

Why consider Outsourcing Property Management?

Introduction

Professionally managed properties to rent across the UK are increasingly in demand from both private and corporate tenants.

One of the biggest decisions you'll make as a landlord is whether you should hire a property management company. Many landlords manage properties on their own or with the help of an employee, such as a resident manager. But sometimes landlords need more help, and that's when a property management company might make sense.

Property management companies can be a huge asset to your business. Carefully review the factors discussed in this paper to determine if hiring a property management company is the right move for your business.

You might be tempted to think that all the hard work is done once a letting agent has found responsible tenants, arranged the move in and drafted a tenancy agreement. However, it has been fresh moves experience that, sometimes, it has only just begun. Issues such as maintenance problems, rent arrears and challenging tenants arise regularly and resolving them can consume a significant amount of your personal time and emotion.

To avoid this, you may consider procuring a property management service which ensures that you enjoy the profits without any of the problems.

What Does a Property Management Company Do?

Management companies deal directly with prospects and tenants, saving you time and worry over marketing your rentals, collecting rent, handling maintenance and repair issues, responding to tenant complaints, and even pursuing evictions. Plus, a good management company brings its know-how and experience to your property, giving you the peace of mind that comes with knowing your investment is in good hands. Finally, a management company is an independent contractor, so you avoid the hassles of being an employer.

When Should You Hire a Property Management Company?

Although hiring a property management company has many advantages. Consider the following factors to determine if hiring a property management company would be a good decision for your business.

You should consider hiring a property management company if:

- You have lots of properties or rental units.
 - The more rental properties you own the more you're likely to benefit from a management company.
- You don't live near your rental property.
 - If your rental property is located far from where you live, hiring a property management company can be invaluable in dealing with the many issues that you will not be able to handle from afar
- You're not interested in hands-on management.
 - Many landlords look forward to the challenge of finding good tenants and the rewards of maintaining a safe and attractive property on their own. But if you view rental property ownership strictly as an investment and want little or nothing to do with the day-to-day management of your properties, consider hiring help to manage your property.
- Your time is limited.
 - Even if you enjoy hands-on management, you may not have much time to devote to your business, especially if landlording isn't your day job. And if you prefer to spend your time growing your business, including searching for new properties, arranging financing for renovations, or changing your business structure, then a management company may be a good way to spend your money.
- You can afford the cost.
 - Hiring a property management company is an attractive option if you can afford the fees. When interviewing companies, expect to hear quotes ranging between 5% and 20% of what you collect in rent revenue. This can

considerably higher across Greater London. If it's a down market and you're able to manage things yourself (or with the help of a resident manager or other employees), you may want to keep doing so until the market turns around.

- You're suddenly inundated with management tasks.
 - If your business is growing, at some point you may find that you need a substantial amount of help to manage everything properly. At that point, it might make sense to hire a management company.
- You don't want to be an employer.
 - If you hire a resident manager or other employees to help with your property, you become an employer. You'll have to handle payroll and deal with a host of other legal requirements and considerations. But, because a property management company isn't your employee (it's an independent contractor), and neither are the people who work for the company, by using one you avoid the hassles of being an employer.
- Your property is part of an affordable housing program.
 - If you participate in an affordable housing program, things can get complicated. Usually, in these programs the landlord receives financial assistance, which may be in the form of a grant, low-interest loan, or tax credits, in return for agreeing to rent at least part of the property to tenants earning below a certain income level. In order to continue receiving the assistance, the landlord must comply with a complicated set of rules. With so much at stake, it's often worth hiring a property management company that has expertise and experience with the particular housing program in question.

Property Management provides:

- The luxury of being an absentee landlord; the profit without the problems
- Tenant issues dealt with professionally and promptly
- No direct dealings with tenants
- Maintenance issues closely monitored and costs minimised
- Property kept in excellent condition thus saving money on future refurbishment
- Continual occupation (limited void periods)
- No disruption to your rental income
- Automatic tenancy renewals
- Prospective tenants carefully screened
- Rent pursuance guaranteed
- Detailed financial statements
- No legal hassles
- Regular inspection reports
- 24/7 access to a professional landlord online property management system
- The management fee is tax deductible

Things to consider when hiring a Property Management Company

Types of agent

There are various types of letting / estate agents. A small, independent company might have a good reputation and knowledge of the local area. An agent that is part of a bigger chain might be more appropriate if you let a number of properties or you are dealing with company lets. Some landlords prefer letting agents that are owned by an estate agency as they might have access to more marketing resources. However, as the lettings market is becoming more complex more and more landlords are choosing to select specialised residential letting agents that dedicated their entire service offering to letting and managing your properties. If they do not let / management your properties efficiently they do not get paid. Many agents that also provide other services such as sales, commercial, agricultural / land management tend to view the standard residential let as a nuisance or a mundane task. Many agents had no choice than to move into lettings when the sales market had lapsed but now that the housing market has picked up and more and more houses are being sold every month the standard high street estate agent is viewing lettings as a commodity and limited the amount of resources required to let and management your property efficiently and effectively. In many cases, the sales agent will also have the responsibility of letting and management but will only be paid 1/10th of the sum they would be paid when selling a property.

First impressions

Letting agents normally operate on a 'no let no fee' basis. You should contact more than one firm to get a true sense of what's on offer. First impressions count so check out the offices, the website and the marketing literature. Focusing on how the agent is representing their clients properties online because this is where over 90% of enquiries come from. Would you want your property advertised incorrectly or using poor photography and without the use of vide? - and use your common sense. If an agent is impossible to contact, disorganised, or rude, the relationship is unlikely to be happy and prosperous. If their shop window or office representation is poorly presented this is likely to be a good representation of how they will be representing you in the marketplace.

Personal recommendation

Do you know any other landlords who employ letting agents? Personal recommendation is often a great way to select an agent. You should also do some research on the internet. If an agent has performed poorly or acted dishonourably, a disgruntled landlord might have vented his feelings online. However, there are always two sides to a story. See if the agent has replied to a review and judge the agent on the reply, not always on what has been said. Any agent can place wonderful reviews across the internet. Google reviews is often a truthful way of reviewing comments / responses to complaints etc.

Valuable experience

Find out when the business was established, as experience is valuable. It's also sensible to select an agent with experience of similar properties in your area. It's no good employing a firm that specialises in high-end properties to professionals if you rent out studios. However, a great agent views any opportunity as important as the other.

Tenant fees

Some agents charge prospective tenants an admin or registration fee. It can help to prevent time-wasters, but it can also put off some tenants. Find out about any tenant fees so you can make an informed decision. If the fee is high, you might want to cross the agent off your list. A good way of testing an agent is to determine how they approach tenant fees. Ask them for a copy of a tenant applicant information form which by law each agent should provide. This will detail any hidden fees that the agent charges for. It is known the industry for some of the larger national agencies to charge upto £250 to renew a tenancy agreement or £300 for a tenant to register with the agent. This is great example of the agent working for themselves and not for the tenant and landlord together. If the fees are fair and open then the tenant will be happy to place a holding fee. If the fees are above the average and there are drip fees that ramp up in excess of £500 per tenant then it is very likely that your property will not let for a considerable amount of time. The longer the property is on the market the lower the rental value it achieves and typically the lower quality of tenant you receive.

Professional association

It's a good idea to make sure the agent is a member of a professional association such as the Association of Residential Letting Agents (ARLA) or registered with The Property Ombudsman. They should then be bound by a code of practice and be kept up to date with any changes in legislation. Associations also usually ensure that agents have in place professional indemnity insurance and comply with any laws to safeguard client money.

Watch out for extra fees. Many firms charge astronomical fees to arrange tenancy agreement renewals or mark up safety certificates and maintenance work. If you are paying a management fee you should not be paying an administration charge for a safety certificate or any maintenance carried out on your property upto 40% in the areas of London.

Finding a tenant

Letting agents normally offer three different levels of service. You might, for example, simply want the agent to find the tenant. A letting-only service such as this is usually the cheapest and should include preparation of the property particulars, marketing the property, conducting the viewings, checking the tenant references and sorting out the tenancy agreement. You might also agree that the agent will collect the first month's rent, plus the deposit, and check and hand over the property.

Some agents offer a letting service, plus rent collection. They will then find the tenants and collect the monthly or weekly rent.

Or, you can opt for the full management service, where the agent is responsible for finding the tenant as well as the day-to-day running of the property. In other words, the agent would be the main point of contact with the tenant and would regularly inspect the property and oversee any routine repairs and maintenance.

Agent fees – full management

Letting agents usually charge a flat fee for finding the tenant and a percentage of each month's rent. You should expect to pay between 5% and 20% for a full management service, though you should obviously negotiate with the agent. Between 8 and 12% is an acceptable rate based on the services an agent has to provide. Anything lower, unless there is a larger number of properties to be managed, you are unlikely to receive the service you have signed up for.

Watch out for extra fees. Many firms make a levy a fee when the property is vacant. Repeat fees are another common add-on and allow the agent to take a commission if the tenant renews the tenancy, even though there is almost no work involved.

Some contracts also include a clause that gives the agent a percentage of the price if the landlord sells the property to a tenant.

Clear responsibilities

Always read the contract carefully to make sure the agent's responsibilities are clear. Managing agents, for example, are usually authorised to carry out repairs up to a certain amount without permission from the landlord. You should also check whether the agent is responsible for the safety checks such as gas, electrical and legionella tests.

Notice period

If you aren't happy with your agent, you are of course free to switch to another firm or simply go it alone. But you will have to give notice. The typical notice period is two months, though some contracts tie you in for six or even months.