



Get Real Podcast Episode: 055

Property Management with Chad Gallagher

Host: Ron Phillips

Welcome to the Get Real Podcast, your high-octane boost and in the trenches tell-it-like-it-is reality therapy for personal, business and real estate investing success with your hosts, power-preneurs Angela and Ron. It's time to get real!

Angela Thomas: Hey everybody, welcome to the Get Real podcast. I'm Angela Thomas and I'm here with Ron Phillips. Hey Ron.

Ron Phillips: Hey, another awesome episode.

Angela Thomas: We were just talking about how Ron's weather's awesome. You know, here we are in January... we have Chad on with us today, Chad Gallagher, right. And we were just joking about, you know, Ron's nice weather as usual.

Chad Gallagher: Yeah, thanks for having us.

Angela Thomas: Yeah, thanks for being on. Chad owns Slate Property Management Group. They manage 4,000 units. They own 200 properties. They manage rentals in four states: Pennsylvania, New Jersey, Maryland and Virginia. And he also has a podcast called the Real Estate Hackers podcast, which I think is really cool because it's mixed with... It makes me think of funnel hackers. Is that where you guys got it from?

Chad Gallagher: It's actually not. We got it from the cross section of people who actually live in a house and rent out the other, it's now called real estate hacking. And I love the term hack in general as it relates to tech. And so that's kind of where we came at it.

Angela Thomas: Well, cool. Well thanks for joining us today. Great to have you.

Chad Gallagher: Yeah, thanks a lot. Excited to join the podcast.

Ron Phillips: Chad, this is going to rock because, you know, we have a bunch of people who... and we get tons of questions on property management because we sell thousands of houses and you know, small multi family. And it seems like consistently from, you know, from the people who are just getting started in this, to the people who have been doing this for you know, 10 years, there's always something about property management that needs to be learned. And like you said, you know, with technology nowadays, everything in the real estate world is changing so rapidly anyway that, you know, the property management world and real estate world just naturally change. And so if you're not keeping

up, then you've got stuff to learn anyway. Right? And so I'm super excited to have you on to help everybody understand a little bit more about this crazy thing of property management.

Chad Gallagher: Yeah. And I think you hit the nail on the head, which is if you think about how we run our business today, I mean if I look at all the different things we do, honestly 10 years ago, most of that doesn't exist. And so, I mean I wasn't managing properties 10 years ago, we started about seven years ago. But honestly the evolution of change has, has accelerated dramatically and it is changing all the time. And if you're managing things the same way you manage them 10 years ago, that it just wouldn't make any sense anymore. So I think that's... and by the way, this is a huge win for investors. I actually think tech and property management as it continues to evolve, it's going to lead to better returns for investors, which we can talk about why I believe that. I think it's like a really, really good thing for investors. If you don't want to manage your own properties, I think all the technology change on the property management front is going to be a huge win for investors.

Ron Phillips: Yeah, I 100% agree in addition to the fact that it's really good for property management companies. Because I think something that most people don't understand, at least over the last seven years and since seven years ago, things lurked remarkably different than they do today, Chad... I think what people don't realize that the margins are so slim in property management, but yet people think that the eight to 10% or whatever it is percent that they're paying is so much money, they think it is so much money, right? That you guys are just getting, you know, rich off of their tiny little hundred, 150 or whatever the fee is. And I think what they don't realize is everything that you guys do and the amount of what used to be, you know, human capital that went into that and now is still a lot of that. But, but now along with tech, it can make, I mean I'd love to hear your thoughts on this, but I think it can make property management more profitable, which is ultimately good for the client because if you guys are really profitable, then you can provide better service.

Chad Gallagher: Well, I'll tell you, it's actually less about profit. It's more about scalability. So if you think about... Here's like, some of the things I think about is that in a world where you don't have a lot of tech, what you have is a lot of humans doing things, right? And so as the number of humans you have doing things scale the complexity scales. And it's really hard to run a scaled company with, you know, tens of thousands of people paying bills and checking up after things and all the kind of just manual tasks, handling ledgers that go into property management.

Chad Gallagher: And so the beauty of tech is that tech scales infinitely. That's why tech companies are worth so much more. And so because of that, tech doesn't make the same mistakes that humans do. I mean obviously tech could make a mistake, but... And so what you are going to see is, you're going to see property

management companies are going to become basically a combination of tech and people, and the amount of people per unit is actually going to decline. The amount of tech is going to increase.

Chad Gallagher: And so I actually think the profit, the profit per unit is actually going to say the same. It's just that a company... so we manage 4,000 units. I mean even 10 years ago that would've pretty well been impossible. I mean companies weren't out there managing 4,000 plus units. We've only been around six years. That company didn't exist 10 years ago. It was too hard to scale. But now that scaling with tech has become easier, for us to keep growing with tech is much easier. And then from an investor perspective, that means a couple of things: I actually think property management fees are going to come down a little bit. So you mentioned eight to 10%. So we charge 7% and then, and I don't see that that will never increase if anything that may go down over time. So that's a huge win for investors.

Chad Gallagher: But the third thing is scale; you may not need to have 20 different property management companies in all these different towns. I think you'll see some consolidation among property management companies.

Ron Phillips: I think we're already seeing consolidation.

Angela Thomas: Yeah we are.

Ron Phillips: There you go. It's happening on a global scale right now.

Chad Gallagher: And then the last thing I'll say is predictable returns. So in a world with tech is just much more predictable. And so that means that you can predict an eviction being filed properly every time. And you can predict that the tenet is going to, if they don't pay rent, there'll be out in two months as opposed to a manual process where if it's done well, it's done in two months. If it's not done well, it could be six months. And so take that into all the different things you think about in terms of things that could go wrong. As things become more predictable, returns become more predictable and frankly you, actually probably sell more houses because investors invest more in real estate because it looks more like investing into the stock market with much more predictable returns over time.

Angela Thomas: Interesting. Do you mind giving us a little more detail like you know, specifically what you see, what you're doing differently than other companies we may be working with or...

Chad Gallagher: Yeah, yeah, yeah. I would say, so the number one thing is just we want to lean into tech whenever possible. So every time we face a problem in our company, my first response is: there should be a technology solution here. And if there

isn't, our next idea is: could we build something? And then if that doesn't work, then we move to, okay, let's have a person do this. But the person's actually always the third option. And that sounds so cold but I'll give you some examples of where that's paid off.

Chad Gallagher: So we had a problem where some of our owners would say, I, you know, I emailed a property manager and I don't always get a timely response to my email. And you say like, so why is that? Right? So why is that happening? Like what would be the reason for that? Right. And so it's all sorts of reasons. It could be a irresponsible person who's not super organized. It could be somebody on vacation for a week, right. Can be someone all of a sudden got really busy and maybe didn't alert anyone to that.

Chad Gallagher: So it turns out like email is actually not a great way to communicate for that reason. Right. There's all sorts of kind of ways to go wrong. So instead we actually encourage our owners to submit a ticket, like a support ticket. And that ticket, what's cool about that is it's still the property manager who responds to that ticket. But if the property manager doesn't respond a couple of days a red alert goes off to their manager that says, Hey, something's awry here. We haven't closed this ticket out, we haven't gotten an answer. And then someone else can jump in from our company and respond to that ticket and close out the ticket. We can hold people accountable much better.

Chad Gallagher: If someone goes on vacation or like let's say worst case scenario, they get really sick or they all of a sudden they move, you know, all these like really weird things that actually happen in real life. Right. People just, you know, they want to leave the company for some reason. Now someone can come in and actually handle their workload without having to somehow...

Ron Phillips: Call a million people and try to figure out what the hell's going on.

Chad Gallagher: Right, right, right. So it's such a simple little thing like that. And by the way, a ticketing system, I mean, we didn't invent it. So we leverage the piece of technology called Freshdesk. We sure didn't build the technology and we sure aren't the first company to do it. You know when you call a lot of tech forward companies, your thing gets turned into a support ticket, which just ensures that it gets resolved in a timely manner.

Chad Gallagher: That actually doesn't even have anything to do with real estate. It's really all about just an owner getting the satisfaction of getting an answer, but where that plays into returns for an owner is sometimes those things the owners asking for a really, really important; Hey, can you make sure that you submit my registration to the city? Super small task.

Ron Phillips: Or I changed my bank account, make sure you update it before you send my payment next month.

Ron Phillips: That's right. That's a lot of what this is. It's not rocket science. Anybody could call the city and get it registered; anybody could change the bank account info. Where things run awry is when you rely on someone to remember to do that. If you don't have a ticket open and that gets forgotten, owner assume it's done. Unless you take both those examples, let's say that the property is not properly registered and let's just say, you know, nine months down the road, either you get a fine from the city, expensive; or worst case scenario you're working through like an eviction or some kind of something like that and you get halted because the city says I, you know, you can't move forward. You're not registered. And all of that traces back to somebody just opening an email and forgetting to complete a task. Right?

Ron Phillips: Yeah. I think the majority of the discontent when it comes to property management companies is what you were talking about. Well, it stems from one of two things. And Angela, we get this all the time, right? It's all about communication. Or well, no, that's not really what it's about. It's about lack of communication.

Chad Gallagher: And it's interesting, like when I first started this company, I had a totally different opinion, but when I first started I thought, we just need all great property managers. Right? And so when I would have an owner complaining that like, ah, communication's not good here. Our initial response was fire the property manager. And the problem with that approach is it doesn't scale because you can do your darndest to hire good property managers, but... But it's like right now in our company we have 40 property managers on the team. Well, look, I mean I think we've got a great team and I think 36 of the 40 are great property managers.

Ron Phillips: Oh no. Who are the others... are you dropping names now? Let's say they're new.

Chad Gallagher: Or maybe they're going through a life... They just had a baby, right? So maybe they're, you know, a manager whose wife just had a baby and maybe the baby's sick. I mean, these things happen. It's not just like bad people who are irresponsible. There are life things that come up. But in those two months when somebody has a baby but they're still working, you know, and they're dealing with a sick child, that manager might not be working at optimal capacity. And so what we used to say was like, it's an irresponsible property manager.

Chad Gallagher: Now we say, no, there has to be the checks and balances in place that alert the company, something's not right here. Somebody else can jump in. And then long-term we'll figure out what is going on there but not lead to this like death

cycle of, you know... because I'll say what used to happen was, the way I would find out would be, I would start getting phone calls saying, Hey, haven't heard from Jimmy in a while. You know, and then get another phone call; haven't heard from Jim in, you know, awhile. And the problem with that is by the time an ownership team gets those calls, it's kinda too late. You've already had a lot of problems that have built up and you won't even see those problems because all the mistakes that were made, you won't catch them, you know, three, six months down the line.

Angela Thomas: We've actually experienced property management companies that were amazing, fall apart when some big event in their life happened, like a marriage or a baby.

Ron Phillips: And we've experienced them due to scaling the wrong way, you know, to your point Chad, like we've had property management companies that were managing, you know, several hundred properties and they were fantastic. I mean they were so good and then within six months because, you know, they got this new account that had hundreds of houses in it and it completely nuked their systems internally and all of a sudden, I mean, they suck worse than anybody we've ever experienced in our life. How you go from in six months from being the best property management company to the worst property management company is that you outgrew your systems and you didn't have the ability to put new systems in place.

Chad Gallagher: And it's going to sound crazy and some people may flinch at this, but honestly what it means is you were probably too reliant on people.

Ron Phillips: 100% yeah.

Chad Gallagher: So like one thing I've seen, and this is good advice for anyone listening, is something I suggest not doing. A lot of our owners will say, when they're interviewing a property management company, what they want to do is they want to interview the property manager who will be working their property. And in today's day and age that actually makes no sense for a whole bunch of reasons. First of which is people just naturally move. They change jobs, they change professions, and portfolios expand. So that person you're interviewing, it's highly likely that in two years they're not going to be the property manager on the property anyway. And so what you're really should be doing is you're interviewing the property management company. And with that it's way more about process and systems and technology that is not reliant on Cindy or Jimmy to do a great job, but is instead a plug and play. And, you know, you want the best people possible, but you're not relying on individual people.

Ron Phillips: That makes so much sense. So let's regress just a little bit because we've been talking about some pretty high level stuff, but there may be some people on

here who are going, okay, well I'm under contract on my first property or you know, I've got one property or two properties and I've been managing myself. I want to move into property management, like just encompass really quickly: what does a property management company do? Ron buys a property today and I call up Chad's company and I say, Hey, Slate House. So like I need a property management company. What are you going to do for me?

Chad Gallagher: Yeah, sure. So I mean at its super high level, and then we'll get into the tactical, at a super high level, the property management company is your day to day resource to take care of your assets and make sure that you're getting returns you're looking for. So what does that actually mean? I'm actually gonna also talk about what that doesn't mean because that's just as important, and it's something that people don't talk about enough. But what does it mean? It means the tenant is paying rent to us, right? The property management company. So you know, if they have a question with how much to pay, the property management company is essentially ensuring there's an accurate ledger, which can get trickier than you'd think, of how much did they owe; how much have they paid; and then ensuring if they don't pay, we move forward in the eviction process, which again can be as simple as a couple of filings and someone's in and out, or could drag on if not done right. Or if things get more complicated with the appeal process. So all of that falls under the property management company. So you, the investor are not ever having to go to the local magistrate court. You're not ever filing an eviction, you're not collecting rent. And frankly, you're not really ever talking to the tenant, the tenant's only talking to their property management company when they have concerns.

Ron Phillips: Yeah, and I'd just like to point out that you should never talk to your tenant. That's an unpardonable sin in my book. Why? Why in the hell even have a property management company if you're going to trade emails with your tenant?

Chad Gallagher: It's a bad idea. And it's also a bad idea because not only does it make more work for you, but it also, it creates what we call the mom versus dad scenario. You know, tenant goes to dad or in this case, say owner and say, you know, I paid my rent on time, but they didn't collect it. Right? Or they lost my check in the mail. And then owner gets involved when it's like the worst thing you could possibly do, right? It's like you don't want to be the intermediary. You want the property management company dealing with the tenant. The tenant has one point of contact and essentially one ruling, call it body who they can deal with.

Ron Phillips: Some owners, for whatever reason, they think that this is a way to keep tabs on whether or not the property management company is doing a good job. It is the dumbest thing you can possibly do. I was on a tour with a client and they said that they give their card to every tenant. They go and they give their card to the tenant: any problems with property management company, you call me. And

I'm thinking to myself, man, why don't you just be a landlord? Like seriously, you have completely cut the legs out from underneath the person who you have in place to protect you from that individual and you just gave them your card and took all the power and authority away from the property manager.

Chad Gallagher: Yeah. And I'll tell you the other problem that causes is a logistical nightmare. So one of the harder things in property management is coordinating maintenance. Whether that be an emergency or a lesser emergency or you know, a slight leak on a sink or a door's not working. So when you get involved, one of the harder tasks for property management to do is to intake that maintenance request, run it by the owner, get it approved and eventually get the problem resolved. Usually also coordinating with the tenant to make sure we can get a maintenance tech in there. Again, it sounds easy but especially when you get into cold weather and emergencies, it can be really tricky. When you throw an owner into that mix with the tenant also reaching out to an owner, now you run the risk of, who is resolving this problem? And that leads to two really bad scenarios. One is you both try to resolve it. So now I've got two plumbers coming out to the property. The other is nobody resolves it because everybody thinks the other person is resolving it.

Angela Thomas: Yep.

Chad Gallagher: And by the way, all these things I've seen because we've done them over the years, right? And so the way to combat that is there's one centralized place to intake maintenance requests. We use a piece of tech called property meld, and that is like our air traffic control for maintenance. And if it's not in property meld, there's a problem. Everything goes in there and that is how we coordinate it, no matter who's doing it, no matter what's getting done. It's one centralized source and there's an owner for that and that's our maintenance coordinator and they're responsible for figuring out who was ultimately resolving this problem.

Ron Phillips: So let's jump to the other thing, too. So then this is what property management companies do. What are the responsibilities zone? So Angela goes out and buys a property in Virginia because it's less cold than the other places.

Angela Thomas: Out of the four states I had to choose, you know...

Ron Phillips: Ron doesn't like cold. I really, I really dislike it pretty intensely. So I mean, it's a little chilly here today, but the sun's out, which makes it not quite as bad...

Chad Gallagher: Chilly? It's 27 degrees where I am.

Angela Thomas: What's chilly, Ron? Like 55? Come on.

Ron Phillips: I mean, it's low. It's low fifties. We'll probably be upper fifties by the end of the day, but I have to dress in long sleeves for this kind of weather. This is ridiculous. Okay, so Angela buys a property in Virginia. Now we've kind of figured out what are your responsibilities are Chad, but what are legitimately the responsibilities that sometimes people think are yours but really are not and fall squarely on Angela's shoulders?

Chad Gallagher: Yeah, so I call this asset management. Well it's not my, I didn't make the term, but to me that every property, whether it's a single family home or a multiunit building is going to require some level of asset management and what that is really is, is the level above the property manager, and that is the person to come in and make that strategic decision that really only the owner should be making.

Chad Gallagher: I'll give you an example. There's a leaky roof and we sent a roofer out there and he says, you have two options. You could patch it for \$400 or I can put a new roof on there. A new roof's going to cost four grand. Right now that decision is not just math based, there's not even always a right answer. A lot of it's going to come into your own finances. What are you looking to do? Are you looking to just squeak out every last dollar over the next year or two and then sell the property? Well, if so, then probably a roof patch for \$400 makes more sense. Are you planning on owning this for the next 20 years? And by the way, the roof, maybe the roof is 15 years old. Yeah. I mean, look, you're going to need a new roof next three years, you should probably put a new roof on. But that's not really the role of the property manager. The role of property manager comes to give you access to all that information, but ultimately it's up to the owner to kind of make a call there.

Chad Gallagher: So that'd be one example. I think there's like a, there's a decent amount of that. Basically setting the strategic mission for the property. Here's what we're trying to do. I'll give you another example. So one thing we didn't talk about yet is finding tenants. That's part of something that the project management company does is find tenants for you. Well sometimes there's owners who will say, this is a rough area. I just want a tenant in there to start paying rent. You can lower your standards a little bit, but I realize that also is going to increase the risk of this tenant not paying rent. We have other owners who will say, I'm not lowering my standards at all. My standard is a 650 credit score, and whether it's a C class property or not, I require 650. Now, you know, the win there is that tenant's gonna stay there for a while and they're gonna pay their rent; the downside is that unit may stay empty longer.

Chad Gallagher: I think ultimately those are decisions an owner should be making. When I say decisions it's really just, it's setting the strategic principles for how you want this property managed and ultimately what are you trying to get out of it over the next one to 10-20 years? And so I sometimes see that owners think that

because property management's involved, they don't have to do anything. And unfortunately that's just not, that's not quite true, right? There is still that asset management role that plays in, and we're not talking about hundreds of hours. This isn't something you should be scared of, but it is something that should be identified. And if you, the owner, are too busy to respond to those kinds of, you know, questions once every two weeks, once a month, once every two months, then I say you should assign somebody either a personal assistant or an asset manager to take on that role.

Ron Phillips: You know, that almost sounds like a broken record of me. I seriously can't stand this. We have had clients in the past who couldn't bother themselves to check their account and make sure the money arrived. And I'm thinking to myself, seriously? I mean, if you can't, and you're that busy because your business is so like all encompassing, you should be able to afford a freaking bookkeeper or an asset manager or somebody like your assistant to open up your bank account and go checkmark. Yep. Money hit.

Ron Phillips: And then if it didn't hit to go, huh, I wonder if I should maybe reach out to the management company. Oh look, there's a email from the management company and a hundred missed calls and they've been trying to get ahold of me because my tenants skipped town and they want to know if they have permission to make the place ready. And that's the other thing that drives me absolutely up the wall is that, you know, sometimes owners just won't communicate. And you as the property manager, you have no authority to go drop \$3,000 on a make ready without the owner saying you're okay to do that.

Chad Gallagher: No, that's exactly right. And I think, like I said before, I think it's totally reasonable for the owner... Let's say you're running a business, a very, very hectic business as an owner and you want to invest in real estate on the side. I don't think you necessarily have to be that point of contact. I think it's totally reasonable for you to say, I'm going to have someone else in my life, my significant other, my child, my mother... I mean all of these are actually reasonable and things that we actually see happen sometimes in the business. And I don't have a problem with that. We just want to know who our point of contact is. And it's gotta be somebody who can get back to us in a day or two when we have a question because strange things come up.

Chad Gallagher: I mean even a weird thing like evictions, some municipalities will require a current dated authorization form against that specific tenant in order to move forward with an eviction. That seems kind of silly to me, but they require it. And look, nothing's more frustrating to our team than to not be able to do our job because we're not getting that back and forth with the owner. And then ultimately, cause ultimately the project management company is ultimately responsible for generating returns. Right. And so I get really frustrated when I sometimes, you know, we'll see things not going the right direction. And

someone will say like real estate's not for me. I hate that phrase. I think real estate is for everyone. It's just all setting up processes and knowing, I mean I just, I just flat out ask the question, who is going to be the asset manager for the property?

Chad Gallagher: I think it's like a totally reasonable question to ask who's the communicator, who's the communication. There has to be the point of contact and that point of contact could be a whole bunch of different people, but it's gotta be somebody, somebody has to be the point of contact. And then to your point, I think it's a good one. I think it's really important that an owner once a month... it doesn't have to be six times a month, but the end of the month, you know, sometime in those first two to five, seven days, the next month just spends, you know, a few minutes looking at the performance of the previous month of their property.

Ron Phillips: And most of the people that fall into this category are business owners or professionals, both of which are extremely busy. But both of which know the importance of financials for hell's sake. It's not like they can run their companies successfully without ever looking at the financials. It's remarkable to me how they can completely disconnect from their business that has financials that they look at and they may not, they may hate it like I do. I don't, I don't like it. I mean, I don't like the meetings that I have with my bookkeeper, my CPA, I don't like them, but I have to do that piece of the business or the business doesn't run right and it's the same thing over here. It's no different. Right. Unless you put a CEO in charge of your, what you would be an asset manager in charge of your portfolio and charge them with it, then this is not a stock. You can't just like buy it and forget it. It's not the way it works.

Chad Gallagher: Nope.

Angela Thomas: The passive income thing is relative.

Chad Gallagher: Yeah. I think that's a problem. I think that people preach passive income and...

Ron Phillips: There are just a few terms, Chad, that should be eliminated. I hate passive income and I hate turnkey. Can we just like, I believe we should like nuke both of those things.

Angela Thomas: I better go take those off of your website, man.

Ron Phillips: Yeah. I hate them. The only reason they're on there is because it's only, that's the only thing people know.

Angela Thomas: Yeah.

Chad Gallagher: I mean, look, if you want passive income, go put your money into a blanket S and P 500 fund. Right? Now here's the difference right here. Those same people will say, well, no, but I don't want 4% returns. I want 9% returns. Great. Well, I want you to get 9% returns too, but all I want you to do is spend 15 minutes the first week of the month.

Ron Phillips: It's not a bad return on your time when you think about it.

Angela Thomas: All right guys, I think we beat that horse. If you don't mind, Chad, real quick. Ron and I have been sitting on questions that were sent in.

Ron Phillips: Let's do it. Here's why we're going to do it. There's this guy, Rick, that really loves our lightning rounds. So Rick, this is for you buddy.

Chad Gallagher: Is Rick an investor or is he like...

Ron Phillips: Yes because his tag is Flip With Rick. So yes, I don't know what he's flipping, but I'm guessing like real estate. Rick, we are coming at you buddy.

Angela Thomas: Okay Chad. So these are lightning round. So fast answers cause we got quite a few questions to get through. All right, we're going to take turns. So I'm first, first question is what do I do if I don't get my money? So this guy checked his account. There's no money.

Chad Gallagher: Yeah. And you know what? This is gonna sound crazy. This happens. It's not always someone's fault. It could be as little as a typo, right? So we put your ACH info in. It could be a typo. It could be that someone gave us the wrong account. So what do you do? You've reached out to the property management company and they have a ticketing system. You put in a ticket, if they prefer email or phone call, but you just send it through and you just say very simple, Hey, I was expecting money and didn't get it. Oh no, you don't have to freak out the first time. It's interesting. I find that a lot of times people think when they don't get their money the first time that it's like a red alert to them. They think like, I'm stealing their money.

Angela Thomas: I've been scammed.

Chad Gallagher: Exactly. And I don't know. I think just like actually assume these are reasonable people, you've probably got a referral from someone. You've probably done your interview process. Another reason why you may not have got money... Well, there's a whole bunch of reasons. Another reason...

Ron Phillips: That's okay. Let's fire another one of them. So Chad, okay, now I've called you and it turns out the tenet's late. What do you recommend? The tenet is late, what do I do?

Chad Gallagher: Yeah. So that's a very real reason why you may not got money. The short answer there is that we think you should be filing an eviction right around the 15th of the month is our process. People have different views on this, but I...

Ron Phillips: Even if they promise to pay?

Chad Gallagher: Yeah. So we we're not judge Judy here, so we... I used to do this. We would bring our property managers in and it'd be out on the 15th and I'd feel like judge Judy, I'd sit there and say, okay, so Jim Smith, Jim Smith hasn't paid rent. And then our property manager, Ashley would say, well Jim hasn't paid because his mom broke her foot. And I'm like, okay. And I'm like literally trying to follow the story. And I'm like, okay. She broke her foot and then I'd like take notes. I'd be like, wait, didn't she break her foot last month? Then he'd be like, nope, that was a different foot. I'm like, ah, okay. I'm having a hard time... And this is, by the way, this is what you deal with if you give them your card like a moron, right? You're going to have Jim Smith telling you about his mom's broken foot.

Chad Gallagher: So now we run it like Domino's would run a pizza chain. You order a pizza, you've got to pay for the pizza; you live in the house, you've got to pay for the house. And so in our world, if you haven't paid by the 15th we're filing an eviction basically. The only reason why I wouldn't would be two things: if there's a habitability problem. So if there is like something that is not habitable, that there is an emergency and we're fixing it, we're going to wait till we fix it to file. The only other reason would be if the owner literally does not allow us to file and there's a point and we actually wanted to not even do that, but we do still allow an owner to kind of override us. I really don't advise it. So I think they're probably like, just because you filed does not mean you're evicting a tenant. Here's a good stat for you. You see 83% of tenants that we file on, we'll pay the rent before we even know you're serious.

Angela Thomas: Yeah. So sorry to cut you off Chad. Next question. My tenant moved out, they left a mess. What now?

Chad Gallagher: Tenant moved out. They left a mess. I mean, look, well, first off most tenants move out leave a mess. So don't be surprised. Second off, yeah. So you're holding a security deposit. That's part of what the security deposits for. Property manager should come in within a couple of days and basically give you a rent ready estimate and that, that should be broken down. And then you rock and roll. And luckily your security deposit will hopefully cover it, a lot of it, and you move forward.

Ron Phillips: Okay. So now they, everything's done. Ready to go. We've been on the market for whatever, 20, 30 days, place is up and running. What do I do now? And now I'm freaking out. So, now what?

Chad Gallagher: Yeah. Yeah. So we actually have like seven different checkpoints that we go through. If a property is not renting, it could be a whole bunch of reasons. But the bottom line is you as the owner should be kind of having a communication with the property manager. We encourage, it's actually 21 days is when we have our property manager reach out to the owner and say, Hey, we're having a hard... this is renting slower than we'd think; here's some things that could be causing it. I'll give you a couple quick ones. Price could be too high. So we may need to lower the price. There might need to be some additional maintenance done. You know, there's something causing it to not show as well as it could show. Seasonality is a real thing. Property management companies, honestly, here's the dirty little secret. They exaggerate seasonality as a general rule of thumb. So it turns out people are renting properties during...

Ron Phillips: Right now, we just rented a bunch last week, so they rent all year round.

Chad Gallagher: So seasonality does not mean that in a winter nobody rents. But it does mean that like if a property went on market December 20th and we're now sitting in January 8th and it hasn't rented yet... Well I mean that is literally the worst time in the entire calendar year to try to run a property, you know, due to holidays and stuff. So there's also like maybe there's a weird seasonality thing, like this is college housing and so... but the bottom line is talk to your property manager and just have that dialogue back and forth of what's going on.

Angela Thomas: That's great advice. Perfect. Okay, next one. Should I have my property management do regular inspections?

Chad Gallagher: So I think so. I think once a year is the right timing for that. Some owners, I mean I bet people would like be, like once a quarter we want to see an inspection and that's a lot. That's just a lot.

Angela Thomas: That's insane. But that sounds like it was my mom Susan.

Ron Phillips: It's absolutely insane. I agree, I think one a year that's fantastic. Then you know if the people should be there or not be there.

Chad Gallagher: Yeah, and by the way, just, I mean there's a lot of cities that actually require an inspection. It's usually not once a year, but usually once every like two to four years. So that counts, right? So there's a good chance they're already in there that year. Also, if it's a section eight tenant, you're going to have a section eight inspection already once a year either way. So what we say is if we're only in there for an inspection, the property manager is going to join that inspection and kind of write up their own notes. And if not, the property manager is getting in there once a year.

Ron Phillips: Okay. Should I raise rents every year?

Chad Gallagher: So this is a good one. We started out saying no, but I now feel very strongly that you should raise rents every year, 2 to 4%. I'm going to tell you a quick story. I know it's a fire round, but here's why. So I had a tenet in the first ever house I bought. He lived there for five years. We didn't raise rents. He's now \$250 under rent. I call him up and I say Frank, and he says, yo, Chad, how you doing man? I'm, you know, this is a guy I had known... Our first ever tenant we placed. I say, Hey, we gotta raise your rent. He says, okay, how much? I said, \$250. He freaks, right? And he said, Chad, like, I can't budget for a \$250 increase. Why didn't you just increase my rent every year? And then I could have budgeted it in my life in a way that this would have not been a big shock. When I heard that, I was like, Oh man, like a tenant just asked me to have raised his rent the last four years. That's what it comes down to. A 2 to 4% you're talking \$25 ish, \$30 raise and rent.

Angela Thomas: It's no big deal. Right.

Ron Phillips: They may get, they get may get testy, but they're not going to move over 25 bucks.

Chad Gallagher: That's right. That's right. And then honestly, they understand that's inflation. But look, I mean, if, I hope this happens to everyone, I hope you have a tenant that stays for five, six, seven, eight years. If you don't do this, that seems, if you don't increase their rent over that period of time, to be honest, by years six, seven, eight, that's no longer a good tenant because they're just too far under market. Right. And you're losing too much money.

Ron Phillips: Yup. Absolutely. Well, listen, we need to wrap it up. Chad, this has been awesome from the tech perspective to how to scale a management company; to what to look for in a management company; what to ask, who to ask, why to ask, and then all of the great information just about personally managing a property through a property management company. I think this has been excellent for everybody listening. I want to put a plug out there for all of you listening that own real estate or are going to own real estate, that when you communicate with your property management companies, let's not act like our hair's on fire and let's treat them like any other human being. They not stealing from you. They're not treating you any worse than any other person would. Generally speaking, they're doing a really, really good job and they're doing something that most everyone else in the country doesn't want to do. So...

Chad Gallagher: Yeah, I'll make one quick comment on that. Just seeing this happen in real life because people do have emotions. If you're being a jerk to your property manager, I can promise you it's not going to get you better results long term. Our best clients, I actually call them partners, I call them friends. We hang out. And that level of trust and loyalty means our company would do anything for our clients, anything. I mean they, it doesn't matter what it is, whether it's

saving their investment property, they're having a personal problem. If I would do anything for these people. The person who calls up and is just screaming and swearing and that does not lead to a good long term partnership.

Ron Phillips: Even if you live in Jersey, you don't do that. Right. I mean, even if you live...

Chad Gallagher: I am going to take the fifth on that.

Ron Phillips: We really, really appreciate you coming on and dumping a whole bunch of knowledge on everybody on our podcast.

Chad Gallagher: And I'll give people my email address. My email is chad@slatehousegroup.com

Ron Phillips: And then, and then one more time on your podcast.

Chad Gallagher: Yeah. The podcast is called Real Estate Hackers. So if you're, this is like a nerd only podcast basically. So if you're a nerd, you like real estate, you like tech...

Ron Phillips: Or if you don't know yet, I mean maybe you're a closet nerd. You didn't even know you were in the closet.

Angela Thomas: It does take a while to realize you're a nerd. Right?

Chad Gallagher: Yeah. And when I say nerd, I mean we're not talking like, you know, code and that kind of stuff. But yeah, it's for people who are interested in like where's the world of real estate going?

Ron Phillips: It's an interesting podcast. I've listened to it. It's really well done. In addition to that, it gives you a unique perspective on the real estate market because of the tech angle that comes from it. So yeah, listen to it. Everybody like the episode. If you don't like it then like it anyway cause it's rude to dislike it and then share it with all of your friends. You can find us on, GetRealEstateSuccess.com. Send everybody there and... till next time. Thanks Chad.

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