



Get Real Podcast Episode: 072

## *Rent Collections and a COVID-19 Market Update*

Host: Ron Phillips

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**Ron:** Hello, everybody. Welcome back to the Get Real podcast. I'm Ron Phillips here with Heather Marchant again. How are you?

**Heather:** I'm great. How are you?

**Ron:** Oh, yeah. Good day. It's a good day.

**Heather:** That's right. The sun is shining here. So at least for joining, you know, the sunshine, Ronnie usually is where the sun shines. He lives on the coast.

**Ron:** So, you know, sunshine and it is beautiful. It's a beautiful day. We've got a beautiful topic for you guys today. Thought we'd a little bit of an update on, you know, rent and what's going on with the market because, well, the headlines are kind of all over the map, Heather.

**Heather:** And that makes sense because we have some cities in the country that have been decimated by COVID-19 and people aren't able to work at all. So it makes, and tourist areas, backed by tourism and things like that. So make sense that it's all over the map because some areas are going to be hit harder.

**Ron:** Here's the thing, though. I don't know why this is. I mean, I think I do, actually. But why is it that all of the experts don't understand that real estate is local and not national? Why the hell is it? How do you get how do you become an expert in literally anything and be consistently wrong? Yeah, it's true. We could say the same thing about all the COVID numbers, right? I mean, come on. Yeah. You know, I'm fine with whatever the numbers are. And then we can plan accordingly. But to be so madly off on the numbers is I mean.

**Heather:** Well, you have some states that only have a few deaths compared to other areas that have thousands of deaths. Right. So if you take the national death toll and paint a picture with that number versus looking at individual cities and states, it's drastically different.

**Ron:** So this is a parallel to how they treat the real estate market. I mean, it is the same thing. So they take real estate. They talk about it nationally. And they completely skew how everything is going. In addition to that, rather than like asking the normal operators, they ask these really massive hedge funds, which may or may not be the best people to ask in the real estate. They're brand spanking new to the real estate market. They're new at management. They're new at the whole game.

**Heather:** What are they buying? You know, what type of properties are they buying and what locations?

**Ron:** So, yeah, and how many? And do they over buy in a certain market? All of that stuff. Right. And it's a little bit interesting to me that they go to the to their buddies, to their hedge fund. Well I mean it's not everybody knows why they would do that, right. They're their hedge fund buddies. But excuse the numbers. Yeah, that's for sure. You know, if you listen to the news, if you go well, first off, if you listen to the news, you should just stop doing that. You should turn it off right now. Bunch of angry people yelling at a bunch of other angry people. And it's pathetic.

**Heather:** Tip number one. Tip number one, stop listening to the news.

**Ron:** Oh, painful. It's painful. I agree. I think you have to kind of listen to a little bit of it to try to figure out what the hell they're doing to us this week. Right. Or today. And so. But don't get sucked in. Don't get sucked in. Listen to what's going on with the closures and all of the nonsense and then get out of it back.

**Heather:** Well, I think you can compare it with your own investments to know how you're doing compared to maybe a national average. Right. If they're going to claim that's the national average, then how are my investments doing compared to the national average would be one good metric, I guess. But yeah, but having a nationwide average.

**Ron:** Look, if you've got one house and your house is vacant, you're one hundred, you're skewing the average. Right. So in the wrong way. The wrong way. So but let's go through it because we do have some data from property management companies in many different markets. I think we usually try to track them in about 12 different markets, maybe even a handful more, because not only do I own properties in a much different states, but we have we have property management companies and a bunch of different states. And then we have property management companies in different states that we previously sold in. In all of these companies, we call and try to get some data from them.

**Heather:** Because, I mean, my husband sent me an article back in April that just said rent collections were down like I think it was almost 40 percent or something.

**Ron:** 60 percent was what they were reporting is being collected nationally. Which is absurd.

**Heather:** Yeah. I mean, I don't have as many units as you, Ron, but my units are 100 percent occupied. Right. So it just depends on a bit. We've mentioned this before. A person that has one or two units and one unit is vacant that to them that's a 50 percent occupancy. Right. And that's real. And that isn't fun. So not to discount that.

**Ron:** That happens consistently, though. Right. Because there's turnover, so if you own one door and you're the person who's getting the turnover, well, then you're 100 percent vacant, right? That then affects you. Does that have to be from COVID? No. I mean, those people are moving right now. The other thing that they're reporting is that nobody's moving. Like that nobody is actually renting anything, which is also not true. We're renting properties in every one of our markets. And I'm not sure that I've seen anything that tells me that we're slowing down at all. Our properties, all of my properties are renting basically as fast as they were renting before. With no change. We have had some impact from COVID on my properties. And I think we heard that from some of our property management companies that we talked to too.

**Heather:** For sure, I mean, I have probably the lowest reported number was one of our markets was 5 percent off of normal rent collection. So they said we're normally at ninety five percent at this stage of the month and we're at 90. So that was the greatest differential I had. Most of them were at one or two percentage points different. So yes, in effect, but not nearly the numbers that we hear in the national headlines for sure.

**Ron:** Yeah. Nowhere near like near like 60 percent.

**Heather:** Yeah, exactly.

**Ron:** They probably called one company that collected at 60 percent and they probably that was their average for the whole nation. I mean at this point at this point, my trust level with any media source now like any media source at that point is completely broken. I have zero confidence in their ability to report a true story. Period. Hard to stop. I just cannot deal with these people anymore.

**Heather:** Well, it's more exciting to read, though, in a headline, 60 percent rent collection or 92 percent rent collection. Good news. You know, I just feel like people are....

**Ron:** For me, it's way more exciting. I mean, I guess that depends on your definition of exciting. I guess it could potentially be exciting in a really negative way to have 60 percent collected, but it's way more exciting to me to have it be considerably higher and near normal. I mean, they said every single model, I guess there they were like, March is going to be horrible, right? And then March came and they're like, well, that's because it hasn't hit anybody yet. And then and then April, as was being promenades, April supposed to be horrible April came out. Well, that's just been a yeah, that's it. Because of the stimulus which you know, like you probably is because of the stimulus. Well May is going to be May is going to be the month. Well May comes in and it's pretty normal too. Well it's because of the stimulus. Well yeah it probably is because there's 30 million people out of work. Yeah. But they're all receiving you know, probably a big portion of them are receiving more money than they were making beforehand. Yeah, I agree.

**Heather:** I agree. I think that those when I said headline and exciting, I meant like what sells? Right. What's someone like?

**Ron:** No. No. I couldn't help it. I couldn't help it.

**Heather:** You're right, though. I would read the articles. That's good news for sure. I'd rather hear good news right now. I mean, there's tons of outlets on the media right now that everyone's wanting to hear good news. Right. The John Kasinki good news.

**Ron:** And yeah, I was gonna say what's his deal, is it OGN? Right. Only good news.

**Heather:** Yeah, it's so good.

**Ron:** And I'm loving OGN and that's the only kind of news I want to listen to. It would be one thing if they were reporting facts about anything that were accurate. Whether it's good news or bad news. I do want to know that. I do want to know what really is going on. But the problem is they don't know. They were they report whatever it is that they think is going to sell, which most of the time is not the truth. And so I have zero, zero faith in the media. And then I have probably a 1 percent, 1 percent faith in politicians. And it's pretty bad when the media gets beat out by politicians. Pretty rough. But at this point, that's where it's at. With me and the media.

**Heather:** So for sure, I mean, one thing you touched upon that I was going to comment on, too, is I reached out to several of our property managers to ask about rents. And I said, are you able to rent vacant properties? And they did tell me there was, you know, a two week or three-week period, maybe whenever one was first panicking that things were a little slower, but that it's come right back around. Right. So there probably was a period of time where people didn't know what to think or what to do. And so they

didn't do anything. And we found that in our business, Ron, I mean, that lasted about three weeks of kind of nervousness and panic. But then after that, everyone's kind of calmed down and gone, OK. Well, this could last a little while. And let's just move on. Rather than staying in fear so that rents the properties are renting just like they were previously, which is really exciting. So, yeah.

**Ron:** And you know, I have some market I have some properties on the market right now for sale and. Showings have been, I get text constantly about people lining up a showing. Yeah. So people are actually going out and looking at properties to make offers on and buy. So, I mean, there is a potential I guess, at some point here. You know, I should state that the reality the situation is that no one knows. I talked to people who are who are CEOs, CFOs, and owners of very large companies, manufacturing companies, all kinds of different companies. And half of them say this is going to take forever for this thing to come back to what we had as normal before. Few of them said that this is forever altered the landscape of the world, but we will never go back to normal. And I'm like, okay. I don't necessarily agree with that.

**Ron:** But some things. After I actually had my visceral reaction to that, I was like, you know what? I've been saying very similar things like office space. I don't think office space is going back the way that it was. I think a lot of people are taking a hard look at their PNL and they're going, man, that is a big line item. Yeah, I don't have to pay that anymore. Or I can massively reduce the amount of office space because not everybody needs to come in. Yeah, I really believe that that's going to change the landscape. Tell me that these big retailers that are the retailers that are filing Chapter 11 right now are going to come back and open their doors. I don't think so. I don't think so. I think they're going to go online. There's going to massively is going to that's going to affect the mall and large retail space. I think those are going to hit, too. I really do.

**Ron:** So it's going to take a while for this thing to shake out. Then there's the whole. Heather, there's this whole you know, I can't wait three to six months to get great deals thing that people keep saying as if there weren't good deals before Corona. And now they're really, really waiting to get these great deals that were out there beforehand. But there's gonna be some big buying frenzy here in the next like. And that was that was in March. So we got like, what, two, two months to wait. People were saying this in February, that this was, it was all over three to six months. We were going to be gobbling up properties will right now as of today. I don't think there's a gobbling of properties going on. I don't think there's been a massive wave of foreclosure notices. And I don't think that's going to happen in the next three months either. Now, could it happen? Sure. Yeah, largely depends on what they do with the people who couldn't pay because of COVID and what you know, what happens with all of these mortgages. They're sitting there on forbearance and how the banks handle the forbearance, all of

which we don't know. So to pontificate that, you know, that in six months or eight months, we're gonna have this wave of foreclosures when nobody knows that right now, I think is silly. But will we have a shakeup in the market?

**Heather:** I mean, it's a possibility, but I think to wait around for something that's a possibility is just like any other time, right? I mean you can say that you're going to wait until X, Y or Z and then have your money not do anything, you know, for a year while you wait for something to happen. I mean, you can keep a little more liquidity, keep a little more money in case there's a deal you want to scoop up. But then that money is not performing as well as it could be.

**Ron:** So I think, you know, maybe 12 to 18 months from now, if there's is an effect, it's gonna happen quite a ways out. I mean, it takes it takes a while for foreclosures to happen anyway. So if you know, if in a few months here when everything is supposed to go back to normal and people can't afford their forbearance all at the same time, and then the banks aren't willing to put it on the back of the mortgage, which mean banks aren't in the business of owning properties and they don't want to take properties back. So my guess is they'll work something out. But in the event that they don't and we do see an uptick, it's still going to take in most, most cases it's going to take six months. Yeah, that puts us at a year. And then, you know, a lot of those are going to trickle out over a few months anyway. So year to 18 months before we're going to see any kind of crazy wave of these, even if there is a crazy wave that we really don't even know will exist.

**Heather:** I agree. I agree. I think I mean, I have a good friend that had a unfortunately had a foreclosure and they were able to live in a house for almost a year before and not paying any rent. They were trying to do a short sale. And then the foreclosure happened. It took about a year and it just takes a long time. It's a long process. So keeping your money, you know, waiting.

**Ron:** Especially, Heather, if there's a lot of them. If I mean, if there's a lot of them, then it just exacerbates the problem. In addition to that, we don't even know whether they're, you know, whether the government's going to allow them. I mean, who really knows what's going to happen? I mean, day to day, everything changes all the time anyway. So the other thing I think that's going on in the headlines right now that should make people sit up and take notice is this movement. I mean, we've talked about this in previous episodes, right where now we have, can't let a good crisis go to waste, right. So we have people using this crisis as a way to further their agenda on rent controls. And the headlines are I mean, the headlines are crazy on this stuff too. Rent strikes supposed to be going on. And I'm thinking to myself, rent strike? I don't even understand this. I don't understand this. Right. So we're gonna go on rent strike

because the government is giving us money to pay our rent. I'm not sure I get it. Yeah, not sure I get it. And I don't think ...

**Heather:** And then I don't have to pay rent because I don't have a job. But the owner of the property is supposed to pay the mortgage. Right. Like where that thought process comes from. Right.

**Ron:** Let's put it. Because that is his job. Let's put him out of his job, too. So then I guess he is. So then he can go get unemployment. And then everybody just keeps their unemployment. I thought the unemployment was so that people could live. I thought that was the whole point of the unemployment and the six-hundred-dollar bonus and all the cool stuff that they did. I thought that was so that they could actually continue to make their payments so that every, so that the nothing like fell apart. Then there was the whole point. I don't get the rent strike thing.

**Heather:** I guess part of my hope in all of this is that people take a look at their finances and their reserves and say, I mean, I've talked to my clients regularly and say six months of your expenses in reserves. Right. If everyone had six months of expenses and reserves, we wouldn't even have to do the stimulus. Most likely. Not that anyone wants to spend their reserve, but that's what it's there for.

**Ron:** So, of course, not to get off on a tangent here. But, you know, if the government just wouldn't overreach and tell people that they can't have their business open, which is entirely unconstitutional, well, then we probably wouldn't have this problem either. Yeah. Do not get me started on the fact that these big box retail chains can be open and no small business can. It is the most absurd thing I've ever heard in my life. I truly kind of feel like I'm living in the twilight zone or an alternative universe somehow.

**Heather:** Well, you shared that article about Tesla, that Tesla was able to open his factories in California because he took a stand against the government about opening.

**Ron:** And I'm not a huge fan of Elon Musk. I do like the fact that his cars go really fast. That I dig big time. I also think it's really cool that he called it ludicrous mode, because that's just cool, but not, generally speaking, a huge fan of his. But this, what you're talking about was really cool. Yeah. Elon Musk. His factory, one of his factories, I guess. I don't know how many he has, but one of them is in California. And he basically said to California, who has everything shut down and potentially it will be shut down till August. Or even potentially until there's a cure. Which is ridiculous. Elon just says, yeah, we're opening on Monday and arrest me. Just if you arrest anyone, just go ahead and arrest me. Leave everybody else alone. And when he said that, I thought to myself, there's no way they're arresting him. Yeah. There is no way they'll arrest you now. They'll arrest the dude at the Indian store, you know, out in the middle of nowhere.

They'll arrest the poor lady trying to cut hair in her salon and the gym owner. They'll arrest all those guys because, you know, thinking on this is no big deal. They're just crazy people. But Elon Musk. Now you can't arrest Elon. So, of course, they didn't arrest him. They carved out an exception for Tesla rather than actually changing the edict.

**Ron:** Because this is not a law, by the way. They're not enforcing laws because these are not laws. These are edicts that come down from one person in the state or in your city. One person from the wrong. I'm gonna get going to get a little bit off track here, but realize that laws are made in the legislative branch and they're enforced in the executive branch. Right. The executive branch is not supposed to be making laws. Therefore, these since there is no legislative process, there is no law. This isn't a law anyway. OK, so instead of changing the edict for everybody, they just carved out an exception for Tesla. For the man. Yep. Yeah. Yeah. So apparently if you're billionaire, we already all knew this, right? If you're a billionaire, you just get special treatment or if you're a politician, you get special treatment. That's just the way it is. And we all of us peasants should just start to understand it.

**Heather:** I think it's just kind of the same. I don't know what goes along with the same thread, though. You know what we've been talking about, just how this is affecting everyone. And at the same time, if you if you try to stand up as well. People trying to stand up against rent control and things like that. I'm against the rent strikes. I'm sorry. Trying to get the change they want. And, you know, it's just kind of out there all over the place right now. Kind of the mutiny, maybe that's kind of starting, I feel like, but it's definitely happening in our business and in the rentals. So, yeah.

**Ron:** So we all need to stand up. And we also I think it's important that we understand that local and state is really important. And this whole deal to make any difference which side of the issue you're on or which middle of the issue you're on, since there's I believe there's more than two sides to this deal. It's state and local, state and local. Those are the elections that mattered for this particular deal. Nobody shows up to those. Right.

**Ron:** But those are the ones that determine whether we have rent control, whether these lunatics out there who think that they should be able to live rent free or just be able to choose their own rent for whatever building they want or whatever other kind of crazy thing that they decide. And they're very angry and they're very loud. These people are coming to your town. So if you if you mean we all need to pay attention to who supports these people and who doesn't and vote accordingly. Yeah, right. And notice that I didn't say any parties because I hate, I'm an equal opportunity hater. Equal opportunity hater. Most politicians. That's not that's not even true. Is there a politician that I think is honest. Heather, let me think about that for just.



**Heather:** I don't even know. I don't think you've ever talked about someone that you're like, wow, they just have such integrity.

**Ron:** No, I think they're all pathetic loser human beings. Did I say that? Some cash. Now, there's probably some bot listening to this show. The program gets shut down. Otherwise, maybe, maybe Facebook and YouTube will censor us now. I don't know. But I think most politicians are pathetic, pathetic people.

**Heather:** And I think they try to go in that are the decent people wanting to effect change in a positive way for everybody. They usually don't win. They don't have the money. So I think there are politicians out there. But I don't think they're the ones that win.

**Ron:** They don't have the money and they don't want to go through that nonsense of everything else. But this will if we continue down this line, you all you tried to bring me back. Heather, I went back here. You can tell I'm a little bit upset about this whole thing. I'm a little bit upset about the power grab that's happening right now. So I should probably start a separate podcast and I don't wanna take up everybody's time for this.

**Ron:** But you're right. This all does, it all hinges around all of this stuff. So all of these things we talk about with business and, you know, rental real estate is a business. All of this stuff that we talk about, this all gets decided at a state and local. You guys have got to pay attention to who it is that you're voting for and what it is that they want, what they're for. Because if they're for rent control, if they're for, you know, these really, really crazy laws against people like you who own property, man, it's not good. And I guarantee you, it's coming to a town near you. Right. If you think you're safe in Texas or, you know, one of these other states, that that's big, big property rights. Just wait. It's coming. Yeah, it is. Well, good news. Again, Heather, is....

**Heather:** That rent collections were up in April and May.

**Ron:** Rent collections are fine for most people. You know, if you're with a property management company where the rent collections are at 60 percent, maybe you should think about switching it up. Yes, because that all of our data comes from has to be over twelve and multiple different property management companies.

**Heather:** So it's a good sampling, gives us a pretty good idea. And we're not in locations backed by tourism. Keep that in mind. We're not in locations with one horse towns. That's not where any of these are going.

**Ron:** And we're not in psychotic locations either. So kind of New York, New Jersey, we're just not we're just not in those markets. So all of the craziness that happens in

those markets, you know, we just aren't there. So we don't have any experience there. And I'm certain that they're having collection problems in New York. I mean, I can't imagine that they're not.

**Heather:** Yeah. California, New York, all those. I just can't imagine that being any area backed by tourism where no one's really traveling or going on vacation right now, or even if they're just drastically reduced, you're going to have people that can't work. So, yeah.

**Ron:** So anyway, I mean, I think that's good news. Hopefully that helps all of you guys understand what's going on. If anybody tells you that they know what's happening in the next six to twelve months, then just you can just bet they don't. And anybody who gets on TV and says they're an expert. Well, good for them. Goldstar, Goldstar. Here's your sticker. All right, everybody. That'll be a wrap for today. Till next time, I guess. Stay safe.