

Property Management for International Property

How can you manage a property thousands of miles away?

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Agenda

- A bit about John Howell
- Your aims
- Some of the problems that get in the way
- The basic principles of profitable **property** management
- The basic principles of profitable **rental** management
- Questions
- Lots to cover!

John Howell

- Dealing with international legal and property issues for nearly 40 years
- Background as a Solicitor (English Lawyer). Now retired from practice.
- Guides.Global
 - Editor & founder of Guides.Global – www.guides.global
 - Online written and video guides about how things *really* work in other countries
- Writer
 - Author of The Sunday Times® Guides to buying a property in Spain, France, Portugal, Italy, Turkey, the USA & various countries in Eastern Europe
 - Author of the Cadogan Guides to Setting up a Business in France & Spain
 - Author of “Don’t Jump In”
 - Author of the two “International Law” volumes of Butterworths’® Encyclopaedia – a leading textbook for UK lawyers
- Speaker
 - Speaker about international law and property at events around the world

Your Aim

- You have decided that you want to invest in international property
 - You like the income potential
 - You like the growth potential
 - You like the currency diversification
- You want to let the property to generate income
 - Not just keep it and hope it rises in value!
- You want to manage the property efficiently and cost effectively
- You wish to manage your rentals efficiently and cost effectively
- **HOW DO YOU DO THIS?**

The problems of doing it yourself

- Do you have the skills?
- Do you have the time?
- Do you have the interest?
- **If you don't, you will do a bad job!**

The problems of delegation

- Will you and your tenants receive a good service?
- Will you be cheated?
 - You are a long way away
- Will you destroy your profits by spending too much on management?
- You are not there to supervise
- There may be language issues
- You can't just pop out there in a crisis!
 - **However... a hidden perk**

The problems of distance

- Tenants expect the same level of service, whether you are local or on another continent
- Expect call-outs:
 - Tourist have the heaviest demands – they are only there for two weeks and want to enjoy all of the facilities all of the time
 - They also may not understand how all the equipment works
 - Expect call-outs from all tenants:
 - They can't get onto the internet
 - The shower isn't working properly
 - They have lost their keys
- Time differences
 - The calls may come at 4am!
- Language differences
 - The person calling may only speak Russian
 - Your plumber may only speak Turkish

Profitable Property Management



- Property Management involves looking after the fabric of your property
 - Routine maintenance (painting, cleaning the pool etc.)
 - Repairs
- It also involves dealing with some administration
 - Paying the bills
 - Arranging insurance
 - Filing tax returns
- Some or all of this can be delegated to others
- You might decide to do some of it yourself

Profitable Property Management



- Some properties will require a lot more maintenance than others
 - If you buy a property in a condominium (community of owners) you may find that almost all of this is arranged and paid for centrally by the community administrator
 - This is very common, especially for apartments and in tourist complexes
 - Of course, you will have to pay your annual community fees
 - Even then, you will need to make arrangements for internal repairs and redecoration
- Some require more admin than others
 - Again, buying into a condominium reduces administration
- All properties will need some maintenance and management

Do you need property management?

- Usually, yes.
 - Even if you are used to running UK properties without a management company, you will need someone if the property is in another country and a long distance away
 - Language difficulties
 - Different business culture
 - Different ways of building
 - Different administrative requirements
 - Lack of local contacts

Who should manage the property?

- You – aided by a local person who you call upon when needed
 - Possibly a neighbour doing the work for “pin money”
 - Possibly an “odd job man”
 - Possibly a proper property management company
- An “unofficial” (unlicensed) proper property management company
 - Dangers!
 - What if it goes wrong?
 - Will you be able to deduct their charges for tax purposes?
- A “proper” property management company

Choosing a property manager

- Legally allowed to work – i.e. with any necessary licences
- Reputation
 - Recommendations from your lawyer or estate agent?
 - Recommendations from existing customers
- Language skills: do you understand each other?
- Technical skills
- Check their paperwork:
 - Do their reports make sense?
- Ask for references
 - Companies are used to giving these
 - Take them up!
 - Preferably from other foreign clients
 - Are they happy with the service?
 - If not, **go elsewhere**
- Price: is cheap good?

What paperwork is needed?

- In most countries you will expect a proper written contract
 - Setting out both of your rights and obligations
 - What work will they be doing?
 - Frequency
 - Cost
 - Payment for “emergency” work
 - In most countries, you can expect this to be a dual language contract – in their language and yours
- Do they have insurance?
- Do they have a licence?
- Most companies will require an advance payment and then bill you monthly for the work they have done

Top Tips



- Choose a sensible property
 - Low maintenance cost will usually improve the performance of your investment
 - Think about a condominium rather than a self-contained property
 - Think about a modern property:
 - Sometimes, you will get a much higher rental return out of a “character” property – which will need more maintenance – but it is rare for this to make economic sense
- Use a good management company
 - At least until you learn what is needed to do it yourself
- Keep a VERY close watch on what is happening
 - Monthly reports
 - Costs

Rental Management

- Rental Management involves
 - Finding tenants (optional but usual)
 - Doing the letting contracts and other admin for those tenants
 - Receiving payment
 - Meeting and greeting
 - Checking the property between tenants
 - Cleaning the property between tenants
 - Dealing with any tenant-related issues
- You may also need to operate a tenants' deposit scheme
- You may have to make disclosure about your tenants to the police or other authorities

Do you need rental management?

- Usually, yes – especially when you are first starting.
 - Even if you are used to letting UK properties without a rental management company, you will need someone if the property is in another country and a long distance away
 - “Meet and greet”
 - Dealing with day to day problems
 - Finding local tenants
- Who should be the rental manager for the property?
 - You – aided by a local person who you call upon when needed
 - Possibly a neighbour doing the work for “pin money”
 - They will do the “meet and greets” and deal with issues whilst the tenant is in occupation
 - An “unofficial” management company
 - A “proper” rental management company

In some countries, rental management can only be done legally by the owner of the property or a licenced rental management company

What does rental management cost?

- Varies from country to country
- For short-term rentals (e.g. tourists), it can be 35% or more of the rental income
 - That should include their cleaning and other expenses
- There can be wide variations between similar companies
 - Why?
 - Cheaper is not always better
- You can reduce costs:
 - Divide the fees into their fees for finding a tenant and an “admin fee” - the fees for the meet & greet and clean-ups before and after the visit
 - Agree that you will only pay the admin fee if you find the tenant yourself

Choosing a rental manager

- Many are really great: proactive, diligent and totally honest.
 - Some are not
- Make sure you appoint a good company!
 - Recommendations from people you know
 - Take up references
 - Visit their office: do they seem organised?
 - Check their website: does it look like it will attract business?
 - Get hold of a rental pack – what they usually send to potential tenants: does it give you confidence
 - Insist on full (detailed) accounts
- Have a written contract
- Monitor them
- Get rid of them quickly if they are not doing the job properly
- A good company can double your income: a bad one can bankrupt you!

The “Friday afternoon in August” problem

One for you, one for me

- Will tenants they find locally be directed to your property or put in their own – or property belonging to their “special friends”?
- This will not happen if you use a reputable company

Weaning yourself off the manager...



- Many people start off by using a rental management company
- They will usually still need one if they are doing lots of commercial property or long-term residential lets
- If they do short-term holiday lets, eventually, they may be able to do the job themselves with a local person to “meet and greet” and call out the property management people in an emergency
- In most Mediterranean countries, the rental season for holiday homes is only 12-20 weeks per year
- You can find these:
 - If you generate demand from friends, family, etc.
 - If you generate tenants from a website – your own and/or AirBnB etc.
 - If you get repeat tenants or referrals from existing tenants
 - Keep a visitors book, keep in touch with your visitors and incentivize them to refer people
 - Repeat business is the best business!

Getting rid of the rental management company can double your profit

IF it works!

We have no doubt...

1. That our clients who have made the most money out of their international property are those who have managed the property themselves
2. That our clients who have made the **least** money are those who managed it themselves ... and did it badly

Questions

A copy of this presentation can be downloaded from
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