

10 questions for your manager

THE key to choosing a good property manager is to establish whether they think and act like a property asset manager, says Rennie Property's Steve Rennie.

"While some property managers will merely close lease deals and collect rent, others will have a strategic understanding of what it takes to grow a property asset," explains Rennie.

He says there are 10 questions you should ask a potential property manager before signing on the dotted line.

■ How will you maximise return on my property?

Rennie says a property manager needs to ensure income is maximised via a net income strategy and to optimise capital growth of the property with a capital appreciation strategy.

■ Tell me how you would help me increase my gross income?

He says good property managers will have an extensive broker and tenant network to keep properties occupied with the right tenants. They should also maximise income by ensuring they are recovering all the expenses the owner is entitled to collect from tenants.

■ Does it matter which tenants I attract to my property, or should I just make sure I fill the space as soon as possible?

"It is important to attract the right profile of tenants to suit the personality of a property: for instance, professional organisations are more likely to be attracted to an office block with a similar profile of companies," says Rennie.

■ Given that it's a buyer's market at the moment, should I be doing anything to sweeten the deal for the right tenant?

Rennie says if you believe you have the right tenant on the hook and you want to close a deal, make sure you're using all the tools in your arsenal to agree to deal terms. You don't necessarily need to drop the rental price to do so, but if you do make sure it's worth your while in the long run.

■ What role will you be playing in maintaining my property?

A high-performing property manager will ensure that the expenses associated with owning a property are market-related, and also that you are getting what you pay for, says Rennie.

"Aesthetics are extremely important. An aesthetically pleasing property is more easily let, which therefore increases the potential rental income of a building by keeping it safe, attractive and clean, making it more attractive to tenants."

■ What is your capital growth strategy?

Rennie says that typically you need a property asset manager to take care of capital growth, but if you choose a property manager with the right strategic approach you will see the benefits to your capital growth.

"A property manager can play a key role in capital growth strategy. It means advising you on the correct level of direct capital investment to make in order to receive the best rentals, which thereby increases the value of the property."

■ What other value can you offer me?

"A good property manager should be an invaluable source of local knowledge and advice, particularly if the property owner is based in another city or country," says Rennie.

"A property manager should be up to date on local real-estate trends, the rental charged by equivalent buildings in the area and the required improvements to keep the property in line with, or ahead of, its competition."

■ What are your credentials and track record?

Rennie says it is crucial that your property manager can show a successful track record dealing with the type and grade of property you own. For instance, the manager of a shopping centre will require different expertise to that of an office block. Then again, a mixed-use facility such as Melrose Arch, with shops, offices, residential units, property owners'

associations and body corporates, will require a property manager with skills spanning all of these and an understanding of how these property uses merge with each other.

"At the very minimum South African property managers need fidelity fund certificates that are renewed annually and issued by an estate agents' board; operate a trust account; and submit auditors' reports of its trust account to the board annually."

■ Are all property managers created equal?

Not at all, says Rennie. He says in addition to differences in expertise and vastly differing track records previously mentioned, you might want to consider the size of the property management company you choose to deal with.

"While a bigger company possibly means more hands on deck at any given time, a smaller, boutique management company has several important benefits.

"First, a smaller company has the ability to move quickly and adapt easily in a fast-paced environment. Second, with the correct heavy-hitting senior staff you get a hugely experienced team working directly on your account, responding to your queries, and tackling any issues."

■ How much should I be paying my property manager?

Rennie advises that property managers' fees are paid based on an agreed percentage of gross income collected ranging from 2,5% to 5%. In addition they are paid leasing commission for deals concluded.

"As to what these percentages and commissions should be, that depends on the type of property or portfolio managed. However the old adage — you get what you pay for — certainly applies here.

"With regard to property asset management fees, these vary greatly but are based mainly on a percentage of net asset value," says Rennie.