

## **The First 8 Questions to Ask a Property Management Company**

*by Bruce Jay, B.A., CRS, GRI*

A property management company takes on the responsibility of managing the many concerns which come along with the ownership of real estate. This is very much the role of management in any business.

One of the most important roles for the property manager is acting as liaison between the landlord and the tenant. Duties of the property manager include accepting rent, responding to and addressing maintenance issues, advertising vacancies, and doing credit and background checks on tenants. In exchange for the service they provide, property management companies charge landlords a percentage of the gross rent collected each month (typically 3-12% depending upon the required duties and the type of property being managed), in addition to lease commissions.

There are many aspects to this profession, including participating in and/or initiating litigation with tenants, contractors and insurance agencies. Litigation alone is considered an entirely separate function, set aside for trained attorneys who usually are not working under a property manager. Special attention is given to landlord/tenant law, evictions, non-payment, harassment, and public nuisance issues are subjects that gain the most attention from property managers. Therefore, it is a necessity that a property manager be current with new laws and practices in their given localities.

There are many property managers offering their services. Some new, some old, ones with knowledge and skill and others with not much experience at all. It is up to you to figure out which company best suits your financial needs and will secure the future of your property performance. Although the old adage, 'Nothing beats experience' is true, there is much more to consider. As you shop around for the best property management company, we have suggested below *the first 7 questions you may want to ask of a property management company*.

### **1. How long have you been in the business? Who is the licensed broker of the company?**

*Did You Know...* that you can check the status of a licensed real estate broker by going to the Department of Real Estate website (<http://www.dre.cahwnet.gov/>)! By going to LICENSEES on the left column, you will be able to research any licensed salesperson, broker or corporation operating in the state of California. You will also be able to check brokers operating a Prepaid Rental Listing Service (they usually list your vacancy at no cost). To check the license status of a salesperson, broker or corporation, go to the following link: <http://www2.dre.ca.gov/PublicASP/pplinfo.asp> .

This is a great resource to find out about the property manager you are considering. It only takes a few minutes to prevent a possible mistake.

Once an owner called me to consider our property management services, and once I checked on their existing property manager I discovered that they were not even licensed!

Clearly, the owner was upset. This never would have occurred if the owner only checked the license status.

## **2. Do you manage properties such as mine?**

*Did You Know* ...that the property manager may not have easy access to your property location. Many property managers take on accounts that are very far away from their service area, and it is important to learn if the property manager you are considering actually has other managed properties in your immediate area. When there is an emergency, your property manager must be able to respond quickly and efficiently.

## **3. Do you review my existing rental agreements? Are you able to upgrade these contracts with my existing tenants at no additional cost?**

*Did You Know* ...that you may upgrade your existing rental agreements by simply issuing a CHANGE OF TERMS OF TENANCY. By giving this 30-Day Notice, along with a new rental agreement, you will effectively change the terms of the tenancy. You don't even need the existing tenant's signature! (Please note that some restrictions apply).

## **4. Do you have experience with rent control issues and Housing Department Code Enforcement concerns? Have you actually been to any hearings regarding these entities?**

*Did You Know* ...that some violations, if left unresolved, could result in criminal prosecution against the owner! It is imperative that the property manager has 'hands-on' experience with code enforcement concerns. And that the property manager has legal references should the issues remain unresolved.

## **5. Do you advertise my vacancies? How long do you think it would take to fill a vacancy in my building? Are you able to advertise in different Internet sites as well as newspapers and trade papers?**

*Did You Know* ...that there are many websites advertising vacancies, and most all of them are free! With so many websites it has become easier for prospective tenants to locate their new residence. This has truly impacted our industry and vacancies tend to fill up much faster than ever before.

Newspapers and trade papers are quite expensive, and it becomes cost prohibitive to advertise a lower priced rental in these publications. Hence, the internet is your best choice.

Further, if your property manager has managed properties in the same general location of your property, you benefit by getting hold of the rental inquiry overflow from the other properties (this ties into #2 above).

## **6. Does your company offer a website? Can your company communicate with me via email?**

*Did You Know ...that without internet access your Property Manager could lose up to 80% of the rental inquiries currently online? This may delay the renting of your vacancy, and cost you quite a bit in the long run! Further, if you are able to communicate with your property manager via email, you should be kept up-to-date no matter where you are, even overseas! We communicate (sometimes daily) with clients as far away as Australia!*

**7. Are there members in your company that are bi-lingual? Do they speak Spanish?'**

*Did You Know ...that the Hispanic population has had a remarkable growth rate in Los Angeles? If your property Manager does not speak Spanish, you will lose many potential applicants that may qualify for your vacancy. And, you may have difficulty in communicating with gardeners, painters and others! As they say, our world is getting smaller and smaller. Be sure to keep up with the times and remove any possible language barrier!*

**8. Does your company offer other services, such as financing, that may tie into our property management services (and save us costs)?**

*Did You Know ...that when your property manager offers full service, including loan services, you win? It makes sense. By hiring a full service company, you benefit by saving fees that would be charged by a single service company. After all, the single service company only has one relationship with you. A full service company has every reason to make your business decisions as affordable as possible. And this is where you become the important client that you are!*

*Of course, there is much more to ask of the property manager. And many of the questions are truly common sense concerns that usually get overlooked!*

*If you are in the market for a property manager, please use these suggested ideas as a fair start. And perhaps you will find out much more than you ever expected from a property manager!*

*We hope this helps you in your search!*

*Bruce Jay was honored by the California Association of Realtors with the Graduate of the Realtors Institute (GRI) Real Estate Designation (Only the top 5% of all licensed Real Estate Agents nationwide hold this designation). Bruce Jay was further honored as a Certified Residential Specialist (CRS) with the California Association of Realtors. Any legal advice herein must first be approved by your attorney. Bruce Jay Associates does not warrant or assume any legal liability or responsibility for the accuracy, completeness, or usefulness of any information provided herein. For questions or comments, please contact Bruce at 323-660-3600.*