

## Why Use a Rental Manager? Can't I Do It Myself?

We occasionally talk to property owners who are considering the tradeoffs between self-management and professional management services. Obviously managers cost money. Do managers earn it? Are they cost effective? Can I do it myself? Here are some of the discussion points we have shared with property owners who are wrestling with this question.

**Owners Who Self-Manage Don't Save Money.** They earn it, doing some of America's dirtiest work. The challenge is not just finding renters, but fixing things, cleaning the properties, and taking care of less-than-satisfied guests. Some typical examples of how self-managers spend their time earning the commission they would have paid to a professional manager include:

- Responding promptly to emails by impatient renters who are quick to look elsewhere;
- Answering (on average) ten inquiries for every confirmed rental;
- Negotiating rent with bargain-shopping renters;
- Responding to renters who argue that a malfunctioning hot tub justifies a full refund;
- Finding a back up cleaner when the regular cleaner doesn't show up;
- Dealing with lost keys at two o'clock in the morning;
- Finding a vendor to remove unexpected snow that is blocking access to the home;
- Getting a prompt response by an air conditioning repairperson in the middle of summer.

**Self-Managers Must Be Prepared to Deal with Unplanned Problems.** Are problems rare? Work-order statistics commonly reveal as many major problems per home as rentals! Managers are experts in the problems that routinely arise in putting a renter into a home owned by a non-resident. We anticipate and avoid recurring problems through preventive maintenance. We put together networks of service vendors who respond to us faster than they would respond to an individual homeowner because we send them so much business. We can keep backup cleaners on call because we have enough homes to keep them busy. Our cleaners serve as our eyes and ears for homes they don't actually clean, helping us keep properties safe from unruly or unauthorized renters.

**Self-Managers Create Liability for Themselves.** Many self-managers expose their net worth by failing to inform their insurance companies that they are renting their vacation homes without using a professional manager.

Professional property managers minimize a homeowner's liability by using:

- Bonded workers; and
- Workers covered by workers' compensation insurance;

**Professional Managers are Set Up to Take Credit Cards.** We can take credit cards, assuring more rentals. This is a credit card society where most renters want to either defer payments or earn miles by paying with credit cards. Self-managers can't take credit cards, and PayPal or third-party services are only partial solutions that cost the property owner more than the average property manager pays for those services.

**Professional Managers Handle Tax Obligations.** No one enjoys paying taxes. So It is not uncommon for self-managers to simply not charge tax to the renters and not pay taxes to the taxing authorities. This may appeal to renters, as it affords them a financial savings, and it is less paperwork for the property owner. But local tax authorities are mobilizing and starting to access property owner's Federal Tax returns to identify property owners who have reported the expenses associated with their rental homes. Professional property managers relieve the homeowner of tax collection, tax reporting and, of course, interest, penalties and criminal penalties.

**Refunds – Who Gets One?** Professional managers also earn our keep by relieving homeowners of the infrequent but inevitable nightmares - where heat or air systems break and the renter won't remain in the home, or where weather prevents renters from getting to the home and they want their money back. Professional managers write contracts that make it clear to the renters when a refund is in order and when they should not expect one. The manager will also field the requests and inevitable arguments, so that the property owner does not have to be bothered.

**Self-Managers Must have a Phone and Computer Readily Accessible.** Most important to successful rental is getting the property rented ("Getting the head in the beds."). Websites designed for owner-operators make it easy for property owners to market their own properties. But those owners must be willing to make themselves available by phone and have computer access. Aggressive owner-rental websites can get a property rented as easily as a professional manager. But most self-managers lack the time or energy to respond promptly to the many non-renting inquiries. And in the case of vacation rental properties, there is the added challenge of maintaining availability calendars . . . .

**Renters Who Go Straight to the Property Owner Expect to Pay Less.** Websites that feature listings by owner attract bargain shoppers. Renters assume that a property owner who is not paying for professional management can give the renter a discount over market rates. Professional managers have a large pool of renters who are more interested in getting the home they want than in getting a bargain. Renters who are shopping rent-by-owner websites often send multiple email requests, soliciting discounts, to see who will give them the best price. Professional managers monitor the rental market to determine when and if we need to give discounts. We have a good sense of when to discount and by how much.

To summarize, property management is not a stress-free job. It is not fun for those who do not have the systems in place to make it work smoothly. Self-management can work for a homeowner who is both motivated and willing to do a lot of work. Some who self-manage know what they are getting into. Others don't yet appreciate how much stress is involved. We are equipped to do the heavy work for homeowners. We make rental home ownership a more pleasant experience.

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