

# WHEN DOES PROPERTY MANAGEMENT MAKE SENSE?

Brought to you by Advantage Asset Management – A Houston Property Management Company

This is a common question that almost all real estate investors ask themselves. Should I outsource to a property management company, or should I manage myself? We will review this question in more detail below

## When Does It Make Sense?

Every investor has a different set of circumstances that will influence the decision. That said, we do have some “rules of thumb” as to when you should consider using a property management company.

### ➔ 1.) You have little knowledge about real estate and need a partner.

This is a good way to learn and get some experience. Property managers can give you advice and show you how they manage properties. On the surface, it sounds relatively simple. You just collect rent and make sure you fix anything that breaks down; however, when you see how things actually can pan out, it can be a little overwhelming. Imagine if an eviction is necessary, or a major leak occurs at midnight on a Saturday, or some other major issue pops up. This is when it really pays to have professionals on your side

### ➔ 2.) You have little time to dedicate to your property

This is a critical one because time is invaluable. How you spend your time is important to all aspects of your life (career, personal, etc.), and if you want to spend it managing a property, make sure you can justify the opportunity cost of what you would do with that time. If you have extra time or have a real estate related job (i.e. handy man, Realtor, etc.), it may work out perfectly to manage your own properties. If you travel a lot or have a highly demanding job, it may not make sense to manage your own properties. Keep in mind, we do have many Realtors who outsource property management as well. They feel their time is better spent focused on leads and sales versus managing properties.

### ➔ 3.) You just want peace of mind

This is something you can't really put a price on. If you have a good partner managing your property, you can rest easy knowing you don't have to drop everything to solve every problem that may arise. In the case of extreme circumstances (evictions, floods, major property damage), it really does help having a company who can deal with those situations effectively. Sometimes, just having a property management company can feel like an insurance policy. A professional with experience is there to fix the major issues should they arise.

### ➔ 4.) You don't live close to your rental property.

While technology has made many factors "spaceless" (such as collecting rent or entering in work orders with local vendors, managing a property from afar is still a difficult task. If you are not able to visit the property occasionally on a proactive basis or urgently if an issue arises, you will be reliant on the tenants and maintenance people to tell you if something is needed. A property management partner will make those proactive visits, double check on maintenance work performed--or even see if it needs to be performed at all--and can quickly react to anything needed physically at the property.

### ➔ 5.) The numbers work out.

If you're cash flow positive with property management fees, it will make the decision much easier. Make sure you have run the numbers to see if it all makes sense or ask the property management company to do it. Keep in mind that property management is tax deductible. The fees and maintenance involved could be written off of your taxes at year end. So, while you may pay a monthly rate to the property management company, you will recoup some of that cost when you file your taxes. As always, make sure to contact your tax advisor when looking into the associated tax benefits of rental properties.

### ➔ 6.) You want to grow your real estate portfolio.

In this scenario, you want to focus your time on growing, and you don't want to spend your time managing a property. Partner with a property management company and let them know your goals and intentions. They should be able to help you achieve your goals quicker and more efficiently.

See some of our other articles where we go into deeper discussions on specific scenarios regarding investment properties. We look forward to answering any questions or clarifying anything else that can help you make an informed decision!



\*This article was written by Advantage Asset Management, a property management company focused on Houston, Spring, The Woodlands, Cypress, and Tomball. For more company info or articles like this, please visit our website at

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