

A Guide for Choosing a Good Property Manager

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First of all, **BUY MY BOOK!**

I can tell you how to choose a good professional property manager, but *you* yourself (or a relative or friend) might be the best person to oversee the rental of your Oahu residential rental property. (I am speaking here about *long-term* residential rentals, not vacation rentals or commercial leasing.) I urge you to buy my book, *"Mom & Pop" Property Management*. [As of June 2006, a few copies of the 1991 edition are available; a revised version is planned for publication through www.budgrossmann.com.] My *"Mom & Pop"* manual provides forms and checklists to lead you step-by-step through all the typical tasks of residential rentals. It will give you the knowledge and the confidence to deal firmly and fairly with applicants and tenants.

If you decide to pay someone else to handle the day-to-day concerns of your property, you would still do well to purchase my book. I suggest you buy a copy for your property manager if he or she doesn't already have one.

Some Things a Good Property Manager Will Do for You

- ! Tell you how to get the property ready to be rented
- ! Frankly advise you on how much rent to ask (your goal is "fair market value"; asking for too high a rent will increase your risk of leaving the property vacant, paying greater advertising costs, and perhaps ending up with resentful, demanding, or uncooperative tenants)
- ! Advertise the rental effectively and economically (*you* will probably pay for advertising)
- ! Select responsible, reliable, cooperative tenants
- ! Sign the lease and check in the tenants
- ! Inspect routinely; arrange for repairs and replacement of appliances
- ! Resolve problems when they arise
- ! Check out tenants when the time comes
- ! Put in new renters, ideally with *zero* days of vacancy between tenancies

Some More Things a Good Property Manager Will Do

- ! Enter a *written* management agreement with you
- ! Promptly send your net rent proceeds each month with a clear statement of income and expenses
- ! Send you copies of the letters or notices that go out to the tenants
- ! Keep you informed of matters concerning your property
- ! Pay (with your funds) condo maintenance fees, utilities, etc.
- ! File your Hawaii General Excise Tax returns for you
- ! Send you IRS form 1099-MISC in January each year.

What You Can Expect to Pay for Professional Management

Property managers customarily work on commission. My fee for property management

¹BUD GROSSMANN efficiently and successfully managed Oahu properties for himself and others from 1980 until 2006. Trained as an attorney, he briefly practiced law before getting his real estate broker's license. Mr. Grossmann has presented seminars on residential property management and other topics. He is widely known as a creative photographer and author. Some of his work can be viewed at www.budgrossmann.com.

was 10% of the gross rent amount. When I put a new tenant in, my contract called for an *additional* “rental fee” of 15% of the first full month’s rent.

I paid my office costs and car expenses, but my clients—the property owners—paid for all advertising and other costs related to their property. My management agreement specified a 10% “coordination fee” if I supervised major repairs and renovations (any work exceeding \$250 except for appliance replacement; if I arranged for painting or carpet installation, for example, I would have been entitled to the 10% fee). On the rare occasions when I collected late fees from tenants, I kept 50% and passed along the other half to my clients. For each of my clients, I maintained a \$100.00 balance in an Owner’s Trust Account so that I could pay small bills as they came in.

My contract called for me to send checks and statements to my clients about 20 days after I received the rent. If an owner wanted to end a management contract with me, he or she could do it on 30 days’ notice; I reserved the same right of termination. I charged no fees after a contract was ended. If my clients wanted to list their property for sale, they could list it with anyone they wish; in other words, my contract had no Exclusive Right-to-Sell term.

When you talk with other property managers, you can compare their policies and fees with the ones I’ve described. On some terms of their contracts they may be willing to negotiate.

How to Begin Your Search for a Good Property Manager

Ask people whose business judgment you respect whether they can recommend someone. If they can’t, then ask them if they will tell you whom to *avoid*. If you must, go to the Yellow Pages.

The First Things to Tell a Prospective Property Manager

I suggest you write out the following information and recite it to any property manager you call:

- ! The address, features, and condition of your property
- ! Whether the place is presently rented and for how much and how long
- ! How much rent you hope to get
- ! The reason you are changing from your present property manager, if that is what you are doing

Questions to Ask of Property Managers Who Are Interested in Managing Your Place

The following “Checklist for Interviewing Property Managers” will help you be methodical in evaluating and comparing several property managers.

- ! Is property management your main line of work or are you more involved in sales?
- ! How long have you been doing property management?
- ! Do you live or work near my property?
- ! Do you already manage other units near mine?
- ! Based on what I have told you, how much rent do you think I can expect?
- ! What fees do you charge?
- ! Do you charge a new-account set-up fee?
- ! Do you have minimum charges or other charges I should know about?
- ! When do you send out the rent proceeds?
- ! Do you keep some of my money in an Owner’s Trust Account? How much?

- ! Please tell me about the minimum time period of your contract and the rules for ending it. Do you charge any fees after the contract has ended?
- ! In case I wanted to sell my property, would I be required to list it with your company?
- ! What else do I need to know?
- ! Can you please give me the names of three of your clients as references?

Checking Property Managers' References

A professional property manager in Hawaii *must* have a state license. You can check on licensing at <http://pvl.ehawaii.gov/pvlsearch/app> or by calling the Department of Commerce and Consumer Affairs at 808-587-3295. You will want to find out if a particular property manager is properly licensed as a broker or real estate salesperson, and you should also confirm that the property management *company* is licensed.

At <http://pahoehoe.ehawaii.gov/cms/app> you can find out if formal complaints have been filed against a particular company or property manager. If you do discover a complaint record, you might still decide to contract with the person after you investigate further. What was the reason for the complaint? Did the state officials determine the complaint was valid? How was the matter resolved? Ask the property manager for his or her side of the story.

Next, use this "Checklist for Interviewing a Property Manager's References." Call the references, tell them who you are and why you are calling, and then ask them:

- ! What can you tell me about this property manager?
- ! Do you consider this person honest and reliable?
- ! Can you recommend this person as a property manager?
- ! Would you use this person again as your own property manager?
- ! What else should I know about this person?

A Few Words About Professional Memberships

A person who has earned a Hawaii real estate license will display, after his or her name, a **(B)** for *Broker*, an **(S)** for *Salesperson*, an **(R)** for *Realtor*, or an **(RA)** for *Realtor Associate*. The person might have additional initials, like **CPM** for *Certified Property Manager*.

Realtors and Realtor Associates are simply Brokers and Salespersons who have paid a fee to join a professional organization called the Board of Realtors. A Certified Property Manager has taken some classes to earn a certificate. From what I have heard and observed, I would say some people with fancy initials are good property managers and some are not. Realtors sometimes point out that they have promised to follow a "strict code of ethics"; but state law, as I understand it, requires *all* persons with real estate licenses to follow the same professional standards that Realtors claim as their own. In short, I don't think the fancy initials necessarily represent a higher level of competence or honesty.

The Last Step: Considering Your Own "Gut Feelings"

After you have interviewed a property manager and have considered what his or her references told you, take note of your own "gut feelings" about the person. Would you call this person friendly, honest, firm, knowledgeable, well-groomed, well-organized, dependable, patient, practical, and confident? Ask yourself, "Do I *like* this person? Am I ready to entrust my many-hundred-thousand-dollar home or condo to this person?" Until you can say *yes & YES!* you better keep looking! ♦