

4TH ANNUAL TEXAS MULTIFAMILY SUMMIT

T X M S

Creating Your Own Management Firm

September 14, 2018

Simplifying property management performance.



Why would you consider creating your own
Property Management firm?

Control

Access to expertise & information

Financial

ASCENT

What are the major considerations when creating your own management firm?

What does the third-party, fee-management firm actually do for you?

Management

Marketing

Human Resources, Payroll & Benefits

Accounting and Financial Reporting

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Other Considerations

Location of properties

Legal liability

Lender approval

Software platform

Time and distraction from core business

Mental occupation – people issues

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Cost of Third-party Management

16-property, 4,000-Unit Owner

Average rent per unit	\$ 1,400
Average occupancy	95%
Total Rents	\$ 5,320,000
Management fee percent	3%
Management fees - Monthly	\$ 160,000
Management fees - Annual	\$ 1,920,000

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Case Study: Owner, 16 Properties

Costs of Third-party Management

Management Fees	\$ 160,000
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Costs of Internal Firm

Operations Staff, Salary & Benefits	40,000
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Outsourced Accounting Fees	20,000
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Marketing Costs	<u>8,000</u>
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Total Outsourcing Costs	68,000
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Total Monthly Savings	92,000	58%
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Total Annual Savings	\$ 1,100,000
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Cost of Third-party Management

Ten-property, 400-Unit Owner

Average rent per unit	\$ 2,000
Average occupancy	95%
Total Rents	\$ 760,000
Management fee percent	4%
Management fees - Monthly	\$ 31,000
Management fees - Annual	\$ 372,000

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Case Study: Owner, 400 Units

Costs of Third-party Management

Management Fees \$ 31,000

Costs of Internal Firm

Regional Mgr., Salary & Benefits 10,000

Outsourced Accounting Fees 4,600

Marketing Costs 2,400

Total Outsourcing Costs 17,000

Total Monthly Savings 14,000 45%

Total Annual Savings \$ 168,000

Making the Transition

Legal issues

Lender approval

Insurance – limiting liability

Software platform

Hiring the key people

Do third-party property management?

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units

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Back Office Accounting: Doing the Math

"Apartment owners and management companies are seeing a trend in outsourcing their accounting and back-office functions."

Back-office Accounting: Doing the Math

A Multifamily Trend to Watch in 2018

Many owners and managers are finding that outsourcing their accounting can provide multiple benefits—from easing the headache of managing the back office to direct cost savings.

by Sarah Thornton | Sep 20, 2017

National ViewPoint



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With just a little more than a quarter of 2017 left in the books, multifamily property owners and managers are budgeting for 2018 and looking for new ways to propel their businesses forward. Many are finding that outsourcing their accounting can provide multiple benefits—from easing the headache of managing the back office to direct cost savings.

Mark Weinstein, founder & president of MJW Investments in Los Angeles, recently began outsourcing the accounting for his portfolio.



Mark Weinstein, founder & president, MJW

Outsourced Accounting

Monthly Financial Reporting

Weekly Bill Payment

Reserve-for-replacement Draws

Payroll, Health Insurance & Other Benefits

Human Resources Activities

Tax Credit Consulting

Profit Improvement Coaching

Benefits of Outsourcing

Allows Improved Focus / Removes Distractions

Access To Best Practices

Improved Bottom Line

- Direct Cost Savings
- Implementing best practices
- Increased buying power

Enhance Business Continuity

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