Episode 57

Meet John Tiner, owner and CEO of Tiner Property Management, celebrating 50 years of service in Sacramento. With nearly 1,400 properties under management, we help landlords place quality tenants, protect your income, and minimize your risk. And with these ever-changing California regulations, we keep a close eye on the newest housing laws, manage your rental, and send you a check each month. It's peace of mind from the experienced team at Tiner Property Management. Call 916-974-6003 or visit tiner.com. And join us for the Landlord Logic Show, Sundays at 830 on KFBK. 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 to the Landlord Logic Show. I'm John Tiner with my wife, Jenny Tiner, and we're so glad that you're with us today. Tiner Property Management, if you didn't already know, is a property management firm that we specialize in residential properties. We manage almost 1,400 properties now. That's a growing number. It was only two years ago, I think we went over 1,000 doors, and that was a big landmark, and now we're up to right at 1,400 doors. So we're growing quickly. When you do something well for a long, long time, word gets out, and so our phones ring all the time.

So Tiner Properties was founded by my parents in 1976. I was in junior high and then began to grow. And by 1986, my dad called me and he said, John, I need you to get your real estate license and come help me. I have all these rentals. He had 40. So he needed some help because his forte was real estate sales. And he really wanted to focus on that. And when we had tenants calling and stuff, it was just a lot of distraction for him. So I came and helped him with that side of the business and helped grow the company. And it took us quite a while to get to 100 doors. And we were so happy when we hit 100 doors. And I remember my dad saying, this will be the hardest 100 doors we ever got. that the next 100 will be easier and the next 100 will be easier. And it's been true over the years. And then the market cycles have gone up and down. There was a time when right after the real estate crash of 2007, there was an awful lot of people who lost their properties that they were renting them and they lost them to foreclosures. So our door number went way down by about 30% over a couple of years from 2007 to 2012. Then the market kind of bottomed out, and buyers were coming in because it made great sense to buy a property for $150,000 that would rent for $1,500 a month. And so they were buying those up and new opportunities, and our company started to grow. And it grew rapidly from about 2010 all the way.

So we've seen the market go up, go down. We've seen rents go up and go down. We've seen new laws come in and change the industry significantly. Technology has changed the industry.

But what's been consistent through all that time is that we provide a service that minimizes risk for people who need to be a landlord, want to be a landlord. There's a lot of good reasons to be a landlord, and it helps them build generational wealth. But we also will just make it turnkey for them. In other words, we coordinate all the repairs that are necessary. We get things fixed, whether it's a leaky roof or a broken pipe in the middle of the night, or just general maintenance. We do several things every year just because it's necessary to clean gutters every year, for example. And then we do the accounting for you. So we collect the rent from the tenant. We find a great tenant in the first place. That's probably the most important thing we can do for anybody. With 1400 doors, we're doing about one eviction a year. So literally less than one per thousand per year are getting evicted for tenants we've placed. That's because we are super careful on the tenant selection process. And then we do your accounting. And then the year-end accounting, send you a check every month, direct deposit right into your account. It makes it really easy to own. rental property. A lot of times people didn't plan to be a landlord. They decided that they want to keep their property because they used to live in it. They had to move, but they have a 3% interest. So they look into how can we keep this property and they call us and we make it easy for them. That's the whole goal of professional property management. So that's what Tiner Property Management does. If you're listening today and you're thinking, wow, that's kind of what I need. I've got that very situation in my own life. We'd love to hear from you. Our number is 916-974-6003, or you can press pound 250 from your cell phone and say the word Tiner. That'll send you some valuable information and also ring through to us. Or you can check us out on our website. Our website is tiner.com. That's T-I-N-E-R dot com.

But in the studio with me today is my wife, Jenny. So what are we going to talk about today, Jenny? Hi, everybody. So today we are going to talk about low interest rates and should you keep a property? What are the benefits of keeping a property and renting it? Should you sell it? We've gotten quite a few phone calls like this because we got quite a few phone calls a few years ago for people that had, we're talking around 3% mortgage, sub 3%. You know, I talked to somebody the other day that it was a 2.33%. And I'm like, and they asked me about selling. So we're going to talk about should you keep it and just maybe give some pointers on that and our thoughts behind that. Sure.

So those rates are fantastic, right? It does make you, yeah. If you have a home, maybe you've lived in it, now you're going to need to move. And you're thinking, you know, should we sell this property? Well, why give up 2%, 3%, 4% interest rate? loan. Right, because interest rates now, you're 6%, 7%. Right. So if that money maybe doesn't even come available at that price again, it may make sense to hold on to. It's not the only factor, though. That's what we always say. You've got to look at more than just the interest rate. So it's a great deal. It's a big factor. If you have a great loan, it's a good reason to hold on to the property. The rent will use you more than cover the mortgage, which is the ideal way to have a property. We always say the cheapest property, investment property to buy, is the one you already own. In other words, if you can keep a property, you don't have closing costs or anything else on it, that's the best one to buy. So we regret the properties that we didn't have to sell or the ones we could have held on to. So if you're a property owner and you have a property that you're thinking, should I sell or not? Let's dive into that. Does it make sense? So one of the factors that we always look at is, do you need the money? Right.

Yeah, I just talked to one of our owners last week, and he just really wanted our honest opinion, a 2.33% mortgage rate. Jenny, I want to sell it. So I asked the questions, well, why do you want to sell it? We started management for him a couple years ago, just kind of a holding pattern. He was an accidental landlord. And sometimes we ask these questions, and yeah, the people do, for whatever reason. want to sell they need to sell um but he's like well no i only owe 150 000 on it i don't need the money you know i'm like well what are you gonna do go put it in some kind of other market if you don't need the money then let's talk about some other things here but if people need the money then okay um he's also coming into uh if he does not sell it within um by August or September of this year, then he would have capital gains because he only owes, you know, he's going to have a few hundred thousand dollars of capital gains. So then my question is, obviously, we're not tax professionals. We are not attorneys. So this is our, you know, I advised him go talk to your tax professional, whether you sell now and, you know, you cash out. Great. See if he advises you on what else. to talk to your investment person. But also ask the question, if you don't sell now and you decide to sell in two years, what is your capital gains at that point? Either pay the taxes or talk about a 1031 exchange to defer those taxes. So it's an important question.

Why do you want to sell? Do you need it? If you need the money to buy your next house, obviously. That's important. And you need to sell. If you need – we recently sold – we've actually had quite a few that were in the 2% range, but they had a reason. One had elder parents, and they're in an elder home. And we talked all kinds of different avenues to not sell that property, and they had to because they needed the money to care for the parents. So it was unfortunate. They thought about buying it themselves. But for their – it worked and it broke my heart because you know I even thought like can I buy it because it was you know it was just a good property but also the low interest rate. But if the needs are there, then that's a good reason.

So the capital gains is basically the, there's a whole tax equation with this. And, you know, you recapture your depreciation in a few steps, cost to sell. But basically the equity you have, in other words, you know, what did you buy it for? What is it selling for? And the difference minus closing costs and some other factors is capital gain. And capital gain is taxed federally and statewide. So it's around 25% for both of them. So, you know, if you have a…,000 gain is a $100,000 tax consequence. It's a significant one. And if you sell it within three years of having lived there yourself, then you're exempt. So there's that window. There's a good time. That's a good reason maybe to sell it is to avoid that gain. But then you can also keep it as a rental if you go beyond the three years. And then you could always do a 1031 tax exchange, roll it over into maybe a newer home that doesn't have as much maintenance. You have options. You could maybe take a $650,000 single-family home and buy a duplex that's all remodeled. and generate more monthly income from it. It makes better cash flow sense. So you have options, and you can exchange into a different property. And it defers that tax all the way down the road as long as you keep on deferring it or rolling it over. And then when you pass away, if your children inherit that property, they get a stepped-up tax basis, meaning that it'll be brought up to market value. So they've kind of avoided the capital gains in that case. What they can avoid now… with the new ruling is the property tax is going to be reassessed at that current value also. So property taxes go up. Not as big a deal, although it's expensive on a single-family home, but boy, if someone inherits that apartment complex, the property tax can go up really significantly when they inherit that property.

Yeah, so, you know, situations where we would actually tell an owner, why would you keep it? So let's talk through some situations where we may actually advise an owner that it may be best for them to sell.

So some, John and I are selling quite a few right now. I think we're working on about 30, honestly. And they're across the board of owners. It's the most sales that we have had. And it's really everything from… Landlord fatigue. It's a thing. We talk about all these laws and rules, and we love our company, and we love property management, but not everybody wants to be a landlord anymore. I just don't want to deal with broken toilets and dry-rotted floors, and now I have to buy a refrigerator for my tenant, and on it goes, right? On a previous episode, we went through a bad scenario, and that owner asked, what is he doing now? Are we re-renting it? Nope, he's tapping out. He's kind of done. He had a lot of, not necessarily rules, but it was landlord fatigue. Not legislation, but the maintenance. The $1,500 refrigerator was the tipping point for him. I'm out. I'm not going to do this anymore. I'm going to sell my half-million-dollar property because I've got to buy a $1,500 refrigerator. Anyway, I understand it. So landlords get tired of the new regulations and the threat of complaints, fair housing violations, and just don't want to deal with that kind of pressure in their life. And some? could be deferred maintenance so um you know we really try to stay up to date and advise our owner clients on maintenance in between tenants. But I mean, big things happen. I mean, you know, roofs, siding. You're right, Jenny. I think that is a high level of consideration for a property. If you have a rental property that's, you know, 20 years or newer, it's not likely to need siding or roof or HVAC. Well, HVAC is probably getting old. But those major ticket items, you don't have very many of them on a 20-year or newer property. As opposed to if you have a 45, 50-year-old property in Carmichael, it's likely to need, you know, bathroom and kitchen. remodels, major flooring updates, needs maybe windows, roofs, siding. Those major improvements cost a lot and they kind of kill the yield on the investment. So sometimes landlords who have had a property for many, many years and they haven't done a lot of upgrades because they had a tenant, they're better off to just go ahead and sell that property the way it is and then maybe exchange and buy into a newer property. And we see a lot of people do that.

I actually came across that decision myself personally because I just had a 20-something-year-old tenant vacate, and I'm having to put about $20,000, $30,000 into it. I thought about, should I get rid of it? But they've been in there 20, 22 years. I've gotten out of not having to do big remodel jobs. So I figure, nah, I'll keep it a little longer. I'm going to remodel one time. That gets me through the next 20 years, and then I'll probably tap out at that point. Maybe. Instead of having eight $5,000 vacancies, you may have one $40,000 vacancy. But it's just a big ticket. Yeah, right now I just keep writing checks and checks.

So if you're hearing this and you're thinking, well, maybe I'd like to have the Tiners come in and analyze whether I should sell or rent, we'd be glad to spend that time with you and kind of walk you through the situation. We're talking about some of the scenarios here, but we'd be glad to talk about your situation specifically. So give us a call at 916-974-6003. That's 916-974-6003. Another way is from your cell phone, you can just dial pound 250 and say the word Tiner. That'll send you some information about our company and also ring through to us. Or you can check us out on our website, which is tiner.com.

As we talk through some of these new laws and best practices, some of you do-it-yourself landlords are going great. You're taking notes and you're going to implement a lot of these kinds of things in your own properties. But other landlords are hearing this and you're going, this is just too much to keep track of. I'd really like to hire a professional who's vested and does this every day, reads all the legal blogs and stays up to date on all that. Well, if you want to call us for that, we're ideal for you. So we'd be happy to help you out with your own property. We collect your rent every month from the tenant. We place great tenants for you in the first place. Screen them out really carefully. We turn down about four out of five, and we are doing less than one eviction for every 1,000 properties. So we're good at what we do. And then on an ongoing basis, we help coordinate the repairs. We do all the accounting for you so that you have everything you need for your tax person. We just make it really turnkey for you and easy. You get a check deposited directly into your account every month, and then you don't worry about anything. You worry about your life. You do what's best for you. On your mobile phone, dial pound 250 and say Tiner. Leave your name and number and we'll provide you with a free ebook with 16 questions you should ask your next property manager. Again, dial pound 250 and say Tiner. Learn why a good property management company doesn't cost, it pays.

Here again are your hosts, John Tiner, along with Jenny Tiner on the Landlord Logic Show. Welcome back and thanks for listening, everybody. I am John Tiner and in the studio with me today is my wife. Jenny Tiner, and we are one of those 24-7 couples. We work together and live together and vacation together and still like each other. It's just awesome. And we manage about 1,400 residential properties, make it turnkey and easy for landlords to own a property. So give us a call at 916-974-6003. That's 916-974-6003. Another way is from your cell phone, you can just dial pound 250 and say the word Tiner. That'll send you some information about our company and also ring through to us. Or you can check us out on our website, which is tiner.com.

Today we're talking about interest rates. Should you sell? Should you rent? Maybe you have one of those great mortgage rates that are under 3%. Maybe it's even a little bit higher than that. So we're talking through some of those things. And what we'd like your thoughts on, John, is… flow. Does it matter? Does the math math? Yes. So I think cash flow matters a lot. In a lot of markets, I've always said, worry about cash flow. Don't bet on appreciation. Properties go up in value a lot of years, but they don't always go up in value. But buy something that carries itself pretty well. And it depends a lot on your financial situation too, though. So when we talk about whether a property has cash flow or negative cash flow, we're talking about does the rent cover the mortgage, the taxes, the insurance, and the property management services if it covers those things? Or if you include the water sewer garbage, does it cover all those things? And some properties, when they have a low mortgage and a low interest rate, it covers it well. Makes it easier to keep that property as a rental. And then other cases, it's not that good. So the PITI, principal interest taxes and insurance payment, may be more than the rent. And so you're carrying a negative cash flow. And utilities on top of that too. And you put it all together. Some owners might be looking at, well, I would lose $500 a month purely in cash flow. And then it's a business decision. Number one, can you afford to live? to support this property at $5,000 or $500 a month or whatever it is. You have to make a decision about that. And then, you know, if I do that, does it make sense? And what I've seen is many times, if an owner has money, it makes great sense to carry negative cash flow because if you carry it long enough, rents go up and it ends up covering, it's no longer negative. But we've seen that happen a lot when rent values went from 2010 to 2022. Rent values went up 50%, 60%, 70%. So people who were upside down, negative cash flow, went positive and went quite a ways positive. So sometimes it makes great business sense to do that. The other thing is they have had appreciation during that time. Their home values have doubled and their mortgage payment has stayed the same. So there's good reasons to do it, but you have to look at, you know, can my family afford to do this? And if you can't afford it, it may make sense. So I say buy based on cash flow if you can. And then if you're analyzing, do you keep a property? Well, take a hard look at the cash flow and your situation. If this is going to make you miserable, like it's really going to strap you really hard, it may not be the right thing for you to do. Right. That might be when you want to consider selling it.

But I think you had a case like that where you had a property once, right, that never really cash flowed. Oh, I did. Yeah. And you owned it for what, 10 years? 10 years. The math, the cash flow, it was either even or negative. Not a lot, but it was always just like, eh. And then I ended up having to sell it when I got a divorce and split the proceeds. And that's when I, even though I'm in the business, that's when I realized I was… making ends meet, thought I was negative, and I doubled my amount of money that we bought it for. You were begrudging that investment property. I didn't see the appreciation part of it. Until you split $200,000 with your ex-husband. Right. And so even if the math isn't mapping, if your finance is monthly, it's not all just about that. And yes, I had to pay capital gains, but at the time it was fine. It gave me and my ex both some little bit of cash in our pockets. So for me at that time, it made sense to do it. So that's something to consider.

One thing we have on our website is a really good rent versus sale calculator because now you're thinking, well, gosh, what do I do? So it's a few different places on our website. We have it under owner resources, rent versus sale. You'll plug in a bunch of numbers in there, ask some specific information, what your interest rate is, what your mortgage is, how long you think you might have it, and we'll help you analyze if you should rent or sell it. If you want to do some research on your own, that's a good way to start there because it is some plug and play of the numbers and everybody's situation is different. So that's something that is great to utilize. So what that tool does is it helps you analyze where you would be if you held on to that property for three years or for five years or for 10 years. And if you had an 8% interest rate, the answer would be sell, get rid of that property because it's not going to ever come out. But it's surprising how many times people were saying, I'm carrying a negative cash flow. Does it make sense? And they plugged the numbers in and they would be way ahead to hold on to that property versus selling it now. And so we're talking about right now you could take $100,000 maybe of your equity and that's what you'd walk away with after taxes. You hold it for 10 years and all of a sudden that $100,000 becomes $400,000. Sometimes it's a huge swing. It depends, you know, how long until your mortgages pay off and a lot of other factors if rents go up. But this helps you estimate that and see where it is. And I would say that for the majority of people who have a reasonable interest rate, I'd say even 4.5%, 5% or less, it's going to make sense for them usually to hold on to the property as long as they can afford to do so. They may be having to carry some negative cash flow in the end term. to get them to that point. But usually it makes sense to hold on to that as a rental property. That's why we love property management, help people hold on to properties and build generational wealth.

So if you'd like some help with your rental property, we'd love to hear from you. And the best ways to reach us, you can call direct at 916-974-6003. You can also check us out on our website, which is tiner.com. That's [T-I-N-E-R.com](T-I-N-E-R.com). And there's owner resources on that page. There's blogs. There's podcasts for the show. It's all available for you on there. And then also from your cell phone, you can dial pound 250, say the word Tiner. That will send you some valuable information and then also ring through to us if you'd like to talk to us.

Yeah. And so going back to that one, one of the last conversations I had with one of our owners last week. You know, he genuinely looks at us and ask our advice. What would you do, Jenny? And so we walked through all the different scenarios. And after walking him through and even the middle of that conversation, I said, you know, I'm going to be talking myself out of a sale, but I'm OK with that. I know it's in the best interest of the owner. And so.

I believe that he, we're going to keep renting it. He has a fantastic 2.33%. I'm like, you need to, and you don't need the money. So we'll keep renting it. And then he did ask a question. What do I do if I do need money? So I wouldn't refinance because you're going to now not get that interest rate, but you could maybe look into getting a home equity line, maybe pull a little bit of money out that way, a second, but just as long as you don't have to get rid of that 2.33%, keep it.

Anyways, if you're listening today and you think, hey, maybe I'll call John and Jenny and see if I should rent. or sell my property, we'd be happy to talk with you. Give us a call at 916-974-6003, or check our website out at tiner.com. That's [T-I-N-E-R.com](T-I-N-E-R.com). That rent versus sale calculator is on there. Ways to reach us is also on there as well. Or you can dial pound 250 from your phone and say the word Tiner, and that will ring through to us as well.

So a closing takeaway, if you're listening today of what we've been talking about, a low interest rate is a fantastic asset, but it is not a reason to keep a property that doesn't serve your goals. That's a very important thing to account. Run the numbers, factor in taxes, cash flow, appreciation, and your own life situation. So check out our rent versus sale calculator. That's exactly what that does is it takes some of those answers, questions. That's what it's built for.

And it's free at tiner.com. And if you want someone to walk it through with you, call us at 916-974-6003. And we look forward to talking with you next week, giving you some more valuable information. So thanks for being with us today on the Landlord Logic Show. We appreciate this half hour with you every week. 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 rent at 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.