

Rentals Vs. Co-Ops And Condo Management

By Aida Gashi, REM Residential



A few friends and I gathered for dinner recently on a blustery winter's evening. The fireplace roaring, the food and wine were the perfect backdrop for a relaxing dinner. However, these were property manager friends and one of them arrived late, sighing, "Board meeting...you know how those go." The daughter of a longtime resident manager of an Upper East Side luxury condo, I smiled knowingly. Thus began a heated debate amongst our lot, the likes of which not even a debate on Crimea independence would see. It was rentals vs. co-ops and condo management and the dispute was quite engaging.

Working for several years at R.E.M. Residential, I have become well-versed in the rental aspect of property management. After all, that is what we specialize in: managing rentals. Taking on sizable portfolios from a roster of clients such as Eastern Consolidated, Earle Altman of ABS and Kayvan Hakim of Carnegie Hill Properties, our bread and butter has been rental buildings, including short-term and furnished rentals for a particular niche of tenants.

Although we inherited co-ops and condos with the acquisition of LWL Management in the beginning of 2012, Rick Elezi, Founder of R.E.M. Residential, had a predilection for rentals. Having worked for five years at Lawrence Properties, the dynamic rentals market and nature of its management stuck with him.

Also, being the owner and your own boss made it a lot easier to be selective and say no to those nights of longwinded and seemingly interminable board meetings where owners would linger, discussing preschool options in the area, their pets and their summer plans in the Hamptons. Such is the fate of a manager of a co-op and/or condo, I presumed.

However, my peers in the property management industry would beg to differ. They remarked that sure, they had to deal with the board meetings at night after a day at the office but at least they did not have to deal with the ins and outs of rental management and the ever-changing rules and regulations.

Add to this the constant ubiquity of repairs and tenant complaints and surely who would want to bother with rentals when one could deal with co-ops and condos?

Thus began our roundtable discussion. Here is a glimpse into our deipnosophist discourse ... albeit without the fireplace and Barolo!

Board Meetings: With people's day-to-day routines, especially in dynamic New York City, getting everyone to meet for a board meeting can be difficult.

What is an even more Herculean task is making the board meeting go smoothly, sticking to the agenda and above all, not having it drag on. For a property manager, this can be especially trying but such is the nature of the beast.

Many boards are, however, trending towards implementing procedures and technology found in their respective workplaces, i.e. videoconferencing and lunch meetings and extending this to board activity.

In an optimal setting, when management is on par and board members can agree to most points and are proactive, the need for frequent board meetings could even dwindle. Until then, there is always Barolo by the fireplace!

Boards could change hands every year, sometimes leading to the Sisyphean tasks of getting projects completed. In defense of boards and board meetings though, overall, without them, issues do not get addressed, votes are not taken and problems remain at a standstill.

What those in the rental sector of property management may not see is that their parallel to discordant boards are their clients that own buildings with one or more partners. These partners could be a corporation or a family with quarreling members. Often, they may not agree to budgetary items or even potential tenant application approvals.

Fees: In rental management, fees correlate to the rental income of the building being managed hence it is incumbent upon management to get the highest rents possible in order to increase their own revenue as well as that of the client.

The upside of this is that usually they do not have to request fee increases from their clients and depending on the market, their income could go up.

However, co-op and condo management also has its perks in terms of garnering revenue not only from the flat rate they may charge a building but also from the fees charged to owners and shareholders for questionnaires, application fees, etc. Also, when the market's down, rental management fees can go down whereas the co-op/

condo fees remain the same.

Paperwork: Questionnaires and applications segue us into this topic. When dealing with co-ops and condos, management companies often have a separate closing department which handles all the requisite paperwork whereas rental management is rife with paperwork all around. Section 8, rent registrations and MBRs are just the tip of the iceberg in terms of required paperwork for rental management.

Collections/Court: The time property managers of rentals save by not having to attend board meetings is unfortunately paid for in time spent in court with tenants in arrears and/or under eviction.

With the courts and laws in New York City tending to lean pro-tenant and anti-landlord, these cases often wind up being protracted and lengthy even with a preponderance of evidence in the landlord's favor.

Besides the problem of not getting rent from tenants, management companies are now being confronted with a new menace: that of rent-stabilized tenants demanding access to luxury amenities in apartment complexes offering such.

What the media would have you believe is that landlords and management companies are creating some sort of bogus "class system." What this latest hurdle is creating is actually a Pandora's box in that once rent-stabilized tenants are granted access to amenities, for example, that access cannot be revoked.

Unit As Home: In the rental market, the apartment is often just that: an apartment. Whereas in a co-op/condo, it is one's home through and through. Unit owners and shareholders pay maintenance fees for this very reason. With rentals, the transient characteristic is implicit as evidenced when tenants may cause damage to their apartments, smoke or litter hallways.

In short, more stress and the ravages of time are palpable in the common areas. The cost incurred during a turnover is another element (repainting an apartment, taking care of wear and tear, etc.).

With all this to contend with, both sides of the management spectrum have their pros and cons. Ultimately, the client is whom a management company should strive to please. At R.E.M. Residential, the property managers' objective is to maximize profit for their designated client, creating value for their properties.

Now, with our recent acquisition of three new accounts in our developing co-op and condo division, we are becoming well-versed in the goal of an efficient and productive board whose main focus is to preserve the investment value of its shareholders/unit owners, which for many of them is their largest investment.

After our engaging banter, we all came to a better understanding and appreciation of both angles of property management, knowing the challenges and rewards that come along with them. One thing we all could agree on...it was a fine Barolo!

About R.E.M. Residential

R.E.M. Residential is one of New York's preeminent real estate management companies with a focus on managing rental buildings for investors. At R.E.M., we adhere to a set of core values that form the cornerstone of our reputation: accountability, integrity and a dedication to an "old school" work ethic that commits us to delivering on every client obligation in a professional and timely fashion.

Accountability is a term that is all too often overlooked by our competitors in the industry. Our firm belief on accountability, however, goes beyond the management of your asset, where our commitment and care adapts your property as our own.

An undertaking accomplished through a consistent performance of synergistically tailoring and implementing improvement strategies to all the various aspects of our management services. We are passionate about the buildings we manage and are confident no company can match our attentiveness or the level of experience we bring to the table.

Our belief is that it is our responsibility to do everything we can to provide an unparalleled service of not only maintaining, but most importantly enhancing your investments value.

Our expertise in increasing rent rolls and tremendously lowering expenses is evident in every property that we manage. An approach that has amongst others, delivered a large Gramercy Park group of buildings we have managed for a number of years, with an astonishing increase in their rent roll of 400% over the last 15 years.

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