

EP38: Making The Decision to Rent or Sell Your Home Investment

Welcome to the Landlord Logic Show, hosted by John Tiner. John is the owner and CEO of Tiner Property Management, a three-generation family business since 1976. Tiner Property Management expertly manages over 1,000 properties in the greater Sacramento area to place quality tenants quickly while minimizing your risk. John stays up to date on all the new laws and regulations and shares his knowledge with do-it-yourself landlords each week.

The Landlord Logic Show with the Tiner Property Management Pros. Joining us now, John Tiner, along with his wife and business partner, Jenny Tiner.

Welcome back to the Landlord Logic Show. We always enjoy this time. And in the studio with me today is my wife, Jenny Tiner. Welcome.

Hi, everybody. Thanks for joining and listening again. So we met with a group of realtors, PCAR, the Placer County group, a couple weeks ago. And one of the topics that came up is they want to know, how is the rental market? And then what do we tell people who are thinking about renting their home instead of selling it because they have a 3% interest rate and it makes sense for them not to give up that loan? And so we kind of wanted to dig into where the market is because... The sales market, which has been soft since interest rates went up in 2022, continues to soften. And we've seen some values drop off a little bit. Some people think we're going to have a crash. I don't think so. But we may have a little reset in values coming for sure. It's already had some drop off in value. So a lot of people who can't sell or they don't like their sales number that they get are thinking about renting. And we get calls on that every day. That's the majority of our new accounts are coming from that sector. And there's some good reasons that they don't always understand, especially if they've lived in the home themselves and they wanted to sell and buy another home. But now they're thinking, maybe I just want to keep this 3% interest rate and maybe even rent where I'm going and keep the one that makes more sense. And there's some really good reasons that they don't think about sometimes because they've been just a homeowner and a landlord is a different kind of family. thought process that they need to go through. And so if they are just looking to cover costs, sometimes we talk to owners and they're a couple hundred dollars short of being able to cover the cost and they think, well, maybe we shouldn't do it if it doesn't cover all the costs.

Well, maybe they should. So just think of how if you put a couple hundred dollars a month into your IRA or in your investment account, it may make great sense to do that. In fact, usually it's one of the best investments you can make. So we call it the golden handcuffs when somebody has a property. And they can't really get out from under it because the interest rate is just too good to let go of. But it's not always a bad thing. Sometimes that leads to moving someone into the investment sector, owning real estate. And that's the number one way that people build wealth in America.

So if you want to reach out to us, you can call us directly by dialing 916-974-6003 or check out our website at [Tiner.com](https://www.tiner.com). All the information that would get you started is available there also.

And if you're making that decision, should I rent or should I sell my home, one of the things that we see often is they're making a tough decision between if I'm going to sell, I've already been on the market a couple months, my home's not worth the \$650,000 maybe that we're asking for it. My realtor's telling me that with the new comps that it probably should be priced at \$630,000 and I need a \$20,000 price reduction. But now I go and check on the rent value and it's \$300 a month less than I wanted. So the decision sometimes is do I... Do I have a disappointment of \$300 a month or \$20,000 today? And for a lot of people, when they actually put that weight on the scales, they decide that it's probably better to go ahead and rent. And then all the other reasons that make sense to keep it for a rental will also come into play.

So I want to look through some of those today. And Jenny, you were with me that day. So what are some of the questions that people were asking? One is, what is the most affordable real estate purchase? What's the best one to buy, right?

I like to say the best property to buy is the one you already own, right? Never sell a property you don't have to sell, especially if you have a great interest rate. There's no closing costs. There's no lender costs that you would have. A lot of the things that cost you money, the inspections and all those things that you would have to purchase a property normally, you've already done it. You own the home. That's the cheapest one to buy is just keep that one that you already own. When I went through a divorce, I had to get rid of one property and bought my ex out of another property. But then I didn't want to pay capital gains on the second duplex that I had owned. So we thought about John saying that the best property and the cheapest is the one that you already own. And so I bought my ex out of that one. And I'm glad I did because I still own it. And it's been a great investment for me. Yep. Keep those properties. And then the properties can give birth.

John loves this concept. A property can give birth. That's right. So there's a couple of ways that that happens potentially. One is once you've owned a home property for a long time, I like to think of it as the lazy equity. In other words, the value that you have that you don't know money for, say a property is worth \$500,000, but you only have a \$250,000 mortgage on it. That equity is another 250. So equity gets lazy. The higher your equity position is and the lower your loan position is, in some ways it's the lower the yield or the return on the money that's left because you're not leveraged. You're leveraged less and less as that pays down. So at some point it makes sense to refinance the property and pull out enough cash to purchase another property. Yeah, right now, it's hard. Interest rates are really high right now. I'm glad you're saying this, because usually it doesn't make sense to do it in a 7% interest rate environment that we have right now for investors, right? So it's not a great time. But we know those times come back around. They do. Either the buying opportunity will get so good that a 7% loan isn't too bad because the prices have dropped, or the interest rates will drop. Right. Yeah. Or home equity line of credit. There's different times, different options. But one thing that's known with real estate is it goes through cycles.

So history repeats itself. Yep. And top and bottom of every cycle, there are opportunities for people who are positioned right, whether it be to buy or sell, depending on where that is in the cycle.

Yeah. So there's two ways to do it. You can either refinance, pull out enough money to buy another property, get the down payment for it. And if you can figure it out so that the cash flow on the first home still covers the full mortgage payment, even after the refi. And this happens. We've seen this happen many times. And then they pull out enough for maybe an investor loan might require 30% down. Right. They pull 30% of their equity out. They put that 30% down on another property. And they get that one to cash flow or nearly cash flow. So now your property has one property and has become two. It's given birth. I love that concept. Because if you do that over decades, my family's done that where they had a single family home.

My parents exchanged those for duplexes. And then some of them they exchanged for nicer duplexes later. And now they've paid them all off. They have a nice income. But that's from leveraging them up and letting their properties give birth. And I did that too. And I bought my first duplex at 19. And then I refinanced, bought a house, refinanced, bought that other duplex, refinanced and bought the fourth house and all before I was 25.

So I made some different choices in life than a lot of others that were my age, but it has paid off very well. And I'm very thankful that I was able to do that. And when you can have your properties give birth and keep them, it's a good thing. But there's also the mentality does has to shift. Right.

What does that mean? So this is the landlord mentality versus the homeowner mentality. And it's, yeah, an accidental landlord. Yep. And a lot of times people didn't think they needed a shift. They didn't think about it. But it is a shift. It is a shift. So we meet with people and you can sometimes they're sentimentally attached to the house. My grandfather put the wallpaper in, but it's Waverly. It needs to go. It's not in the 90s. It was my kid's room. Right. So now you need to stop looking at this as a sentimental piece of real estate that meant a lot to you personally. It's a business. It's a business. I want to get the greatest return. How can I make my property appeal to the most people, get the greatest rent return out of the repairs that I do, the cosmetics that I do? and also the financial one, right? So it may mean that you have to spend a little more money and make this an investment place for you.

Think of it as real estate can be just like your 401k and a place where you invest some of your money sometimes. So that may mean carrying a mortgage payment that's more than the rent covers a little bit, or it may mean that you have to make some capital improvements to keep the property habitable enough that we can have renters in there. So do some repairs. I found even in my own homes, Some of the things that you live with when you're a homeowner, you end up needing to repair in order to make it ready for a renter. And landlords sometimes get a little upset. Like, it was good enough for me. It should be good enough for my tenant.

Well, no, it's not even legally habitable. You have to make the repair. And so there's a shift of thinking that has to happen there. But part of that shift of thinking moves into why would we do this and what is the payoff? And the payoffs can be fantastic. Yeah. And that's part of what you need to understand. If you're making some sacrifices now, why am I doing it? And is there a payoff? And if you hold real estate long enough with leveraged appreciation, you're going to do very well with it. Properties give birth. You get a bigger portfolio. You know, when a property gives birth and, say, you had a \$500,000 house and you end up buying another one with the equity, now your net worth as you pay off those loans is twice as big. You have two properties that you're going to own one day instead of one property. Mm-hmm. And the renter is going to help pay for the payments and buy that for you.

Yeah, that one duplex, I've had a tenant in there, I think now 18 years. And she basically has bought it for me. I still have a loan on it because remember, I refinance, refinance, refinance, but my mortgage is low, my payments low, and she's bought it for me a couple times over. When she eventually moves, I will have a good rehab job that I will need to do that. And I may pull money out. It's getting older. I'm not really sure, depending on the market at that time. I may exchange it, have it give birth, who knows. But just that one property that I kept the long game at 19, now I'm much older than that. It's good. And I've ridden the wave. I've had to evict people. I've had to do some other rehab, repairs. Ups and downs that go with it, right? Yeah. But when it works out, it really does.

Ultimately, when you look at American wealth and the way that Americans have gained wealth, the number one way that it's been done is by holding real estate. It's the number one safest way to have done that. Best way to have done that. And yes, it has some ups and downs along the path, but it has the beauty of leverage where you only have a small percentage down and you hold a big asset like a piece of property. And then, you know, the beauty of that is, you know, you put 5% down and then the property doubles in values. And then your 5% down now has multiplied itself many, many times over. So hundreds of percent appreciation on the down payment. So no other investment does that quite like that.

It doesn't. And I feel like I was young. John bought his property young. We have 21-year-old twins. There'd be no way in heck that those kids would be ready to buy a house at all. I mean, I love them too, but they have more money saved now than I did back then. But just the mentality is just different. But, you know, if you start young or old, just kind of know it's the long game. Yeah. We were kind of old souls. I got married really young the first time, and I had children and bought a house and did all that. Before I was 22, I had two kids and a house. So people think differently than they did then. And it was more affordable. As expressed in a percentage of a person's annual income, houses were a lot more affordable then, even with high interest rates in my case. I had very high interest rates when I bought my first house.

We had a neat appointment that we went to last week. And while we're just touching on this, actually a military family and they had called us and they got orders to move to the East Coast and originally called thinking that it was going to be a sales call. But they also said, well, maybe rent. But we really are really close on the numbers and scared to rent. But their life changed and they have a low interest rate under three percent. And their family's here. So they know that

even if they move, I think this is their last round that they're going to have to get a transfer. But they want to come back here. And they also know that when you leave California, it's really hard to get back here with the rates.

So anyways, we met with them and we really went through. Even if you have a negative amount, they're probably going to make it even or a little bit of money here. Every month, what their mortgage was, we told them about their utilities, we told them how much the rent would be. And so that appointment kind of shifted from a sale to a rental quite quickly, because I think it was in their best interest to do that. But we also were realistic with them and had them plan on how long it would take to actually make money. And so we told them that even if you are breaking even, you're going to have maybe some repairs. And then also thinking about, you know, it may take 30 days to rent the property. And then it may take, you know, you have somebody move in in the middle of the month. So the second month is prorated. You don't get a full month's rent. And then for us at Tiner Properties, the third month, you will get your rent. But we do disbursements at the end of the month. We have an option to have an early disbursement, but most of our clients are at the end of the month. So we told them you may be out three or four months and to budget that. But again, the long game for them and their purpose and their need, it's going to work out really well.

That's what we do a lot of, right? We help people make the decision about whether they should run or sell, give them some good stats and some good facts and help them do it. And if you're out there, you're listening today and you're thinking the same thing, hey, I think I want them to kind of help me analyze this. We'd be glad to.

So I want to give you a couple of ways to reach out to us. You can from your cell phone, dial pound 250. and say the word Tiner, leave your name, and then that'll send you some information, and then we'll be able to call you back from that also. You can reach out directly on your phone, and that's 916-974-6003. And then, of course, our website has lots of valuable information for people who want to just check us out kind of quietly, and that's Tiner.com, spelled T-I-N-E-R.com. That's Tiner, T-I-N-E-R.com. Thanks for listening.

So on our show today, we are talking about why is real estate a good investment? Why is it good? But then there's also what are the regrets when you know, if you have it, what are rental regrets and how to avoid them?

So we have a few of them that we're going to cover today. I think selling a property when you don't have to. That is your dad. I've heard him say that over and over. And not just him, but some of our own clients, especially if you've been playing the long game and you sold a long time ago. When my dad says that, he's 84 years old now. And when he says that, he's talking about properties that he owned 40 years ago. And he sold them to pay his income tax or something, a bill that he had at the time. And he said, if I had worked hard and fought hard, I probably could have figured out another way to pay my income tax. And if I had kept that property instead of selling it, it would have given birth to probably a duplex later on down the road and maybe a better duplex. And by now, at this stage in his life, that little property that he sold to pay his taxes could have been generating him over \$3,000 a month in rental income. So

the decisions you make as a young person, especially to sell real estate that you don't have to, really can come back to haunt you as you get older because it can make a big difference.

Fortunately, my parents made some good decisions along the line and they kept a lot of the real estate that they had. But he has at least two properties that to this day he says, I wish I'd never sold that one because it would have been much better. Yeah. And with that, it's kind of funny. He also says, I wish I would have bought that one duplex that I sold you, Jenny.

So that's kind of a, yeah, it was a small world back then if you guys managed the property. And we were thinking of buying it at the age of 19. And he says, gosh, I wish I would have bought that. And I said, well, I'm glad you didn't because that helped build my portfolio.

Yeah. Yeah, little did we know. My dad and I listed that property together, and he sold it to his lender friend's kids. And Jenny was a stepdaughter in that case, and I didn't even know Jenny. So Jenny bought my first listing before I knew her. That's a little small world there. Small world. Came back around to be my wife.

So another rental regret. This is a good one because we're a property management company. So it's really a big deal. Poor tenant selection. That's bad. That's probably the number one bad thing that people do. We've had several times lately where people that our business development manager talked to a year ago, and told them what the rent value was and what our tenant selection process was. And they were really tempted by it, but they decided they knew somebody and they were going to go ahead and rent it themselves. And six months or a year, they come back to us and they say, it turned out to be a nightmare. I picked the wrong person. I put in a friend or, you know, I went by my gut. I went with a cheaper company. I went with a cheaper company sometimes, yeah.

We are not the cheapest, but we feel the best. Yeah. So we have some of those clients that have had a really bad experience where they had to evict a tenant, and didn't get any rent for four months. I had one recently that was a \$750,000 house. They didn't get rent for six months. And then they had to do a lot of rehab. They tore the place up. It was a beautiful home. So they had lost a ton of money by the time they came back, and they said, we just really wish that we had gone with you in the first place now, because we know you would have helped us avoid all this. We saved what we thought was going to be a couple hundred dollars on the higher rent that we got from these people, and it turned out to cost us a tremendous amount of money. But it's a story that's all too common because the tenant selection process wasn't good.

So Tiner's really good at it. Tiner Property Management manages now 1,300 doors, and we are doing less than one eviction per year. So 1 in 1,300. We have really good screening guidelines. So if you're listening and you need property management, then give us a call. 916-974-6003. Or our website again, Tiner.com. And that's Tiner.com. I N E R.com. Our contact information's on there as well. Or you can dial pound 250 on your cell phone, say the word Tiner, and that's a good way to reach us too.

So while we go through these, what's another rental regret, John? A do-it-yourself landlord. That's right. Do-it-yourself landlord without being properly equipped. So doing it yourself, that's something that for many, many years a lot of people did. But 10 years ago, I'm talking about national statistics. We just saw this at one of our conventions, was that 60% of landlords were do-it-yourself landlords, 40% used professional management. But in the last 10 years, that's flipped. So now 60% of landlords are using professional management. 40% are doing it themselves. And I guarantee you that if you are looking at California landlords, it's higher than that because it's more complicated in California and some other states. New York, Colorado have some pretty difficult laws, and it's hard to keep up because they change all the time.

So it's becoming much, much more difficult to do-it-yourself property management. And if you choose to do that and you're not well equipped with knowledge and understanding and knowing the new laws, it can cost you a ton of money either by bad tenant selection, probably the most costly one, the quickest. But we're also seeing do-it-yourself landlords who are making mistakes with regard to fair housing and they get civil rights complaints. And those can cost you \$10,000 to settle if you're lucky. And if you've done things wrong, now they have all the information from the complaint that they need to file a lawsuit. And that can cost you \$30,000, \$40,000 just to defend it if you didn't do something terribly wrong. And if it's egregious, it can be much more. And they change rules and add rules all the time, all the time. And not just like at the first of the year, you know, it's just, I say this before you wake up on a Tuesday and John's like, well, here's another new law that just, you know, popped up. And how do we know it? Because he reads the legal blogs. He's very informed. He sometimes goes to his property management meetings and he tells other property manager company owners that didn't know the law yet.

So if you're a do-it-yourself landlord, it's your responsibility to know those laws. And there's a lot of them and it sucks. And it's like taking on 5,000 other day jobs that you already have. It's a lot of work to keep up with it. But you really, if you're going to be doing it yourself, you need to spend the time reading the blogs, knowing the new laws and figuring out how you're going to be in compliance with them. Because it's kind of the intention of the new laws is to make it cost prohibitive not to comply. That's the whole reason that they have these laws is to really tell landlords, look, you need to pay attention to this.

So wrongful eviction, right, where you've asked a tenant maybe that was under rent control to leave and you didn't have just cause under Assembly Bill 1482 under the rent control rules. You know, the tenant could go ahead and leave when you ask him to leave and you think, well, I didn't do an eviction. I just asked him to leave. Well, that's still considered wrongful eviction. They could come back and sue you. And claims for wrongful eviction have been \$100,000 to \$300,000, several of them that I've read about. So- It's really important that you understand and do things right. And because the cost for doing it wrong, the penalties are just egregious.

We have a friend of ours that bought a duplex, not from us, but they bought a duplex thinking they're going to live on one side. And then while we close escrow and also be able to move in. No, you have to give notice. It is a reason that they are able to occupy one side because they are the owner occupying it. But he has to wait 60 days, give some money, like notices have to

be served appropriately. He didn't know it. His real estate agent didn't know all that. He thought he was going to close escrow and move into his new duplex. And then he had to learn about rent control laws, and he had to pay a month of moving money to them. And then they didn't leave at the end of 60 days, like they said, but they were trying. So he worked with them a little longer. Now he's backed up on his own property where he's renting. So, Jared, if you're out there listening, we're sorry this has happened to you. Thanks for giving me a good story on our show. Yeah. Maybe somebody else will avoid that situation.

So with saying that, make sure we also sell real estate. So make sure your realtor knows these rules. They're supposed to, but they don't. If you're buying an investment property that's under rent control, so any duplex, fourplex, multi-unit, if your realtor doesn't know it, I think it's really smart to partner with a property management company while you're looking for the property. Right. so that you understand the implications and just how you're going to go about dealing with maybe a tenant in place that's under rent control. It's okay. We always tell people, you can call us and ask questions before you close escrow

What's the rent value really? Sometimes realtors have told them an amount they think is true, but they don't know how much the market shifted and it's not going to rent for nearly as much as they thought. But we'll help you with that. Get a realtor, and if they're not sharp on rent control rules and property management law, then partner early with a property manager that can help you with that side of it too, because you need both forks of that to make good investment decisions.

So, as is so common, this half hour has flown by, but we just want you to understand how we can help you if you're looking for a property management company. We make it really easy to own real estate, and we also make it much less risky for the property owner. So the concept being that we're turnkey. You hire us, we will help you get your property rent ready. We know what it takes to be habitable. We know what cosmetics are going to rent easiest, so we'll help you with paint colors, get your property ready for the market, and then help you find a great tenant. We vet them very, very carefully and evict less than 1 tenth of 1% of our tenants every year. So we're really good at selecting a good tenant, and then we continue on. We collect the rent every month. We give you an owner statement that shows exactly how your income came in, if we paid any bills for it. You get an accounting for that, and you get a check every month automatically deposited into your bank account. And then the accounting is all done for you. And at the end of the year, you'll have a year end statement that you can take to your tax preparer or CPA and they will help you, and they'll love it. They'll say, wow, everything we need is right here for your rental property. Really super easy.

So we also take the calls, you know, in the middle of the night, on the weekends, schedule the vendors. We write over \$3 million of work orders a year. They're independent contractors, but they want our business because we write a lot of work orders for them. And that's all because we have these relationships. It makes it easier for us to get houses rehabbed than someone going out to find all the vendors on their own. Yeah, we're located in the Sacramento area and we do residential property management.

So if you would like more information, check our website out. Everything that we talk about here is on our website. These shows turn into podcasts that are on our website, on our resources page. which is Tiner.com and that's T-I-N-E-R.com or give us a call 916-974-6003 or on your cell phone, you can dial pound 250 and say the word Tiner and we'll give you a call back. Thank you for listening. We appreciate it. And remember, professional property management doesn't cost. It pays.

Would you like to learn more about the services provided by the Tiner Property Management Pros? Their professional property management team will take care of your rented home from start to finish. Simply dial pound 250 and say Tiner to learn more about the ease of managing rental properties or check out their website, Tiner.com.

Join us again next week for the Landlord Logic Show with John Tiner.