

Multi-family Property Managers vs. Single-family Property Managers : Is There A Difference?



Whether you're acquiring a [new multi-family property](#), or you already have an existing multi-family portfolio, one of the most important things that you will have to consider is what kind of property manager to hire to manage your properties. As an investor, developer, or landlord, you probably have already invested a significant amount of capital into your property. As such, ensuring that your property is maintained and cared for properly is arguably one of the most critical factors that will influence your property's value. Overall, being a landlord is much easier when you have good multi-family property managers on your team.

While it is true that hiring property managers can be rather expensive (as low as 3% and up to 15% and sometimes higher). Property managers can likewise save you from the many headaches associated with being a landlord. The amount of property management fees is important. However, you shouldn't let fees be the sole qualifier for determining which property manager you hire. In general, you must find a balance between the fees and the quality of services offered by your property manager.

Below we will discuss a few things you should consider when hiring a property manager for your portfolio.

Individual & Single-family vs. Larger Multi-family Property Managers

Individual or Single-family Property Managers

An individual property manager is typically a real estate agent or some other real estate professional who has extensive knowledge and licensing in the real estate industry. An individual property manager likely has an additional stream of income or maybe even a full-time job. Typically, these types of managers focus on managing single-family homes and condos, but may be able to handle small multifamily properties.

Small Property Management Firms

Small property management firms usually have a team in place, albeit small, to manage a mix of single and smaller multi-family properties. Frequently, smaller property management firms start out by managing their own properties. However, once they have gained some type of expertise and are comfortable, they usually seek to expand by managing other people's property. A small property management company likely has only one or two actual property managers, an assistant, a secretary, and a handyman or two. So overall, there are a few more people in a small property management firm compared with an individual manager. These types of firms can probably handle around 30-50 properties depending on the number of units within each building.

Mid-Large Multi-Family Property Managers

Multi-family property managers are usually bigger firms, which likely have over 50 employees to help manage their management portfolios. These types of firms typically have sophisticated systems in place. They typically manage 1000's of units at a time.

Basic Considerations for Any Type of Property Manager

Communication Styles

No matter which type of property manager you choose to hire, communication will be a top priority for the success of your relationship with them. For the most part, you need a property manager who utilizes the latest technology and is as responsive as possible. In general, at the first sign, that communication between you and your property manager is broken, you should consider walking away from the relationship. You must hire a property

manager who utilizes email and is responsive by phone no matter what time of day or night it is.

Repairs and Maintenance

The next thing to consider is whether your property manager has its own maintenance crew. Or will they be contracting out repairs to a handyman or other contractors? How much will they bill? Can your property manager handle all the types of repairs/construction that you may require? What happens if the repair arises that they can't handle, as may be the case in mid-heavy value-add acquisitions? Do they have a list of trusted contractors that they work with?

Eviction & Legal Matters

One of the most important aspects to consider is how your property manager handles evictions. Do they have an in-house legal team to minimize the cost? Assuming that the company does not have an in-house team, do they have a list of preferred attorneys that they outsource the work to? If so, what is the typical legal cost? If relevant, is your property manager experienced in dealing with [Section 8](#) or [HUD-VASH](#) (Veterans Rental Assistance) properties/tenants? Do they know what is entailed with maintaining these types of properties?

Vacancies & Advertising

You'll also want to ensure that your property manager will handle turning over your unit when there is a vacancy. Unlike single-family properties, there is simply no reason to pay an additional fee for a manager to fill vacancies within your properties. In general, most managers don't charge a fee for this. However, it is important to clarify how the property manager will work to fill the vacancies within your building. Having units sit vacant for weeks or months at a time is bad for your bottom line.

Like the discussion regarding vacancies, you want to understand how your property manager will advertise available units within your property. Do they still use a traditional form of advertisement, or are they proficient at digital advertising? Do they or someone else on their team have the skills to add images to their ads online, etc.?

Comparing Single-Family Vs. Multi-family Property Managers

Multi-family Property Managers

Communication

Communication with multi-family property managers or management firms can sometimes be challenging. With smaller property managers, you may not always get through. On the contrary, with larger multi-family property managers, you will find it easier to contact them. However, you may not always communicate with the same individual. As such, information can sometimes get lost in translation if accurate/ample notes are not inputted into their Customer relationship management (CRM) system. On the plus side,

most larger property management firms rely upon advanced CRM systems and technology to be able to retrieve up-to-date information about properties on demand as well as to communicate with their tenants.

Flexibility

If a property management firm has a lot of employees, in general, it will be challenging to get your property manager to do something out of the norm or accommodate special requests. That is because there are probably many bosses, managers, rules, and systems in place that may prevent them from accommodating your request. While you may be able to sneak one or two minor requests from your property manager, for the most part, there will be little wiggle room regarding how your property will be managed at a larger property management firm. On the plus side, larger multi-family property firms have enough personnel and expertise to surge operations when necessary. For example, many have helped tenants do things like apply for COVID-19 relief, which is a concern amid the global pandemic. Some multi-family property managers may even be able to help tenants identify employment opportunities.

Cost Savings

Another big advantage of hiring a larger property management firm is that they usually can outsource contractors for lower rates than smaller and individual property managers. In other words, larger property management firms can get deals from contractors to perform repair work because they offer a high volume of work. Additionally, it is quite common for the larger property management firm to have in-house contractors perform the majority of the smaller repairs.

Built-in Structure & Systems

Probably the biggest advantage of hiring a larger property management firm is that they have structures and systems already in place. Notably, in some instances, they are managing over a thousand properties and have tried and tested systems to ensure that each property is well maintained and that things do not fall through the cracks. Moreover, having built-in systems and structure allow for better efficiency in solving problems, especially the bigger, unexpected ones that will surely arise.

The level of a property manager's efficiency is usually dependent upon the company's systems and processes already set in place. Additionally, having built-in systems and structure allow for better communication. It is actually quite common for multi-family property management firms to have sophisticated online databases or online portals for their owners to receive up to date information about their property at any time of the day or night.

Growth

You know what you are getting with a large property management company. As mentioned above, these types of firms already have their systems in place. As such, while

these types of firms may improve or enhance their systems, things will not change for the worse. The last thing you want is a property management firm dealing with growing pains.

Accountability

One of the major things about a multi-family property management firm is that your dedicated property manager or manager will have to be accountable to someone, in addition to you. What that means is that most property managers at larger firms have bosses to ensure that they are doing their job. As such, your property manager will probably take their duties and responsibilities very seriously. They understand that if they don't, this may cost them their job. As explained in detail below, this same accountability does not apply to smaller individual or single-family property managers.

Single-family or Individual Property Managers

Communication

Property managers at smaller firms are probably a little harder to get in touch with directly. This is because they normally have quite a bit more differing responsibilities. As far as relationship building, the same person will likely pick up the phone or return your call, which is great for building rapport.

If you hire a smaller or individual property manager, you will see that they may have less availability, mainly because they don't always have sufficient support when things get hectic. Additionally, these types of managers commonly manage single-family homes, which means that their operations are spread out. When not overly busy, a smaller property manager can address any issues that arise in your property fairly quickly. However, in some cases, efficiency can be compromised due to less manpower or lack of a strong supporting staff.

Flexibility/Customization

One good thing about individual property managers is that they are typically a lot more flexible to your request and expectations. In general, you can typically make special requests to individual property managers. A larger property management firm will have strict systems and parameters

Cost-savings

More than likely, you will pay more in management fees by hiring a smaller property manager or individual property manager due to the lack of scale. Notably, because smaller or individual property managers can't offer contractors work on a larger scale, they usually can't take advantage of lower rates. In addition, since they are likely managing only a few properties, they are less willing to discount their fees.

Growth

As property managers get better at their job, their business may grow, and they no longer can devote all their time and energy to managing your properties. It is fairly common for

these managers to go through a transition phase. This is where they learn how much they can handle without hiring additional staff. If you're not careful, you may get caught up in that transition phase. As such, your property management services may suffer as a result.

Lack of Accountability

Smaller or individual property managers typically work for themselves. As such, there can sometimes be a lack of accountability amongst smaller property managers. Notably, a property manager can change their profession or do things without any real repercussions from a boss. While most smaller property managers will definitely do a good job, this is a fact that you cannot overlook. On the contrary, as mentioned above, larger property management firms have employees and standards that they must follow. Overall hiring a smaller property manager comes with the risk of them not following certain standards without the pressure of a boss watching over them.

Financial Considerations

On the financial side of things, you must consider the level of experience of your property manager. Specifically, how will the manager conduct their accounting? While it is true that many state laws dictate accounting rules for property managers, you still want to be clear about these details upfront. Specifically, how does a property manager handle a tenant deposit? You want to ensure that the funds are not co-mingled or simply put together with all the other income of your property? You probably will only have this problem with a smaller property manager, but in any event, it is important that you set the expectations clear from the very beginning.

Additionally, you must consider the maximum amount you will allow the property manager to take care of without contacting you. This can be a small amount or a larger amount depending on your preferences. If you're more of a controlling investor, you can also request invoices/receipts for as many expenses as you deem necessary.

Another thing to consider is what kind of reserve does the property management firm requires you to have? Most managers required that you put a certain amount in reserve. Smaller property managers may require a larger reserve.

Lastly, does a property manager send out quarterly or monthly financial statements? The majority of multi-family property managers are used to dealing with investors and will have systems in place to provide rent growth/expense estimates (pro-formas) and financial statements to their owners. On the contrary, many single-family or individual property managers will have no idea about pro formas. Much less how to put one together.

The Verdict?

In general, multi-family property managers are better for an investor's bottom line; mid-larger multifamily firms have more sophisticated management systems in place, which is even more advantageous. Their level of sophistication, structure, systems, and ability to surge and scale provide you better property management service. As your multi-family

portfolio continues to grow your investment portfolio, you should consider hiring a firm that can easily accommodate you as your needs change.

Overall, deciding what type of property managers to hire is undoubtedly a challenging decision. However, if your "relationship" does not work out, you want to explicitly state in your agreement on how to terminate it. You also want to specify whether any penalties will be required to be paid.