

# Real Estate Asset Management vs. Property Management



Do you know the difference between real estate asset management and property management? What's more, do you know the difference in benefits that you get from each? The following is a scenario that is all too familiar with people who invest in single-family homes.

You are preparing for a major presentation to your division head - first thing tomorrow morning. As usual, you have too much to do and too little time to do it. Your phone suddenly rings and you notice on the Caller ID that it's your wife. Like you, she also has a tough, long work schedule, so if she's calling, you know it's important. "Hi darling, everything alright," you ask. "It's the property manager, again," she says seemingly upset, and adds "he needs you to call him as soon as possible."

The last time the property manager asked that I call him as soon as possible, it was a malfunctioning water heater on your rental property. Letting him deal with that problem independently cost you \$500 more than it should have, wiping out the positive cash flow on the rental property. "I don't have time to deal with this right now," you tell her, exasperatedly. "Neither do I," she barks back. "Ok hun, I'll deal with it, bye," you say, and hang up. "Great, just great", you grumble, as you look at your watch, it's going to be another late night at the office.

## Single-Family Investments • What You Need to Know Before You Invest

Has a scenario like this ever happened to you? If you own a single-family property but

have another full-time job, then I'm sure that this resonates with you. Fortunately, there is a method of earning passive income that is more efficient and less painful: multifamily syndications.

First, in a multifamily investment scenario, there is always a syndication manager or real estate asset manager. These investments have structures that inherently take most of the research, worry, and work out of investing in real estate. Conversely, in a single-family home investment, you have the option of a property management firm to oversee your rental property.

When you invest in a single-family home to develop a passive income, you'll find many obstacles to a good return on your investment. We've listed a few below and we recommend that you continue doing your research before making any final decisions. When you have questions, be sure to contact me right away because I am available to help you.

## Financial Issues

First, there is the point of no positive cash flow because of circumstances that arise that require you to spend more money on top of what you've already invested. They might include an unprofessional management company that either over-charges or takes on more work than they can handle.

Additionally, with a single-family home, when your tenants leave, it might sit empty for 2 months or more. This could be due to a lack of effort on the part of your property managers that entails end-of-tenancy cleaning and preparation of the property for showing to the next tenants.

Another important point to consider is that property managers have little incentive to subcontract out to competent vendors. Instead, they often go with the lowest price possible which usually won't include the outcome you desire. The same goes for replacing or repairing appliances or HVAC systems.

Unfortunately for single-family investments you also get to deal with the scenario of a tenant not paying and not moving out. In most states, a non-paying tenant might be able to stay in your house for up to six months. Of course, that also means a significant payout for legal fees.

## Time Issues

Let's face it. It's hard to build a passive income through investments in single-family homes. First, the income you get from your investment is not really "passive". Rather, it involves a great deal of work on your part.

It's up to you to contact the property manager to check on the progress of your

properties. In fact, you manage the property managers. They are often quite difficult to get ahold of because it's to their advantage to take on more work than they can handle.

Moreover, finding the deal for investment purposes is a lengthy process and investing in single-family homes is hyper-competitive. This becomes especially burdensome when you only invest in one home at a time. Simply stated, it's a slow boat to China for investors to see a healthy ROI. If you're also working at a full-time job, then it's going to be even harder to do all the work necessary to reach your financial goals.

## Location Issues

If you live in an area where housing prices are high, it's harder to invest 30% or higher to purchase a single-family house. You may also need to move to another location which makes it difficult to invest in your area at the time. In addition, for investors living or working overseas, management of a single-family investment is difficult to impossible.

Also, in most areas, tenant laws are burdensome and favor tenants. If you live in New York, California, or other states with rent control laws, it's even more difficult for owners of single-family investments.

## The Advantages and Benefits of Real Estate Asset Managers

### Real Estate Asset Managers • What They Do for You as an Investor

The following is a description of what real estate asset managers do for you while you sit back and enjoy the passive income from your multifamily syndication investment.

You will soon understand that there is a world of difference between what a real estate asset manager and a property manager do for you.

One of the biggest advantages of knowing the distinction between an asset manager and a property manager is that you can then hold the asset manager clearly accountable for the performance of your asset.

### *Less Liability for You, the Investor*

First and foremost, the biggest benefit of work with an asset manager is that they are held responsible and accountable for the performance of your investment property. That's because they provide strategic management which includes acquisition and disposition of the property.

## *Finds the Right Deal at the Right Price for You*

That includes finding the best lender for the best deal. In other words, they do all the due diligence and reporting for the purchase of the investment property. In doing so, they also provide long-term investment financial projections and cash flow management for their investors.

## *Continues to Oversee the Syndication*

It is also their responsibility to develop the capital and operating budgets for the property. Along with that, they consistently review the value of the property and ways to increase the value of the investment.

## *Vets, Hires and Oversees the Best Quality Property Managers*

Next, it is their job to vet, hire, and directly manage the best and most professional property managers. Their investment oversight also includes dealing directly with contracts, attorneys, and local government. That's a big load off any investor's plate!

In addition, in a multifamily investment, you still have income when there are vacancies. However, your syndication manager works directly with the leasing office to ensure the rapid filling of vacant units.

## *List of Responsibilities for Your Real Estate Asset Manager*

The following is a list of duties and responsibilities of real estate asset management. These are the benefits you will enjoy as an investor in real estate syndications:

1. Strategic management includes the acquisition and disposition of the property. As an investor, this is all done for you.
2. Find the best lender for the best deal for you, the investor.
3. Provide financial projections and cash flow management for the investors.
4. Develop and administer capital and operating budgets for the investors.
5. Provide research for ways to increase the value of the property and therefore, your investment.
6. Vet and manage the best property managers possible to ensure reliable management of the property.
7. Deal directly with contracts, attorneys, and local government, taking this burden out of the hands of the investors.
8. Work directly with the property managers to ensure the lowest possible vacancy of units.

## **Property Managers • Roles and Responsibilities**

As you probably surmise by now, the role of the property manager is distinctly different than that of a real estate asset manager. There are also far fewer strategies that benefit

you as an investor.

Regardless of what you pay for their services, by the definition of their role, their duties leave a lot of work for the investors to do themselves.

Property managers are responsible for drafting lease agreements, collecting rent payments, and enforcing property rules and regulations. In addition, they respond to maintenance requests from the tenants and serve eviction notices in the event of non-payment of rent. Bonus: with multifamily investments, you receive your investment income even when there are vacant units.

Their other management duties involve payments of operating costs, financial reporting, and risk management. An outline of their roles and responsibilities is below:

1. Draft lease agreements.
2. Collect rent payments.
3. Enforce property rules and regulations.
4. Respond to maintenance requests from tenants.
5. Serve eviction notices in the event of non-payment of rent.
6. Their bookkeeping includes:
  - Payments of operating costs.
  - Financial reporting.
  - Risk management.

It is my sincere wish that this article gives you a clearer insight into the strategies and tactics of single-family home investing with property managers vs. multifamily investing with asset managers.

I encourage you to [contact me](#) with questions about this topic. It's a lot of information to absorb, especially if you are not familiar with real estate [investment terms](#) and strategies. I understand this and will happily guide you and answer any questions you may have. I also invite you to join me on [Pinterest](#).

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