



Why The Traditional Apartment Management Structure is Broken

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The traditional way multi-family properties are managed has not changed very much over many years. In this White Paper we discuss why the standard management practice doesn't provide value enhancement and explore an alternative way of managing apartment portfolios.

A White Paper on the Need to Create a New Way to Manage Apartment Assets

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When thinking of a residential property manager many people picture the tool belt wearing apartment manager “Schneider” from the TV show *One Day at a Time*. The character was based on the common perception of many residential property managers, and the experience of many apartment residents. The tool belt was a graphic representation that the primary role of the property manager is to manager the property – or said differently, a general handy person to attend to general maintenance and curb appeal of the property.



While the actor, Pat Harrington, played the character in an exaggerated manner, it wasn't a complete caricature of someone in the role of a residential property manager.

Although curb appeal and general maintenance is important, limiting the role of the property manager to attending to these two functions limits the opportunity to enhance value. Here is why.

General Maintenance and Curb Appeal are Universal

Most owners take pride in their assets. The basics of maintenance and a visually attractive property are practiced by most owners and can be considered the absolute minimum requirement of owning a rental property. Tasking the manager with only the minimum requirement doesn't add value to the investment, nor does it differentiate the property from a competitor's property.

A Residential Handyman Manager is a Mismatch for the Breadth of Skills Required

The residential property manager must also show available units, negotiate supplier contracts and interact with the tenants in a positive manner. These many different skill sets - in addition to being mechanically inclined - may be difficult to find in one person. This makes finding the 'right' hire more arduous than need be, at best. At worst, hiring the wrong person can result in tenant complaints and higher tenant turn over.

The residential property manager has to have a broad skill set inside the traditional structure. Experienced, multi-talented property managers are expensive; while inexperienced property managers can make costly mistakes.

Residential Property Managers Learn from Mentorship or Inferior Education

The status quo remains due the apprenticeship nature of property management.

Few institutions provide specific training and many only touch on the very basics of property management. For example, the Glendale Community College in Glendale California offers a 12 hour program that grants a certificate in apartment management. Twelve hours to cover contracts, evictions, accounting and a number of other areas of management. This is not an acceptable level of expertise for an owner who spend millions of dollars on a property. This impacts the value of the property.

The Traditional Structure Overlooks the Customer Interaction

A focus on the customer is missing with a focus on managing the property itself. However, it is the customer who is important. Studies have shown that the number one reason tenants leave a property is dissatisfaction with the management. In short, they don't feel management listens and is responsive. This is costly to the owner and can result in bad reviews on social media, further compounding the problem.

These are the broad categories of the issues related to the way residential management has been done. There are many subcategories of issues as well, but they are generally encapsulated in these general areas.

Is there a better structure?

Yes, there is and it is particularly effective when there is a massing of properties in close proximity to each other, such as multiple buildings in the same city.

A few leading owners and management companies have employed this new structure. The results have been significant. Here are a few of the positive results.

- Tenant satisfaction with management increased in various surveys, on average by 20%.
- Positive tenant referrals increased by 15%.
- Tenant turnover decreased by 23%.
- Rent increased as a result of overall satisfaction. Effectively, the landlord created a 'sellers' market.
- Property managers performed better and employee turn-over was decreased.
- Service delivery costs *decreased* by 15%.
- Supported or created a brand for the management company.
- Reduced the bottle neck at the property manager level.

This new structured, pioneered by the author and proven in both Canada and the USA, addresses all the issues noted.

The new structure is based on a deep understanding of where value is created, what constitutes value enhancement, property and management branding, and the various functions involved in managing multi-tenant residential properties.

To learn more about this new structure and how it can benefit your investments contact the author to arrange a meeting.

Peter D. Morris is an acknowledged income-producing real estate expert. He has unique perspective gained from multiple roles in real estate including sales, leasing, asset management, acquisition, development and property/facilities management as well as being the Chief Operating Officer of a publicly traded real estate company. He has a depth of knowledge in almost all real estate asset classes including multi-unit residential, mixed-use, retail, office, industrial and hospitality. Peter has worked with top companies such as Cadillac Fairview, Brookfield Properties, Marathon Realty, Grosvenor Americas and Colliers International. He also brings a global perspective having worked in 8 different countries including Canada, the USA, as well as countries in Asia, South America and the Middle East.

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