

Dodgy property managers

11 shonky practices that are costing you \$\$\$

Like it or not, your property manager could be the single reason you're not making as much money from your investment property as you could. So how do you spot the dodgy tricks played by shonky property managers?

Let's face it. Selecting the right property manager is not high on many investors' agendas. Despite spending countless hours researching different areas and conducting rigorous due diligence on a property, many don't apply the same strict criteria when it comes to choosing the person who will be managing the property they've just committed hundreds of thousands of dollars to buying.

"The selection of the property manager should be as crucial as the asset selection itself, because ultimately this person is managing your most valuable asset,"

says Cate Bakos, property buyer at Empower Wealth Group.

Often an investor will take the recommendation from the agent who sold them the property, or they may just leave the existing tenancy in place or, worse still, call around a few local agents and give the job to the team with the cheapest rates.

But if you don't vet your property manager carefully, this could end up costing you in terms of lost rent and expensive maintenance costs.

So how do you spot these sneaky tricks? We asked our trusted experts about their worst experiences with property managers, and what to look out for so you can avoid losing money and being taken for a ride.



Cate Bakos: 6 practices of property managers from hell



The worst experience I have personally had with my own properties was over in SA only a year ago. I had a fabulous manager who was arguably one of the best I've ever had. She was ex-navy, mature, experienced and had an intuition like nobody else I knew.

When she called to tell me she was moving back to Adelaide for her husband's career, little did we know how difficult our otherwise happy adventure would become.

In a township where available replacement property managers were thin on the ground, the principal of the agency took it upon himself to manage the 800-plus rent roll. Three months on, we started to notice that the rents across the five of our properties that they managed weren't coming in on time.

We hadn't been advised that tenants were late (and one was not paying), so it was only when we noticed a shortfall that the issues started to become a reality.

Our calls weren't returned and it wasn't until I made it clear I would take it to the state ombudsman that

we started getting the truth. One of our tenants had vacated, and for three months the agency had hidden the fact. Not only had the tenant left but they had damaged the premises. We were charged for using tradespeople whose work was arguably inferior.

The property was still too messy to be tenanted, and our property team were ducking and weaving from my every call. I took action quickly once the bond was finalised and works were completed to a satisfactory level: I contacted our old manager after

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I found her on Facebook and asked her to recommend someone local in an opposition office, and that she did. I interviewed him and gave him the job, and we haven't looked back.

There are a few dodgy, shonky practices out there, but my pet peeves

are actually the common ones. They cost investors the most in the long run. Here they are:

1 Property managers who side with the tenant and pass on every single request and complaint to the landlord

These property managers forget who they are working for. Their job is to make sure the tenant is comfortable in their home but also to make sure the landlord receives the rent on time and has a viable going concern on fair terms. I hate nothing more than rubbish requests that waste my time and are not relevant to the tenant's comfort (eg satellite dish request shortly after a tenant has signed the lease – this should be incorporated in the negotiated lease at the time, if a satellite dish is of interest to the prospective tenant).

2 Agency principals who employ junior staff who are either transient and/or ill-equipped and inexperienced to deal with the day-to-day challenges of property management

No investor wants a property manager who was a disgruntled student yesterday and will be an apprentice hairdresser tomorrow.

3 Property managers who get cosy in the role and neglect the opportunities to suggest rent increases when market rents indicate a rental review is required

A good property manager will let their landlord know when it's time to put up the rent, what it should be, how it will

be done, and what the basis for their recommendation is.

A lazy property manager will let the tenant stay on the same rent, only to upset the tenant three years later when a \$40 p.w. increase is applied to catch the tenant up to market rent.

Good landlords appreciate good tenants, but good managers make sure good tenants don't fall so far behind in market rent that it's a nasty shock to them when the rent is adjusted.

4 Property managers who give work without question to tradespeople who aren't offering great value

A good property manager should know what the going call-out rates, labour rates and materials charges are across trades. If in doubt, a second quote should be sought. It's upsetting for a busy, time-poor landlord to have to step in and source their own quotes, particularly when they are paying a management fee to cover these activities.

5 Property managers who don't know who and what is living in the property

Nothing is more upsetting than seeing a landlord discover undisclosed pets, subtenants, illegal activities or situations via a source other than their property manager. I recently had an investor client tell me they'd spotted a dog in their property's backyard after the property manager had vehemently told them it was just a visitor's dog. There was no doubt the dog was theirs: the yard was set up elaborately with a kennel, fencing, dog toys, etc. It was not a sign of a visiting canine and it was all visible from the street.

6 Property managers who hold firm at an asking price for an available property that sits vacant, as opposed to reducing the rent and being proactive in finding a tenant quickly

After all, every week of vacancy costs the landlord significantly, and for the sake of a \$10 or \$20 decrease in the asking price a landlord could be in front financially. I often say to my clients, "Don't hold out for \$400 p.w. and cost yourself four weeks of rental when you can adjust after week one to \$390 p.w. and place a tenant in week two. Holding out for that \$10 p.w. is costing you 40 weeks' worth of that increase each week if you don't get that tenant in."