

RENTAL MANAGEMENT MANDATES

presented by **ShaunLuyt**
Your Partner in the "Business" of Residential Property Rentals



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Mandates

Recap from Procurement Mandate Webinar

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Rental Management Activities

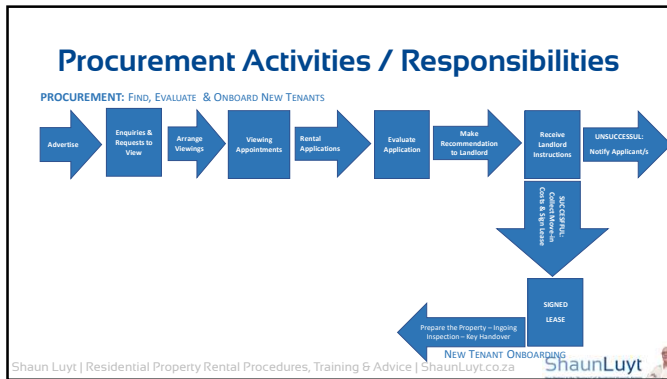
PROCUREMENT: FIND, EVALUATE & ONBOARD NEW TENANTS



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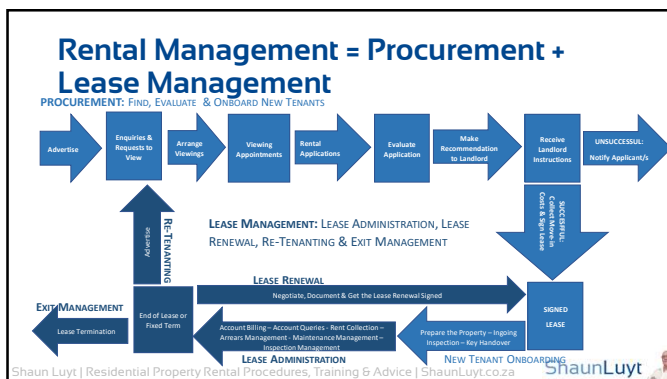
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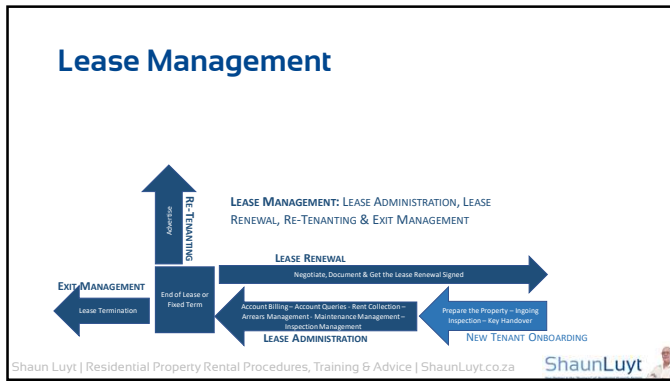
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Other Service Packages Offerings

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Variations on Service Offerings to Landlords

- Credit Check and/or Application Vetting
- Rent Collection, i.e. Procurement & Rental Collection Only

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Upfront Rent Payments

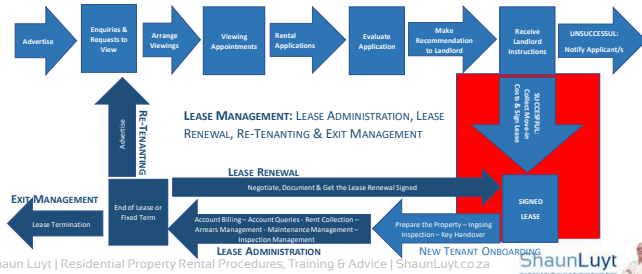
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Rental Management = Procurement + Lease Management

PROCUREMENT: FIND, EVALUATE & ONBOARD NEW TENANTS



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Offers to Pay Full Rent Upfront

- Include a Policy & Procedure in Your Mandate so everyone is on the same page when this happens
- My Advice:
 - Rent held in agency account
 - Preferably a 'Landlord Deposit or Savings Account' that accrues interest to the landlord
 - Amount Due each month is released and processed as per usual

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Offers to Pay Full Rent Upfront

- Reasons for My Advice:
 - Unless you have changed the lease, the money is only due to the Landlord on the 1st of each month
 - The Tenant has the right to cancel under CPA SI4
 - You're still probably responsible for maintenance management and need funds
- Warnings:
 - ALWAYS follow your application processing procedures and guidelines (including deposit requirements)
 - The offer to pay upfront often goes together with a request for rent payment
 - Remember – the money will have run out at the end of the period

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Management Mandate

New Tenant Onboarding

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New Tenant Onboarding



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Management Mandate

Lease Administration

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New Tenant Onboarding/Lease Administration



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Inspections

- 'Complimentary' Post-moving-in inspection
- Routine Inspections
 - How often?
 - Included in your management fee, or charge extra?



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How many agents charge for inspections?

IMPORTANT

May not charge Tenants for in/outgoing inspections

Inspection Fee

Some estate agents charge an incoming inspection fee, some an outgoing inspection fee and some charge both but 70.39% of estate agents perform this service for free.

Inspection fees range from R50 to R1,000 with the average incoming inspection fee of R387 and the average outgoing inspection fee of R457.

TPN INSPECTION FEE CHARGES

Incoming Inspection
Average: R387
Minimum: R50
Maximum: R1,000

Outgoing Inspection
Average: R457
Minimum: R50
Maximum: R1,000

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Account Payments

- Pay Landlord Accounts?
 - Rates & Taxes
 - Levies
 - Etc
- If yes, make sure you include the specific instructions in your mandate with details – (PFO04 – *Mandate Services Management*)

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Billing, Account Queries & Collections

- Tenant Billing, Account Queries & Collections
 - Rent
 - Other Amounts
- Make sure you include the specific instructions in your mandate with details – (PFO04 – *Mandate Services Management*)

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Landlord Payment Date

- Many mandates include a space for a date, e.g. 1st of the month
 - What happens if you don't have the rent yet?
- I prefer something like "the 1st business day of the month, or within 1 business day of receipt, whichever is the later"



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Arrears Management

- Sometimes Landlords don't want to issues an LOD immediately
- Include your arrears management procedures and action dates in your mandate and get the Landlord to agree



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Maintenance

- Maintenance required under the RHA – YES
- Preventative maintenance – YES
- Management of large projects? - NO



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Do Agents Charge a Maintenance Surcharge?

Repairs and Maintenance Surcharge

With reference back to the third biggest challenge raised by estate agents, the facilitating of repairs and maintenance, it was surprising to find that 77% of estate agents do not charge a surcharge to facilitate repairs and maintenance.

Often this facilitation includes managing 3 service providers for quotes, including arranging access to the property, inspecting the quality of the work and managing the payment from rent collection. In some instances, agencies cash flow the expense.

Only 4% of estate agents reported that they do not facilitate the repairs and maintenance.

7% of estate agents charge a flat fee, this ranges between R50 and R500, at an average of R366.

12% of estate agents offer a percentage based rate for between 2 and 15% of the invoice, at an average of 10%. ^{ING}

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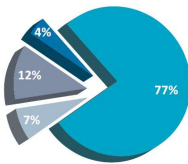
Do Agents Charge a Maintenance Surcharge?

TPN REPAIRS AND MAINTENANCE SURCHARGE

Agent does not facilitate Repairs and Maintenance

Percentage of Invoice
Average: 10%
Minimum: 2%
Maximum: 15%

Flat fee
Average fee: R366
Minimum: R50
Maximum: R500



Agent does not charge to facilitate Repairs and Maintenance

■ Agent does not facilitate Repairs and Maintenance
■ Agent does not charge to facilitate Repairs and Maintenance
■ Flat Fee
■ Percentage of Repairs and Maintenance Invoice

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Payment of Your Commission

- Generally only payable on money collected?
- Is this still a valid way to charge commission?
- Don't you do more than just collect rent?
- I think commission should be due and payable each month!



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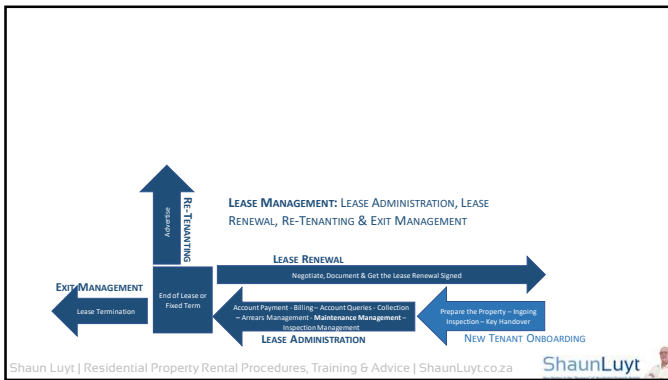
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Management Mandate

Lease Renewals & Exit Management

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Management Mandate

Lease Renewals

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Lease Renewals

- Fixed Terms Leases
 - In accordance with Section 14 of the CPA
 - Start 90 days prior to the end of the fixed term
- What about month-to-month leases?



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Management Mandate

Exit Management

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Exit Management

- Pre-Exit Inspection
- Exit Inspection (RHA)



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Rental Management Fee Structures

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Average Management Fees

Management commission – when no upfront placement commission is charged

We asked estate agents who place tenants but do not charge the upfront placement commission, what they charge their landlords to manage the property.

42% of estate agents do not charge an upfront fee for placing the tenant; this placement commission is included in the monthly management commission.

Almost all estate agents base their management commission on a percentage of the rent.

The management commission ranges between 5 to 12.75%, with the average management commission being 9.42% per month.

The majority of estate agents charge 10% per month.

Four per cent of estate agents charge a flat fee to manage the property, the average fee being R1,135 per month.

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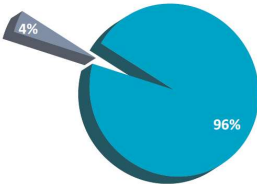
Average Management Fees



AGENT MANAGEMENT COMMISSION
(AGENT DOES NOT CHARGE ONCE OFF PLACEMENT FEE)

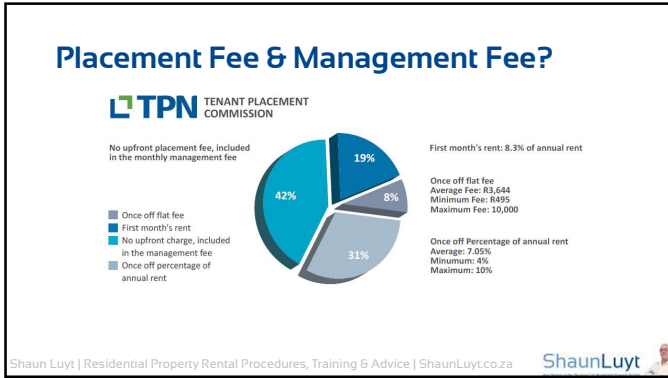
Monthly Flat Fee
Average fee: R1,135 per month

Monthly flat fee
Percentage of monthly rent

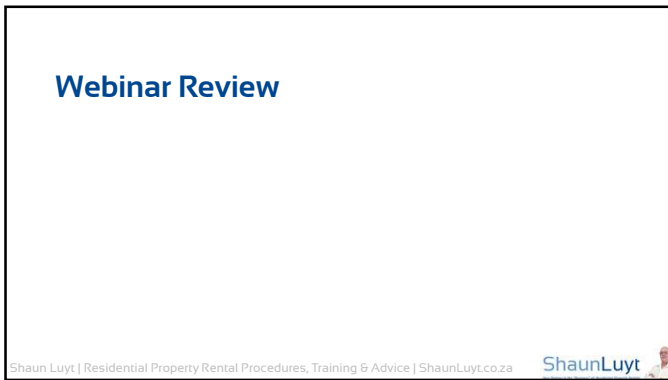


Percentage of monthly rent
Average: 9.42%
Majority: 10%
Minimum: 5%
Maximum: 12.75%

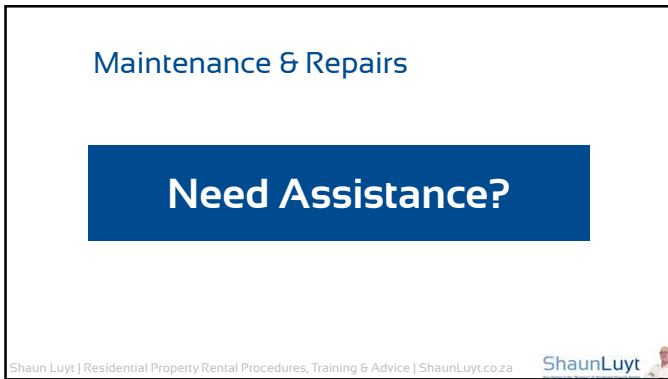
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Other Services

- Implement Weekly Portfolio Reporting & Team Meeting Agenda
- Portfolio Compliance Audit
- Rental Training Training
- Rental Team Workshops
- Mandate Review and/or Updates
- Development & Implementation of Policies and/or Procedures

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