

How to Keep Control of Your Multifamily Property and Maximize Profit in 3 Easy Steps

You did it! You own your multifamily property! Now is the time to take control of your investment!

Everyone wants a property that performs well with good tenants and low expenses. Most any property can be managed to achieve those goals. It's not enough to work hard. **It requires management that works hard doing the right work to get there and stay there.**

These results are only attained when the right well-defined action steps are consistently implemented by highly competent management. It's accomplished when appropriate policies and procedures are in operation every day that your property can perform well, attract the best tenants, and operate economically.

You must take control of your investment to make it perform well. The way that you take and maintain control of your investment will determine success or failure. You are responsible to manage your property to realize its highest potential on behalf of yourself and your investors.

There are multiple essential factors that must be considered for your property/investment to succeed. This article will cover 3 of the essentials. As the owner you are in control. If you use your position and maintain control of the essential factors your investment will thrive. If you abdicate control of any of the essentials someone else will take charge and it will not go well.

First you must take charge of property policy and procedures as they are being established and implemented. Everything that is said, everything that is done, and when it is done by you and your chosen property staff will have positive or negative implications for the degree of success or the failure of your investment.

Peter Drucker wrote, *The purpose of business is to create a customer.* He went on to say *"because the purpose of business is to create a customer, the business enterprise has two and only two basic functions: marketing and innovation. Marketing and innovation produce results, all the rest are costs. Marketing is the distinguishing unique function of the business"*

The three essentials are:

1. Create your customer/resident
2. Market your property
3. Innovate

What sort of customer/resident do you want to create? Do you want courteous responsible honest residents who wholly fulfill their obligations in a timely manner?

You can have apartments filled with them if you are willing to do the work to create the culture that forms and attracts them. To accomplish this, you and your chosen property staff must be courteous responsible and honest as you thoroughly fulfill and exceed your responsibilities in a timely manner. As you intentionally demonstrate these characteristics in day-to-day operations expectations are created. These expectations set you and your business apart from your competitors. They form a culture of success in your business and on your property.

You may say you don't want to manage your property. You are going to hire a management company.

Are you going to leave the three essentials that will make or break your investment's success to a management company? This can work if your chosen management company knows these are vital functions and can perform. As in every area of life, knowing what needs to be done and doing it are two different things.

The most important thing you must know about management companies is if you hire one you are obligated to continue to manage because you must oversee the management company. A responsible owner has regular weekly meetings with their management team or company. You also need to get verification from various second sources to confirm what is reported in those meetings is accurate. No-one likes to talk about how they have come short. It's human nature. Many will attempt to massage facts to make themselves look better.

Understand that most any management company will try to manage you!

As the owner you must insist on weekly, monthly, and quarterly goals for your management company along with clear definitions and pre-established consequences for not meeting those goals. If you ignore this obligation you have given up control of your investment and abdicated your responsibility to your investors.

Here is the truth about management companies. Just like every other business category, there are a few excellent ones, some good ones, some marginal ones, and a few bad ones who couldn't manage to feed a hungry dog if you gave them a 30 lb. sack of dogfood and opened it for them.

The excellent ones will make you 10 times more than they cost. The good ones will make you a few times more than they cost. Marginal ones will struggle to recoup what they cost. Inadequate ones will drive the value of your investment down in slow motion while collecting their monthly percentage. It's murder by a thousand paper cuts. They are killing your reputation with your investors and your customers and draining the life from your net worth. They may even think they are doing good work but haven't a clue as to what they are doing to you and the value of your investment.

Think of it this way. You have a vacant apartment that rents for \$1,000 per month. At 8% management fee the management company loses \$2.66 every day the unit sits empty... But if you lose \$30.67 every day it sits empty. Every vacant month they lose \$80 but you lose \$920.

But that is only the surface of this deep hole. Not only are you losing income, but every unoccupied day you are paying the empty units share of overhead including mortgage, property tax, and insurance costs. These overhead costs drive down your NOI and the value of your property. The management company has little to lose. You are directly losing more than 15 times their loss every day! Who is more motivated to get that unit rented?

As an employer I will only hire an employee who brings more value than the cost to employ them. One of your criteria must be that a management company bring more value to your investment than it costs to hire them! If not, you are not in control of your investment and are heading for trouble.

Don't fall for the line that its just a cost of doing business. Yes, employees are a cost of doing business and so is management, but you are in business to make a profit, not to lose money. If you have an employee who is not meeting or exceeding their goals, you must retrain them or let them go find a place where they can contribute to another's success. No-one does anyone any favors by keeping someone at a job where they are dragging everyone else and the organization down.

Very few will treat your investment as well as you. A management company is not as motivated as you are to manage your property to its highest potential.

In my opinion, if your management company is not consistently meeting or exceeding their weekly monthly and quarterly goals you cannot afford them.

If you still want to contract with a management company, I suggest you vet them by asking them to give you contact information of 5 current clients.

- Talk to their client-owners and ask what weekly, monthly, and quarterly goals they are contractually committed to meet.
- Ask how consistently they meet or exceed their goals?
- Ask how long have you been using this management company?
- Ask if this management company is adding more value than they are costing you? If so, how much?
- Ask on a scale of 1 to 5 how satisfied are you with this company and their track record?
- Ask if you were to make a management contract decision today, would you hire them again? Why, or why not?
- Ask the owner if you can visit their properties to see the results of their management in person.

When on the property ask at least 5 residents the following questions. You may consider using an anonymous one-page questionnaire that can be completed in private with a postage paid return envelope.

- On a scale of 1 to 5 how courteous and respectful is the management toward you and your needs?
- Does management take care of problems professionally?
- Do they go cheap and patch what should be replaced? Please explain...
- Do you find the management honest with answers to inquires or are they evasive, misleading, or even outright untruthful?
- Does management do what they say they will do? ...When they say they will do it? Do they complete what they start or leave you hanging with partially complete tasks?
- On a scale of 1 to 5 how willing are you to recommend this place to friends or family?

The answers to these questions will give you vital information and make your management choice obvious.

Every culture is the sum of the common expectations of those who make up the community.

When you purchase a multifamily property, it comes with a culture already built in. Past owners and managements have, for better or worse, created customers. They have done this by creating expectations about how things will be done (or not done), how residents will be treated, and in what manner their apartment and the grounds will be maintained.

The most successful owners have consciously or unconsciously understood this and have created a positive attractive apartment community. Other owners never made the connection between their obligation to control their investments culture and its level of success. They abdicated control or wrongfully used their control and negatively drove expectations to failure.

There are some factors about your property which you cannot change. You cannot change its location or history. Both these unchangeable factors contribute to or detract from your return on investment because these factors influence the culture of your property.

Lenders understand this and few if any will give a mortgage on a property with a history that includes destructive events like murder or other violent crime. The property's grossly negative culture rooted in its history has devastated the property's value.

As a new owner you have a great opportunity. Everyone is looking to see how the new owner/management is going to operate. They will expect changes and will give you time to show them who you are and what you are about. You need to make good use of this time. Use it wisely to demonstrate your values. You must lead the culture by creating new expectations.

Positive expectations are created through courteous responsible and honest interactions with your residents. Residents are delighted when you thoroughly and consistently fulfill and exceed your responsibilities in a timely manner. This is how you and your staff create a positive attractive culture on your property.

The shift can start on your first day. Timing is one of the fundamentals you must control if your property is going to thrive. You are in control of setting new expectations and you set the expectation of when tasks will be done.

Always intentionally under promise and over deliver. If a repair can be completed by Tuesday commit to it being finished by Thursday. When it's done by Tuesday or even Wednesday you are a hero!

If you don't meet the first expectations you or your staff committed to, you just began to set a climate of disappointment. When you start by disappointing your customers you can be sure the timeliness of your rent collections will reflect it.

Powerful Marketing and Innovation with Spray Cleaner and a Cleaning Cloth

Innovate; do something in a new way, a new idea, method, or device, a novelty.

The expectation bar is often somewhat low when it comes to Apartment Maintenance service. A great way to sail high above it is to have your maintenance staff carry a few clean cloths and some spray cleaner. When they are done replacing a faucet cartridge or repairing a toilet, have them spray and wipe down the fixture leaving it nicer than when they arrived. This

added touch sets you and your apartments apart from the competition. It might take all of 3 minutes, but it will exceed the expectation of the resident, they will rightly feel well taken care of and they will tell everyone how well they were treated!

Marketing; the process or technique of promoting and selling a product or service.

If you consistently employ this level of courteous innovative service with honesty and respect in a timely manner residents, will brag on your apartments to anyone who will listen. When someone at work is looking for a new place to live your apartments will get the first and highest endorsement. You can't buy that kind of advertising, but you can plant the seeds and help it grow organically!and it cost you just 3 minutes of your maintenance man's time with spray cleaner and a cleaning cloth!

That three minutes taken to clean up after the brief job is innovation and marketing at its best. Innovation is defined as a new idea, method, or device, a novelty. An apartment maintenance man who thoroughly cleans up after himself is a novelty that exceeds expectations.

When you have effective policy and procedures in place and consistently execute you will have every resident experiencing your innovation and marketing your property for you. They tell anyone who will listen about what a great place they live.

Highly satisfied residents will not want to leave but when they eventually do your manager will have maintained a waiting list of those who want to move in! Your apartment turnover time can be reduced to two well planned days with a new resident moving in the afternoon of the third day! Rent loss on turnover is slashed to just two days and NOI increases. This can be done in any class A, B, or C property.

This is how a well-managed property creates customers, markets with innovation, and produces superior returns quarter after quarter.

David Hodges, The Million Dollar Maintenance Man, can reveal hidden value in your multifamily property and give you strategies to monetize it. A typical 100-unit property is guaranteed a minimum \$60,000 NOI boost when you implement a Custom-Tailored NOI Growth StrategySM. The Million Dollar Maintenance Man can also train your onsite staff to efficiently implement your Custom-Tailored NOI Growth StrategySM and help you turn economic potential into tangible dollars.