


10 TIPS CHECK-LIST

HOW TO CHARGE FOR PROPERTY INSPECTIONS



GUIDE



Many of the items contained in these tips are things that software can do for you but software is not required for all the tips listed. However, if you are already using software for your property inspections, ensure that it has the capability to do these things to better enable you to charge for inspections.

If you are still using pen and paper to complete your property inspections you might consider using a software and the benefits as well as the possibility of charging for inspections that software can assist with.

Whether you are using software to do your inspections or not, any property manager can begin implementing some of these tips in their existing inspections to help them when charging for company property inspections.

A green highlighter pen is shown in the process of marking a checklist on a document. The pen is positioned diagonally, with its tip touching the paper. The checklist consists of several square boxes, some of which are already marked with a green checkmark. The background of the document is slightly blurred, showing some faint lines and text. A blue vertical bar is visible on the left side of the image.

Why Charge?

Will this affect your business?

It just depends on the approach you take. Take a moment to read through this checklist to see the different fee structure samples to assist with creativity packages you can offer as a property manager.



Expand Negotiating Room

Charging for inspections can expand your negotiating room by giving you the ability to negotiate your price of inspections vs. your management fee.

Example:

“ *Let's pretend that you are currently NOT charging for inspections and your company charges 10% of the gross rents.*

A qualified property owner/investor that owns a large residential 7 Bedroom home that has several duplexes approaches your office and ask what your PM rate is. You notify the owner that your fee is 10% of total rents collected. Since the owner is aware he has lucrative properties he decides to try and negotiate with you and ask you for a discount.

If you are currently not receiving any property inspection fees and only 10% of the gross rents then you have no other negotiating room except to negotiate your management fee. If you were to charge a property inspection fee you then would have the ability to discount the annual inspection fee which would be much cheaper vs discounting your management fee percentage down to 8% as an example.



1.

Cover Page

The cover page on a report is a statement of its value. Can you imagine walking into a bookstore and there were no covers on the front of the books and they all started on the table of contents? Although not required, adding a cover page to your inspection report can increase the perceptual value especially if you charge for property inspections.

Your cover page should include:

- ✓ **Your company name/logo**
- ✓ **Front Photo of Property**
- ✓ **Property Address**
- ✓ **Name of Person The Report Was Prepared For**
- ✓ **Completion Date**



2.

Customize Your Report Title Name

Report Name

The ability to customize the report name can be necessary for PM's to ensure they can modify this when charging for inspections. The reason for this is that many states may have strict regulations on using the term "Inspection Report".

It is recommended that you check with your state's local licensing laws and guidelines regarding the use of certain terms. When you charge for this service as a property manager, you may opt to rename the report to ensure compliance with your local licensing laws.

Example:

“ With I&C there are 4 standard selections you can choose from.

✓ **Property
Inspection Report**

✓ **Property
Overview Report**

✓ **Property
Assessment Report**

✓ **Property
Evaluation Report**

Or if you would like to add a custom name you can also Add A New Custom Title such as, "Asset Management Evaluation" etc.



Inspector Title Name

If your office is located in a state that has strict regulations on the use of the word “Inspector” as a title, you can change this to a custom name that brings you into compliance.

Example:

“ With I&C there are 7 standard selections you can choose from.

- ✓ ***Inspector***
- ✓ ***Property Assessor***
- ✓ ***Property Controller***
- ✓ ***Property Manager***
- ✓ ***Property Analyst***
- ✓ ***Property Auditor***
- ✓ ***Property Evaluator***

Or you can add a custom name title as needed.



3.

Use Creative Fee Structure Offerings

Use unique package options that enable you to charge for inspections but also gives flexibility to property owners. Below are three tips to help you add creativity to your fee structure.

a. **MAKE THE FEE DEDUCTIBLE**

Only charge a fee when the property is rented. Enabling this fee to be a deduction once the property is rented allows owners to not have to upfront this cost, allows some flexibility, and also creates more incentive for the property manager to rent the property.

b. **PROVIDE A FEE STRUCTURE BREAK DOWN**

Give different options.

Example:

“ Consider having structured pricing for the annual inspection fee.

- ✓ **1 Bedroom Unit \$85**
- ✓ **2 Bedroom Unit \$95**
- ✓ **3 Bedroom Unit \$100**
- ✓ **4 Bedroom + Unit \$120**



Revenue Increase Breakdown

Let's take a look at a break down to see how much you could possibly increase your revenue if you were to charge for inspections.

For this example we will use \$85/\$95/\$100 as example inspection report fees

\$85 <i>Inspection Report Fee</i>		\$95 <i>Inspection Report Fee</i>		\$100 <i>Inspection Report Fee</i>	
200 Units	\$17,000	200 Units	\$19,500	200 Units	\$20,000
300 Units	\$25,500	300 Units	\$28,500	300 Units	\$30,000
400 Units	\$34,000	400 Units	\$38,000	400 Units	\$40,000
500 Units	\$42,500	500 Units	\$47,500	500 Units	\$50,000
600 Units	\$51,000	600 Units	\$57,000	600 Units	\$60,000
700 Units	\$59,500	700 Units	\$66,500	700 Units	\$70,000
800 Units	\$68,000	800 Units	\$76,000	800 Units	\$80,000
900 Units	\$76,500	900 Units	\$85,500	900 Units	\$90,000
1000 Units	\$85,000	1000 Units	\$95,000	1000 Units	\$100,000

c.

EXAMPLE OF PROPERTY MANAGER STRUCTURE

Here is an article that was published in the May 2019 issue of the NARPM (National Association of Residential Property Managers) magazine from a property manager detailing how he sets up his fee structure. See the examples of the fee structures to see if it coincides with the value or services you provide.

For more information about NARPM or how to become a member visit <https://www.narpm.org/>



Joseph Ord, RMP® Candidate, is the Founder and President of AMOSO Properties in Saint Charles, Missouri. Joe has been managing properties since 2010 when he bought his first rental property. Joe became a NARPM® Member in August of 2018. As an ex-engineer, Joe tries to take a troubleshooting approach to the management business and is always looking for ways to bring more value to his clientele while advancing his property management business and the industry.

It is absolutely reasonable to make money providing services in which consumers find value.

Using Inspections Revenue Generators

During almost every call with a potential client, I am asked; "Does your company do inspections at the property to make sure the tenant is taking care of the property?" Most of the time they will even include a frequency in the question, such as quarterly or every six months. Prior to five months ago, my response was always, "We do inspections as needed or if there is suspicious activity suspected." This, of course, was the politically correct way of saying, "No we don't."

I was simply doing one of the most important jobs I have as a property manager and business owner, which is to manage expectations of clients. Property managers live in a unique subset of standards and even more unrealistic cost expectations from clients. While it is easily justified to spend over a hundred dollars on a meal out, paying your property manager more than a \$100 a month to take care of your investment property, seems unreasonable to many people. And for that \$100, we are to use our magical property manager powers to make sure their property is ALWAYS first priority, their tenant is NEVER LATE paying the rent, they can never find a cheaper handyman than the one we use, and answer their phone calls and text messages at 7 pm during dinner with your family, because they do not understand how to read a financial statement.

We cannot blame our clients for unreasonable expectations. The industry we are in has set them for us, and we have chosen to make our livelihoods in this industry. We are free to do something else at anytime if we choose because we are entrepreneurs!

So, assuming we choose to keep being property managers, how can we make our property management companies live up to these expectations, as well as survive and thrive? The answer is really quite simple: Provide ancillary services that your clients deem valuable and will pay handsomely for. For my company, we re-evaluated all the things we are doing or attempting to do for our clients. We then focused in on the tasks we were not being very successful at, because we did not have the resources, the time or the finances to be able to provide those services effectively.

The evaluation was fairly short-lived, as it did not take long to see property inspections as a major area that needed improvement. My field agents are always busy, showing properties, writing leases, getting renewals signed, doing move ins, move outs, checking on completed maintenance, and dealing with municipal and HUD occupancy

inspections. Adding another inspection and related report writing to their to-do list was just not in the cards. The only real solution would be to hire someone, which of course was not in the budget unless I charged for the service.

Charging for the service is exactly what we decided to start doing. Now, as part of our company marketing, we offer bi-annual quality control inspections as a paid service that "is not" part of our expected services for just management. We hired an independent contractor to perform the inspections and write the reports, and we make a nice profit margin on the service.

We were able to take it one step further and offer preventative maintenance services. One of the biggest expenses many of our rental owners in the Midwest experience is HVAC maintenance. While our leases make the tenant responsible for routine maintenance of the furnace and A/C units, the reality is they do not change the filters or clean the condenser unit. We took this knowledge and implemented a pro-active bi-annual HVAC preventative maintenance program. We send a certified HVAC technician in March/April and September/October to do a general tune-up and maintenance check on the owner's HVAC system, ahead of the major temperature swings. We have estimated the cost savings in HVAC maintenance calls and replacements in hundreds and sometimes thousands of dollars.

For us, it's another profitable activity, as we have a nice margin of profit between what we pay our contractor and what we bill our owner. We have included this program in our Platinum management package as a way to increase our base management fee revenues.

It took me a long time to come around to the notion that it was acceptable to charge for "extra services" and not every service had to be included in our base management fee offering. I hope you will make the mind shift as well. It is absolutely reasonable to make money providing services in which consumers find value.

Now, when asked the question, "Does your company do property inspections every so often?" I simply respond, "Yes, if you sign up for our quality control program, we do an inspection every six months for a set fee per inspection. Also, make sure to sign up for our preventative maintenance program to save money on your HVAC maintenance over time." Most new owners who sign up with us now, also sign up for the inspections! 🏠



4.

The Accessibility Of The Report

Make your reports available as a download or an automatic email. For example with Inspect & Cloud you can email owners and regardless how large the report is they will still be able to download it from the email. Ensuring they can access the report immediately and enabling them to always access this report when needed is another step forward to charging for this service.



5.

Include A Lot of Pictures

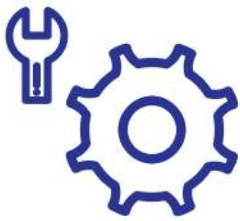
Taking care to input the important information about the property condition is essential to providing a good report but it is also important to provide sufficient photo documentation. Most professional standard real estate inspections only provide photos of the negative or damaged items amounting to a few photos for each page.

For property management inspections you not only want to take photos of the deficiencies but it's also important to show the overall condition of the property. Therefore, including additional photos gives a perspective of the condition of the rooms.

Including additional photos gives the report more value. When you take the time to photograph the necessary items in the inspection this not only adds to the length of the report but is also helpful when properly documenting the different parts of the properties condition to be able to reference back to it as needed.

Also be sure to provide different visuals of specific items that need attention, especially if you are annotating or writing comments about the item.

With I&C it is easy to take large amounts of photos quickly using the speed camera features.



6.

Customize It To Their Property

Ensure your inspector has procedures on how to customize certain areas and items as needed specific to the owners property in a unique and professional manner. Using a standard checklist may not contain all the necessary items that need to be checked. For example, if there is a portable building or a pool house then ensure they add additional areas necessary so that no item is missed.

Creating custom areas, making sure all items have been inspected provides your owner with a complete and comprehensive inspection report.



7.

E-Signature

A signed report is more valuable because it acknowledges receipt from all parties involved which adds validity to the report. An acknowledge signed report by the tenants is considered more valuable than an unsigned report.

If you don't have e-signature capabilities be sure get your hardcopy signed. If you are using a software such as I&C then you can use the new e-signature feature to send the report to any party as needed to request their signature. You will receive a notification email with a download link to the signed copy once signed.



8.

Video

Property managers used to use VHS and kept track of videotapes when they wanted to record property conditions. These days, it's extremely easy to record room areas and include them with your report.

You can do this with any modern smart device as needed but of course it takes time to organize and store all this data.

Video delivers a perspective of property conditions (good or bad) that photos alone are not able to deliver.

If you use I&C to record videos, tell your owner to click the Video Report button link on the inspection. This will display an organized video inspection of the areas of their property.

When charging for inspections make sure to include videos on your reports so that the owner can see you took the time to provide them with a very detailed report.



9. Surprise Them with 360 Pano-Photos

Keep them wanting more by adding surprise value. Imagine a property owner viewing their inspection and they see the 360° button on the report but they are not expecting it.

When they see a few rooms taken with panoramic views this can be a pleasant surprise and showcases not only the amount of effort that was put into the report but also your cutting edge technology which further enforces the reason for charging per report.

Example:

“ 360 Report capabilities ”

This is what is referred to as over-delivering. When you complete an inspection and include a link that displays a panoramic slide show, a property owner is more likely to be delighted and appreciate the time your company invested for their property inspection.

360 pano photos can assist by reinforcing the value in the price you charge as a property manager providing a management inspection.



10. Report Delivery and Evaluation Call

You may want to consider implementing an annual scheduled call to go over the report after you deliver it electronically to the owner. You can add standard delivery content in your inspection delivery message such as *“please let me know if*

you would like to schedule an evaluation call to go over the items in this report. I have provided a (your calendar scheduler) for you to select a time that is convenient for you”.

For example,

Report delivery evaluation calls can be done as a system once a year for all property owners. The goal of the call would be to cover concerns, assist with retention, and allow time to discuss necessary actions needed on getting things taken care of, such as roof replacements or other necessary items that the owner may be responsible for. Effective communication can help to reinforce positive actions and help flourish a long term healthy business relationships with your property owners.

Friday's can be a designated day for a staff member to schedule property evaluation calls with owners. Here are a few samples of questions and topics you may want to include with your evaluation system:

- 1. *Were you able to read through the entire report?***
- 2. *Discuss the most important items of the property condition in need of attention.***
- 3. *Are there any major concerns you have about your current property's condition?***
- 4. *How has your experience been with [Your Company] ?***
- 5. *Is there anything on this inspection that you would like to take care of either now or at a later time?***

Ensure your staff annotates the evaluation notes in your accounting CRM and follows through with any necessary maintenance work orders to resolve deficiencies from the report.

Our recommendation is if for any reason the property owner is not happy with the report your company has delivered or does not feel the value of your company consider waiving the inspection fee.

This can be an opportunity for your company to show its dedication to client service and improve the services that your office may have fallen short on.

Inspection Software Revenue Analysis

SAMPLE ABSORBED COST FOR 500 PROPERTIES

If you are currently conducting property inspections then this is an operating expense that your company is already absorbing. Below is an example of an absorbed cost breakdown when using pen/paper and not charging for inspections.

- ✓ ***Time: drive to property, complete inspection, drive back, inspection formatting, preparation, filing, etc
= approx 3 hrs***
- ✓ ***Staff \$15 per hour x 3 hrs
= \$45 absorbed cost per inspection***
- ✓ ***\$45 x 500 properties
= \$22,500 annual absorbed expense that your office may already be absorbing as a cost to complete property inspections.***

SAMPLE ADDITIONAL REVENUE WHEN CHARGING USING SOFTWARE

- ✓ **500 Properties x \$85 annual inspection fee
= \$42,500 Annual Revenue**
- ✓ **Example: If you subscribed to a \$99 per mo for I&C membership
= \$1,188 Annual Invst.**
- ✓ **\$1,188 annual invst - \$42,500 added revenue
= \$41,312 ROI**
- ✓ **This means that for every 200 properties you have this can add an additional \$17,000+ revenue to your bottom line.**
- ✓ **This does not include the time and savings that inspection software can increase for your company.**

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