

CHOOSE THE RIGHT

PROPERTY MANAGEMENT COMPANY

So, you have decided to hire a property management company. That wasn't the easiest decision you have ever made. Now you need to make another decision. Who should you hire? Why should you hire them instead of another company? How do I know what to ask? **How do I CHOOSE THE RIGHT COMPANY?**

There are so many questions and concerns and **the wrong decision could be very very costly.**

The next few pages will guide you through this process with candid honesty and, I hope, clarity that will be of great benefit to you. This paper could, very effortlessly be 20 pages or more. For your benefit, I have shortened the commentary as much as possible while preserving, what I believe to be, the information you NEED to assist you in your decision making.

Let's get started.

Property Management Business Model (**THEY DON'T WANT YOU TO KNOW ABOUT**).

Just type into your computer browser "Property Management" and look at all the different claims being made by property management companies. Lowest Fees... No Leasing Fees... Eviction Protection... Flat Fee Management... We are members of this and that... In house maintenance... ETC... ETC... ETC... The truth is rarely, if ever found on their website.

Here is the truth. EVERY property management company is in business to make a profit. Their business model is either to make their money by straight forward fee collection for their efforts. Or, to deceive you by charging less management fees and making up the difference, or more, by "Other" means. "Other" income to a property management company is many times far more than the management fees are. It is a buzz word in the business. Everybody is looking for more ways to make more "Other" income. Nearly all the time that means finding **an "other" way to get into your pocket.**

Now don't get me wrong. I sincerely believe that everybody ought to be paid for every service they provide. Nobody should ever rent a home for a client and not receive adequate remuneration for the efforts and expenses. If something had to be repaired then the property owner should be happy to have it repaired properly, and pay a fair and honest amount for the repairs completed. What I don't believe should happen is to advertise and accept a client under the false pretense that they are getting a reduced fee knowing that the "other" income will more than make up for the slight of hand on the front end of the relationship. As a property owner, you will pay more in the end. Find a company that charges a fair amount for everything and will deal with you in an honest and transparent manner. You will greatly benefit from this relationship. It is unfortunate however that when a company is doing a terrific job for you they are rarely trumpeting the success. Normally they are quietly providing you what you need and desire and are usually doing the same for others.

Never dismiss a management company asking for fees of 10% just because you can easily find a company that will charge you 6% or 8%. I promise you, they will make up more than the difference in costs that you will end up paying. Find out what fees are charged and determine if they are legitimate and customary for your area. Don't use the company with the lowest fees. Just one poor choice by that company will cost you a great deal more than the few dollars each month for a company who really cares about their service to you. I can't begin to tell you the hundreds of ways a discount property management company can cost you money. It has been and will continue to **never be worth the discount**.

Flexibility is essential for you as a property owner. I'm not talking necessarily about your flexibility but more about the companies flexibility. You see, each property owner is different. Nobody thinks, acts, nor has the same needs and circumstances as another. Yet, **management companies notoriously force each owner into the box they have created**, so that they can be more profitable. You DON'T have to fit into their box for them to be profitable. In fact the very opposite is true. They just don't usually understand that. If a company you are considering struggles to bend a little to assist you with your needs then move on. Their systems, personnel, and procedures are never going to provide you with the type of service you will need. If the company grasps the opportunity to work for you and is happy to work for you and provide what you have requested then they most likely have good system, personnel and ethics that will translate into terrific customer service and well maintained assets.

Don't be stuck in the 70's. Property management and property management systems have changed radically as technology has. In the 70's we were using antiquated financial software and then another software to keep track of buildings and tenants. Many companies continue to do the same. Even worse, many companies are using financial software and trying to adapt it to keep track of building, Owner, Tenants, Maintenance, Complaints, etc. Well, as you might guess, this approach doesn't work well and, makes it difficult to efficiently provide Owners and Tenants superb customer service. Find out what their systems are and what they can offer you and your tenants. **Short story here is... If they are using typewriters you might want to take a hard look at someone using hard drives.**

Leasing and Tenant Retention are of utmost importance to a property owner. Your new property management company must have the systems, knowledge, and desire to quickly lease your property in any rental market. Rental markets change. Next year the rental market where your property is located will not be the same as it is today. **Rents change, vacancy rates change** as well as many other factors. If your property management company doesn't keep up on the changes and have trained, experienced leasing personnel, in place and working for you, you could be losing a lot of money in lost rents. This is especially true in high vacancy rate markets. That might not be your market today but next year that might not be the case.

This discussion then leads to Tenant Retention. **Superb customer service leads to great tenant retention**. Great customer service is executed through a system set up to easily take, track, and execute responses to complaints and inquires and people who sincerely understand and work for excellence in their customer service. If either of these two factors of good customer service is absent then superb customer service cannot and will not be achieved and you will experience additional tenant turn over. With that you will experience additional costs which leads to less money to pay bills and less return on your investment. Not what you really looking for with your property management company!!!

Finally.. Protect your asset. Cash flow is one thing but that asset is worth many many times the yearly cash flow from your property. **It takes caring knowledgeable people to protect and to enhance your property (Asset)**. Nobody will ever care about your asset like you do. So, your job is to hire a company with people who will take your lead and execute your wishes as if it were you doing it. Make sure to work with a company who will work with you to formulate a plan for your property. Put that plan into a financial plan (a budget) and then execute the plan that you developed together.

If a company indicates that your property doesn't need a budget or they don't provide a budget then move on. **Budgets and management plans are your best tool for controlling what your chosen property management company does and does not do**. Large commercial property owners would never dream of managing their management company without a budget.

CHOOSE WISELY!

A GREAT DEAL IS AT STAKE!