

The Property Manager Comparison Guide

How to Choose the Best Property Manager for You

Whether you are just starting your real estate investment efforts or have a bustling portfolio of rental homes, when you are evaluating hiring a professional property management company to handle your properties, you have choices. Like many industries not dominated by fortune 500 companies, the quality of service and capabilities of property management firms can vary widely. You should also search a little to zoom in on the most important things you want your manager to do...and do well. Yes want to hire honest, knowledgeable professionals who will be attentive to your needs and the needs of your tenants.

Here is a questions you can ask when you interview property management firms that can help you fairly evaluate your options and ensure you find the "Right" company for you!

Background Questions:

1. Ask them how long the company been in operation.

The rule of thumb is to look for five years or more experience. There are exceptions for sure but property management is a learned skill built upon by experience. The costs are about the same but hiring a greenhorn instead of a grizzled veteran can be costly. Even with experienced staff, newer companies can also struggle with growth issues, capital, staffing and infrastructure. A stable, established firm offers assurances that they have systems in place and a track record. Also, beware of a company that has changed its name. If so it could be to shed a bad past.

2. Find out if doing property management is a focus or a fad.

Property managers who don't provide realty services pride themselves on this point. While there are benefits to working with a company that has a single focus and specialization, firms that provide both property management and real estate brokerage services can be excellent managers and offer more services under one roof for the investor growing or downsizing their portfolios. Make sure the company operates each specialty as a separate division or entity...different staff handling management from sales, etc. Also, be wary of people who decide to become property managers overnight...many may be unqualified. Firms that sell real estate and suddenly pop up and offer property management might lack proper licensing or the skills required.

3. Do they seem knowledgeable?

When you get a blank stare or a brush off to your questions in the interview process, it may be a red flag. They either want to put you like the rest of their clients, on to their assembly line or are covering for a general their lack of knowledge. One of the best ways to see if your prospective property manager understands what it takes is to suggest an actual or hypothetical scenario and see how they respond...if they offer you solid answers, you're good...if they bob and weave, move on. Look for quick, clear answers to your questions...if you get them, it suggests the company has well established systems and processes in place and don't operate by-the-seat-of-their-pants.

Qualifications:

4. Obvious but...find out if they licensed to practice property management.

Hiring a licensed property management company is critically-important. Unlicensed managers can pose serious risks to you and your property. The fact that your property management company is licensed means they have received education and training in the field and are subject to the ethics and laws established by their state's governing authority. If they don't have a broker's license, they either will likely be operating under another broker's license or are in a state that does not require a broker's license. Either way it's worth checking the laws in your state and verifying things to make you don't hire a company that is practicing property management illegally. Also, ask them if they carry errors and omissions insurance, general liability and insured auto policies.

5. Inquire about the level of training and/or certifications the staff members have. Ask if they participate in continuing education.

This is a good indicator of how seriously the company takes their work. You want to look for companies that nurture their employees professional development by encouraging (or even better requiring) them to attend industry-specific training classes. Professional certifications mean the recipient has invested considerable time and money acquiring the skills required to be an expert in their field. Ask if your manager is a member of either of these organizations:

- National Association of Residential Property Managers (NARPM)
- National Apartment Association (NAA)

6. Does the management staff look and act professional?

You can expect the management companies you interview to be on their best behavior in the beginning so if your first impression is that they don't look or behave professionally then, you shouldn't expect things to improve. Your property manager is your representative with current and future tenants. If they don't impress you, chances are they won't wow your tenants either. It's also a good idea to get a look at their offices if you can. This will provide yet another window into what kind of operation they are running and how organized they are.

The Size and Scope of the Company's Portfolio

7. Ask how many different types of properties do they manage? Do they have a specialty?

Generally speaking, a firm specializing in one property type is better than one that is all over the map. If the firm is large, it might be ok that they have a division to manage single family homes and another to manage apartments but if the firm is small, seems to dabble in everything, homes, apartments, homeowner's associations, vacation rentals, etc., it may mean there is a lack of focus on your property type...this could impact how well your property is managed.

8. How many properties are they currently managing? Is the company trying to grow, hold or slim their portfolio?

Believe it or not, size matters. There are some benefits to a small company...focused attention and personal service, but management companies have substantial fixed costs whether they manage 10 properties or 1,000. Many smaller firms may struggle with profitability and service could suffer.

9. Ask if they manage any section 8 properties?

Section 8 properties come with some different requirements and can pose some unique challenges to get and stay leased. You need to have some specific knowledge and expertise to manage these effectively. If you own, or are considering properties for use as section 8 properties in the future, you should find a company that has experience in this area.

10. How long is their average client relationship?

While most companies may not know their client's length of time under management, you are looking for one where the stay is several years. Typically, if the owners are happy, the service is better and they stay longer. Bear in mind that there are two types of investors, intentional owners...and accidental ones. If the company's portfolio is comprised of mostly accidental owners, their tenure will be shorter than ones where it is mostly intentional investors. Accidental owners tend to rent as a temporary measure and often don't stay in the rental business as long as those investors who invest proactively.

11. Ask for the addresses of some of their properties so you can do a drive by and if possible get a walk through.

Bear in mind they will select properties that reflect well on them, if you really want to go the extra step you can hunt down one of their other properties by locating some of their rental listings. Either way, if you get the opportunity to talk to tenants try to assess their level of satisfaction with the management company.

Company Size

12. How many people do they have on staff?

There are pros and cons on to both large and small size companies. Here are some things consider when determining what size company best fits your needs:

- **Larger company benefits**
 - More specialized staff (i.e. the accounting dept. consists of trained accountants)
 - Typically have an in-house maintenance crew
 - More process-driven
 - Able to negotiate better vendor contracts and advertising rates because of size
 - More likely to have made a significant investment in enterprise level software that helps them perform property management functions, as well as other more general tasks like accounting, communication and administration.
 - Plenty of back-ups to fill in when someone gets sick, goes on vacation, quits, etc. This load-sharing can also help with burnout.
- **Smaller company benefits**
 - The buck stops with the people you directly deal with.
 - More personal service and flexibility.
 - You may have more pricing leverage.

Staffing and Management

13. What is their staff turnover rate?

The property management industry does tend to have a high turnover rate. Thus, whatever information they give you should only be compared to other property management companies in the area not to other industries. Nevertheless, high turnover can be a bad sign. You want to deal with the same people, not someone new every few months. High turnover can also signal poor management.

14. Who is the specific PM that will handle the property?

Assuming your meeting with the company's management or sales personnel goes well, it is critical that you also meet the manager who will handle your property. If your property manager is sub-par, it really doesn't matter how well the rest of the organization operates. Make a point to meet the specific property manager(s) who will be handling your property. Consider the following:

How do they present themselves? Do they look and act professionally? Do they appear knowledgeable and friendly?

Ask your manager about his or her experiences, maybe current situations, how they have handling maintenance and tenant challenges and what their strengths and weaknesses are. Ask them how many calls they make or receive a day...yes the phone is still a huge part of the job.

How long have they been a property manager? A licensed agent?

Experience is important and relevant experience is critical. If your manager seems competent but not a 30 year veteran, ask about their broker's/manager's experience as they will likely bring situations to their broker/manager for guidance when unsure. If they ARE the broker/manager and have little experience...you might beware.

How long have they been with the company, where and for how long were they with another company before that?

A Job hopper might create that turnover you don't want. There are often good reasons for a property manager to change companies but just make sure their employment history seems thought out and stable..

Are they financially-incentivized for performance?

Knowing that your property manager has a personal motivation to drive your success can be an important thing. You are paying for performance and if your manager makes their salary regardless of how quickly your property rents, how fast your repairs get done, etc., you might have the wrong company. You want your property manager to be rewarded if they do a good job. You also want them to experience pain if they don't. See if your manager has incentives to perform well on your most important KPI's...low vacancy, delinquency rate, days on market, etc.

Who would you be dealing with if that person is sick or on leave?

Until robots take over the role of property manager, you will invariably at times have to deal with someone else when your property manager is unavailable. Find out who that is and understand how the company handles temporary absences so it doesn't impact your property management experience. When a situation arises that requires immediate attention, you want to know there is a qualified back-up for your manager who will know what to do and how to solve the problem.

Customer Service

15. What are their office hours, do they close on weekends?

Property management is a 24/7/365 business. How will your property management company handle the 3 am emergency call or the weekend move-in inspection? While most management functions can be handled during normal business hours, find out how your manager will handle the nights and weekends thing. A good manager will have a zero-defect system. Many larger companies employ after hours call centers that can not only take calls live but also dispatch emergency vendors or contact your manager and apprise them of a situation. Smaller companies rely on the managers themselves to take calls and answer emails on nights and weekends. Just make sure you are satisfied with the company's solution to your nights and weekend's needs.

16. Who handles after hours, weekend and holiday calls?

If the management company employs a call center to handle after hours calls, ask if that person is qualified to competently address your and your tenant's concerns IMMEDIATELY. Simply answering the phone and explaining that you or the tenants will need to wait till Monday morning before you can get help isn't what you want. You want whomever is taking the 3 am emergency maintenance call to be qualified and capable of promptly getting the problem solved. If it is your property manager taking the 3 am call...expect less than 100% timeliness...

A good way to test the timeliness and competence of the company's after-hours service solution is to ask for that phone number and call and see who answers. If the call goes to an answering machine you may want to think twice about that company to manage your property.

17. How quickly do they respond to tenant and owner calls?

If while you are interviewing a company, you find it difficult to reach them or have to wait more than a reasonable time to get a response, you should consider this a sign of things to come. Even with technology and text and email communications taking over, property management requires a lot of phone conversations...if you aren't getting good communication during the screening process, you likely will be frustrated in the future if your property management firm is hard to get a hold of.

Final Thoughts

While this guide will help you compare your property management company options, remember that you also have to have a comfort level with the firm and reasonable expectations. Yes a good property manager can save you money and yes...a bad one can cost you money...but also remember that they are your partners in your investment business. It is often easy to scapegoat your manager when things go wrong...your tenant doesn't pay, a pipe breaks on a holiday weekend, or a tree cuts your AC unit in half during a storm.

It is a vital role your property manager should play but you too must be active and communicative about how you want your property managed. Understand their struggles with owners and avoid being one of "those" owners...

According to the Buildium/NARPM State of the Property Management Industry Report 2016, Property Managers overwhelmingly state that the top three problems they have with owners they manage for are:

1. Owners lack experience and understanding of the basics of investment property ownership. (41%)
2. They have unrealistic expectations and/or unreasonable demands (32%)
3. They lack a sufficient budget or funds to successfully manage their investments.(31%)

The customer is always right but if you want a successful and quality relationship with your property manager, don't be one of "those" owners.

If you are slow to respond to repair request approvals, drag your feet on tenant applications decisions, refuse to lower list price despite market feedback, fail to keep your property in rent-ready condition or take the position that a tenant's security deposit should cover wear and tear, you make your property manager's job extremely difficult. Be a good owner, find a good property manager who you trust, do your part and hold them accountable for doing theirs.

Happy Hunting!