



How to choose your property manager

Selecting your property manager wisely can make a great difference in the return you achieve from your property. Poor choice can change a great investment into a troublesome asset. Here, Pamela Yardney shows you how to pick the right person for the job.

If you treat your property investment as a serious business and want to maximise your returns, appointing a property manager is vital.

When I see people choosing a property manager based on fees, I often use the analogy of how you would choose a childcare centre to look after your child. Would you want one that knows your child by name, understands their special needs and gives your child medication when you want them to, or would you go to a cheap childcare centre that treats all children the same? On the other hand you could stay home from work and look after your child yourself. But think of all the things you could do while you entrusted the care of your child to somebody else. I admit that using this analogy is drawing a long bow, but your property is a valuable asset and should be tended carefully, taking into account your special needs and specific instructions. Considering today's more complex property market and legislative environment, it is best that you remember you are a property investor and not a property manager. Even if you want to be actively involved in the management of your property, you can still retain involvement without being responsible for every little incident. Of course, engaging a professional does come at a cost. Property managers charge a management fee of 5 - 10% of the rent, and they take a further commission to find a new tenant and lease the property for you.

If you find the right property manager, these fees will be not a cost but an investment, as proactive property management can considerably increase the return on your investment. Don't choose an agent just on their fees. 'Poor care' by your agent will cost you more than 1% or 2% difference in fee structure. And remember, these fees are tax deductible.

QUESTIONS YOU SHOULD ASK

While your first inclination may be to use the agent who sold you the property to manage it for you as well, I would suggest that you ask the following questions before making a decision. You need to ensure the agent will give you the kind of service you deserve.

1. Do they have a dedicated rental department, and how many staff will be looking after your property?

Many agencies see property management as a 'poor sister' to the more glamorous sales department and some even leave the management of clients' assets to the front desk staff and receptionists. Ensure that your agent has a dedicated property management department. It would be preferable that this department is staffed by a team of professionals so that there is continuity of management in the event of your property manager being ill or leaving.

2. Is a director / owner of the agency involved in the day-to-day management of the property management department?

Most agencies have a sales department and a rental department. Generally, the business owner has a sales background and not a rental background and looks after the sales department, leaving the management of their rental department to a property manager. This is because the sales department has a higher turnover and higher income. The rental department has a lower income and is more intensive and difficult to manage. An agency in which the director has an active involvement in the property management department will probably take your investment more seriously.

3. How are they going to look after you, your tenant and your property?

Does the property manager provide you with a written proposal including references or testimonials as well as a 'schedule of services' and a list of associated expenses?

Some property managers just go out and look at your property and say, "Okay, we'll put in on our books". Look for someone who presents a professional image to you and gives you a written proposal. If they make the effort to present their services professionally to you, it is likely they will look after your property professionally as well.

4. What geographic area does the property management service cover?

While you should be looking for a property manager with expert local knowledge, consider what your property portfolio will look like in a couple of years' time. Will you own a number of properties spread throughout the suburbs? You could either employ a specialist property manager in each geographic location or you could instruct a large property management company that covers a larger geographic area.

5. Do they hand out keys?

If they just hand out the keys and let the tenant inspect the property on their own, move on to another agency. Too many things can go wrong with this approach and the security of your property is compromised. Inspecting your property with a prospective tenant means that the agent has a better opportunity to promote the property as well as a chance to get to know the tenant a little better.

6. Find out what they think about tenants?

There are many property managers out there who have little regard for the tenant. Your tenant is very important and should be treated as such. Look after your tenant and your tenant is more likely to look after your property.

7. Find out how many properties your property manager handles?

A property manager who looks after too many properties may not have the time to devote attention to yours. Some busy managers look after more than 250 properties. In general, this is far too many to give your property the appropriate level of attention. At some boutique agencies, each property manager looks after 150 - 200 properties. While these agencies may charge a little more for their property management services, landlords find this extra expense translates to a trouble-free investment that often produces a higher return.

8. How do they handle rental arrears?

Your property manager should shield you from the unpleasant tasks of handling rental arrears and know the correct action to take if the tenant is in default. They should issue the relevant notices and follow through until the rent is up to date.

9. Are they prompt in attending maintenance requests?

A good property manager will have a team of qualified tradespeople who do a good job at a reasonable cost - often saving you money in the process. Usually you would advise your agent how you want them to deal with maintenance and they can attend to this on your behalf.

10. How do they check prospective tenants?

Ensure that your property manager subscribes to a major tenancy database and screens all prospective tenants carefully. Access to the industry tenancy database is only available to agents and reduces the risk of selecting the wrong tenant. Your agent should thoroughly screen the prospective tenant before recommending them to you. This means checking their references and employment history, and talking with their current employer. They should also check with their current agent or landlord to ensure they pay their rent promptly and keep the property in good condition.

11. Will the agent you choose go to court for you if need be and what has been their success rate in previous appearances?

Unfortunately, you just might have to go to the tenancy tribunal to protect your rights as a landlord. If this happens you will need an experienced property manager to represent you, as tenancy laws have become quite complex.



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Managing your property manager

Once you have evaluated proposals from a number of agencies, choose an agent who knows the rental market well. They will be in a position to advise you of the market rent for your property.

You will now need to formally engage them by completing a Leasing / Management Authority, which outlines your responsibilities and the agents' obligations. You should also give the agent clear written instructions explaining your specific needs.

At your request, your property manager can pay bills on your behalf out of the rent that they receive. These could include maintenance costs, body corporate fees, public lighting, insurance premiums, and water and council rates. Each state has a different fee structure and, while these fees are negotiable, my advice is not to choose a property manager on fees. ***If you calculate the cost of the 1 - 2% difference between a cheaper and more expensive manager, it only comes to \$5 - \$6 a week.*** A poorly performing property manager will cost you much more than that.

What if you want to change agents?

Sometimes things just don't work out and you will want to change property managers. It's easier than you think. Your authority with your current property manager will have an exclusive period of 30, 60 or perhaps 90 days. If that period has not expired, there may be a fee required to release you from your contract. If your Exclusive Agency Period has expired, all you need to do is

provide your new agent details of the previous managing agent and they will arrange all the paperwork for you.

Should I manage the property myself?

You might think that by personally managing your property you could save some money and keep a better eye on your property, I have found that this usually isn't the case. While you may save \$20 or \$30 a week (which is tax deductible), consider what your time is really worth - being a property manager is a hard way to make a dollar. I have also found that landlords who get too involved in the day-to-day management of their properties end up spending more in the long run and tend to lose out by not increasing their rents to maximise their returns. Either they don't have their fingers on the pulse of the rental market or they become too friendly with their tenants and are lenient at rent review time.

Considering all of the above, do you really want to manage your own investment property?

Pamela Yardney is director of Metropole Property Management and co-author of All You Need To Know About Buying and Selling Your Home.