

5 TIPS FOR WORKING WITH A PROPERTY MANAGER

Property managers can make or break your investment portfolio. But how can you ensure you get the best one? Investor *Simmi Wadhwa* outlines the key factors that landlords should consider

The most critical factor in making the management of day-to-day real estate operations successful is, in my opinion, having a great property manager. While the right property manager can make your real estate experience a pleasant and profitable experience, the wrong one can make it a complete nightmare.

During my real estate journey, I have hired several property managers to help manage my properties. This has provided me with extra time to focus on the strategic elements of growing my holdings. I have learned some important lessons in working with property managers along the way. To avoid costly mistakes, here are some key tips to consider:

1. DUE DILIGENCE

Just as you would take precautions in carefully selecting a real estate agent or lawyer, it's important you do your homework when selecting a property manager. How? Get referrals from people you trust and research factors including their experience, size of the firm they work for, etc. Another must-do is to conduct a face-to-face interview with all of your prospective managers. The following is a list of potential questions to ask during the interview:

- How many properties do they currently manage?
- How many employees are on staff to manage these properties? Consider if the ratio of properties to employees is too much. In my opinion, one person with the proper processes, tools and resources can manage 25 to 35 properties as long as someone else does the financials.
- Does the property manager have experience in managing your specific type of property, such as student rentals?
- What processes and tools do they use to manage their properties?
- Do they use automated property management software? Ask to see a sample report.
- How do they manage growth in their business?
- What is their knowledge of the area?
- How many inspections do they do each year?
- Do they coordinate maintenance and repairs?
- Do they provide regular updates on the property and how often?
- What is their preferred communication style? Email? Phone?
- What items do they charge 'extra' for? Regular visits to the property shouldn't incur extra charges.
- How have they dealt with a typical repair that was required?
- Do they own rental properties? This may create a conflict of interest. Just imagine that the property manager and you both have a vacancy at the same time, whose property do you think the property manager will try to fill first?
- Can they provide references that can support their work?
- Ask them if they are planning to raise their fees in the near future, as this will affect your monthly cash flow.



2. SET CONTRACT TERMS AND CONDITIONS

Be cautious and plan ahead. Set specific terms and conditions in your property management contract to ensure you know everything you're getting yourself into. Think about the following:

A Limit discretionary spending in your property management contract. Have you ever been surprised at the end of the month when you receive a summary of unexpected expenses from your property manager? I have received some occasional surprises at the end of the month with unexpected maintenance repairs. To safeguard against this and maximize cash flow, consider limiting the amount of discretionary spending the property manager is allowed to spend without your approval. In my opinion, discretionary spending by the property manager should be limited to \$100 per month maximum for each property.

B Select the appropriate lease term.

There are pros and cons to signing a one-year or multi-year lease with the right lease term, dependent on your goals for the investment property. Yearly leases are advantageous in providing you with more flexibility if you have to replace a bad tenant or decide to sell the property. On the other hand, multi-year leases provide you with the peace of mind of having guaranteed rental income for a longer period of time. This will avoid yearly lease fees incurred in finding new tenants. My one word of caution with a multi-year lease would be to ensure you have a clause in the contract that allows you to raise the rent annually within allowable guidelines.

C Ensure that the monthly rental cheques come directly to you instead of the property manager. This provides you with visibility of the total rental amount the tenant is paying. This not only decreases the chance of your property manager committing fraud but also ensures you receive payment on time.

D Determine additional costs. Read the fine print and ensure that you are aware of additional costs to avoid any surprises. These may include costs for annual inspections, mileage charged for visits to the property, or for maintenance and repairs.

E Establish lease contract terms with the tenant. Make sure the lease contract is between you and the tenant. Some property managers have the lease set between the tenant and the property management company but this can often create unnecessary complexities.

3. MANAGE THE PROPERTY MANAGER

Just because you signed a contract with a property manager, this doesn't mean your job stops there. You are the CEO of your real estate business and still must manage it actively. Take an active role in ensuring your property manager is doing their job of managing the day-to-day operations of your real estate portfolio. Good practices to incorporate include;

A Regular communication: Check in

with the property manager regularly to discuss your portfolio, address any issues swiftly, get updates on tenants, find out what's happening in the neighbourhood, and discuss future plans for the property.

B Verify expenses: Bring out your inner detective and make sure that you review monthly statements as soon as you receive them and discuss any charges that seem excessive or incorrect with your property manager. This is real life and mistakes do happen. To run your real estate business effectively, you must know what repairs should cost so that you don't overpay for routine maintenance and repairs.

4. HAVE OPEN COMMUNICATION WITH THE TENANT

Even if you have a property manager, it's a good idea to introduce yourself to the tenant. This will ensure that you have a direct communication path to the tenant, if required. You will also receive direct feedback on the property manager's performance and be able to address any issues identified by the tenant quickly.

No one cares about the success of your real estate business than you do.

5. KNOW THE LANDLORD TENANT ACT

Information is power so the more you know, the better equipped you'll be should a difficult situation arise, especially as there are things that your property manager and lawyer may not know. A good practice is to have a quick read of the Landlord Tenant Act for the specific province you are interested in investing in as everywhere has different rules and guidelines.

A good property manager is worth their weight in gold. So make sure that you hire one that's the right fit for you.

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BOOTS ON THE GROUND



One of the most common mistakes that many investors make is buying properties outside of their comfort zone, whether that is the Caribbean or Calgary, and believing that they can manage it themselves. Of course, many can undertake and achieve that successfully, thanks to better communication channels and ease of travel.

However, not everyone has that luxury or time.

Not having "local boots on the ground" is one of the biggest mistakes that out-of-town investors make, says Garret Wong, president of Garamark Property Management Inc, located in Winnipeg. Having witnessed a wave of out-of-town investors descend upon Winnipeg to take advantage of a revitalized market, affordability and increasing rents, Wong says many are losing out on big profits by not knowing the ever-changing market rents in the vicinity and not familiarizing themselves on the Manitoba Residential Tenancies Act.

GaraMark has been trading in Winnipeg since 1999, managing properties for clients across every corner of Canada as well as the U.S., India, Indonesia, and Argentina and all parts of the world. GaraMark manages a diverse range of properties from duplexes in the North End to single-family homes in River Heights and luxury condos on Waterfront Drive.

Ask any landlord what the main difficulties are in owning rental properties outside the geographical area in which they live?

The first, without doubt, is trust. Be that with the tenants or not knowing the current condition of the property. Then there

are the obstacles faced when something does go wrong, such as finding third-party professional trades and companies.

Wong says Garamark's investment in new technologies to increase organization and data capturing, renewal notices and regulations, project management, with a focus on client communication" allows them to offer their services at the "the most affordable fees in the industry."

Wong adds that they have developed a new property management model that allows them to manage all residential units more "efficiently and therefore more economically for our clients," while adding that they can offer group plans, such as property insurance at a "very significant discount." In essence, their unique model ensures Garamark Property Management is managing the property, not a single individual property manager, where tenant histories, conversations and other pertinent information is available for new staff to pick up where the last staff member left off – ensuring an owner's interest is protected and doesn't "leave" with that staff member if or when they leave the company.

Aware that investors do not want any unexpected and high costs, they seek client authorization prior to any non-emergency maintenance work orders.

While Garamark offers comprehensive management such as finding a tenant, inspections, lease renewals, etc. they also offer higher-level services such as portfolio/investment advice, knowledge/expertise to work around rent control, and market rent analysis before a client actually purchases a property. ■

Make your Winnipeg rental investment with Garamark Property Management.

trust (trəst/)

noun 1. "firm belief in the reliability, truth, ability, or strength of someone or something." (Oxford)



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