Rental Property Management

The Shimberg Center for Affordable Housing recognizes that not all households have either the desire or the financial resources for home ownership. These households seek out and enjoy apartment living. The August 1999 issue of the Shimberg Center’s newsletter addressed the Rental Housing Affordability Gap as described in a recently released report from the Department of Housing and Urban Development. Another related and recently released publication titled, “Practical Apartment Management”, makes an important contribution to the subject of rental housing. Specifically, “Practical Apartment Management” presents a comprehensive discussion of the role of the apartment manager and guidelines for owning and operating a successful rental property. Most of the material presented is applicable both to low-income properties and to market-rate properties.

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This fourth edition of Practical Apartment Management comes nearly twenty-five years after the first edition was published. The book has enjoyed wide readership and many owners and managers have adopted it as a basic primer and reference manual for those entering the field of apartment management.

Individuals that own and operate just a few rental apartments and managers of larger apartment communities face similar challenges. The problems and solutions in managing a rental property are really the same whether it is large or small. The difference is the frequency of occurrence. The steps to minimize the occurrence and to rectify a problem when it happens are really the same, almost without regard for the size of the property.

Many regard apartment management as a somewhat static industry. In fact, age-old rules and techniques have become almost laughable. Yet, certain core basics remain as important, if not more important, as ever. The book reviews and updates the core basics and it identifies what is new and changing. There are also indications of where apartment management is heading as we enter the new millennium.

An important part of the material presented is the discussion of the laws, regulations, interpretations, and enforcement policies that concern the ownership and operation of rental property. The book identifies many of the laws that are now common and specific to the management of residential properties. However, the legal picture is constantly changing. Laws vary from one locality to another, and state and local laws may cover the same issues as do federal laws – only with somewhat different emphasis, nuance, and penalties. The apartment manager is expected to comply with the most stringent of the rules.

Getting Started

Practical Apartment Management comprises 375 pages divided into 15 chapters. The opening chapter addresses general topics about the business of apartment management such as different types of residents and their needs, forms and goals as well as disadvantages of ownership, and types of apartment managers.

Hiring and Managing the Staff

It is the property staff that must make things work. Hiring the manager is therefore a critical decision. It is through a set of well thought out personnel policies that disputes are minimized while ensuring uniform treatment and a professional level of employment practices. Chapter 2 focuses on the key areas that these policies should address.
Property Policies

Every business is confronted with situations and problems that demand decisions. One way of handling this decision-making responsibility is with policies, which are a set of prepared answers to anticipated problems. In many cases the policies can eliminate the problem before it arises. The development of a proper set of policies is critical to the smooth functioning and successful management of multifamily housing in such areas as staffing, leasing, residents, maintenance and all the other aspects of managing an apartment community. A discussion of the key policy areas is presented in Chapter 3 along with alternatives for various situations.

Leasing and Leases

When apartments are vacant, the manager comes under increasing pressure to fill them and to fill them quickly. In most apartment communities a periodic (e.g., weekly) summary of new leases and vacancies is prepared to give a complete picture of the current occupancy. Although filling the vacant units quickly is important, it is also important to attract qualified residents. Chapter 4 presents the steps for evaluating and selecting residents along with the contents of the leases.

Policies for Residents

When a prospective resident begins to give serious consideration to leasing an apartment, it is important to introduce resident policies. Many renters have experienced difficult or non-responsive management. They will be alert to avoid repetition of that type of situation. Discussing the rules openly and thoroughly with the prospective resident is essential to getting off on the right foot. Accordingly, Chapter 5 describes the areas in which it is important to have rules established for the residents.

Rent Payments

Chapter 6 addresses the topic of rent payments. Residents need to understand their obligation under the lease to pay their rent on time. They also need to understand what steps management will take to collect rents that are due and unpaid. It is pointed out that most collection problems begin because the manager failed to apply pressure immediately. Skilled managers know this and constantly seek to keep each rent account current.

Maintaining the Property

Prospective residents are looking for more than a place to live. They are seeking a home that reflects their lifestyle and role in life – real or imagined. People do not want to make excuses for their apartments, to themselves or to their friends. Declining levels of maintenance and service are responsible for more move-outs than any other category of complaints. Chapter 7 discusses the process of defining a property’s assets, conducting maintenance inspections, on-going and deferred maintenance, and supplies and parts.

Marketing Strategies

Understanding why people rent and developing a marketing strategy to respond to these determining factors is the topic addressed in Chapters 8 and 9. As may be expected, the location or neighborhood in which the building is located is the single most important motivator for renters. This fact is even true for the renter seeking affordable rental accommodations. Although economics may be the dominant factor for the prospect, the factors of location, appearance, and reputation are the determinants within the affordable price range. Appearance of the building and grounds plus the reputation of the property, the manager, and the owner combined with location account for nearly half of the most important motivators.
Converting Prospects to Residents

Converting prospects to residents is primarily a market-rate apartment issue that is discussed in Chapter 10. In the affordable apartment market, the demand is so great that vacancy rates are not a serious problem in properties that are in a decent neighborhood, that have a good appearance, and that have a reputation for quality.

Setting and Raising Rents

Self-supporting low-income rental properties are difficult to find. This means that some sort of subsidy will likely be required on a continuing basis. Chapter 11 points out that many developers prefer to avoid the controls, rules, and delays that accompany government subsidy programs. This situation forces the government to offer economic incentives that attract investors back to the business of housing those households needing some form of assistance.

Upgrading and Renovation

In real estate there is a saying that advises, “Don’t buy a twelve year old house.” On the outside things look pretty good, but there are some surprises waiting inside. The twelve-year point is just about the time when problems can be expected with the water heater, air conditioner, appliances, plumbing, roofs and gutters, and other fixtures. Rental properties follow a similar pattern, but they are on a faster track. At about the six- or seven-year mark a continuing series of problems can be expected to begin. Many of the problems begin as a result of general decay and the damage caused by multiple tenancies. Others are attributed to technology and changes in fashion. The advice in Chapter 12 should be of interest to those considering the conversion of an existing multi-family facility to a low-income rental property.
Insuring the Property

The important subject of insurance is addressed in Chapter 13. Broadly interpreted, insurance coverage breaks down into two components – options that provide for necessary repairs when damage is done to the physical components of the property, and those that protect the owners and others from liability arising out of ownership and operation of a rental property. The discussion addresses the different types of coverage within these two major classifications of apartment community insurance.

Budgeting

Many managers champion the “no budget” approach and avoid the task of putting together a comprehensive operating budget. These people are famous for not wasting money; rather they spend what is necessary to operate their properties properly. However, most managers agree that developing and following a budget is time consuming and potentially restraining, but a budget is a valuable tool that demands forethought, goal setting, and control. Chapter 13 provides a discussion of the budget setting process, different kinds of budgets, and pitfalls in the budgeting process.

Computers, Accounting & Record Keeping

Chapter 15 points out that the job of monitoring the property, administering the paperwork, and handling the accounting tasks is formidable. Managing or owning even a small apartment property without enlisting the help of a computer makes very little sense. The computer greatly simplifies virtually every aspect of apartment management.