well over \$10,000 in additional income to me each year. If you get the property re-rented with our any rent loss, the owner wins too!

One owner's accountant called me to report an error on our client's year-end statement. It appeared the annual income from his 8 units was 104% of the rent roll. The CPA wanted to see how we made this mistake. When I explained that there was no mistake, just lots of rent plus forfeited security deposits, the CPA marveled at how well we operated. He hung up and immediately called two of his clients who owned rental property to tell them about our impressive results.



The upside of this referral? We picked up another couple of units that way. The downside? These new clients expect to earn more than 100% of their rent roll! MECCA does have its' price...

APPENDIX A

LEASING, MANAGING AND SELLING THE SAME PROPERTY

ARE YOU SELLING YOUR OWN LISTINGS?

If you are actively listing and selling your inventory, you already know the benefits of doing so. COMMISSIONS!

If you do not list and sell. WHY DON'T YOU?

When I bought the company in 1993, we were not listing or selling anything! I knew very little about selling anything, but I did know how to show up at a closing to collect my commission check.

I estimate my MLS dues, advertising, long distance and other related expenses to be well under \$1500 per year. I earn this back on the first deal I close each year. The rest is easy!

Your management agreement should at the very least contain a rudimentary listing provision for when the owner decides to sell. I have a binding listing agreement on every management contract I sign up! The management agreement and the listing agreement is for 12 months. It renews each year for another 12 months, If that property is going to sell, guess who has the listing on it?