



How Long Does a Dishwasher Last?

Many investment experts say you should allocate and expect to spend a certain amount of money each year for repair and upkeep of a property. The costs are sometimes higher for certain items on rental properties because tenants are harder on a home than a homeowner. Some say you should plan on a percentage of the rent you collect; others say you should base it on the value of the home. The information here is to allow you to understand what makes up these numbers and how Prime Properties works to provide a lower cost over the short and long term.

Your rental properties contain many items that need periodic replacement or upgrading. To help with your cash flow planning it is important to understand these expenses. We know we have monthly income from rents and the periodic late fee and expenses of management fees for rent collection and the periodic lease fee. These are fairly predictable and easy to understand. This article is to discuss the other expenses we see over ten, twenty or more years a home in service as a rental property.

Most Prime Properties are in the middle level to upper level of rental properties. At the lower end of the rental market are apartments and condos which require more frequent updates because their tenants tend to be even harder on a property and the products tend to be lower on the quality scale. I contrast apartment life cycles to a typical Prime Property because the difference is important, to you and your pocketbook.

Wear and Tear Items

The first issues I will discuss are the most common items that wear out from tenant use; flooring and paint. These items are subject to “normal wear and tear” and an owner should expect to update these on a regular basis. Normal life expectancies for flooring and paint in apartments and condos are five years. If a tenant causes replacement earlier than the life expectancy then the portion of accelerated wear may be assessed to the tenant when they leave. If an apartment tenant leaves after five years and the carpet needs to be replaced then none of this expense is charged back to the outgoing tenant.

Prime Properties recommends specific flooring and paint configurations with a mind to extending the life of the product and lowering your long term costs. It is important to look for longer life cycles in a rental home because, since the home is larger than an apartment, the replacement costs are higher. It is a simple fact that it will cost more to carpet a 2,000 square foot home than an 1,100 square foot apartment.

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Our depreciation schedules are longer when you use our recommended configurations. If you purchased a home as an investment property, it may not yet be configured for the longer life cycles we would like to see.

<i>Carpet – Builder Grade</i>	5 Years
<i>Carpet – Prime Properties Spec</i>	8 Years
<i>Wall paint – Prime Properties Spec</i>	8 Years
<i>Trim Paint – Prime Properties Spec</i>	12-15 years
<i>Vinyl Flooring</i>	10 Years
<i>Laminate Wood (Pergo like products)</i>	15-20 Years
<i>Ceramic Flooring</i>	20-30 Years
<i>Hardwoods</i>	25-50+ Years

These life cycles, especially for paint and carpet, are typically much longer than you see for apartments. This is a result of our use of specific products and installations along with strong tenant selection and management. The products also “show” better than a typical rental home, increasing the marketing impact and also allow a greater financial recovery from a tenant in the instance when a tenant damages your property by accident or abuse.

When it comes time to replace flooring we often recommend you install a higher percentage of tile in place of carpet or vinyl. We usually recommend tile in high traffic areas and bathrooms. Tile can decrease the frequency of flooring replacement and can make it easier to replace a single room of carpet if needed instead of a whole house, and at the same time protect the market attractiveness of the home. Tile costs more initially, but costs less over the long term.

Please note, the implication of all this discussion is an owner should expect to replace these items on a regular basis. Some of expense may be assessed a tenant if replacement is required earlier than scheduled, but if you charge a tenant to replace items that have exceeded their expected life then a judge may determine that you are unfair and unreasonable in your assessment to a tenant. The statutory penalty in Texas is three times the amount charged to the tenant plus other charges so, to protect your interests, we are diligent in our attempts to follow consistent business practices in this area.

Normal Mechanical and Structural Repairs

These are the things that break. This is simpler to explain; generally when they break you have an obligation to repair them. I could write an article on each item, including what our specifications are and why we recommend what we recommend. For this article I will start with a simple chart on normal life expectancies and then provide minor notes.

<i>Garbage Disposal</i>	10 Years
<i>Microwave Ovens</i>	5-10 Years
<i>Electronic Garage Door Openers</i>	15 Years
<i>Water Heater</i>	6-10 Years
<i>Dishwasher</i>	10-15 Years

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<i>AC Evaporator Coil</i>	8-15 years
<i>AC Compressor Unit</i>	15-20 Years
<i>Heat Exchanger</i>	15-20 Years
<i>Fence – Builder Grade</i>	5-8 Years
<i>Fence – Prime Properties Spec</i>	15-20 Years+
<i>Roof</i>	20-30 Years

On each of the above items Prime Properties experience leads us to provide specific recommendations for cost sensitive replacements, looking to protect your short term and long term cash flow. For instance, we recommend a 1/2 hp screw drive garage door opener, that is nominally more expensive than a 1/3 hp chain drive, but provides a life cycle roughly twice the less expensive option and more consistent performance throughout it's life.

We strongly recommend annual service for HVAC units. This has shown us an excellent return on investment and increases the likelihood of extending the useful life of these systems while at the same time providing a more consistent performance throughout its life. A good performing HVAC system is critical to tenant retention in Texas!

Abnormal Mechanical and Structural Repairs

There is nothing normal about the following types of repairs. They present our greatest challenges and cannot be predicted. Sometimes they occur from accident, neglect or abuse by a tenant, but often these problems occur from poor construction techniques of decades ago, materials that fail over time and other times simple bad luck.

Foundation movement and associated damage

Shower pans & tile surrounds

Wood destroying insects

Sprinkler systems

Pool equipment

Any electric component

Any type of water leaks

Summary

When a property manager calls you to discuss a repair they will try to put the issue in the context above to make it easier to understand the short term and long term impact of costs impacting your investment property. We are sensitive to the financial impact of repairs, with the goal to help you maximize your investment according to your unique needs.

We are in a unique position to understand the issues because of the volume of items that hits our desk, but that does not mean we always have all the answers. We are continually increasing our knowledge on how to best serve your needs. Your property manager is always willing to take time to discuss the issues and to hear any suggestion you may have on how to better serve you, so please call if you have any questions or suggestions.