

Thirty Questions to Ask Your Property Manager by Brendan O'Brien

Finding a good property manager is like any other vendor search – it's worth your time up front to make the best possible choice. That's because a bad manager can cost you a lot of money, up to the entire value of your rental property investment. Consider:

- Your property manager will be receiving rent and fees on your behalf. A crooked manager could steal you blind.
- Your manager will be in charge of finding new tenants. A naïve or slipshod manager could bring in bad tenants who trash your building.
- Your manager will handle maintenance. A greedy manager could charge a fortune for simple repair jobs.

Here's a thirty-question checklist for interviewing prospective property managers. The answers you get will provide a very solid understanding of each manager's qualifications. You can also get an impression of a prospective manager from other cues – I'll explain those at the end. Finally, remember that you have to compare managers to others within an area. It's possible that none of the prospective managers in one city will match the high standard of your terrific manager in another. On the other hand, if you can't find a good manager in a city where you plan to invest in real estate, maybe you shouldn't invest there.

The first questions have to do with finding good tenants, which I think is the key to a happy building. A building with good tenants tends to have fewer maintenance and other issues.

- How many vacancies do you have right now? Out of how many total units that you manage?
- What is the average length of time it takes to fill a vacancy?
- Is that average time getting longer or shorter?
- How do you market your rental units?
- Do you require an exclusive arrangement for marketing to new tenants?
How does your web site look?
- What factors would make you reject a prospect?
- Would you accept a tenant who met your qualifications in some areas, but not others? Which qualifications are most important to you?
- What screening methods do you use?

You want a manager who finds good tenants reasonably quickly. He should use a variety of methods to find prospective tenants, such as a web site, Craigslist postings, newspaper ads, signs, flyers and more. Your manager should follow an extensive screening process, but be willing to accept a "maybe" tenant if the situation is right. You want a look at the web site to make sure that is inviting to prospective tenants, and constantly updated.

As for the exclusive arrangement, property managers never mind when you or somebody else finds prospects for them. However, in almost all cases, they will still want a rental fee for moving the prospect into your rental unit. Make sure you have a clause that if the unit hasn't been rented for some time and you or someone else you find brings in a new tenant, the rental fee is cut in half. You don't want it cut to \$0 because the manager will still have to screen prospects. The next questions relate to tenant management. It's just as important to keep good tenants as it is to find them.

- What does your lease look like?
- What is your late rent policy?
- What other rules do you set for tenants?

- What percentage of tenants do you have to evict?
- How does the eviction process work here?
- How do your tenants contact you?

I recommend sticking with the manager's preferred lease, late rent policy, and rules unless you have a really major objection. If the manager is really experienced, chances are they've developed smart rules and policies over time. Tenants should be able to contact the manager through a variety of ways during the day, and have an emergency number for off hours. If the manager is always evicting tenants, he's bringing in bad tenants.

The next questions relate to maintenance.

- Which kinds of maintenance jobs are handled in-house?
- Which ones do you use an outside handyman for?
- Which ones do you use professional contractors for?
- How many quotes do you get for jobs?
- How expensive does a job have to be for you to contact me before doing it?
- What are your rules for contractors being inside occupied rental units?
- Who are your preferred contractors?

Managers should have a well-thought-out system for assigning jobs to different parties – in-house employees, handyman and professional contractors. Almost any plumbing, heating, or electrical job should be handled by a professional. Other jobs, such as paving a parking lot, require special equipment that usually only professionals have. But most small jobs can be done by handymen who will cost you less.

You want multiple quotes for major jobs – say, anything over \$500. You should also have a rule that contractors can never enter an occupied unit –even if the tenant is not home at the time – without a manager's representative being there. Finally, you want the names of preferred contractors so you can run a quick check on them.

The last group of questions relates to experience. You want managers to know the local real estate world inside and out.

- How long have you been a property manager?
- How long have you been a manager in this area?
- Can I see some of the other properties you manage?
- Do you personally invest in real estate in this area?

Finally, you need to understand your arrangement with the property manager.

- What is your fee structure?
- How will I get reports?
- Do you require an exclusive arrangement to broker the property?
- How much notice will you give before terminating a contract?

The manager's fees aren't really important unless they are much higher than everybody else's, or are so high that you really can't afford them. Reports are very important because they are your only window into how your investments are performing. The best way is to get them on your own computer, on your time – as may be the case if they use on-line property management software. You should not accept any exclusive arrangement to broker properties unless they have a limited term. In other words, if the properties don't sell after a certain time, you can re-list with a different broker for no penalty.

Also, you should require good notice for the contract to be terminated – at least 30 days. That gives you time to find another manager.

Here are some other things to watch out for:

- A manager with a messy office or personal appearance. Chances are he doesn't much care about the condition of the properties either.
- A manager you have a hard time reaching by phone or email. If he won't return your messages now when he's trying to get your business, what are the chances that he'll do better later?
- A manager whom you sense is trying to intimidate you with knowledge. The "don't ask stupid questions, I know all about this" approach is often a cover for not really knowing much at all.

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