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A good property management firm will have a reputation for ethics and integrity

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When The Real Estate Journal asked if I was interested in writing an article about the property management business, I said, "That would be about Integrity and Ethics". Without hesitation, the first thing to look for is a firm with a reputation for integrity and ethics.

At my company we drive these issues from the top down and even include in our management contracts language that prohibits accepting any payments from a third party vendor providing services to a customer without it being fully disclosed. Any management company has the obligation to provide services at an optimum cost that means the best service at the best price.

A good property management firm will treat a complex as if it is their own, and its management team will consist of proactive, enthusiastic, knowledgeable and courteous professionals. As part of the ongoing service, the management companies should always look for ways to optimize vendor costs and services, improve cash flow, and enhance asset management. Boards and owners need to maximize their bang for the buck, and if a property manager can improve on the operating costs and services, but charges a little more, that would be worth it. In other words in selecting a management company look at the total costs for what a complex can be operated for versus looking at one line item. The better service, at the most efficient cost, a management company can provide the more time the staff has to dedicate to that property. This of course would cost the management company more money, which typically translates into a higher management fee.

Watch out for suspiciously low fees. A low-ball figure may mean that the company has to take on too many properties/units per manager to cover overhead. The result can mean that properties end up being short serviced because staff has been stretched too thin. In a situation like this, you may see the property manager at board meetings and the holiday party, but rarely any other time. All associations and building owners should expect their property manager to regularly inspect the properties for potential safety hazards and repair issues, to make sure it looks clean and well taken care of, in addition to being on top of work in progress. Since all management companies still have to make money and to cover overhead if the price is too low the money has to come from additional customers or it will more likely come from vendor relationships.

In a similar vein, alliances with service providers can provide valuable and highly cost-effective jobs, however be wary of vendors that are under the umbrella of the management company for larger contract bids and when such bids can be manipulated for the benefit of the management company. I have seen situations where reputable vendors with lower bids have been kicked out by the management company in favor of much higher bidders claiming that the bidder did not return phone calls, the language was not exactly 100% of what it should have been or just telling their customers they don't do a good job. Boards should be given at least two independent bids that are not affiliated in some way with the management company for larger contracts. If contractors bidding are under the

same umbrella, then the board may not receive truly competitive bids. Transparency in the bidding process is a must and is what the board or owner should expect and be entitled to.

When a management firm exhibits good ethics, financial issues should not be a worry. It is of paramount importance to boards and owners that they receive monthly financial reports. Property managers should be eager to offer up monthly financial data, and if not, it should be cause for concern. Currently, there are several legal actions that have been filed against unscrupulous firms due to overcharging for jobs, vendor payments to the management company or billing for services that was not provided as well as other ways of siphoning off money. When looking into a company, ask about their back office operations, as top-notch companies today have state-of-the-art computer and software systems, and qualified staff to operate them in addition to appropriate accounting controls. An independent review of the books is always encouraged.

The property management company should focus on protecting and enhancing a property, smooth running operations and accountability with the highest ethics.

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