

Maximize Your Revenue

Boost Your Efficiency

About Me &
My
Companies

Fee Maxing
Mindset

Revenue is
King

Owner
Fees

Resident
Fees

Why
Should I
Fee Max?

Questions?

The obligatory
introduction that you
probably don't care
about...

About Me

About My
Companies

Todd J. Ortscheid

- In property management since 2012
- Prior 14-year airline career, ending at Southwest
- Executive Vice President of the Air Line Pilots Association, Intl
- Took over management of Revolution at 61 doors and \$160k in annual revenue



About My Companies

Revolution
Rental
Management

PMAssist

Always
There
Repair

Revolution Rental Management

- Atlanta and surrounding markets
- Soon to add Asheville, NC
- 600 total doors
- Focus on “accidental landlords” and small investors
- About 60% of our property management revenue is NOT from management fees
- Revenue has been used to increase automation and staffing



PMAssist

- Myself and my partner Abi Wasserman
- PM industry training & consulting
- Focus on revenue maximization, marketing, & automating operations



Always There Repair

- Outsourced maintenance hotline & coordination provider
 - Night, weekends, holidays
 - Full dispatch
 - Full coordination
- 15,000+ doors now being serviced!



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Legal Stuff

Misconceptions

Let the
Market
Speak

Legal Disclaimer

- I AM NOT AN ATTORNEY!
- Consult with competent, local, landlord/tenant focused legal help prior to implementing anything in this presentation
- Different markets allow different things; just because I can do it, doesn't mean you can
- Government fascists won't let me talk specific pricing; sorry!





"Fee
maxing is
greedy!"

"It will
drive away
clients &
residents!"

"I can't do
that in my
market!"

"But what's
the
management
fee for?"

"Fee maxing is greedy!"



Fee Maxing
is Normal

Fee Maxing
is Necessary

Fee Maxing
is Moral

Fee Maxing is Normal

- Consumers are used to ancillary fees
 - Examples: banks, brokerages, airlines, hotels, resorts, amusement parks, etc.
- Many consumers PREFER unbundling
 - Look at companies like Spirit Airlines
- Entire companies are based on the idea of ancillary revenue
 - Costco makes no money on retail sales; it's all from membership fees
 - Airlines make no money on base fares; it's all bag fees, change fees, etc.
- Common in multifamily
 - Your residents are already used to this from apartment living

Fee Maxing is a Necessity

- Competitive market
 - You need to be able to compete on management fees while not hurting your revenue
- Owners aren't as price sensitive on ancillary fees
 - Owner pay attention to management fees & leasing fees
- Improved service
 - You can't compete on service if you don't have the revenue to provide it
- Fees drive behavior
 - Details later!

Fee Maxing is Moral!

- Companies who refuse to implement ancillary revenue cannot provide a competitive service level
- Your clients & residents are suffering by reduced levels of service if you don't have the revenue to support improvements
- Your employees are suffering if the revenue isn't there to pay them competitive wages & benefits
- Your employees are also suffering if they're having to be overloaded with work due to not charging for it

Will Clients & Residents Run?

- Anything is possible; but I've never seen it!
- Clients
 - Owners don't pay attention to ancillary fees; they care about management fees and leasing fees (and MAYBE renewal fees)
- Residents
 - Residents expect the fees
 - This is a landlord's market; you can always adjust in down markets if needed
- Hundreds of fee maxing clients; never heard a single one say that BizDev got harder after fee maxing

Market Legality

- Always make sure that your state and local jurisdictions allow the fees
 - Talk to an attorney, not a clerk at the government office
- Most fees will be allowed in most markets
- Even in especially difficult markets, workarounds almost always exist
- Examples:
 - California does not allow "unearned commissions or fees" charged to clients; focus on resident fees instead
 - Portland does not allow pet admin fees; charge pet rent instead
- There is no market in the United States where all forms of fee maxing are disallowed; sometimes you just need to be creative (and work with your attorneys)

It's Not a Management Fee

- Common question: “well what is the management fee for, then?”
- Simple: collecting rent and being the middleman
- EVERYTHING ELSE is extra
- Darren Hunter said it best: "We made a mistake by calling it a management fee. It's a rent collection fee."
- Consider changing this in your contracts and your pricing matrix as well as in your mindset

The Market Knows Best

- NARPM isn't going to give you an award for being benevolent and charging less than you're able to
- You're running a business, not a charity
- Your preconceived notions of price fairness are just made up numbers, not objective
- The only truly objective measure of fairness is the free market
 - If you can charge the fee without reducing demand, then the price is, by definition, fair

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Stop talking about doors!

Revenue and profit are all that matter



Revenue
Per Unit

Pricing

Per-Unit Numbers Are What Matters

- Focus on your per-unit revenue, not individual fees! And definitely not on door count.
- Per-unit revenue per month (occupied units):
 - PM company average: \$171
 - Top 25% of PM companies: \$238
 - My company: \$320 per unit
- Our FREE monthly management fee plan has higher monthly unit-revenue than average PM company
- Thank you to ProfitCoach for the above benchmark numbers!

Let's Talk About Pricing

- As mentioned, the government won't let me talk pricing
- Let's talk revenue models instead
- Target revenue model:
 - 40% management fees
 - 20% leasing/renewal fees
 - 25% ancillary resident fees
 - 10% ancillary owner fees
 - 5% application fees
- If most of your revenue is coming from management fees, you're doing it wrong

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Owner Fees

Proceed With Caution



Fee
Structure

Recover
Costs

Adjust
Behavior

Special
Programs

Optimize Your Fee Structure

- Be highly competitive on the management fee & leasing fee
 - Also the renewal fee if that's a significant point of contention in your market
- Owners are very price sensitive on these two fees, but pay virtually no attention to any other
- Focus on resident fees if your market allows it
- Consider a three-tier pricing model
 - Marketing psychology research is clear: 3-tier pricing works
 - People want choices, so either you provide them different options, or they'll go looking for other options
 - 66% of consumers will choose the middle option; structure accordingly

Never Pay Your Own Costs

- Every expense item on your P&L should be linked to an income item to cover its cost PLUS desired margin
- Get rid of the idea that something is "just the cost of doing business;" you are in business to make money, so your clients and customers should be covering ALL of your costs
- Examples:
 - Periodic Inspection Fee
 - Annual Administrative Fee
 - Repair Coordination Fee
 - Marketing Fee

Adjust Behavior with Fees

- If you want to discourage certain behavior, charge for it; money is a powerful incentive
- The more your owners are involved in your day-to-day, the more time it takes from you, and the more it costs you
- To prevent this, charge for unnecessary things that take up your time
- Examples:
 - Home Warranty Fee
 - Insurance Risk Mitigation Fee
 - Special Owner Draw Fee
 - Vendor Screening Fee

Be Unique with Special Programs

- Competing solely on price and reputation can be difficult in a crowded market; instead, offer things that others don't
- The most effective programs are those that reduce investor risk
- Examples:
 - Eviction Protection
 - Rent Protection
 - Owner Benefits Package (OBP)
 - Pet Guarantee
 - Repair Coverage

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Resident Fees

The Key to Doubling Your Profit



How to
Double
Your Profit

Cover
Costs

Adjust
Behavior

Special
Programs

Profit is Easy to Double

- New administrative fees are typically pure profit
- Let's look at numbers:
 - Average PM company RPU: \$171
 - Average PM company PPU: \$11
 - Can you add \$11/mo in fees? I think so
- Now let's look at a benchmark company:
 - Benchmark PM company RPU: \$238
 - Benchmark PM company PPU: \$48
 - Even you top performers can easily add \$48/mo in fees!
- When you're adding fees that have no new costs associated with them, it's 100% pure profit
- In today's market, there isn't a tenant alive who will balk at \$50 in new fees compared to going out and finding a new place to live

Cover Your Costs

- Just like on the owner side, you need to cover your costs on the resident side also, plus make your desired margin
- You will be using a combination of owner fees and resident fees to cover your total costs and get that margin you need
- You also need to cover the owner's costs for certain items that aren't covered by rent
- Examples:
 - Septic, well water, & solar rent
 - Security Deposit Processing Admin Fee
 - Odor Cleanup Fees (pet & smoke)
 - Lease Amendment Fees (adding residents, removing residents)
 - Paper Lease Admin Fee

Adjust Bad Resident Behavior

- Even moreso than on the owner side, residents can create immense amounts of work for you if not properly incentivized
- Anything that creates extra work for you, or creates additional risk for you or the owner should be discincientivized with fees
- Examples:
 - Late Fee (you should keep it)
 - Cure Notice Admin Fee
 - Paper Payment Admin Fee
 - HVAC Filter Non-replacement Fee (admin fee & liquidated damages)
 - Denial of Access Fee
 - Communication with Owner Admin Fee
 - Month-to-Month Lease Admin Fee

Create "Sticky" Residents with Programs

- What do you offer residents that they can't get elsewhere? Is the only thing keeping your residents there low rent?
- Clearly display your points of difference from other managers and landlords by offering special programs for your residents
- Examples:
 - Resident Benefits Package (RBP)
 - Security Deposit Waiver Program
 - Pet Friendly Policy (pet admin fees)
 - Flexible Lease Term
 - Flexible Due Date

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Why should we do this?



Broker/
Owners

Support
Employees

Duh

- This should be pretty self-explanatory for broker/owners
- More revenue
- More profit
- Lower workload
- Happier employees

This Matters to You, Too

- Companies with higher revenue and profits can:
 - Afford to pay better wages, offer better benefits, and provide better working conditions
 - Provide better tools to enable you to do your job much easier
 - Hire more employees so you aren't so damned overworked and stressed all the time!
 - Provide a higher level of service so that the owners and residents you are interacting with are happier and less stress-inducing for you
 - Afford to grow, providing you more opportunities for career advancement
- This isn't just about the CEO pocketing more money; this rising tide lifts all boats

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Ask me anything! Except about pricing. 🤔



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