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Property Management Training and Consultancy

Property Management Business Performance Health Check Report

Prepared for

John Citizen- Citizen Real Estate

By

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Disclaimer

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Agency History

- Number of years that Agency has been operating years 4
- Number of years that Agency has been owned by current Agency Principal years 4
- Number of years that Agency has been offering property management services 4 years
- Have any rent rolls been bought or sold during this time? YES
- If YES, details Purchased from XYZ Property Management- 150

Property Management Revenue Summary

- Total Number of Properties on Rent Roll: 305
- Average Weekly Rent of Properties on Rent Roll: \$228.41
- Average Management Fee % of Properties on Rent Roll: 7.53%
- Average Monthly Management Fee Revenue of Rent Roll: \$24,578
- Average Monthly Letting Fee Revenue of Rent Roll: \$2,404
- Average Monthly Sundry Income of Rent Roll: \$1,583
- Yearly Total Property Management Fee Revenue of Rent Roll: \$342, 780

Management Fee Analysis per property (including GST)

Fees Charged	Number of Properties Charged	%Percentage of Properties
9.9%	1	0.3%
8.8%	35	11.2%
8.0%	38	12.2%
7.7%	179	57.3%
7.0%	6	1.9%
6.6%	28	9.0%
6.0%	19	6.1%

Comments/Recommendations:

Average Management Rate- 7.7% this average management rate is under your standard rate of 8.8% total official promotional management fee. With proper training in sales technique to preserve the management agreement, and effective fee maximisation strategies over time this will increase.

Fee Maximisation- Potential Extra Revenue in Fee Maximisation- If all properties at between 6% and 8% were increased back to 8.8%, then this will equate to approx up to **\$64,000** extra revenue per year.

4 Pages from 41- Sample Department Performance Health Check and Action Plan

This equals an increase of up to **93% in your current net profit margin. We believe this is possible and realistic!**

This can be done with correct strategy, in stages and only when service standards are stable and clients receiving a good level of service.

Though this does not take into account multiple landlords with discounts, nor staff with special rates, increasing fees at these levels is achievable with minimal loss of clients.

Fees Addition- We believe that the department, once service levels are stabilised and consistent, can introduce 2-3 new fees potentially.

1. **Annual Statement Fee-** up to **\$44 per statement per year.**
2. **Periodic Inspection Fee-** a well presented and detailed typed report presented with photos can get safely **\$33 per inspection**, should it be promoted with specific strategy.
3. **Lease Renewal Fee-** traditionally a lease renewal fee represents 50% of the letting fee. This would equate to 0.65 weeks rent, or \$115 per lease renewal.

If the lease renewal fee and periodic inspection fee were introduced, this would increase annual revenue by potentially up to **\$88,750**, on top of management fee income increase of **up to \$64,000**. This could be done over 12-24 months in controlled stages.

Though realistically not every property can be maximised, and minimal client loss will occur, the exercise is worthwhile if done correctly over a time period, provided that service levels are consistently good.

With the right promotional tools created, and property managers trained correctly, we believe you should be able to achieve the following-

Fee Packages- A Strong Point of Difference- Offering 3 different fee packages offers a potential client choice.

One concept that works is a '**One Management Fee does all**' structure- you may consider doing packages at for example **15.0-16.5%** of all rents collected- all fees included (out of pocket expenses/advertising extra). This is easily done with the right training and resourcing.

You may wish to design 2-3 fee packages which give different options.

Package 1- 'The Property Investor Plus' package – one fee does all

Package 2- 'The Property Investor Standard Package'- your normal fee structure

Package 3- Basic Service Package- 7.7% with a lot more added extras than the middle package (this is only for looks, we do not want clients signing up on this package!)

This simply gives the perception of choice, and also makes the bottom package look unattractive.

This results in less people wanting to negotiate your fee, *and more inclined to negotiate which fee package they wish to choose.*

Properties under Management

- Number of Residential Properties: 305
- Unfurnished: 97 % Furnished: 3 %
- Percentage of Higher Grade: 62.8 %
- Percentage of Lower Grade (Low grade houses and units under **\$200** per week) 35.6%
- Number of Commercial Properties: Nil
- Percentage of Properties within 20 mins km of the Agency: 92.2%
- Percentage of Properties greater than 20 mins from the Agency: 7.8%

Comments/Recommendations:

High Percentage Low Grade Properties- 35.6% of rent roll measured as properties at **\$200 per week** or under, this represents lower class properties that will bring a higher percentage of problems.

With every 3 properties in net growth (strong rent/fees), 1 property identified in lower class should be exited from the rent roll, slowly 'cleansing' the rent roll and making it more profitable.

Review Long Distance Properties long distance properties should also be assessed- properties should never be more than 25-30 minutes drive from the office.

Landlord Clients

- Total Number of Landlord Clients: 150
- Ratio of Properties to Landlords: 1 Landlord to 2 properties
- Amount of Possible 'C-Class Landlords' Identified-
- Percentage to Rent Roll- **8.1 %**

Comments/Recommendations:

Review C-Class Landlords- Identified **8.1%** of landlords in the rent roll. Defined as unreasonable landlords, want lots of 'touch time' from property managers, demand unreasonable rent levels, demand fee discounts and complain about fees, have poorly maintained properties which in turn attract poor tenants. If a landlord has several or all of these characteristics we consider them as 'c-class' landlords and generally unprofitable.

These should also be 'moved' from the rent roll, or fees increased as new growth is brought on board. This type of landlord causes high 'wear and tear' on property managers and shortens their department life span.

Sample Report

This is a sample report
4 Pages from 41, in this example

Citizen Real Estate ACTION Plan 2008/2009

Urgent

Semi Urgent

General Strategies

What	When
Trust Account Management and Accountability- Page 7	
Bonds to be cross checked- check all properties have bonds lodged - Page 8	
Implement Job Descriptions and Key Performance Indicators- Page 10	
Ensure staff are recorded communication notes in REST System- Page 13	
Ensure Data Back-Ups are occurring daily- Page 13	
Full Procedures and Policies Implementation- page 13	
Ensure Rental Property List is up to date and kept up to date- Page 26	
Incoming Mail- date stamped- Page 27	
Application Forms, Tenancy Agreements Improvement -Page 28	
Zero Tolerance Rent Control Strategies- Page 31	
Periodic Inspections Regularity- Page 31	
Ensure All Smoke Alarms working- Page 32	
Ensure all bonds are refunded in timely manner- page 32	
Rent Reviews Systematic Page 32	
Tradesperson Register Page 33	

4 Pages from 41- Sample Department Performance Health Check and Action Plan

	What	When
	Fee Maximisation strategies- Increase management fee, ensure other fees maximised- Page 2	
	Fee Addition- Page 3	
	Review Low Grade And Long Distance Properties Page 4	
	Review C-Class Landlords- Page 4	
	Streamline Rent Payment System- Page 8	
	Review Team Structure- Page 9	
	Implement Performance Reviews and Workplace agreements- Page 10	
	Implement Team Training- Page 10	
	Implement Ideal Week- Page 11	
	Install standard letters and forms library- Page 13	
	Weekly Team Meetings occurring- Page 23	
	Implement Team Performance Reports- Page 23	
	Marketing Tools Creation- Page 25	
	Rent Roll Growth Strategy / Profitability Training- Page 25	
	Create New Business Benchmarks- Page 26	

4 Pages from 41- Sample Department Performance Health Check and Action Plan

	Install Internal Messaging System- Page 27	
	Conduct Regular File Audits- Page 27	
	Management Agreement Accountability- Page 28	
	Key Cabinet, Systems, Identification Strategies- Page 30	
	Ingoing Inspection photos being conducted- Page 32	
	Weekly Marketing Reports- Page 33	
	Complaints Register- Page 34	

What	When
Introduce Fee Packages Page 3	
Issue Statements by Email with REST System- Page 7	
Create Accounts Management System- Page 8	
Implement Team Performance Bonus Structure- Page 11	
Website Creation- Page 24	
Create database for prospective tenant info- Page 26	
Create Professional Looking Periodic Inspections- Page 31	
Create Customer Service Standards and Money Back Guarantee- Page 34	