

>>>>>> MAKE PROFIT FROM UNUSED SPACE <<<<<<<

JANUARY 2018

New Zealand

# property INVESTOR

## Year of the

# YIELD



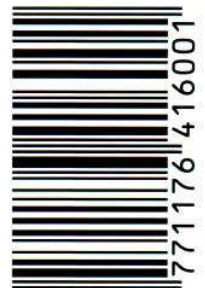
### YOUR 2018 SUMMER FORECAST

**RENT FURNISHED  
FOR TOP DOLLAR**

**PROFILES REVISITED  
NEW STRATEGIES  
THIS YEAR**

NEW ZEALAND  
PROPERTY  
INVESTORS  
FEDERATION

\$9.95 INCL GST



>>>> REGIONAL REVIEW QUEENSTOWN <<<<



# MAKING THE RIGHT CALL

Selecting a high performing body corporate manager might be difficult, but it can be done. **Miriam Bell** talks to the experts to find out how.

**B**ody corporates have long been a source of bemusement and frustration. Thanks to the rise of apartment living and an increase in mixed use commercial properties, they are now coming under greater scrutiny. But they have long been a fact of life for many commercial investors.

Despite this, confusion about the way they work remains – and that often leads to problems. Further, the relevant legislation, which is currently under review, is outdated and complex. And, on top of this, multiple owners makes for multiple, often opposing opinions.

For these reasons, it usually pays for a

body corporate to employ a professional body corporate manager. Costs aside, the reality is that well run body corporates attract better tenants, and rents, and are more attractive to buyers.

Unfortunately, horror stories about less than effective body corporate managers are prevalent. So we talked to some experts to put together a comprehensive guide covering what investors need to know when selecting a good manager.

## **BASIC UNDERSTANDING**

It might sound obvious but, first up, it's sensible to establish exactly what a manager is there to do. Body corporate managers tell tales of being expected to

deal with issues ranging from inconveniently parked hearses to visiting ducks and leprechauns to communication breakdowns.

But their job is actually to look after the day-to-day administrative affairs of the body corporate. This involves management of the finances (which includes raising and receiving payment of levy invoices, tax and insurance); ensuring legislative requirements are met; providing advice on legal requirements; ad hoc maintenance and contract support; and co-ordinating and running general meetings.

Strata Community Association New Zealand (SCANZ) role president Joanne Barreto says the role varies depending on the size and type of property. "But





“[Managers] have to be efficient and ensure that what is supposed to get done does get done”  
**Vesna Wells**

it always involves people management and requires someone who is organised, able to handle difficult clients and can communicate well.

“Many body corporate issues escalate simply because they are not dealt with in a timely, efficient or accurate manner. Having the right manager to guide chairpeople, committees and owners can save everyone a lot of time and stress.”

### **SELECTION THOUGHTS**

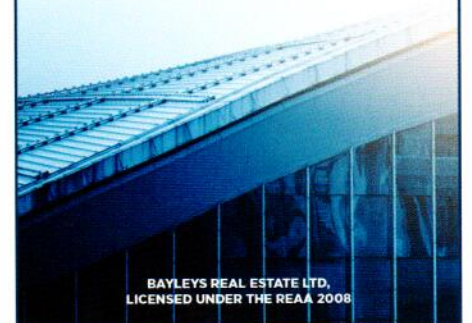
For Barreto, body corporates should first establish if a potential manager has a good working knowledge of the relevant legislation. They also need to understand systems, demonstrate knowledge and

experience, and be transparent and independent.

“At the end of the day a huge part of what managers do is about relationships. So the body corporate need to feel comfortable they are able to work well with the incoming manager and also set clear guidelines on their expectations and best practice as every property is different.”

SCANZ is introducing an accreditation program where members will be able to gain a level of accreditation according to the training and experience they have in the body corporate management sector. Barreto says this will make it easier to determine if someone has the appropriate qualifications and experience to be a manager.

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Financial security considerations are critical, as are the quality and level of the service on offer, according to Crockers body corporate team general manager Jane Atkin. "You want to be sure they can offer you flexibility and options when it comes to the way you like to run your complex and that they will fit your body corporate dynamics."

### BODY OF PROOF

On the financial side, that means the management company should demonstrate that they have suitable levels of PI and Fidelity insurance cover, that the Body Corporate Managers Bank or Trust account is audited regularly and that interest your funds make in the managers account will be returned.

Atkin says a clear indication of the service the body corporate will be getting and what it will cost, plus clear information about any additional costs should be provided. "Also, ensure that the manager will be supported by the company they work for and will receive regular training and development to keep them up-to-date with legislation and trends."

When it comes to knowledge, a manager needs to understand what a body corporate is, how it works and the governance structure for bodies corporate. They must also understand the Unit Titles Act, its regulations and other relevant legislation.



“Technical knowledge and experience with building systems, compliance, dispute resolution, and legislation is essential”  
**Tim Marsh**

Atkin says a manager must know how all of this practically relates to the day-to-day running of a body corporate. "They should also be able to clearly impart that information to the committee and owners when and if needed."

Realestate.co.nz national property management specialist Vesna Wells agrees, but adds that a manager must have excellent customer service and administration skills. "They have to be efficient and ensure that what is supposed to get done does get done. Excellent and accurate minute taking skills are also important."

### DUE PROCESS

The decision to appoint a manager does not lie with a single owner, it is a body corporate decision. Therefore, all the experts recommend going through a tendering process to make a selection. That tendering process should include meeting and interviewing candidates to ensure they have the right fit and skill set for the complex.

Atkin says it is critical to make sure that you document exactly what you want and that all those tendering are doing so against the same document. "Be honest about what it will take to manage your complex effectively and about the condition of your complex. The last thing you want to do is enter into a relationship with a new manager who has an incorrect understanding about your complex and what it takes to manage it."





Always ask to meet the person who will be your account manager, she says. "You should expect that prior to receiving a proposal from the company, they have taken the time and shown enough interest to have visited the site."

Understanding who you are choosing as your manager is imperative. Conduct thorough due diligence on applicant companies and the account manager they are offering. That includes asking for references and checking out their systems and processes.

Wells says that while body corporate management is not an easy job, turnover of staff is an important consideration. "If there are too many changes, there could be a problem within the company. Plus knowledge gets lost each time a person leaves and is replaced. It is also important to know that your manager has a manageable portfolio."

### **TAILORED EXPERIENCE**

When selecting a manager, it is worthwhile for the body corporate to think about what they are there for. For RCG Limited commercial property manager Tim Marsh, a manager should never just be there to perform a function.

Rather they should be considered strategic partners, he says. "They are there to recommend ways to improve the property and to bring items to the attention of the body corporate that members might not consider."

To this end, Marsh believes managers should be tailored to what the development needs. For example, if a complex needs major refurbishments, the body corporate ought to look for a manager who has extensive experience in working through that process and the appropriate connections to assist.

"But that same body corporate manager may not be suited to managing a brand new development through the start-up phase. Technical knowledge and experience with building systems, compliance, dispute resolution, and legislation is essential, but it's specialisation that really adds value."

When choosing a manager, look for a company with experience and a good reputation, he adds. "Body corporate management is not regulated so there are cowboys out there. But don't be shy to shop around. It's a competitive industry and there may be someone out there who offers exactly what your property needs." ■

## **WHAT TO WATCH OUT FOR: EXPERT TIPS**

► Watch out for managers who have the wrong drivers, get into conflicts, and/or are too litigious or confrontational without their clients' best interests in mind - Barreto

► A manager should never attach liability to their clients either directly or indirectly - Aitkin

► A manager should not be biased when it comes to disagreements between owners or when chairing general meetings. They must remain neutral with a view to actively promoting the best direction for the overall group - Aitkin

► A manager should never use proxies to vote at general meetings in order to further their own agenda - Aitkin

► Communication is key and yet the biggest issues tend to be with communication. Bodies corporate wish to be kept regularly, well and accurately informed by their manager. Be wary of managers who don't ensure this - Wells