Episode 60

Questions to Ask a Property Manager and Understanding the Market
With John and Jenny Tiner

Announcer: Welcome to the Landlord Logic Show, hosted by John Tiner, owner and CEO of Tiner Property Management, a family business spanning three generations since 1976. Tiner Property Management manages more than 1,000 properties in the greater Sacramento area, helping place quality Tenants quickly while minimizing risk. Each week, John shares his knowledge of property management, laws, and regulations with Landlords who manage their own properties.

Joining us now are John Tiner and his wife and business partner, Jenny Tiner.

John: Welcome to the Landlord Logic Show. I'm John Tiner, here in the studio with my wife, Jenny.

Jenny: Hi, everybody!

John: We're a local property management firm celebrating 50 years in business. We started in 1976 and recently created a retro logo for the celebration. It looks very groovy!

We manage about 1,400 properties in the greater Sacramento area. About 90% are single family homes, and the rest are duplexes. With all those properties, we average about one eviction per year. We perform at a high level across our management services.

I was recently looking at our dashboard and was impressed by our renters insurance compliance rate. We require Tenants to have renters insurance, and compliance was at 99.5%. The remaining half percent consisted of new Tenants who were still within their first 10 days of occupancy. If they don't obtain the required coverage, we arrange coverage and add the charge to their account.

It's more than just our eviction rate. We've been doing this long enough to develop strong systems across all aspects of property management.

Last week, we discussed problems we sometimes discover when taking over accounts from Owners who managed their properties themselves or from property managers who

weren't doing a good job. There are many good managers in Sacramento, but there are also some bad players.

We talked about Department of Real Estate requirements and how to check a manager's license and public records. If you'd like to hear that episode, our shows are available as podcasts through KFBK and at tiner.com.

You can reach us at 916-974-6003. From your cell phone, you can also dial #250 and say “Tiner.” You'll receive helpful information and be connected with us. Our website has blogs, resources, and explanations of how we manage properties.

Jenny and I ended last week's show by going through our booklet, “16 Questions You Should Ask Before You Hire a Property Manager.” Today, we're continuing that discussion. You can find the recently updated booklet under Resources at tiner.com.

Jenny: The next question is: Do you hire leasing agents who are compensated for each property they rent?

John: That's a good question because it helps you understand what motivates the leasing team. If someone is paid for each property they rent, you want to understand how the company ensures that careful screening remains the priority.

You don't want an agent focused on placing the first available applicant just to earn a commission and move on. That doesn't serve the Owner's best interests.

Our leasing agents are paid hourly or by salary. If they need to show a property 10 times to find a great Tenant, that's what they'll do.

Jenny: How many educational classes or seminars related to property management have you attended in the past year?

John: That tells you whether the manager is continuing their education. In this industry, that's essential. Laws change frequently, software changes, and artificial intelligence is becoming part of our work.

Jenny: Virtual assistants are another example. The industry keeps changing, and so do the laws. We attend many classes and conferences each year. I might not know the exact number off the top of my head, but I could start listing them.

We attend conferences for brokers and Owners, along with national and California events. This year, we took a group of about seven people, including our Executive Property Managers and operations team. Then we came back and shared what we learned with the rest of the staff during office meetings.

I'm also taking two team members to an AppFolio conference at the end of September and beginning of October, including someone from bookkeeping and someone from operations. We want to learn more about our software, including features we may not be using and recent changes.

John: In addition to attending classes, I regularly teach classes for real estate boards, investor groups, and other organizations about new laws and how to comply with them. There have been plenty of opportunities to speak because every year brings new rules.

Jenny: Another question is: How many applicants do you turn down for every one you accept?

John: That helps you understand how carefully the company screens Tenants. Our ratio depends on the market, but in a slower market, we typically turn down three to five applicants for every one we accept.

In a very competitive market, you might receive 20 applications and have several strong applicants, even though you can only accept one. We saw that through about 2021 before the market shifted. The important thing is to understand the screening process and whether the company is evaluating applicants carefully.

Jenny: We have strict screening guidelines, and those are available on our website. Sometimes someone calls and says, “I know you,” or “I know John. Can you just get me approved?” The answer is no. Everyone still needs to meet the requirements.

John: I think our screening standards are one of the biggest reasons for our success and our low eviction rate. We're careful about who we approve.

Jenny: The only time I remember stepping in involved an applicant who was our twins' baseball coach and PE teacher when they were in high school. The only item still pending was employment verification through the school district, which can be slow. I could confirm that my children were in his class at that very moment!

The next question is: How can I cancel the management agreement if I'm unhappy with the service?

John: That's important. Our agreement allows either party to cancel with 30 days' notice. We don't want an unhappy Owner to feel stuck with us.

Some contracts require 60 or 90 days' notice. Others say you owe management fees through the end of the Tenant's lease, even after management ends.

For example, a Tenant might sign a one year lease and then renew for another year. If you cancel management in month 13, the contract could require you to pay management fees for the rest of that second year. That can add up to a substantial amount.

I don't think that's fair, and those terms can be in the fine print. Read the cancellation provisions carefully and ask how you can part ways if you're unhappy.

Jenny: What was your vacancy rate last year?

John: A management company should track that. We were a little above 1% last year, and at the time of this discussion, we're tracking below 1%. That means about 99% of our properties are rented at any given time.

In this market, I would want to see a vacancy rate below 2%. A higher number would prompt me to ask more questions about the company's leasing process.

Jenny: Are you accredited with the Better Business Bureau, and what is your rating? Tiner Properties has an A plus rating.

John: That's another resource consumers can use when evaluating a company. Some people check it more often than others, but it's useful to see how complaints are handled.

Over 50 years, we've had complaints submitted to the Better Business Bureau, and we've addressed them. Often, that involves explaining what happened and why the action we took was appropriate. The important thing is to respond and handle concerns fairly.

Jenny: How many times have you been to court over deductions from a Tenant's security deposit, and what were the results?

John: You want a manager who will protect your interests when a Tenant leaves damage or cleaning expenses that support legitimate deductions. At the same time, the company needs to know which charges are appropriate and be able to document them.

We handle about three or four security deposit cases in small claims court each year. Given the number of Tenants who move out of our properties, that's a small portion.

Sometimes we reach a compromise with the Tenant. In other cases, when the charges are legitimate and the Tenant disputes them, we're willing to go to small claims court on the Owner's behalf. We don't charge an additional fee for that service.

By the time we decide to defend a deduction in court, we're confident in our documentation. I'd estimate that we're successful about 90% of the time.

Jenny: Are you a member of NARPM, the National Association of Residential Property Managers?

John: We touched on that last week, but it's important. NARPM provides education, professional connections, and opportunities for managers to learn from each other.

Jenny: Our local Sacramento chapter also offers educational events with classes and vendors. Our whole team is planning to attend an upcoming event. These can be useful for established managers, Owners who manage their own properties, and people interested in entering the business.

John: Our Sacramento chapter is excellent. I really enjoy the meetings. They're well organized and offer a lot of valuable information.

Jenny: Here's another question: What is your system for inspecting rentals?

John: A management company needs a clear plan for inspecting properties regularly. Sometimes we'll drive past a property while we're in the neighborhood, but that's only one small part of the process.

At Tiner Properties, we have dedicated inspectors and conduct an annual inspection. We aim to inspect around the ninth month of the lease so we have time to evaluate the property's condition and the tenancy before a renewal.

It's also a chance to identify maintenance issues. Trees may be rubbing against the house and need trimming, or there may be a leak under a faucet. The inspection

includes a report and photographs so the Owner can see the condition and understand what repairs may be needed.

Jenny: That timing also matters when you're deciding whether to renew a Tenant, particularly for duplexes and properties subject to Tenant protections.

John: Right. For properties covered by rent control and just cause requirements, the length of the tenancy can affect the Owner's options for ending it. Once those protections apply, ending a tenancy becomes more complicated and requires an appropriate legal basis.

That's another reason to inspect and evaluate the tenancy before the anniversary date. You want to identify concerns about property care, late payments, or lease violations early and make an informed decision.

Jenny: And as we discussed last week, check the company's real estate license. Make sure it's current, and review any violations or citations.

John: You can verify licenses through the California Department of Real Estate at dre.ca.gov. The DRE oversees real estate licensing and reviews how property managers handle trust funds.

During an audit, they look closely at contracts, monthly statements, and financial records to see whether money is being handled properly and disbursed according to the management agreement.

We've now finished our discussion of “16 Questions You Should Ask Before You Hire a Property Manager.” The booklet is free at tiner.com under Resources. Download it and use the questions when interviewing companies.

We're based in the Sacramento area, but many of these questions are useful wherever your rental property is located.

If you manage your own property and are considering professional help, we'd love to be one of the companies you interview. Call 916 974 6003, dial #250 and say “Tiner,” or visit tiner.com.

Next, we'll discuss the sales and rental markets and the seasonal changes we're seeing.

John: Some Landlords hear these discussions about new laws and best practices and take notes to apply to their own properties. Others realize they'd rather hire someone who handles these matters every day and stays informed about the requirements.

We're happy to help. We screen applicants, place Tenants, collect rent, coordinate repairs, and handle accounting so you have records for your tax professional. Our goal is to make owning a rental property easier, with your proceeds deposited directly into your account each month.

Announcer: On your mobile phone, dial #250 and say “Tiner.” Leave your name and number to receive a free copy of “16 Questions You Should Ask Before You Hire a Property Manager.” Learn why professional property management doesn't cost. It pays.

Here again are John and Jenny Tiner on the Landlord Logic Show.

John: If you're just joining us, I'm John Tiner, owner of Tiner Property Management. We've been in business for 50 years, managing residential properties throughout the greater Sacramento area. My wife, Jenny, is here with me.

For the rest of the show, let's talk about what we're seeing in the rental and sales markets.

Each week, we review our Owner tally report. It shows every vacant property we're marketing, how long it's been available, and the number of calls, inquiries, showings, and applications. It also shows our vacancy rate and highlights properties that have been available for more than 45 days.

Usually, a few properties reach that point. Often, those are properties where the Owner wanted us to try a rent higher than our market analysis supported. After sitting vacant, they're ready to reconsider the price.

This week's report showed something we hadn't seen in a long time: no properties had been vacant for 45 days.

Jenny: That was exciting. We sent an internal email to the team to recognize it. We've gone from having around 60 vacancies at one point to having very few, and seeing none at 45 days was a great milestone.

What does that tell us about the market?

John: The rental market has been good through the summer, which is typically the busiest moving season for families with children. As school starts again, many of those families have already moved, and activity usually begins to slow.

There are two things to consider: the broader market and the seasonal cycle. Overall, we're in a relatively soft rental market. Rents haven't increased much and have slipped slightly over the past three years. Now we're also entering the season when activity normally slows.

That makes realistic pricing especially important. You want to attract strong applicants while people are still moving.

We often see another slowdown around Thanksgiving. People generally don't want to move during the Christmas season, so a property that hasn't rented by Thanksgiving may remain vacant until the beginning of the year.

Activity typically improves after the new year, strengthens in the spring, and becomes busiest again in the summer.

Jenny: We sometimes receive calls from prospective Owners who want a rental amount based on their mortgage payment rather than what comparable properties are renting for. Those aren't necessarily the same number.

We've learned to be careful about taking on accounts with unrealistic expectations. We've seen how that plays out too many times.

John: If someone wants rent that's 20% above market, we're generally not going to take that account. We also look at whether the Owner has the resources to complete needed repairs and maintain the property properly.

For Tenants listening, that means our website is a good place to look for properties that are maintained and fairly priced.

Sometimes we agree to try a price that's a little above our recommendation. If it rents, that's great, but often it doesn't. Then we need a reduction. During the time it takes for the Owner to accept what the market is telling us, the property sits vacant.

An overpriced property may still receive applications, but that doesn't necessarily mean the price is right or that the applicants meet the screening requirements. We want qualified Tenants, and we don't want pricing pressure to interfere with careful screening.

Jenny: It's important to compare your rent with the market. A vacant property can cost around $100 a day in lost income.

John: Exactly. On a property that rents for $3,000 a month, that's about $100 a day. If you lose a month of rent trying to get an extra $100 a month, it takes a long time to recover that loss.

Jenny: Be realistic and respond to the market. If a price reduction is needed, don't let the property sit.

Let's talk about the sales market before we run out of time. John and I have sold quite a few properties this year. Our goal was 50 sales, and we're ahead of schedule. At the time of this discussion, we've sold 33 properties and have 12 listings. We also put a few into escrow this week.

I think our business reflects the broader market. There's still a good amount of inventory for sale, and this summer I've probably made more price reductions and seen longer marketing times than in any other summer of my career.

Even so, we're getting most of our properties sold in less than 30 days. I don't like stale listings, so I'm proactive about adjustments. A few properties have needed two or three reductions, which is unusual for us.

When I spoke with clients during a round of reductions about two weeks ago, I told them I thought activity could improve as children returned to school and families settled back into their routines. We did receive several accepted offers this week.

John: It's also important to say that many of our listings have sold quickly at or near asking price, and some have sold above it. We're still seeing multiple offers on some properties.

Jenny: I work to price properties where the market supports them. When a well priced property still needs an adjustment, that tells us something about the market's response.

We also had a great call from a KFBK listener over the weekend about selling a duplex. Their parents had recently passed away, and the adult siblings wanted to sell the property.

They'd heard us on the radio and knew we understood Tenant laws, even though we weren't managing their property. I received the call on Sunday, and the property was on the market Monday night. That was probably my quickest turnaround.

We priced it aggressively because it needed work and the rents were low. Properties with rents well below market and restrictions on increases can require significant pricing adjustments, and that was a factor with this listing.

John: If you have a property you may want to sell or rent, we'd love to talk with you. Call 916-974-6003 or dial #250 from your cell phone and say “Tiner.” You can also visit tiner.com.

Thanks for listening today. The time has flown by, as usual. Remember, professional property management doesn't cost. It pays.

Announcer: Would you like to learn more about the services provided by the Tiner Property Management team? They can help care for your rental home from start to finish. Dial #250 and say “Tiner,” or visit tiner.com. Join us again next week for the Landlord Logic Show with John Tiner.