

Advice for Long-Distance Landlords

It's a matter of hiring good building managers, empowering them to make decisions and keeping the lines of communication open.

Many businesspeople purchase an out-of-town apartment building as an investment, only to discover they can't make a go of it: the building is plagued with a high tenant turnover rate and it's difficult to find good tradespeople willing to do reliable work reasonably.

Two long-distance landlords believe succeeding in the business, however, isn't all that challenging. It's a matter of hiring good building managers, empowering them to make decisions and keeping the lines of communication open.

Oren Steinman, a Toronto-based real estate broker who specializes in the sale of multi-residential properties, self manages a 24-suite apartment building in Campbellford, east of Peterborough. After purchasing the building 2 ½ years ago, his first priority was to hire a responsible couple to act as superintendents.

Steinman says it's imperative for landlords to choose superintendents whom they can trust to make good decisions, and who are familiar with residential tenancies legislation.

"They are your eyes, your ears, they represent the building and without somebody there to watch what's going on you're never going to make a go of it, whether you're managing it yourself or you're hiring somebody to do it for you," he says.

Steinman decided from the start he wanted to operate a top-quality building that was kept in good repair and filled with tenants who took pride in their homes. He believes in investing in his building and uses high-quality materials, such as faucets, cabinets and carpets that will last.

He also chooses suppliers and subtrades with good reputations and, although he pays more for their services, the work is done properly the first time. Steinman has a rule that all repairs must be completed within a 24-hour period.

"I hold them to a high standard, but I make sure they're always compensated quickly," he says. "We represent the building as if it's a five-star hotel."

As a result of his philosophy, the building attracts excellent residents, experiences very little turnover and commands high rents. There is, in fact, a waiting list of tenants who want to live in the building. Steinman's superintendents are long-term Campbellford residents who are selective about choosing tenants, most of whom are seniors.

"What's most amazing to me is how honorable every single one of my tenants is. These are people who just really care – they think of these units as their homes," Steinman says.

Steinman talks to his superintendents by telephone two to three times weekly. His residents also keep the couple accountable and would inform Steinman on his monthly visits if the building hadn't been cleaned properly, for instance.

He acknowledges, however, that landlords need to maintain some distance from their tenants. Otherwise, if tenants came to him to resolve problems he would be guilty of undermining his superintendents' authority.

"It's a big, big mistake that a lot of people make. They let tenants call them or they make a deal with a tenant without discussing it with the superintendent," Steinman observes.

Maurice VanHooren, of Danrose Ltd. in Tillsonburg, also self manages his property – a 74-unit apartment building in Amherstburg, along with some commercial properties in Southwestern Ontario. He purchased his first apartment building as an investment nearly 40 years ago.

“I was probably pretty naive back then,” he recalls. “I was looking for a way to invest and I was just a young guy trying to get ahead.”

VanHooren believes his background as a professional engineer and a retired contractor has benefitted him in his work. He inspects his multi-residential building at least once a month, submits a list of deficiencies to the building superintendent and expects them to be corrected when he returns for his next visit.

He also makes a point of chatting with residents to determine if they were satisfied when repairs were carried out. He provides new tenants with a welcome letter and makes his telephone number available to them. The superintendent knows he is accountable since tenants can bypass him and contact VanHooren directly if they’re experiencing a problem.

“You have to build accountability into the system when you’re managing from a distance,” VanHooren says. “It’s very easy when you’re managing from a distance not to have that accountability there and usually when that happens everything goes off the rails in time and problems start to fester.”

One of the most significant obstacles for out-of-town landlords is finding reputable tradespeople who charge a fair price to do work in their buildings. VanHooren says landlords should ensure their tradespeople give them good value when they carry out repairs or renovations, and that they establish a good rapport with tenants.

Communication is another vital part of the equation. Landlords who manage their own properties must be willing to devote the time to communicating with their on-site personnel. VanHooren’s apartment building is equipped with a fax machine, which allows the superintendent to fax any forms or notices to him.

“The communication aspect gets back to dollars and cents,” VanHooren notes. “If you know what’s going on and you see a problem developing, you can cut it off before it costs you money.”

Long-distance landlords also need to research the market in order to set competitive rents, particularly since there can be drastic differences from one city to another. They need to be aware, too, of whether other landlords are improving their properties so they can remain competitive.

While all landlords have bad experiences with tenants, it’s important to learn from them and move on. Landlords should choose their tenants wisely by conducting thorough reference and credit checks, which helps to avoid vacancies, conflict and cash flow problems.

“If you’ve got a good building and it’s relatively full, then you can be a little more selective, but if you’re running a high vacancy then the pressure’s always on to not be quite as selective,” VanHooren says. “You had better be careful because you can sometimes get yourself into trouble. Turnover costs are always a factor.”

Steinman says many landlords make the mistake of not putting enough money into maintaining their buildings. He believes setting priorities means the difference between success or failure.

“You either decide you’re going to invest the time and money into your asset, or you don’t. All the money in the world is not worth the bad tenancies, or trying to save a buck here or there,” he adds.