

To Use a Property Management Company or Not....that is the Question.

As a Real Estate Investor in long-term rentals, I have been talking to vacation home property managers to understand the differences between long-term rentals and vacation rentals. When making the decision to purchase a second home in the mountains, a key question often asked is whether to do rentals with the home to recoup some of the expense of owning a mountain home. After having interviewed several Summit County Property Management companies, there were some common questions which became evident for a potential property owner to consider.

Do you manage the rental yourself or does it make sense to hire a property management company? Is there a period of time when you are not using the home? Should you rent long term, do vacation rentals or consider extended stay options?

Proximity of your primary residence to your mountain home and frequency of usage will dictate options available as well as the amount of control you want over your home.

There are different models available from Full Service to check in with on-site services. With each variation there are different commissions and fees that go along with it. When looking at the costs, it is important to understand all of the fees. What may appear as a lower cost alternative could end up being more expensive when all of the extra fees for the optional services are added in.

Marketing, Reservations, Leasing

Most property management companies have a portal that property owners log into to check on scheduling, availability, etc., for their property. Some will market from their website and most will connect with other vacation rental sites such as VRBO (Vacation Rental by Owner), ClearStay or Homeaway. Having access to an owner's portal can allow you to book your own stays as well as have greater visibility into the finances of your property. A key differentiation amongst property management companies is whether they market your property specifically or is your property part of the pool of properties they manage. In a pooled situation, the customer's lodging needs are compared against all of the properties that meet their requirements. To ensure higher rentals on your property, it is good to allow pets, install WiFi and have access to a pool or hot tub. In addition to nice upgrades, these were the most common items property managers stated differentiated one property from the next.

Check-In

Check-in procedures can take various forms from lockboxes, electronic key pads, key card systems, check-in desk at a central location or someone meeting the tenant at the property with a key.

Cleaning

The cost of general cleaning associated with a tenant's stay is usually passed on to the tenant via a fee stipulated in the rental agreement. The property management company will either have their own in house cleaning crew or will subcontract out to a local housekeeping company. The fees charged are

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usually based on size of the property. Services include washing and ironing linens, putting out soaps, paper products as well as general cleaning, dusting and washing/vacuuming flooring.

There is usually a cleaning fee passed on to the owner when the owner stays in their unit. Some property management companies will charge a discounted cleaning fee on owner stays up to a certain number of stays.

Frequency of Deep Cleaning varies by company. Some offer the option for the owner to do their own deep cleaning. Deep Cleaning includes dry cleaning of pillows, blankets and comforters as well as professional carpet cleaning.

Linen Service

Linen service is an area where property management companies differ on how they charge. Some include it in their commission others do not. It is preferred that owners purchase the linen service which includes 2 sets of sheets and towels per bedroom. Linens are usually of high quality. Owners provide pillows, blankets and comforters. Property Management companies will usually charge more for using the owner's linens due to the extra work to label and track the owner linens and the resultant smaller loads required to wash owner linens. If you have a larger home, this becomes less of an issue and they request that linens be of similar color so they can be laundered in a single load.

Trip Charge/Emergency Fees

Fees are frequently charged for trip charges for situations where a renter locks themselves out of the property or there is an emergency maintenance situation requiring the property manager to physically go to the property to assess the situation.

Maintenance/Repair Coordination Fee

Some of the property management companies will include light maintenance such as replacing light bulbs, fixing loose door knobs and repairing chair screws. For more major repairs and overseeing rehabs, they will charge a repair coordination fee. Some of the companies have sub-contractors they work with that will do interior updates such as painting, replace cabinets, install new light fixtures, etc... for a fee.

Tax Services

For short term rentals, lodging taxes are assessed. Who pays the taxes depends on the property management company. Some will take the taxes out of the gross rents and provide a 1099 at the end of the year. Others leave it up to the owner. Hot Spot Tax Service is a service which can handle lodging taxes

Inspection Services/Inventory

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The frequency of inspections and inventory of household items will vary by company. Some will provide one level of inspection at guest check out with a more detailed inspection annually. Keep a copy of your furniture and household item inventory to compare against what the property management company shows.

Many of these items aren't even a factor in traditional long-term rentals. If you would like further information about Property management companies or investing in rental properties in Summit County, I'd be able to discuss further insights I've gained through the interviews I've conducted. I too am an investor with experience in managing both vacation and long term rentals. I'd be happy to share my experiences.