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**GET THE SCOOP ON...**

Knowing what a property management company does ■ Getting referrals ■ Ways to find a professional management company ■ Interviewing a management company ■ Finding other property management options

## Hiring a Professional Management Company

**T**hroughout the book, I refer to hiring professionals to assist you with the management of your investment property. Hiring and working with professional property managers can be an important part of the success in investing and expanding your new business. When you can afford to hire a professional management to do all of the hard work, you will then begin to really enjoy owning investment property.

You need to know when it is time to turn your rental property over to someone who does this each and every day, who knows day-to-day operations, who has heard the latest scams, and is familiar with the latest laws from the government. Most importantly, you need someone who can take care of your property management needs and the headaches that come with rental property management and investment property ownership.



### **Moneysaver**

Early on, invest in the time to meet with a professional company, before you make mistakes. I recommend calling a professional company, making an appointment for a consultation and paying for an hour or two of time. Have a list of questions prepared, so as to maximize your time with the property manager.

The right property manager will almost make you forget you own investment property. You need to hire someone who has the skills and the ability to manage your property with the latest technology, attracting quality and long-term tenants.

There are many important factors to consider when hiring a management company. The important thing to know is what to expect from the company managing your rental property and what your responsibility is as the owner during the term of the relationship.

## **What a property management company does**

A property management company plays the role of the intermediary. The management firm steps between you and the tenant, allowing you to be at a distance. A good management company doesn't make decisions based on feelings or personal interests, but instead follows professional policies and procedures and strict guidelines. Often, a property manager's response will be, "We are just the property managers." This lets the tenants know he or she cannot be swayed by emotion and must stick to the rules. Also, it is usually easier for a management company to raise rents based on its industry knowledge of the market, allowing for consistency.

A professional property manager saves you time, work, and stress in the following ways:

- You don't have to clean, paint, or make repairs (or hire someone to do those tasks).

- Emergencies will be handled in the appropriate manner to ensure tenant safety and protect your property.
- You don't have to advertise, take rental calls, and be available to show the available property.
- You don't have to screen applications and be apprehensive about whom to choose.
- You don't have to execute a rental agreement, worry about adding addenda, fill out the move-in inspection report, or worry about the security deposit money.
- You don't have tenants calling at all hours of the day and night.
- You don't have to confront tenants on tough issues like collecting rents or taking care of the property.
- You don't have to collect non-sufficient funds checks (NSF).
- You don't have to serve legal notices or begin eviction proceedings.
- You don't have to schedule and fill out the move-in or move-out inspection report, starting the process all over again with each tenant.
- You don't have to know each and every law that the government is discussing or passing.
- You won't spend time paying bills.
- Professionals will be used for the maintenance on your property.

I am certain there are good reasons for managing your own rental property, but ask yourself whether they worth the hassle and risk.

You don't have to worry about the property or be shocked by its condition when you hire a professional property manager. They are dedicated to selecting quality tenants and keeping your

investment in good repair with minimal cost. They want your real estate investment to be successful. One of the last benefits: Your leasing and management fees are usually tax deductible.

Many investors are afraid to end up with a property manager who may not be capable of doing the job. You want to be sure that this person can and will take care of your investment.

## **When to hire a property management company**

Knowing when to hire a professional property management company comes with time and experience. You may prefer to manage your rental property on your own, which is a good thing, especially in the beginning. After a while, though, especially after you've experienced a problem tenant or two, you may consider interviewing, and potentially hiring, a property management company. When you have managed the property on your own for a few years, you will also have a better understanding of exactly what a property management company does.

## **What to expect and not expect from your property manager**

It really helps to know what to expect and not expect from your property management company. Having a clear understanding helps the relationship with your property manager.

Here's what you can and should expect the property management company to be doing:

- Keeping accurate financial records
- Sending monthly and yearly statements
- Sending IRS-required 1099 statements
- Issuing monthly or quarterly newsletters that keep you updated on laws and other changes in the market
- Taking continuing education classes in property management

- Following your instructions concerning maintenance issues
- Keeping you informed of issues on your property
- Responding in a timely manner
- Using professional leases and management agreement
- Maintaining a Web site that list the available rentals
- Marketing your property in several ways (not just in the newspaper)
- Making an annual inspections of your property and details of the inspection provided to you

Here's what not to expect:

- Weekly or monthly updates if everything is going well
- Calls returned the same day, except in an emergency (remember that a property manager's job does require him or her to be near the property at all times)
- That yours is the only property they manage
- A guarantee that the tenant will always pay rent on time
- That there will never be any problems
- That they can rent the property over the current market
- That the company can rent your property even though you haven't maintained it
- That maintenance costs are included in the monthly fee
- That the cheapest property management company is also the best

## When the property is just too far away

A good reason to consider hiring a property management company is when your rental property is just too far away. Let's face it: For most people, it is a mistake to buy a rental property one

or two hours driving time each way and not hire a management company. At first, the drive may not seem that bad. However, after awhile, that long drive on your day off will get old and tiresome, especially when you have a vacancy. Imagine driving over to show the available rental and no one shows up! Hire a professional.

## **When the property is too large**

As you build up your rental properties and add more inventory, there will come a time when your property or the total number of units you own becomes too much to manage on a part-time basis. It is one thing if you only own a single-family or even a smaller building near you. But if you have a larger building or multiple units, this is the time to look into hiring a professional management company. In this case, a property management company may very well pay for itself.

## **When you realize how much time you're spending managing your property**

When you stop and think about how much time you are taking away from your family, friends, and perhaps your job, you may realize it is time to take the step to hire someone to do it for you.

## **When you have just had enough**

When you are tired of dealing with the late-night calls and tenants who complain incessantly, when you're not raising the rents because you feel bad for the tenants yet your monthly costs are rising, and when you have rented to a tenant for all the wrong reasons, this is the time to call in outside help. In the long run, a property management company will not only save you money but will also keep you out of trouble and they are the ones who take the late-night calls and the first-hand complaints, not you.

**Watch Out!**

Some real estate companies do management as a token or a favor. Don't take the bait. Hire a company that is not trying to manage properties in several different areas, or selling real estate, or managing associations with a limited staff.

For the majority of investors/managers, the thought of hiring a property manager to care for the property is unheard of. Most of the time, owners believe that managing their property will be easy. In fact, most never think of hiring a property manager until there is a problem. There are so many different types of problems, from slow-paying or non-paying tenants to tenants playing loud music or always complaining about something. Remember the movie *Pacific Heights*? If you have never seen it or forget what happened, view it again. The tenants that drive up in a fancy car and a whole lot of cash may be the ones to ultimately destroy your property after signing the lease. These are the ones that seem so nice and you thought were going to be the “perfect tenants.” If your instincts tell you something is wrong, I guarantee your instincts are right.

## How to hire a property manager

Choose a property management professional with as much care as you would an attorney or doctor. Friends, neighbors, and co-workers are often good sources for referrals. Try to find out as much as possible about their rental and landlording experience. What kind of service did they receive? Would they choose this particular professional or property management company again? Most of all, make sure you feel comfortable with the person you choose to work with. It is all based on trust.



## **The National Association of Residential Property Managers (NARPM)**

Best known as NARPM, the National Association of Residential Property Managers is one of the best and simplest ways to search and find a really great property management company. NARPM is a professional organization that promotes education, designations, and networking as a resource to empower its members with knowledge and skill. A NARPM member honors and subscribes to a code of ethics and standards of professionalism, while educating its members.

Members are licensed, maintain a high professional standard, and understand the ins and outs of managing rental properties. A NARPM member knows that education is extremely important to his or her business and is able to attend special advanced classes that can earn a coveted residential management professional (RMP) or master property manager (MPM) designation. Associates are able to attend annual conventions, leadership conferences, and local chapter meetings with other property managers. The conventions and conferences are packed with a variety of educational classes, workshops, keynote speakers, and a whole lot of marketing.

Okay, I admit that I'm a little biased. I was fortunate enough to earn my RMP and MPM designations and have attended every national convention, conference, and leadership training since I joined in the early '90s. In addition, my company earned the prestigious certified residential management company (CRMC) designation that required a great deal of preparation along with a thorough policy and procedures manual. You must undergo a detailed and thorough audit and succeed in completing a four-page list of requirements. In order to keep this designation, the company has to be audited every three years.



### Bright Idea

When choosing a company, visit the office during normal business hours to see how business is conducted. By visiting the office, you can get a feel for the business and meet the staff who will be involved with the day-to-day operations of managing your property.

Most property managers don't graduate from a college with a degree in property management, as that has not been an area of study until the last few years and still is not widely offered. Most have learned through years of experience and ongoing education provided within the industry. A good property manager has good common sense, good problem-solving skills, and follows up on day-to-day details. You need a good businessperson who communicates well and has people skills.

You also need to hire someone who is licensed appropriately for your state. Some states don't have any licensing for property managers; in this case go to [www.narpm.net](http://www.narpm.net) or [www.irem.org](http://www.irem.org) to see whether there is a professional in the area. NARPM is the National Association of Residential Property Managers, and IREM is the Institute of Real Estate Management. Members of both organizations agree to conduct themselves according to a code of ethics and they are subject to the rules of the professional association. They both offer professional designations that require experience and education to attain. When you choose someone with a designation, you know they look at your property from a professional standpoint and are willing to spend money and time to stay current on local laws and the rental market.

“When looking for a management company outside of my geographic area, I first searched the Internet, and then left a phone message to see how quickly they responded. I then met with the staff personally.”

—Willy F., investor and business owner

## Ways to find a professional property management company

There are many ways to find a company that fits your needs and can manage your rental property effectively and efficiently. Here are just a few ways to find a property management company to hire:

- Ask your friends or co-workers whether they know any residential management company they would recommend in the area of your rental property.
- Drive around the area where your property is located, look for signs, and call on those companies.
- Search the Web (including the NARPM and IREM Web sites, respectively, at [www.narpm.net](http://www.narpm.net) and [www.irem.org](http://www.irem.org)) for a professional company.
- Let your fingers do the walking and look through the good old-fashioned Yellow Pages.
- Ask your Realtor for a recommendation.
- Look in the local newspaper to see what company does the most advertising.
- Ask your local title company when signing the final papers at closing.

After you have a few recommendations, write a standard list of questions (or see the following section) so you compare apples to apples and ask the same type of questions to each company.

If you are buying a commercial, industrial, or large apartment complex (100+ units), you want to find a property manager with the CPM designation from IREM. IREM provides the same type of professional education and conferences as NARPM, but it caters to the large investment property manager.

Some property managers have earned designations in both associations to be prepared for investors with both types of investments.



### Bright Idea

The more friendly, positive, and grateful you are to the property managers and the staff, the better the service. Property managers don't get enough credit or recognition for the hard work they put in for investors. Take the time to say "thank you" and show your appreciation. It will go a long way.

## Interviewing a property management company

Be prepared and have a list of questions ready for when you telephone or meet with a property management company. Here are a list of some questions to get you started:

- Why should I choose your company to manage my rental property?
- How long have you been in the residential property management business?
- Do you also sell real estate? (Be sure that managing properties is what they do most and best.)
- How many properties do you manage?
- Do you have a professional designation in property management?
- How will I know when there is a vacancy?
- How do you advertise that vacancy?
- How long will it take to rent my property?
- How do you feel about allowing or not allowing pets, smokers, and/or children? (Be cautious with this. If they say no to children, this could be discrimination, unless it is a 55-and-older community.)
- What is your screening process for prospective applicants?
- How much do you collect at move-in?
- What is the security deposit?
- How much do you charge for monthly management?

- What are your leasing fees and what do those fees include?
- Do you charge a set-up fee and if so, how much will it be?
- Are there any other charges throughout the year? If so what are they?
- What happens if the tenants don't pay their rent on time?
- How much does a basic eviction cost?
- When should I expect my monthly cash-flow report, which details all the activity within that month, showing all rents collected and all of the amounts paid out?
- When do you send my owner-withdraw check, which is the amount of money left over in your rental property account after paying the bills and keeping a small reserve? This is sometimes referred to as a positive cash flow.
- Will I need to change my insurance?
- Who handles the late-night problems/emergencies?
- What happens if the tenants break a lease?
- Do you have a few current clients I can call for reference?
- Who will be my contact person at your office(s)?
- What kind of training does your staff have?
- What type of property management software do you use?
- What is the amount of money you can spend on a repair without contacting me?
- Do you show rentals on the weekends? What are your hours?
- How do you advertise to get renters? Who pays for it?

By sending out some questions or visiting the company's Web site, you will have many of these questions answered in advance, thus narrowing the field. When you go to the property management office, it is to meet the staff in person and to ask a few more questions before making a decision. I think it is a good idea to always meet the owner and staff in person. Make sure you feel comfortable.



### **Moneysaver**

By using technology, you can save a lot of time and money. You can, for example, run a very small ad in the newspaper, directing people to your Web site, which ultimately saves you money. Someone can actually drive by and get a feel for the area without calling you first.

## **Just the facts**

- Self-managing your property in the beginning may help you understand the job at hand in the long run.
- Hire a professional management company so you can enjoy your investment.
- A property manager saves you time, work, and stress.
- Property management fees are tax deductible.
- Use the same care to hire a property management company as you did in finding your accountant and attorney.
- You will get a lot more value when you hire a company that is a member of the National Association of Residential Property Managers (NARPM) or the Institute of Real Estate Management (IREM).
- Some states don't have licensing for property managers.
- Most states require property managers to be licensed, usually requiring that they have or work under a broker's license.
- Hiring a professional company can save you a lot more than money — it can give you peace of mind.
- There are a ton of other services out there that can help you self-manage and market your vacancies if you choose to do that.

- Even though you hire a professional property manager, you still need to know what is happening on a regular basis with your investment.
- Make sure to appreciate your property manager. A little thank you goes a long way, as a lot of people take their property manager for granted. It is a difficult job.



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