

Property Management Leadership Lessons & Systems

# THE FLIGHT OF PRORENTALS

THE INCREDIBLE STORY BEHIND THE  
GROWTH & SALE OF PRORENTALS

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**The flight of prorentals**

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# Introduction

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“Begin with the end in mind.” *Stephen R. Covey*

Habit 2 in Stephen Covey’s best selling book *The 7 Habits of Highly Effective People* is “*Begin with the end in mind*”. This is precisely what Andrew Reece and James Chalmers set out to do when they began building their Queensland-based property management business, prorentals, in 1998. They visualised what success in their business would look like and developed a plan to achieve it.

Andrew and James’s goal was to achieve 10,000 properties under management. A mammoth goal to say the least, especially when you consider that they started with just 31 properties and the average rent roll in Queensland at the time was 180 properties. But they were young and ambitious. And, as left-brain dominant thinkers (Andrew was an accountant and James was an electrical engineer), they had done the math to the nth degree (at least at the time they thought they had). Andrew and James calculated that 10,000 properties under management back in 1998 would be worth a cool \$19 million. That goal became their focus to the point where all decisions were made with that end in mind.

Fast-forward 12 years and the prorentals team had achieved a grand total of 1,756 properties under management and a set of innovative systems and processes that were far ahead of their time in the industry. By this stage Andrew and James both knew they were never going to reach their target of 10,000; at least not at the rate they were travelling and not by an age where they would be young enough to enjoy the rewards of their efforts. They had two choices – change the goal or change what they were doing. Based on each management being worth around \$5,000, they knew they were sitting on a \$9.5 million asset. Sure it wasn’t \$19 million (based on the 1998 value) or \$53 million (based on the 2010 value), but it wasn’t bad for two guys earning \$60,000 a year who had started with a debt of \$50,000. They both knew the only way to tap into those millions was to sell the business. Reflecting on that decision Andrew told me, “While it may sound like a no-brainer, it’s never an easy decision to sell something you’ve worked tirelessly to build and grow. It’s not unlike raising a child: letting go isn’t always easy. But we did it”.

Andrew and James walked away with \$1.8 million net after tax each, the reward for 12 years of “bloody hard work” balanced by the satisfaction of knowing they had built something pretty special. Breaking that figure down, they each made the equivalent of \$210,000 per annum after tax over the course of those 12 years – not bad, but far from earth shattering. Both Andrew and James agreed to full transparency with the sale process and the results they achieved. As a result, the complete breakdown of the figures is available for your perusal.



Text ‘**FINANCIALS**’ to 0786 006 5000 to view the complete set of the prorentals financials at the time of sale. \*

\* Interspersed throughout this book you will find prompts to text a key word to a virtual mobile phone number. These prompts are identified with a mobile phone icon as shown above. Within seconds of texting the key word, a link will be sent to your phone using robot marketing technology. The link will open a multimedia web book containing more detailed information (including video and audio) on the subject matter being discussed. Other links give you access to various documents, visuals and additional resources used in the prorentals business model: resources designed to improve efficiencies and save you time, money, and a lot of stress. In this way you will have the opportunity to tap into the resources Andrew and James created for their business, and adapt them to your own business.

Robot marketing was first used within my latest book, ***FRAMEWORKS – foundations & systems for success in real estate sales***. The technology has since been embraced by the industry as a modern connective marketing tool. It also brings reading a book like this into the 21st century by making it a practical multimedia learning and on-the-job experience.

Andrew told me that one of the greatest lessons he and James learned from the sale of prorentals was that they should have paid closer attention to the taxation around the exit, although he admitted this would have been difficult at the start because laws can change over time.

Andrew said, “As a qualified accountant, you would think I would have had that covered. But I had never run my own business before, let alone a property management business, which comes with its own set of taxation rules. So that was lesson number one – fail to look at the tax side of things and it will cost you dearly”.

There are many other lessons and opportunities and unique insights shared in this book.

So what happened after the sale? James grabbed the opportunity to spend quality time with his growing family. These days he is a very happy property developer who dabbles in property investment on the side. Andrew on the other hand knew he had more to give the industry and decided to put the skills in systems development that he learned during the growth of prorentals to good use. And so InspectRealEstate was born. Once again he had managed to tap into something unique –something people desperately needed; they just didn't know it yet.

This book goes full circle. It begins with the story of how Andrew and James built prorentals from the ground up to the point of sale, and ends with the birth of a brand new venture, one into which Andrew has injected the best of prorentals and omitted the mistakes to create a real estate system that has taken the industry by storm.

One of the most unique aspects of this book, aside from its interactivity courtesy of the 'text and you shall receive' prompts, is the fact that it gives you the inside perspective. In creating this book I spent countless hours interviewing many of the people who worked with Andrew and James, some from the very beginning. A number of these former prorentals team members have since gone on to achieve greatness in their own property management businesses, with the full encouragement and support of their former employers. In fact, one of the things that really struck me as truly unique and very special about the prorentals story is how much the owners inspired their team to develop their own wings so they could eventually fly on their own.

I will leave the final word of this Introduction to Andrew. Enjoy the book.

"It is my hope that this book encourages you to be the best you can be in your own business journey. And if this book inspires you to build a property management business, then that will be the greatest reward I could wish for. The opportunities and rewards are endless for those with the passion and drive to succeed." Andrew Reece



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# 1 : The Motive (Andrew's Story)

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One of the most commonly asked questions I have heard people ask Andrew Reece is, why property management? An accountant by profession, Andrew was in a secure well-paid job at the time when he and James decided to start the prorentals journey together. This chapter has been written by Andrew himself as no-one could explain one of his main motives for starting one of Australia's first dedicated property management businesses better than he could himself.

## Andrew's story

I would love a dollar for the number of times I have been asked why I decided to give up a perfectly good, well-paying career as an accountant in 1998 to start a business in property management. I understand perfectly well why so many would ask that question, especially given that I chose to specialise in an area of real estate that had always been part of a generic real estate agency and was traditionally the domain of women in those days (and still is to a large extent). To answer the question of motive I need to take you back to my high school days, which is where I met my business partner and prorentals co-founder, James Chalmers.

James and I grew up in Cairns and became best mates in high school. You could say we both exhibited entrepreneurial traits from a young age as we used to spend much of our time planning the business we dreamed we would one day run together. Once we had left school we both went our separate ways to study. James studied Electrical Engineering at the University of Queensland while I studied Accounting and Finance at the Queensland University of Technology. While our individual fields of study were very different, we never lost sight of our goal to one day run a joint business venture. We just weren't sure at that stage what that business would look like.

Being the early 1990s, emails, mobile phones, and social media didn't yet exist. So we used to write letters back and forth trying to come up with the key criteria we felt was necessary to run a successful business. This continued after we graduated

and were working in our respective fields – James in the computer industry and me in accounting.

We eventually identified five key criteria:

1. Our business had to be commission driven (being a numbers man I was adamant about this because I knew as an accountant that you can only charge people for the number of hours you work).
2. It had to allow us to build an asset.
3. It had to be a saleable entity and one that we could borrow against.
4. It had to be readily consumed and replenished, like ice cream.
5. It had to serve a real need to the point where it would be considered a necessity.

As fate would have it, I began doing some accounting work for real estate agents. This role would see me spending most Saturdays with them as they went about their business. I was intrigued from day one. It was the time before GST so their accounting needs were pretty simple. There were no monthly BAS statements, just the end-of-financial year performance report to get their tax done. That's essentially how I started specialising in accounting services for people working in real estate.

In 1994 I landed a job as a Management Accountant for Peter Hanscomb, who is the CEO of Belle Property these days. Back then Peter owned a company that only offered accounting services for real estate agents. At that point in time we were looking after around 25 leading real estate offices across Brisbane and south-east Queensland.

Meanwhile James and I continued to write letters to one another. One day, out of the blue I decided to pick up the phone and call him. I'll never forget the words I said to him that day. "James, I've got it! The ideal business we're looking for is right under my nose. It's property management." I went on to explain to him how I was working with all these guys in sales who got around in their nice suits and flashy cars, all the while totally oblivious to the massive asset that was sitting right under their noses. And that asset was a property management business. I could instantly see how a property management business would meet our criteria – it's a commission-driven business, it can be built up as an asset, it's saleable, and it's a necessity. That was the light bulb moment that became the inspiration to start one of Australia's first dedicated residential property management businesses.

James and I were both 28 when we opened the door to prorentals on Saturday, 31 October 1998. We weren't at all concerned about the fact that neither of us had ever worked in property management before. We bought 31 properties under management from Brad Jackson at the RE/MAX Property Centre for the grand sum of \$50,000. You may be wondering where two 28 year-olds would get their hands on that kind of money (which was a lot in 1998). The truth is neither of us had much money at all. I borrowed the funds with a loan from the ANZ Bank co-signed by my father.

On our first day in the office all we had was the manual trust account that Brad had set up, which we found was unbalanced as the end of month reconciliation hadn't yet been done. James and I stood at the reception desk unsure where to begin, when all of a sudden the door opened and in walked a guy who wanted to take a look at one of the properties he'd seen in the window. So off I went in my car with this prospective tenant, who liked what he saw and decided to rent it. I came back grinning like a Cheshire cat, thinking to myself that this gig would be easy. We went out the back and found an ice cream container full of keys. So we decided to spend the next day, a Sunday, matching the keys to properties and tenants, completing the end of month reconciliation, and issuing statements to our landlords. In the process we even found a couple of properties that were vacant but weren't listed on the rental list. Needless to say the business had some serious logistical issues that had to be ironed out.

After issuing our owner statements we received a call from one particular owner, which I will never forget. He practically yelled down the phone, "There's no money being put into my account!" I responded calmly and politely that this was because the property was in fact vacant. He continued to rant, insisting we should put money into his account because that's just how it's done. "You pay me the money each month", he insisted. I explained that this is not how it works at all. "We have to get the money from the tenant before we can deposit it into your account. Given there is no tenant living in your property right now, we are not receiving any rent from your property, and therefore there is no money to deposit into your account." Well you should have heard him! "Well then, you had better find me a tenant quick smart!" he demanded.

It suddenly dawned on me that just because someone owns an investment property, doesn't mean they're necessarily investment savvy. Lesson number one was learned in that moment – we had to develop procedures and systems quick smart, the first being the need to call an owner as soon as their property

becomes vacant. That story pretty well sums up how we learned to become property managers in those early days. With no-one there to show us the ropes, it was a case of learn by doing and learn from our mistakes. It was a cold-start business in every sense of the term. But our vision was flawless. Even today, many people in property management don't know why they have a rent roll. They were just told by someone to set one up and so they did. It's essential to understand why you do what you do if you are to achieve sustainable success in business. I have since been told that our five key criteria were ahead of their time. Perhaps our respective qualifications served James and I well, as my accounting and his electrical engineering skills allowed us to think analytically and be very aware of the numbers from the beginning.

So there you have it – the motive behind our decision to start a business as outsiders in a 90% female-dominated industry. I remember James and I having coffee with well-known and highly-regarded property management trainer and business coach, Rose Kelly, and she looked at us and said, "I knew it was only a matter of time before outsiders would come to the industry and understand its true value". I have to say she was right. We saw an amazing business opportunity, and that was to focus on property management but do it better and smarter than anyone's ever done it before. Our flight-path was set and we were about to take off. Question is, was I ready to captain the plane yet?

## 2 : Being the Boss

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Anyone reading this book who has ever run a business (or is currently a business owner) would know that when you decide to run a business the buck stops with you. If it goes well, fantastic; if it fails, it's you who has to wear it. And if you employ staff, there is far more at stake than just your own livelihood. It's a massive responsibility. Being the boss and all the responsibilities that go with that title is a topic that is not often spoken about. Some people live by their title, while others either seem blissfully unaware of it or prefer to ignore it. Both Andrew and James were new to running a business when they started prorentals. They were also new to property management, adding to the challenge, as it essentially put them on the same footing as their team in the early days. I chatted with property management guru Rose Kelly, RE/MAX legend Brad Jackson (who sold Andrew and James their first rent roll), Paul Hopkins (Andrew's business coach), and Andrew himself about the journey to business ownership and becoming the boss.

### Rose Kelly

Well-known in Australian real estate circles for her expertise in both leadership and property management, Rose Kelly met Andrew and James when prorentals was nothing more than the seed of an idea. I asked Rose what her first impression was of the young men and their business model. Here's what she told me in her own words.

“Andrew and James contacted me and said they'd like to catch up and talk about a property management business idea they had. That got my attention straight away. I'd just finished a day of training at the REIQ when we met. My first question to them was – why property management? They both answered, virtually in unison, that as friends at uni they would spend their days trying to dream up the perfect business idea when they should have been studying. They said they'd been through every conceivable business scenario and, basically through a process of elimination, came up with property management. Immediately my analytical brain went into overdrive and I started to go through the checklist of

all the things they would need to do. They didn't even have a real estate licence! But there was something about Andrew and James that made me feel they would make a good go of anything they put their minds to. They were very focused on the business side of things, which I thought was interesting, because all too often we get so caught up in the logistics that we lose sight of the big picture. Things like the licensing requirements were mere formalities for them: items to be ticked off a to-do list, which they knew they would get to. As they were speaking, I couldn't help but think I was looking at the future of property management, right there in front of me."

Rose could see that the intense focus, coupled with big-picture thinking that Andrew and James brought to the table, would assure them of success. And she was excited at the prospect because until then property management had always been regarded as the poor cousin of the real estate industry. It had never been given the attention it deserved.

Once prorentals was open for business, Rose continued to follow Andrew and James's progress with interest.

"Andrew and James approached it as a business in its own right. They didn't follow the industry norms in relation to staff, in relation to structures, in relation to procedures. They really drilled down into what the client needed, what the client wanted, and what the outcomes should be. And they created their own model for success in property management and in a property management focused business. They were really innovative in their approach to running a business and did things their own way because they thought it was the right way, rather than copy what others were doing.

"The feedback I would get from people I referred to prorentals was that they felt listened to, they felt there was somebody there to problem-solve for them, and they really felt that connection. Since Andrew and James have sold the business many people have said to me how disappointed they were and that their lives have never been the same. There was something about the customer connection they created, and that started at the business development stage, so well before the listing was achieved. Andrew and James really understood path-line management before a lot of people in sales understood path-line management, and certainly before the industry and property management understood it."

## Brad Jackson

Andrew and James purchased their initial rent roll from RE/MAX industry legend, Brad Jackson. Indeed the initial purchase has become quite a famous story in its own right. I asked Brad what he thought when two young guys approached him to buy his rent roll of 31 properties in 1998. Here's what Brad, who is the longest serving member of the RE/MAX group in Australia, had to say.

“My initial reaction when Andrew and James offered to buy my rent roll was relief. That would be the first word that springs to mind. I had a fairly new business. My wife and I had opened a RE/MAX real estate business in Toowong and we were about nine to twelve months into it. To be honest it wasn't going well. In my opinion I'd made the mistake of starting property management from day one, because that was the advice I had been given. While I think that advice was well intentioned, it was not the advice I would give someone who's starting a new business today. I had a small rent roll that was earning a handful of dollars and paying a property manager ten handfuls of dollars. Not only was I losing money at a rapid rate but it was also a major distraction from what I really wanted to achieve at that time, which was to grow a successful sales business. I'd known Andrew for a couple of years. He had been an accountant working for a group that consulted to a number of real estate offices, so he did my books for a while. He told me he wanted to start a property management business and I remember thinking it was so rare to find someone with an interest in or a desire to create a significant dedicated property management business – as far as I knew it had never been done before. So I met with Andrew and James and was immediately struck by their enthusiasm. I asked them how much they were relying on referrals from a sales business to build their rent roll and Andrew simply replied, ‘We're not relying on them at all; we're just going to go out and get our own’.

“I made Andrew and James an offer to buy my rent roll and enter into a contract. The deal was that they would trade as a property management arm of my business, calling it *RE/MAX Property Centre Rentals*, with a set formula that would allow me to buy it back in 18 months if I chose to. If I decided I didn't want to go down that path then they could move down the road and trade under their own steam under the proviso that I could keep anyone I introduced to them through sales. The deal was struck and Andrew and James successfully managed the property management arm of my business. I received about 20% of the income and it was a win-win for everyone at that particular point in time.

By the time the 18 months was up I had already long decided that I didn't want to buy back the rent roll, and the rest, as they say, is history."

Reflecting back on what Andrew and James went on to achieve with prorentals, I asked Brad what he thought they did particularly well.

"I think the fact that they specialised was a major advantage to them. I also think they did so well because they worked really hard at it, and they both really wanted it so badly: they had a point to prove. Andrew and James are both great businesspeople who possess a separate set of talents, and this balance made for a successful leadership team. They were just so enthusiastic about their product and about delivering exceptional service. They were hands-on in the trenches, wanting to do it better than everyone else. They really stood out like sore thumbs against everyone else."

## Paul Hopkins

Paul Hopkins was Andrew's business coach for about five years. As a business coach, Paul has worked with a number of very successful and driven property management businesses, kicking off with Andrew, who worked with Paul to maintain a sharp business focus. These days Paul works with Andrew at InspectRealEstate as an account manager.

Paul shared his observations of working with Andrew as his business coach and some of the standout moments on a leadership level that he believed allowed the business to flourish and achieve what it did.

"Coaching Andrew was the best coaching experience I've ever had. Andrew is someone who, when you set him a task or a goal, will go after it 110%. He is coachable, which is not the case with everyone you meet. Some people only stick around long enough to discover where they are going wrong. Not Andrew. He learned what was wrong and pushed through. The thing that stood out for me most was when Andrew realised he didn't have to worry about where the business was going, because he'd set the goal in motion and everyone on board was rowing in time and in the same direction (we often referred to his business and leadership strategies with boating analogies). The greatest growth happened once Andrew understood that his primary focus would have to shift from business management to people management. That's when the real magic happened."

## Andrew Reece on being a boss, and business growth

“Having never worked in property management before starting parentals, I regarded myself as an equal with the team from the very beginning. There was never a job I would ask someone else to do that I wouldn’t do myself. Because James and I ran the business through a shelf company, we were technically employees of the company. We drew no more of a wage than we would have paid anyone else to perform the jobs we were performing. In those early days we performed every role ourselves, from receptionist, cleaner, and leasing officer, to property manager, trust accountant, and CEO. We didn’t put our first team member on for 14 months. As you grow you become the boss by default, but I was never really comfortable with that title.

“Coming from an accounting background I had naturally compiled some detailed cash flow projections based on putting on 20 property managements a month. When we only achieved three the first month, one the second month, and four in the third month, it was quite a shock to the system. James and I lost around \$1,800 each in our first year in business and we were essentially working for nothing.

“In an unwavering attempt to achieve our goal, we identified that 76% of our properties came to us vacant and leasing on the spot was critical. So we added our first team member. His name was Reggae and he had literally walked into our office off the street looking for a property to rent. We got talking to him, liked him, and offered him a job to handle the leasing for us. Reggae sat at the front reception counter and whenever a prospective tenant would walk in he would ask them what quickly became his signature qualifying question – ‘How’s the house hunting going?’ He would then take them out to view the property of interest or a few suitable properties immediately. That immediacy was the key to growth.

“Within a year we had listed 56 properties. Back then each listing was worth two grand, meaning we had achieved a total asset value of around \$100,000. Even though we’d each lost \$1,181 in cash loss (profit), I could see that if we kept rowing we’d be fine. Things continued to be very tight however. My wife had just given birth to our second child and she wasn’t working so I was literally funding our lives on credit cards. The only way to get out of it was to put on more clients, and that’s precisely why you do a listing presentation on a Monday night at 11:30pm and you don’t even think about it because you just have to do it.

“There are some memories of those tough early years that have just stuck with me. For instance, I’ll never forget Mrs H. She walked in off the street one day in

a state of distress as she had just been informed that her husband had died and she needed to get to the airport. I had never met this woman before. She was simply a distressed person who needed help. So I put her in my car and drove her to the airport. A couple of months later we discovered, purely by chance, that Mrs H owned seven properties in our area. One of the properties was a top floor unit beside the unit she and her late husband had lived in. They had purchased the unit next door purely to keep an eye on the tenants. They ended up leaving the unit vacant because they were unhappy with the agents managing it. Mrs H contacted us to manage the unit. When I entered the property to conduct the initial condition report, I discovered that birds had been nesting in one of the kitchen cupboards – the result of being vacant and neglected for some time – and on opening the cupboard I got covered in bird lice! It was all over me. I finished the condition report, arranged to get the unit cleaned and fumigated, and drove home at the usual time of some ungodly hour of the morning. We had just had our second child and the last thing I wanted to do was infect my family with bird lice. So I stayed outside and hosed myself down. There I am, soaking wet in the middle of the night on my driveway. It is moments like those that you can't help but question your decisions. The reward came when Mrs H engaged us to manage all seven of her investment properties.

“Not long after the Mrs H experience I attended the second AREC conference with a view to learning more about how to grow the business. The one talk that particularly struck a chord for me was John McGrath's. He said, 'It's much easier to find one person who can give you ten properties than it is to find ten separate properties'. From that point we started to focus on what we called MPRs (Multiple Property Referrers). Walking onto a building site one morning in a street not far from the office I met the builder, Alan Larkin. I gave him my card and asked him if he would like some rental appraisals. Alan became our most significant client of all time.

“Fundamental to growth in property management is leasing, but you have to get the stock first. So we did that through referrals and focusing on those initial MPRs. They were a great way for us to grow in the first two years. Often you will also find a salesperson in another organisation who refuses to refer clients to their own property management division because they know how bad they are. So we started tapping into that list as well. We tracked all the enquiries that were given to us, and if that property went up for sale again, we would ring that salesperson and offer the sales opportunity back to them without any money ever changing hands.

“Our owners were our next source of prospecting because we learned that as you build your portfolio, you can literally double your rent roll today if every single owner you act for either buys another investment property or refers you to another investor. It was a question of, ‘How can we harness the people we’re touching every day?’ That was another growth strategy that worked really well for us. By the time we had a few property managers on board, our incentive structure was such that it prompted them to ask their ECs (existing clients) if they knew anyone who had property for rent, was looking for a property manager, or had just purchased an investment property. We called these ‘love calls’ and we actually incentivised the number of calls that were made and ran competitions for the greatest number of conversions. We had a bit of fun with it. The funny thing is, because we felt like we were part of the team as opposed to being the bosses, we would enter into the competitions as well.

“The result of implementing all these strategies was significant. Our highest month was 54 new managements, remembering that we started with just 31. And 54 managements at that time was worth \$200,000 as a total net asset to the business.”



Text ‘**GROWTH**’ to 0786 006 5000 to view the prorentals’ growth chart.

## **Work-Life balance – is it achievable or merely a pipedream when you’re the boss?**

Andrew knew that to be his best in business and at home, he had to make a concerted effort to achieve a measure of work-life balance. This proved to be a real challenge for him. Many listing presentations had to be performed at night to meet the needs of the potential landlord, and the various demands of property management never sleep. He had to learn to delegate and trust others to do a job as well as he could. Education and training were critical to give the team complete clarity on the owners’ vision and goals and ensure the key messages were not being diluted whenever they communicated with an existing or potential client.

I asked Paul (Andrew’s business coach) how he helped Andrew learn to let go. He told me that all entrepreneurs struggle with this; however, contrary to what many believe, it is counterproductive to work around the clock. You simply can’t grow a business until you learn to let go.

Paul said, “One of Andrew’s original goals for working with me was to keep his hours down. He was always concerned about leaving work and then having the

pressure valve come off. He thought that if he left the office before five, the rest of the team would get the chance to relax and let their hair own and maybe talk about Andrew, or whatever team members do when the boss isn't around. Our breakthrough came when Andrew understood that if he did leave the office early, giving the team that half an hour of downtime and relaxation actually paid off. It also helped when he handed over his business development activities to other team members. When they're doing it in front of you, or in the office, you can make sure that the message isn't being diluted. This also became an opportunity for training and development. It took Andrew a while to find that balance between love and profit however".

## A focus on people and growth over profit

Andrew and James understood that the people they brought into the business would shape their success as a business. They knew that to achieve sustainable success they would have to focus on people and growth, not profit. They also knew that if they had a happy team, they would have happy customers. Therefore they consciously recruited people who cared and fit the culture they wanted to create, rather than experienced property managers.

Paul said, "Andrew identified the type of person whom he felt he could grow and move into property management. As is probably the case for most industries, if you recruit from within the industry you often end up with the bad bits; they bring with them the culture of your competitors. Andrew decided it would be far better to look for people who had no prior industry experience; people he could grow and mould in order to create the culture he wanted to create in the business. It was about identifying the type of person who would be a good fit for the business and training them, rather than looking for people with property management experience and trying to undo their bad habits. He wanted people who had exhibited a certain level of determination in their life. It was about getting that flower before it had bloomed".

Rose observed, "Andrew and James worked heavily on team engagement. A positive workplace culture only comes from strong leadership. As a result of their leadership, the team was always highly engaged. They genuinely wanted to come to work. I don't think that was just about money and incentivising. I think Andrew and James built a culture whereby individuals took great pride in focusing on the client and achieving the best outcome for them. They were

incredibly – and justifiably – proud of their team. The fact that you’re still talking to people today Lee, who have strong, positive memories of their time with prorentals, is testament to that”.

The team knew it was pivotal to the company’s success and was very clear about its roles, being highly incentivised and motivated to ensure arrears and vacancy periods were minimised while rents were maximised. Because the workplace morale was so high, prorentals became known as THE place to work and team members invested personally in the business, which led to strong business growth. As a result, clients felt there was no comparison between the customer service provided at prorentals and their competitors. We delve deeper into the culture of opportunity created at prorentals and Andrew and James’s renowned incentive-based pay structure in the next chapter.



## 3 : A Culture of Opportunity

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People are the backbone of any successful business. Unfortunately, while many businesses, real estate or otherwise, claim to uphold this view, they fail to live up to it. In order for people to be the reason for a business's growth and overall success, they must first feel valued, supported, and empowered. Right from the start, prorentals team members loved going to work. Both Andrew and James brought out the best in their people. Not only did they value and support them, they also empowered them to develop their own wings so they could eventually fly on their own.

The culture Andrew and James created at prorentals began with the building of a strong foundation. They figured out that in order to attract the best people, they would need to give them strong incentives to want to work there.

Andrew said, "Traditionally in property management, the more properties you are asked to manage the more hassle it creates. All of a sudden it dawned on me that it shouldn't be called property management, it should be called people management. After all, houses never call to complain, people do. Once we understood that, it made us realise that we needed to align the interests of the owner with the interests of the property manager and our business. It was about creating that care factor that was missing, and that care factor was created by giving our people the opportunity to create their own success".

Andrew and James's renowned incentive-based pay strategy is covered in a later chapter. This chapter explores how Andrew and James built the 'Jim's Mowing' of property management by creating a culture of opportunity for every individual in the business. Significantly, this chapter showcases the culture of prorentals from the inside – in the words of many of the people who worked for Andrew and James. In this way it provides a unique perspective you don't commonly find in business success stories that are written in the voice of the owner.

From my own perspective, I have interviewed thousands of real estate agents over the years and I can honestly say I have never heard a team of people speak more highly of their bosses as the former team of prorentals did. Without exception

they were also extremely committed to their careers, despite most of them being at an age when they worked there where one's social life usually takes precedence.

Quan Dang, a financial broker and adviser who worked with the team at prorentals, told me, "They (the team) were not worried about going out on a Friday night. They were worried about the next property investment. It was quite incredible to see. The majority of them are now successful business owners themselves. I know that at least seven have now got their own property management business. With what I know about them, their property assets are worth more than a million dollars – and they are still only in their early 30s. That's because they got their grounding when they were in their early 20s from Andrew and James".

It's clear Andrew and James wanted to see individuals on their team grow so they could go out and conquer the world themselves, which is quite remarkable in an industry renowned for its egocentric, competitive nature. Working in tandem, Andrew and James created a culture of opportunity, incentivised their team to run their own world, and were deeply committed to seeing individual team members grow and create personal wealth.

## The yin and yang of successful leadership

Andrew and James had very different leadership styles, but it was those differences that proved to be a key strength for the business. Where James was more laid back, Andrew was very hands-on. What they shared though was passion, generosity, and conviction. They were passionate about property management and equally passionate about the people who worked for them. Andrew and James knew that if they helped their people, raised their confidence, and showed them how to make money and run their own business within the business while creating an environment that was fun to work in, that they would all be successful. And that's exactly what happened.

Andrew said, "A classic example showing the difference between the way James and I operated was that I believed everybody needed to do everything on the phone, whereas James would have cut the phone line if he could and made sure all the communication was via email. What he meant by that comment was that we needed detailed recorded notes of everything that was going on, whereas I would just say, 'No, get on the phone and solve it'. The balance between us worked really well".

Let's hear from a few members of Andrew and James's parentals team about the leadership style of their former employers.

**Erin:** "James was very laid back. He tended to spend more time in his office. You would usually go to him if you had an issue. Andrew on the other hand was in your face, asking what we were doing and how he could help. It worked because if you had two bosses always in your face it would be too much, whereas if both bosses stayed in their offices you'd be wondering why you never saw them and you'd feel on your own."

**Chris:** "James tended to scare a lot of people, but once you got to know him, you discovered that he was actually a very smart, intelligent guy. He's just very reserved. Andrew is an eccentric; he's full of life. He motivated us to keep going and prompted us to get new properties, make those phone calls."

**Priscilla:** "They were the yin and yang of business owners. They could not be more different. Andrew, obviously, the extrovert and in your face, and probably was more inclined to spend 15 million hours with you on a personal project to help you out, like buying your first property and going to open homes with you. James was more calculating and very laid back in his approach. He's a very, very intelligent man. They just worked really well together. James has got such wicked dry sense of humour. I love him to death. Whereas Andrew's sense of humour, he's out there. As much as everyone always talks about how much they got out of Andrew as a business owner, I got just as much out of James as a leader and a mentor and still do to this day."

Priscilla's point about how Andrew would like to help team members with personal projects such as buying property – especially as an investment – demonstrated his view that it was important for property managers to understand first-hand what it was like to own a rental property and be a landlord. He also wanted to help his team establish a solid foundation that would generate wealth for them in the future. When team members could see what some of their peers were achieving with the money they were earning, like getting into the property market at such a young age, it was an added incentive for them to do well.

**Dan:** "Andrew and James were polar opposites and that's really what made them work. I think the fact that Andrew was so in your

face with the team and playing a mentorship role gave James the time to build the business at the backend, which we often didn't see as team members. As Chris said, once you get past James's façade, he's a wealth of knowledge. He gave a lot to the business and to us as well if you went looking for it."

**Lauren:** "Andrew was really motivational and a strong leader who set the way in terms of how the culture was established at prorentals. James was really more the details man behind the scenes. So if you had a question about legal situations or something like that, James would be the one to handle that. Andrew was the one who really ingrained the culture in prorentals. Both of them were very good to work for."

**Hamish:** "James very much taught me how to think for myself. If I came in and asked him a question, I had better have done some research first."

## Unearthing great talent the prorentals way

As different as Andrew and James were in their leadership styles, they shared one key leadership trait in common. They understood that the business was only going to be as good as the people they employed.

Priscilla recalled, "In my interview, we all sat in a tiny room. Our knees were almost touching, and both Andrew and James were focused on asking me about the value that I could add to the business, where I came from, and what my core values were as a person. It was very obvious in that interview that they both shared the exact same views on how to have a great business, and that was that it all revolved around the people; finding and holding on to the right people".

You only have to see the quality of the people who worked with Andrew and James and what each person has gone on to achieve after prorentals, to see the benefits of treating your team well. As Andrew said, "They were an outstanding bunch of people".

Andrew said he quickly realised that fantastic property managers shared many characteristics. He said, "The successful people all came from the country. They were smart; some had got into university but then found that it wasn't for them; most had worked in hospitality so they didn't mind working late hours, Saturdays, and dealing with all sorts of stuff".

The clincher for James was if they'd worked for McDonald's. He said, "They got a job with us straightaway. They understood systems and procedures and customer service – and property management is all about those things".

Andrew and James's first employee was actually a prospective tenant looking for a place to call home. It almost happened by chance, as did the system of inducting and developing new team members in the early days before it developed into a solid system of recruitment that was one of the keys to prorentals' phenomenal success.

Andrew was always on the lookout for great talent. He found that property inspections could generate some outstanding future property managers. He said, "I've always had the view that you don't recruit when you need someone; that's too late. Part of being in real estate means constantly looking and recruiting for good people. Our first employee was Reggae and he walked in off the street looking for a property to rent. I just got talking to him at the property and he ended up working for us for nine years!"

## Magical mystery interview process

A devotee of practice rather than theory, when Andrew and James recruited they liked to put people on the spot as part of the interview process so that a candidate's mask would drop and his or her true character would be revealed.

Andrew explained, "Our office was built over two levels. As soon as a candidate walked in the door, we would start by showing them how our reception area functioned. We'd then show them our key cabinet, which could house 3,000 keys at a time. Say we had 1,700 hanging in the cabinet, we'd say, 'Should you be successful, your job will be to help us get another 1,300 properties under management!'"

Andrew continued, "At some point during the interview I would look the candidate in the eye (one who had been working in property management before) and ask, 'So if you get to work for us at prorentals, how many new managements from your current employer could you bring us?' Their answer would determine whether or not they got to go upstairs or whether they just went out the back door". The answer Andrew expected was "none" because it showed that they had integrity, a not-negotiable quality expected from their people.

Andrew is also quite famous for his non-standard interview questions. He'd ask questions such as:

- Have you ever been a tenant before?
- Have you been a property owner? Tell me about how that was.
- How did you go when you were looking for a property?
- Have you done weekend work before?
- Are you looking for a job or a career?
- What is your driving history like?



Text **'INTERVIEW'** to 0786 006 5000 to see a full list of Andrew and James's typical interview questions.

The proof was in the pudding and the method allowed the cream to rise to the top!

Let's take a look at how some of the team got their start at prorentals. This will give you a real feeling for the character traits Andrew and James looked for in their people.

## Priscilla

"Initially the reason I went into real estate was because I had a passion for property. My parents got me into property when I was young; buying and selling with siblings. I loved it! I went into property management because we weren't getting the level of service we wanted from our property managers in Central Queensland and I wondered why. It seemed so easy. That was what first sparked my interest. I completed the REIQ traineeship through Ray White. I knew early on that I didn't want to go into sales. I didn't like the environment that sales created, and I loved looking after people long-term. I left Ray White because the principal of the agency where I was working was selling the business, and he was a fantastic mentor. I was only 19 at the time and knew I needed to find a leader who I could learn from and who would encourage me to grow. I could tell straightaway that Andrew and James would be great mentors. Furthermore, I knew that the opportunity they were creating with paying their property managers a percentage of the management fee wasn't being offered anywhere else, so that was another great incentive to join them."

## Hamish

“I started with the business when I was around 25 and was handed 37 properties on a silver platter, which had a value of around \$150,000 to the business (Hamish was moved straight into a property management role as, at 25, he was older than most of their new starters). After a year and a half I was sitting at around 240 properties and earning \$125,000 a year. That gives you an idea of how I was geared to grow. I was raised in rural south Australia and working at prorentals was an opportunity like I’d never had before. I worked seven days a week to ensure I would excel in my role. I’d often be at work with Andrew at midnight or 1 o’clock in the morning. We were also quite often at work on a Friday night because the opportunity was there.

“I came into the business a little differently than most. I was one of only a few people Andrew and James had ever recruited through a recruitment agent. They typically either recruited people who had been to university and left before graduating or kids who had been raised in the country, as this type of upbringing generally came with the types of personality traits they were seeking in people, like trust and loyalty. I’d heard a lot of good things about prorentals in the industry. It was a good-sized team and a well-known brand around Brisbane. I had worked within the industry in property management and landlord insurance for some pretty good operators, both in Adelaide and in Queensland before I joined prorentals. When I went looking for a job, I was at a stage in my life where I was looking for more than just a job. I was looking to work for a strong operator; a place where I could learn. I was really focused on who I was working for as opposed to just finding another job. I found prorentals ticked all the right boxes.”

## Adam

“I started with prorentals back in the year 2000. I was 18. I had been out of school for about ten months and had started at uni but found it wasn’t really what I wanted to do. I applied for a job with James and Andrew and sat through a four-hour interview with James, which was pretty scary for an 18 year old. When I joined there was literally only James and Andrew in the office. We didn’t have a team. Reggae had just left to move to Sydney, so they were looking at replacing him. So that’s where I came in. I didn’t have a lot of business experience at that point. James was more focused on finding out who I was in the four hour interview. He asked me about my personal life and what I enjoyed as hobbies and

sports etc. I knew he was trying to figure out the answers to questions like, ‘Will you go the extra mile?’ ‘Do you have the strong attention to detail we’re looking for?’ ‘When the going gets tough, will you stick it out or will you just cut and run?’ Those were the kind of qualities they were looking for in people for their team.”

## Erin

“Working for parentals from a very young age has set me up for jobs ever since. Every time anyone looks at my resume, they’re impressed with the fact that I’ve already been working for nine years, and I’m only 22. Andrew always got me to do the rejection calls for the property managers, meaning I had to call all the prospective tenants who were unsuccessful in their applications, which was a bit daunting to begin with, but a really good experience in hindsight as it set me up for the future.”

## Anika

“I joined parentals in 2010. I was 15 years old at the time and I was an application processor. Andrew was a family friend of mine from when I was quite young. I was always very taken with his energy and enthusiasm and he always had some wise words about pretty much every situation that would make me think about it in a really different way. I always thought it would be great to work for Andrew when I was a bit older, so when the opportunity came up to make a bit of money and get some work experience, I thought it would be a great place to jump in. My job was to go through the day’s paper and online applications and either confirm or find more information about the tenant so that it was ready to go onto the Property Manager’s desk and they could work with the landlord to make a decision about whether or not the tenant was right for that property.”

## Andrea

“Andrew and James were growing the business, and they wanted someone to do the trust accounting. There were 300 properties on the rent roll at that time. Basically, I came in and took all the processing work off their hands. I had experience, so I wasn’t green like most of the property management team when they started. Working with paper statements before we had the technology to

streamline the work, I remember that I used to start work at 3:00 or 4:00 in the morning on the end of month day. That was my own choice because I wanted the system to be ready for when the property managers came in because if there were any hiccups, they couldn't do their job."

## Alara

"I started working for prorentals in 2008. I had just finished school and I heard about the role through a friend of Andrew's. So I applied. After the interview I did not think I would get the job. I started on reception. I was there for maybe six months before I moved across to working in the administration team. I was probably there for a year before I was moved across to be an executive assistant for the Director of Property Management. They always hired before they needed people. They always had procedures in place. They hired a property manager and trained them up before they needed them, so it wasn't a rush at the last minute. Andrew and James had strict procedures orientated around each section of the business."

## Swimming in lanes

In the property management space there has always been a debate about whether to operate with a team-based approach or the portfolio approach. Should one person look after all the properties owned by a single client, or should a team of people look after everyone's properties? There's no right or wrong. In my view, the leader makes the model work.

Once Reggae had found his groove as a property manager, Andrew and James realised they needed to find a replacement for him in the leasing role. "That was how our onboarding and career progression system was born", said Andrew. "We realised that everyone needed a career path so we created the leasing role as our entry level position and from there we would assess whether or not the individual was suitable."

Eventually the prorentals model was based on four distinct business areas, which they refer to as swim lanes:

- Lane 1 – Leasing
- Lane 2 – Property Management

- Lane 3 – Administration
- Lane 4 – New Business.

The leasing lane was a fast lane. But despite this, it was where most new recruits started. While the pace may have been fast, the level of complexity was relatively simple.

There were three simple rules that a prorentals leasing officer had to adhere to. Andrew and James referred to these rules as “the three ups”:

1. **Turn up** on time at a property.
2. **Shut up** – stick to what it says on the list when talking about the features of the property to a prospective tenant (don’t try to over-sell it).
3. **Lock up** when you leave.

Property Managers swam in their own lane. Here the level of complexity was higher but so were the incentives.

Those in the Administration swim lane completed the administrative tasks for all clients, such as rent collection, invoice payments, trust accounting, and reporting.

Lane 4 – New Business was added when Andrew and James realised that business development was a missing piece of the puzzle. A director was eventually appointed to manage each swim lane, so in effect they became four interconnected business arms within the business.

Andrew and James’s onboarding process evolved over time to a point where each new recruit had to learn to swim in all four lanes, starting in Lane 1 and progressing through the swim lanes as their confidence and experience grew. The structure was built around the theory that there would be a single point of contact for an owner – the property manager – with those in the other swim lanes supporting them in the background.

Andrew said, “If you take banking for example, customers don’t want to deal with six different people. They want to deal with their bank manager. The same should be true for property management. The relationship between the owner and the property manager needs to be very strong”.

The team at prorentals didn’t operate in silos. They worked together for the benefit of all clients and the business, which ultimately created benefit for each individual as well. Issues of accountability didn’t exist. Nobody ever said, “It’s not my division, it’s not my problem, you sort it out”. They worked as a team. Having

said that though, the Property Manager or Portfolio Manager was ultimately the one responsible for all properties and clients in their care.

## **Creating a culture of opportunity for everybody**

Andrew and James created a workplace culture in which every individual knew the opportunities were there to grab with both hands if they wanted to.

Quan Dong told me, “It was a really caring and supportive culture. Everyone helped each other out. That was exactly the culture and environment that Andrew and James wanted and made. They worked hard, made a lot of money, but had a lot of fun doing it as well”.

Andrew and James incentivised and rewarded their team in a way that had never before been seen in the property management sector. In terms of the industry as a whole, prorentals introduced the sales commission structure into property management. It was a revolutionary decision and one that paid off with the reward of a loyal, hard-working team. It was a win/win/win for the business, the team, and the customers.

## **Incentivise people to run their own world and they will**

Andrew and James truly believe that if you give people the right tools and incentives, they will create the world they want. In most other property management offices, staff could expect to earn \$45,000 to \$50,000 a year. At prorentals, many of the property managers were earning between \$80,000 to \$150,000 a year, up to triple the salary of the average property manager. I asked the team what this meant for them.

Greta told me, “It meant that if I worked well, I’d get paid and rewarded for it. I came from a job where I was earning \$360 a week as an assistant property manager. The base rate at prorentals was around \$600 when I started. At the end of the month, you would get your breakdown of the fees you brought into the business and your commission was based on that. I was earning a lot of money”.

Adam observed, “It was a system that allowed people who were good at their job to flourish. People who just wanted to cruise were never going to earn the same amount of money as the people who really put in the time and the effort, which was only fair”.

Anyone who came in to prorentals on the basis of how much money they were going to earn without realising how hard they were going to have to work for it, was in for a rude shock. In fact, people who came in with this attitude didn't last long.

Adam said, "Property managers who came in with experience in a traditional property management agency didn't usually thrive in our situation because they were so used to being able to cruise in and do what they had to do, nothing more, nothing less. If something was too hard, they'd try and sweep it under the rug. You couldn't do that at prorentals. You really had to make sure that your portfolio was clean: that people were paying their rent, properties weren't vacant, and you weren't losing owners, because every time you lost an owner you got a pay cut. If your properties dwindled you weren't bringing in as much money, so therefore it was only fair that you wouldn't earn as much. We felt like we were in control of our own destiny when it came to our income".

It took a certain type of person to work at prorentals – not everyone was suited to the role.

Alara said, "It was quite obvious after the first induction period if they were going to be suited for the business. I guess a lot of people who Andrew and James hired were quite 'OCD' about the way they would do things. One of the things I recall Andrew saying, which has really stuck in my mind ever since is, 'You can't teach people to have a conscience'. I remember he used to say, 'I can teach anyone how to do property management, but it's those core beliefs that really structure the type of person you are'".

## A view from the outside

Many business owners observed the prorentals journey from the outside. Rental Express was another early adopter of specialised real estate services. Like prorentals, Rental Express was dedicated to property management and broke many barriers. While both companies worked in parallel and were technically competitors, they operated in friendly collaboration.

I spoke to the founders and former owners of Rental Express, Chris Rolls and Jason Rose, to talk about their impressions of prorentals and in particular why they thought prorentals broke through and did so well.

Chris said, "I think prorentals' success can be summed up in one word, and

that's 'culture'. In my view, Andrew and James were masters at motivating a team of people and keeping them focused on what's important in the business. As a consequence they had a lot of very long-term staff. They also paid their team very well and I think if you asked them, they'd probably say they paid some of them too well, which I believe resulted in some profitability issues in the business. One of the things Andrew and James were very good at was creating a culture of inclusion and keeping people happy, which is absolutely vital in business".

Jason reflected, "Having the single focus on property management allowed them to just get on with it and not be distracted by some of the other things that you'd see in other agencies".

Chris continued, "There are a lot of people in real estate who have built brilliant real estate sales businesses and the reason they've done that is because they focused on real estate sales and nothing else. There's an argument to say that if they had focused on property management they would have built an equally brilliant property management business, but it's very hard to do both really well.

"Fortunately for people like Andrew and James, and Jason and I in Rental Express, the bulk of the industry focuses on building brilliant sales businesses which leads to a massive opportunity for those that were like prorentals and Rental Express – businesses that focused on building a brilliant property management business. I think that has been a huge reason behind the success we all enjoyed. Our property managers and prorentals' property managers would have had more support, more training, more infrastructure, and more resources, to do a better job than agencies trying to be everything to everyone because our single focus was property management".

Jason added, "Creating an exceptional culture was part of their DNA. From what I saw externally, there was great consistency in how they were applying themselves as a business. So it wasn't a group of individuals doing their own thing; they weren't working in silos. They were operating as a cohesive unit. A testament to their culture was the fact that there were a number of people in the business who had been there for a really long time".

The prorentals team clearly loved what they did and were paid handsomely for their efforts. The retention and happiness I saw there was phenomenal. Many told me how sad they were when it all ended because it was the only time in their lives that they had ever worked with like-minded, disciplined, and motivated people and with management they respected. The strong workplace culture that existed within the organisation was at the heart of its phenomenal success.



## 4 : The Pay Strategy

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The world is full of people on salaries who don't want to be in their job. They come to work, occupy a desk, and go through the motions, but they never seem fully committed to their jobs and the company they work for. This is true for any industry, and real estate (most notably the property management arm) is unfortunately a sector where we see far too much of this happening. I'm sure you all know people who fit this description. Perhaps you've even been there yourself.

I have never hidden my view that, with the exception of a few cases, property management has played second fiddle to sales for far too long. We are all in the business of helping people meet their real estate goals, so why should sales agents be the only ones able to determine their own remuneration through incentives? This was precisely the view adopted by Andrew and James when they started prorentals back in the late 1990s. In fact, of all the leadership strategies adopted by the pair, I firmly believe the pay strategy Andrew and James devised to remunerate their team was their number one point of difference and at the very heart of prorentals' success. It was a strategy that kept people voluntarily 'super-glued' to the business and eventually led many to becoming successful business owners themselves, with Andrew and James's full support. Having interviewed a number of Andrew and James's former team members, I don't think I've ever spoken to a group of people who were anywhere near as committed to the company they worked for as their people were.

As the numbers man in the leadership team, Andrew drew upon his accountancy background to formulate a pay strategy that was unique to prorentals and became their number one method of recruiting and retaining exceptional and committed people and was the key driver towards the company's growth. And yet Andrew and James had many critics who told them at the time that they were paying their people way too much. But the proof that this wasn't the case was in the astonishing results their people achieved for the business (and for themselves) as a direct result of being given the opportunity to create their own success. Andrew told me that the key word for him was opportunity.

“To provide an opportunity for people to achieve the outcomes they want to achieve, under the support and guidance of a set of systems and processes that help facilitate that, delivers a clear win/win/win for all stakeholders – the business owners, the team member, and the property owner. Property managers on a fixed wage see a vacant property as a bonus because it’s easy to look after – no repairs to organise, no arrears to chase etc. etc. We decided to incentivise our people to want to lease their properties quickly. It was a strategy that worked brilliantly.”

The parentals pay strategy revolved around a simple theory – encourage the behaviour you want rewarded. By ensuring their properties were leased as quickly as possible and to the best possible tenants, every parentals property manager handled more properties than most other property managers would at any given point in time. And by adopting a stringent tenant selection process, they knew they would be managing a tenanted property that was well looked after, the rent would be paid on time, there would be minimal vacancy periods, and the landlord would be happy and likely to refer the company to others. They also knew that if their existing team members felt they had the opportunity to be well rewarded, then they would be more likely to refer parentals to other good people as a great place to work.

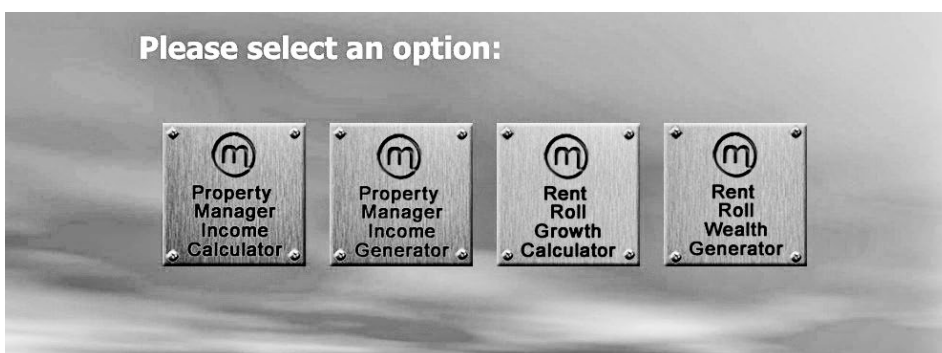
While Andrew and James were paying their team substantially more than most property managers were paid at the time, they were rewarded with an engaged, motivated, and committed team, a growing portfolio, and a company turnover that was heading in the right direction. In short, the incentive system shifted people’s mindset from one of scarcity (‘let’s do as little as we can’) to one of abundance and perfection (‘let’s manage as many properties as we can and let’s manage them brilliantly’). Before too long Andrew and James began attracting more entrepreneurial type of people to the business: people with more drive and ambition who were easy to manage because they were engaged as opposed to just turning up for the sake of it.

The parentals pay strategy was so successful that Andrew subsequently built a calculator into the InspectRealEstate website that allows members to adopt the same formula with ease. He said, “If you want people to care about what they’re doing, in our experience incentivising them really facilitates that. It worked so well, I brought the same model into my new business (InspectRealEstate). I truly believe the reason it continues to power with its growth is because, like parentals, it revolves around something everyone wants and deserves – opportunity”.

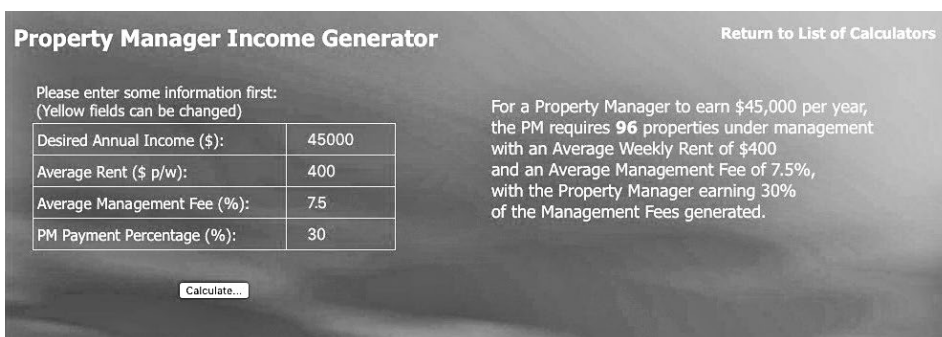
## The formula

So what did the pay structure look like? Essentially it was calculated as a percentage of the revenue generated by each property manager's portfolio. But the real genius in the strategy in terms of selling it to property managers was the fact that Andrew and James began by asking them how much they wanted to earn per annum.

Let's take a closer look at the formula. I suggest you go to the [inspectrealestate.com.au](http://inspectrealestate.com.au) website and select **Tips** from the main menu bar across the top of the Home page, and then **Calculators** and **Property Manager Income Generator** as we go through the formula.



Once on the Property Manager Income Generator you will see the following fields, which you can adjust and recalculate as often as you like.



**Property Manager Income Generator** [Return to List of Calculators](#)

Please enter some information first:  
(Yellow fields can be changed)

Desired Annual Income (\$):	45000
Average Rent (\$ p/w):	400
Average Management Fee (%):	7.5
PM Payment Percentage (%):	30

For a Property Manager to earn \$45,000 per year, the PM requires **96** properties under management with an Average Weekly Rent of \$400 and an Average Management Fee of 7.5%, with the Property Manager earning 30% of the Management Fees generated.

Based on the above scenario, you can see that to earn \$45,000pa, a property manager needs 96 properties under management.

So using this calculator, a business owner can sit down with a property manager (or a potential newcomer to the team) and calculate what their projected income

will be and what it will take to achieve that figure. It's a great tool for both property manager and business owner to enter a range of 'what if' scenarios.

"If you're able to sit down and ascertain with someone how much they would like to earn, and then show them within a couple of seconds what they need to do to achieve it, they've got real focus on what their end goal is", said Andrew.

The beauty of this system is that if a property manager has a goal to earn \$80,000 a year, they know, from using the calculator, that their target is 171 properties based on an average rent of \$400 a week, a property management payment percentage of 30% and an average management fee of 7.5%. It's all there, plain and simple. They can see the goal and they know what they have to do to achieve it.

The screenshot shows a web-based calculator titled "Property Manager Income Generator". It includes a "Return to List of Calculators" link in the top right. The main content area is divided into two columns. The left column contains a form with the heading "Please enter some information first: (Yellow fields can be changed)". The form has four rows, each with a label and a value: "Desired Annual Income (\$): 80000", "Average Rent (\$ p/w): 400", "Average Management Fee (%): 7.5", and "PM Payment Percentage (%): 30". Below the form is a "Calculate..." button. The right column contains a text box with the following text: "For a Property Manager to earn \$80,000 per year, the PM requires **171** properties under management with an Average Weekly Rent of \$400 and an Average Management Fee of 7.5%, with the Property Manager earning 30% of the Management Fees generated."

Property Manager Income Generator	
Please enter some information first: (Yellow fields can be changed)	
Desired Annual Income (\$):	80000
Average Rent (\$ p/w):	400
Average Management Fee (%):	7.5
PM Payment Percentage (%):	30

Calculate...

For a Property Manager to earn \$80,000 per year, the PM requires **171** properties under management with an Average Weekly Rent of \$400 and an Average Management Fee of 7.5%, with the Property Manager earning 30% of the Management Fees generated.

Back when Andrew and James first implemented their pay structure at prorentals, InspectRealEstate and the calculators weren't yet in existence. This simply meant they needed to sit down with a property manager and work out the figures manually – not a problem, especially for a numbers man like Andrew. But I'm sure you can see how this strategy sowed the seeds of the InspectRealEstate vision.

## Don't just show me the money, show me the WHY

Andrew and James took their pay strategy a step further than simply focusing on the dollars and percentages. They encouraged their people to consider the motive for wanting to make a certain figure. In other words, what would they do with the money if they achieved their targets? Did they want to go on an overseas holiday? Did they want to save for a deposit on a home or an investment property? Did they want to pay off their credit card debt? I have always been a huge advocate for and adopter of the reverse engineering process, and to me this is reverse engineering at its very best.

Andrew said, “As soon as people work out the why, it gives them a greater sense of purpose. After all, nobody just wants to make money for the cash to roll around in it. Essentially it was to get them thinking in terms of the opportunities and the lifestyle that money would give them. Understanding that key point is when it really starts to sink in. It puts a whole new perspective on things and makes that goal something they’re going to work exceptionally hard to achieve; harder, I believe, than someone who doesn’t know what they’re doing it for. And let’s face it, they did have to work very hard to achieve those sorts of numbers. It didn’t come easy”.

Turning things around to focus on the ‘why’ gave people a vision, as opposed to just a monetary goal. It is such a powerful shift and a revolutionary way of thinking.

## Responsibility

Delving deeper into the prorentals pay strategy, Andrew was spot on when he said that prorentals’ property managers worked hard to make income figures higher than any other property managers were making at the time. Once they agreed to their targets, they were 100% responsible for every property in their portfolio.

Andrew said, “It was a single point of contact. Whenever an owner called, it was important that they spoke directly to the property manager. It was their job to get that property leased. It was their job to make sure the end of month statement went out. That didn’t mean they had to do it alone. They worked within a team. But at the end of the day, it was the property manager’s responsibility. The buck stopped with them. And when it came to direct contact with an owner, it was always the property manager. It’s like when you ring the bank as a business owner. You don’t want to speak to a bank clerk, you want to speak to your bank manager. We applied the same principle in our business”.

It became a different gig altogether when the property manager wanted to up the ante and earn an annual salary of \$120,000. To generate that level of income they would need to be managing 256 properties with an average weekly rent of \$400 and an average management fee of 7.5% (based on the property manager earning 30% of the management fees generated). Now for those of you reading this, I’m sure you’re thinking that’s an impossible figure for one person to handle. It may surprise you then to learn that some of the top senior property managers at prorentals were individually managing that number of properties and rewarded

with six-figure salaries as a result. The key however was that it took time to get there. According to Andrew they had to “earn the right” first.

“Our property managers would start off with a very small portfolio. Their portfolios would grow through a combination of growth and acquisition, as we bought a few along the way, and we could also occasionally reallocate a portfolio if another property manager left. The key point was the fact that they had a target and a goal. They knew the goals they were shooting for. What’s more, because our average rent was a bit higher and our average fee was also higher than our competitors’ fees, our property managers were given the opportunity to determine their own fee level. All of a sudden, they found they could earn more by managing less. It was an entirely new way of thinking.”

Based on Andrew and James’s methodology, we could use the calculator to see what would happen if we increased the fee from 7% to 8%. All of a sudden, earning a six-figure income became within the realms of possibility for their top property managers. Indeed many made it happen. And the more successful they became, the more owners wanted them to look after other properties as their portfolios grew, despite the fact that their fee may have been higher.

Andrew said, “Imagine this scenario. An owner comes in for a listing presentation on a new property they have purchased. They have the option to choose their existing property manager who has looked after them for the past 8 years and charges a premium fee of 9%, or they could go with a newcomer to the team who charges 7%. In our experience, the owner always went with the property manager they knew and were happy with, no matter what they charged. To have a long-term relationship with a property manager makes a critical difference to the value of an owner’s assets. It’s a win/win as the property manager can then start to see real reward for effort as a result of the strong relationship of trust they have worked so hard to build with their client”.

Now you may be wondering how the business itself fares from a pay strategy like the one Andrew and James devised for prorentals. There’s a calculator for that too! It’s called the Property Manager Income Calculator, as shown below. This calculator allows the business owner to see exactly how much a property manager would bring into the business based on whatever salary and fee structure scenario they are on and how many properties they are managing. As you can see from the figure below, a mature property manager who’s handling 180 properties delivers \$281,000pa to the business. Of that, they earn \$84,471pa, but that still leaves approximately \$200,000 for the business’s bottom line. Andrew says it was

their way of ensuring the team shared in the agency's success. And it literally paid dividends across the board.

**Property Manager Income Calculator** Return to List of Calculators

Please enter some information first:  
(Yellow fields can be changed)

Average Rent (\$ p/w):	400
Average Management Fee (%):	7.5
PM Base Salary (% p/y):	45000
PM Payment Percentage (%):	30
Your Target for Total Mgt's:	280
Display Results in Intervals of:	1

Calculate...

171	\$267,493	\$80,248	\$80,248	30
172	\$269,057	\$80,717	\$80,717	30
173	\$270,621	\$81,186	\$81,186	30
174	\$272,186	\$81,656	\$81,656	30
175	\$273,750	\$82,125	\$82,125	30
176	\$275,314	\$82,594	\$82,594	30
177	\$276,879	\$83,064	\$83,064	30
178	\$278,443	\$83,533	\$83,533	30
179	\$280,007	\$84,002	\$84,002	30
180	\$281,571	\$84,471	\$84,471	30
181	\$283,136	\$84,941	\$84,941	30
182	\$284,700	\$85,410	\$85,410	30
183	\$286,264	\$85,879	\$85,879	30
184	\$287,829	\$86,349	\$86,349	30
185	\$289,393	\$86,818	\$86,818	30

## The commission percentage – how was it calculated?

Andrew once again drew on his accounting experience to come up with the figure of 30% commission for property managers.

“In accounting, it was always a third, a third, a third. What that meant was there’s a third in wages, a third for your overheads such as rent, telephones, desk, etc., and a third for profit. Now we probably didn’t ever make a third for profit, but we did per portfolio. Priscilla and Lauren, who were with us the longest, made us the most money. We would then use some of the profits generated from their portfolios to recruit and fund more people. Someone new to the business may only be handling 15 properties at the start, meaning they’re only bringing in eight grand, but I’m paying them \$45,000 as a base salary. So I had to top them up from the profits made by more senior property managers. In a nutshell, we were reinvesting the profits to grow new portfolios and our team.”

## Growth of a new starter

I’m sure by now you can see how unique the parentals pay strategy was (and still is) in the property management sector. The way Andrew and James incentivised a new starter and helped them grow was equally ground-breaking. The goal was to get them to break-even point by the end of their first year, which meant that

they would need to build up their portfolios to between 90 and 100 properties. No easy feat!

Following a two- to three-month induction program, a new property manager would be expected to start building their own portfolios. Getting to the 100 mark was the challenge and there were always ups and downs along the way. Until such time as they reached the magic breakeven point, they wouldn't see their income increasing – they remained on the base salary.

“They were working hard for a goal they could see but they weren't actually able to get there yet, which could get frustrating”, said Andrew. “By the time they got to about 85, there was a tangible shift in their motivation levels. All of a sudden they could see the finish line and holy cow, did they run! Then when they crossed that first finish line and received their first commission, it was such a sense of achievement. And from that point on, it was like the light bulb had suddenly switched on and the spark was ignited as their portfolios just started to grow and grow.”

## The great divide

When I asked Andrew for his view on those leaders who refuse to pay commission to property managers versus those who pay commission, he was philosophical in his response.

“It depends on the goal of the company. If the company goal is to pay someone as little as possible, while trying to make as much as possible from them, that's a profit model. But if your company goal model is to ensure your people care about what they're doing and have tangible opportunities that allow them to grow with the company, then an incentive system facilitates that.”

Andrew and James had devised a pay strategy that for the very first time delivered the commission incentive model for sales agents into the property management space. It was a real breakthrough and, combined with their revolutionary back-end systems and processes, was the ‘secret herbs and spices’ of the prorentals model. The question is, why aren't more principals jumping on board? Why are they happy to pay sales agents a commission but can't see the value in doing the same for property managers? It's the reason many agencies still have a literal wall between their sales and property management divisions. In my view, it's all real estate. It's all about movement. One built a better asset than the other because

when the sale's done, the sale's done. If the sale goes to an owner-occupier, it's not coming into the rent roll. When you look at it that way, it actually makes more sense to run the prorentals pay strategy in property management than it does to run it in sales.

I asked Andrew why he thought there is so much resistance to introducing an incentive pay system into the property management sector and his response was interesting.

“I think the principal often gets the short end of the stick when it comes to property management. What I mean by that, is when the property manager is not performing, the owner of the property or the tenant or both will often ring the principal to vent their frustrations. Then rather than asking themselves how they could improve the situation by working with the property manager, their first response would often be to blame the property manager. Too many in the industry forget that the rent roll is the backbone of the business as it provides the cash flow to create the whole sales environment.”

A key defining moment for Andrew came not long after he and James first opened the doors of prorentals. It was a moment that highlighted the importance of property management for a real estate company and brand. A tenant came in to make a complaint about a broken back deck. Andrew advised him that he was aware of the damage and that he had spoken with the owner who told him he was not in a position to repair the deck at this time. The tenant's response was interesting. He said, “I don't care. I don't rent the property from the owner. I rent it from prorentals”. Another example was when Andrew insisted that a tenant return to their vacated property as they had failed to clean the oven to the expected standard. While it was done reluctantly at the time, the same tenant returned a few years later and handed Andrew the keys to an investment property he now owned, saying, “I wasn't happy about the time you asked me to clean my oven again, but now that I'm an investment property owner I want you to manage my property, as I know the lengths you guys go to in order to look after your client's property”.

## Show me the money

Just as property managers want and deserve to see the opportunity that's there if they want to work for it, so too the business owner deserves to see the same thing from an overall business perspective. [InspectRealEstate](#) includes a Rent Roll

Growth Calculator that allows business owners and principals to input various scenarios and calculate the value of their rent roll and its capacity to grow. The following page shows two examples that demonstrate how it is possible to quickly visualise the growth based on a ‘then’ and ‘now’ scenario.

## Then...

### Rent Roll Growth Calculator

Please enter some information first:  
(Yellow fields can be changed)

Average Rent (\$ p/w):	250
Average Management Fee (%):	7.5
Capital Value Multiplier (\$):	2
Your Target for Total Mgmts:	10000
Display Results in Intervals of:	1000
Other Fees (Let/State) (%):	17
Include Profit (%) of:	26.43

[Return to List of Calculators](#)

No of Mgmts	Capital Value	Annual Mgt Fees	+ Other Fees @ 17%	= Total Income	Profit @ 26.43%
1	\$1,955	\$978	\$166	\$1,144	\$302
1000	\$1,955,357	\$977,679	\$166,205	\$1,143,884	\$302,329
2000	\$3,910,714	\$1,955,357	\$332,411	\$2,287,768	\$604,657
3000	\$5,866,071	\$2,933,036	\$498,616	\$3,431,652	\$906,986
4000	\$7,821,429	\$3,910,714	\$664,821	\$4,575,536	\$1,209,314
5000	\$9,776,786	\$4,888,393	\$831,027	\$5,719,420	\$1,511,643
6000	\$11,732,143	\$5,866,071	\$997,232	\$6,863,304	\$1,813,971
7000	\$13,687,500	\$6,843,750	\$1,163,438	\$8,007,188	\$2,116,300
8000	\$15,642,857	\$7,821,429	\$1,329,643	\$9,151,071	\$2,418,628
9000	\$17,598,214	\$8,799,107	\$1,495,848	\$10,294,955	\$2,720,957
10000	\$19,553,571	\$9,776,786	\$1,662,054	\$11,438,839	\$3,023,285

## And now

### Rent Roll Growth Calculator

Please enter some information first:  
(Yellow fields can be changed)

Average Rent (\$ p/w):	430
Average Management Fee (%):	7.5
Capital Value Multiplier (\$):	3.2
Your Target for Total Mgmts:	2000
Display Results in Intervals of:	50
Other Fees (Let/State) (%):	17
Include Profit (%) of:	26.43

[Return to List of Calculators](#)

No of Mgmts	Capital Value	Annual Mgt Fees	+ Other Fees @ 17%	= Total Income	Profit @ 26.43%
1350	\$7,264,543	\$2,270,170	\$385,929	\$2,656,098	\$702,007
1400	\$7,533,600	\$2,354,250	\$400,223	\$2,754,473	\$728,007
1450	\$7,802,657	\$2,438,330	\$414,516	\$2,852,847	\$754,007
1500	\$8,071,714	\$2,522,411	\$428,810	\$2,951,221	\$780,008
1550	\$8,340,771	\$2,606,491	\$443,103	\$3,049,595	\$806,008
1600	\$8,609,829	\$2,690,571	\$457,397	\$3,147,969	\$832,008
1650	\$8,878,886	\$2,774,652	\$471,691	\$3,246,343	\$858,008
1700	\$9,147,943	\$2,858,732	\$485,984	\$3,344,717	\$884,009
1750	\$9,417,000	\$2,942,813	\$500,278	\$3,443,091	\$910,009
1800	\$9,686,057	\$3,026,893	\$514,572	\$3,541,465	\$936,009
1850	\$9,955,114	\$3,110,973	\$528,865	\$3,639,839	\$962,009
1900	\$10,224,171	\$3,195,054	\$543,159	\$3,738,213	\$988,010
1950	\$10,493,229	\$3,279,134	\$557,453	\$3,836,587	\$1,014,010
2000	\$10,762,286	\$3,363,214	\$571,746	\$3,934,961	\$1,040,010

“Our initial goal when we first established prorentals was to set a target of 10,000 properties under management”, said Andrew. “That’s a lot of properties, and if a company could in fact achieve that back in 1998 it would have been worth a cool

\$19 million! Well, history shows we were well off the mark at 1,750 properties, which resulted in an asset worth \$9.4 million. But the key point I'm trying to make, is that it is just as important for the business owner to have his or her 'eyes on the prize' as it is for the property manager to see what's possible. It's about finding that magic number and knowing what has to be done to achieve it."

## Putting the strategy into practice – the nuts and bolts

It's one thing to understand the opportunity and incentive model and another to put the strategy into practice. The pay strategy adopted by Andrew and James meant that every property manager had to calculate their own pay each month. Why? Because they knew that if they actually took the time to calculate it, they would know what it would take to increase it.

In a nutshell, all calculations were created to work out a dollar value per day to ensure property managers were paid based on the number of days they were actually at work. This ensured the strategy had allowances built in to it to cover for things like sick leave and holidays, and paid people fairly based on how much time and effort they were willing to put in.

"The best way for me to describe why having individual team members work out their own pays worked for us, is with an analogy", said Andrew. "If I was to teach you how to fish, you could then go away and keep fishing and feed yourself and your whole family. You could even teach other people to fish. However, if I was to hide the fish at the bottom of the boat and put them on the end of your hook while you weren't looking, you've essentially got the same number of fish, but you haven't learned a thing. We taught our people how to fish, and as a result, many went on to open their own businesses and began to teach others how to fish too."

## A successful recruitment strategy

Andrew and James quickly realised that leasing officers were the foundation of an incredible recruitment strategy to develop and grow their long-term property managers. So they too were offered incentives to grow the business. "We firmly believed that if someone understood how to lease a property fast, then they would understand some of the fundamentals that would go into being a property manager", said Andrew. "It was a great induction source for us. Ideally, some of

our best team members were the ones who spent a reasonable amount of time in leasing; enough time to understand the peaks and troughs at various times of the year.”

The leasing officer’s income was based on a fixed salary plus a bonus of 25% of the letting fees achieved. This percentage would then be split between the team or earned individually if a leasing officer generated it on their own. It was essentially up to them to determine how much and how hard they wanted to work. The more they worked and the harder they worked, the more they made.

## Growing the team

Andrew and James knew from the outset that they wanted to build a substantial team at parentals. So they created four new positions to oversee each department within the business – Director of New Business, Director of Leasing, Director of Property Management, and Director of Administration. The Director of Property Management was also 2IC and in charge during those times when James and Andrew were not there. It was a highly responsible position that was paid accordingly, with a base salary of \$100k plus 1% of the annual business turnover. The position was offered to and accepted by an existing team member who had been with them since they first opened their doors. “It was important to James and I that our directors were highly incentivised to ensure their goal was to grow the asset and grow the revenue of the business. So we were very open and transparent with the money the company was bringing in”, said Andrew.

Andrew and James also offered incentives for complaints handling and a recruitment bonus to encourage the directors to actively seek good people to join their growing team and induct them properly. “There was a quite a lot involved in bringing a new person onto the team”, said Andrew. “To be paid the recruitment bonus, the director would need to do more than just find the new person. They would also be required to manage the full recruitment process and take them through our induction process, which included reading through the new recruit’s position description in detail and explaining each paragraph in full to ensure there were no misunderstandings. That process would generally take two full days. So they really did earn that bonus, which was paid for every new person they successfully inducted into the team.”

## Gifts and benefits

In the world of property management, it is not uncommon practice for tradespeople to reward property managers for referring them to landlords for repair and maintenance work. Andrew and James created a policy whereby any gifts that were received by an individual property manager were to be shared with the team.

## Ensuring the company lived up to the brochure

To ensure all the i's were dotted and the t's were crossed, Andrew and James also established an Executive Assistant role. This position was responsible for ensuring that all routine inspections were completed on time, and all properties were safe and compliant (fitted with compliant smoke alarms and pool safety fences etc.). "In property management there are so many things that need checking along the way", said Andrew. "McDonald's no doubt has a system in place to ensure all stated ingredients are placed on their Big Mac burgers and nothing is left to chance. There are certain checks you must have in place. As the organisation grew, we decided it was in our best interests to pay an executive assistant to essentially be our internal audit and a means to ensure our company lived up to its promises. It gave us peace of mind knowing we were meeting our service level guarantees."

From being 'on the tools themselves' when prorentals was managing around 180 properties, to engaging Directors and an Executive Assistant once their rent roll grew to around the 1,000 mark, Andrew and James were very strategic every step of the way in planning the growth of their company. It was a case of 'build it and they will come' combined with a philosophy that centred on what they believed to be the most important incentive of all – opportunity.

The prorentals pay strategy revolutionised the Australian property management space. Such was the success of the strategy that a number of Andrew and James's team went on to become successful property management business owners themselves, with their ex-bosses' full support. What's more, the level of transparency shown by Andrew and James around their pay strategy was not only reserved for former team members. Chris Rolls and Jason Rose, the founders and former owners of Brisbane-based property management company, Rental Express, used to operate in direct competition with Andrew and James. Despite this however, Andrew and James were happy to share their pay strategy with them

once they had sold the business. “Andrew and James were the first to use this revolutionary new way of paying property managers, and we were swift to copy the strategy with their full support”, said Chris. “While we modified it slightly to suit our geographical area, it was definitely a key part of our business success.” It was and continues to be a different and very refreshing way of thinking.

## 5 : We Actually Did Marketing

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Growth, business development, finding more business, creating opportunities, whatever you prefer to call it, lead generation is the lifeblood of any business. Andrew and James established a Business Development Team (BDT) quite early on in their business with the single-minded vision of escalating leads in order to get the best results out of the company's lead generation efforts. They also developed highly-targeted, creative, and innovative marketing assets, which really resonated with their clients and drove the creation of long-term relationships. What Andrew and James did in terms of business development and marketing was unheard of at the time in property management circles. They truly set the bar for lead generation in the industry.

I chatted with Andrew about why and how he and James created their BDT, including how they staffed it, the lessons learned along the way, and the marketing assets they produced for outstanding results. This chapter also includes a section outlining the perspectives of friendly industry competitors Chris Rolls and Jason Rolls from Rental Express on the prorentals business development strategy.

### **To facilitate growth, create a Business Development Team (BDT)**

The prorentals BDT was established as a means of facilitating faster growth. James and Andrew sat down together one evening to organise a plan. They started by documenting the key activities they believed they would need to focus on in order to generate more business. In assessing everything they currently did, they discovered that one of the key activities that was particularly successful in generating new leads was fostering existing relationships with what they called 'Multiple Property Referrers', or MPRs. So the pair put a plan in place whereby a Business Development Officer would go out and see each MPR once a month, gift in hand.

Andrew said, "We would source good bottles of wine direct from a seller – a wine that was not available through the usual retail outlets. We'd then place

a sticker on each bottle that read, 'Proudly selected by prorentals' and have our new business team go out and meet the Multiple Property Referrers, talk to them about prorentals, give them the bottle of wine, and invite them over for an office tour. We decided to pay our Business Development Officers an incentive fee of \$10 per appointment. So, by the end of the month a Business Development Officer could earn a nice little bonus of \$500 if they had achieved 50 MPR appointments during the month. What we found was that the more MPR appointments that were made, the more leads and referrals we saw coming through. It became a solid, structured system centred on constantly being in front of those people. The system brought in a lot of new leads for our business”.

So what type of person did Andrew and James find was a Multiple Property Referrer? In short, the people who generated the greatest number of listing streams (MPRs) tended to be professionals who regularly assist property investors. So they were typically bankers, solicitors, real estate salespeople, buyers agents, investment property marketers, and quantity surveyors, with real estate salespeople topping the list.

Andrew said, “Definitely our number one lead source was real estate salespeople because they are the people who investors are dealing with most often. What we found was when salespeople sell an investment property, they not only have the ultimate buyer as a person of interest for us to connect with but also the many others who made enquiries but missed out on the property and went on to buy through other agents. Our Business Development Officers would then contact those other buyers and chat to them about the process of buying an investment property, asking if they would be interested in fast, free, independent rental appraisals once they had found a property or on their existing properties – quite often we would find that buyers were adding on to an already substantial property portfolio. So it was about identifying a couple of really key individuals who were dealing with a lot of investors and a lot of investment stock, and it wasn't just the ultimate purchaser who was a person of interest for us, but all those people who were making enquiries. Our BDT would follow them all up”.

When it was in full swing, the BDT consisted of just three people: a dedicated lister who would meet with prospects and list property, and two administration support officers who managed the substantial volume of paperwork involved.

Andrew said, “We tried to focus on the surgical approach of ensuring the lister was the one who was doing the face-to-face meetings with people while the paperwork and follow-up was handled by support staff. We found that people

who are natural listers are either no good at handling the back office work or are reluctant to do it. But they're really good at engaging with leads and winning business, so it was a system that worked really well for drumming up more business".

## A team-based approach to lead generation

In addition to the dedicated BDT, all parentals property managers also took on a business development role, much like most sales agents prospect as part of their roles in order to create a continual pipeline of business.

Andrew said, "Our property managers could also go out and do their own listing presentations and if the lister was generating enough leads, he would pass the overflow on, which he would happily do as he received a bonus regardless of whether the property ended up being listed by him or the property manager. That way, they weren't fighting over who's got this lead or vice versa. They all realised that it was a team approach and the more everyone participated in lead generation, the more everybody benefited".

Andrew and James worked out early that having a system that could track all leads, including all lead sources, and who was bringing most leads into the business, was invaluable. Andrew's brother-in-law, Mike van Raders, who worked for Boeing as an Avionics Systems Engineer, developed a lead tracking software program for them that was so effective and ahead of its time that it eventually evolved into the business development management component of InspectRealEstate. Mike joined Andrew at InspectRealEstate in January 2000 and still works with him today as the company's Software Engineer.

Andrew recalls, "I can still remember the day when Terri Scheer, a local landlord insurer who used to refer us some business, came in. James brought up the lead tracking system and showed Terri his records, which clearly indicated that no business had been referred for some time. So the system was sometimes used as a bit of a wake-up call because they knew very well that we would reciprocate referrals to those who referred leads our way, not to those who didn't".

Just as the software was good at highlighting those who weren't referring business, it was also very helpful in identifying people who were.

Andrew said, "We taught our people to be generous to those who looked after us with leads. For instance, if a particular salesperson had referred a lead to us

and that property was later put on the market for sale, we would happily refer that lead back to the initial salesperson in recognition of their efforts. This ‘you scratch my back, I’ll scratch yours’ type of arrangement became like gold for our MPR salespeople and us. And our clients benefitted too because they were being looked after by people they knew they could trust. It was a win/win/win all round”.

## Rifles vs cannons

Andrew and the team were renowned for producing an incredible range of sendable marketing assets, offers, and campaigns that were a key part of their connective marketing strategy. No simple “Dear John” letters ever turned up in the mail from parentals!

“We weren’t the type of agency that would fire the big cannon with loads of direct mail pouring out randomly to people. I very much felt as though targeted rifle shooting was the way to go and it was a strategy that proved to be very effective for us”, said Andrew.

Andrew shared some of their most successful marketing strategies with us.

## Use the strength of existing managements to your advantage

Andrew said, “As we were growing the rent roll we started to manage a few properties in a multi-residential complex in our area. As the number of managements within the complex grew we decided to target the owners of properties within the complex whose properties we didn’t manage. In that letter, we would include testimonials from a few of the landlords within the complex that we look after and also include a couple of telephone references encouraging the owner to get in touch with the landlords to learn how much rent they were earning under our management. We knew very well that we were achieving top rents in the market so if the owner was with another agency, they would realise straight away that they were missing out. That targeted letter proved to be very effective for us”.



Text ‘**COMPLEX**’ to 0786 006 5000 for a copy of that targeted letter.

## Go for the top

James came up with what Andrew referred to as ‘a cracker of an idea’ to target their top 100 potential future clients. He organised 100 API magazines to be delivered to the office each month on the company subscription. Once the magazines arrived, he would have the support team send a letter of introduction with a copy of the magazine to their top 100 leads. The letter would simply invite the recipient to request a fast and free rental appraisal and learn more about prorentals. The conversion rate on the back of this targeted letter was solid.

## Maximising returns in peak season

The prorentals booking system highlighted seasonal and monthly trends in enquiry levels and rental averages. Andrew and James would use that information to educate owners on the importance of using season rental trends to their advantage.

Andrew said, “We created a big poster that pointed out the difference in rent between non-peak season and peak season. The actual example we used was a property that was rented for \$500 a week during the non-peak season and \$690 during the peak. We used this example in a targeted letter format, which would change each month depending on where we were at, to communicate to owners how important it is consider the start and end dates of leasing periods and highlight the fact that we were sophisticated and tracked this kind of information. Owners who had a property sitting vacant at the wrong time of the year would invariably sit up and take notice. We attracted a number of new landlords in this way as they told us their property managers had never told them about this before”.

## Certificate of three months free management promotion

Andrew and James would run what they termed their ‘call night series’. This entailed getting on the phones and calling their top 100 leads, which would be people they had done an appraisal for in the past as well as current landlords.

Andrew said, “Our ‘three months property management for free’ promotion gave us a solid reason to call. We would offer three months free service if the owner

gave us another property to manage. After the call we would email a certificate to the person that they could claim before the end of the expiry date, provided they signed us up to manage another property”.

## The ‘Measure up’ brochure

Along with a quirky gift of a tape measure, this brochure was sent to prorentals’ Multiple Property Referrers, who were a great source of business for them. The brochure highlighted their key points of difference as well as their fast, free rental appraisal service, which was available for any investor they may come into contact with.

## The ‘Do You Need A Tenant Fast?’ campaign

This campaign was the polar opposite of a blank shotgun approach.

Andrew clarifies, “We would ask for a testimonial from an owner who had just received significantly beneficial assistance from us in terms of finding a tenant quickly and obtaining a great rental price for them. We would then feature that testimonial smack, bang, on our prospecting letters to let future owners know how we have just delivered a great result for a client”.

This letter touched on investment property owners’ pain points, which are the fear of excessive vacancy rates and loss of income as a result. What investor with an empty property doesn’t want a tenant fast?

## 50 owner updates

The ‘50 owner updates’ list was essentially the prorentals’ ‘reasons to call’ list targeting clients whose properties had recently become vacant.

Andrew said, “Owners become particularly sensitive to your performance when their property is vacant. If you have a property that’s stretching out in the number of weeks it’s vacant, you need to be able to tell them what’s going on. This is probably the hardest job for a property manager, as they don’t always know what to say or how to say it. I mean, how do you tell an owner that you are having trouble finding a new tenant for their property as enquiries are down?”

So Andrew and James called the entire team into the room one evening after the office had closed for the day for a brainstorming session to address the challenge – ‘50 things to say to owners during owner updates’.

Andrew said, “Every person took turns to write a script on the whiteboard and by the end of the session we had enough depth with our scripts and dialogues to ensure we had the words to ease the client’s concern, tell them what we will do to rent the property in the shortest timeframe possible, and ensure that the owner knows we are doing everything we can to find a suitable tenant for their property”.



Text 50 ‘**THINGS**’ to 0786 006 5000 to receive a podcast of prorentals’ scripts and dialogues for owner updates.

## Video marketplace reports

When you’ve got 400 properties on your rental list that you’re trying to find tenants for, 400 owner update calls is a massive job. Andrew and James knew they needed to come up with a more efficient way to communicate en masse.

Ever the numbers man, Andrew calculated that if each client was worth \$5,000 to the business, they had \$2 million worth of business sitting right there, at least on paper. So they decided to produce a video targeting owners who had engaged their services, whose properties were vacant, and who wanted to achieve a decent rental income (just above market price).

Andrew said, “We started the video by outlining current local market conditions. We then highlighted the fact that we had 50-odd properties on our rent list that no-one was interested in seeing at the moment. This was a real-eye opener for them, because often when a client has a vacant property they think there’s no activity going on, but if you can educate them on the reality and tell them how many enquiries we’re receiving and what’s happening in the market, they begin to realise why their property is still vacant”.

## We actually did marketing

As mentioned earlier in the book, Chris Rolls and Jason Rose, the founders and former owners of Rental Express, were as dedicated to and focused on property management as Andrew and James were. They too broke many barriers in terms

of their marketing and business development efforts and operated in collaboration with prorentals despite the fact that they were technically competitors.

I asked Chris and Jason to talk about their impressions of prorentals' marketing efforts.

Chris observed, "I think it's fair to say that both of us copied from one another. In fact towards the end, when we got to know Andrew and James well, particularly Andrew, we no longer had to copy from each other as we began sharing information instead. We would quite often say to one another, 'Hey, we're doing this and it's going really well; you should do it too'. We both got to the stage where we no longer saw each other as competitors. Instead we both began chasing business from the small offices that were each managing around 300 properties for, while trying to build a sales business at the same time. We knew it would be much easier to target their clients than one another's. We marketed to Andrew's clients for years and they marketed to ours. But just as they didn't take too many of ours, we didn't take too many of theirs either".

Jason added, "It was actually quite interesting because we had two very similar businesses, running very similar fee structures and things like that. Towards the end we would actually give Andrew and James a heads-up if one of our clients decided to move across to them, and they would do the same for us".

Chris said, "I'll never forget one of the former prorentals clients we signed up. One of our staff collected the file from the prorentals office and placed it on my desk. Before I opened the file I had no idea it had come from prorentals. It was a bit of a bonus when I discovered that it was – we may not have been competitors as such but that didn't mean we weren't competitive. I was looking forward to calling Andrew so I could boast that we'd taken a property off him. But all that changed as soon as I opened the file and spotted a letter from Andrew to the owner, terminating their management because they were such a pain in the backside to deal with (I later learned that Andrew had placed that letter there himself, ensuring it would be the first thing I saw). True to form, this guy was an absolute pain in the backside to deal with, and we sent him on his way 12 months later".

Chris continued, "We both operated in a very similar fashion. But I think more than anything, we actually did marketing and that's something the average real estate agency didn't do at the time (many don't do it well today either). In both our businesses we spent a lot of time and effort and money and thought on how to generate new business for a property management business".

## Taking business development to the next level

Since the sale of prorentals, Andrew has taken lead generation to the next level by developing the InspectRealEstate Business Development Management Software (IRE BDM), a system that automatically tracks and communicates with all new business leads.

Andrew said, “IRE BDM is essentially a tracking system. It tracks all your new business leads and helps you capture them. Say you had a property in your office that has investor appeal. It could be one you’re currently managing. Right now all those email enquiries would probably land in a salesperson’s inbox. Now we can also capture those leads and send them across to IRE BDM where the system will automatically respond on behalf of the new business manager. The system can even filter out all emails that come through containing the words ‘rental appraisal’ or ‘investor’ and place them into the lead tracking system of IRE BDM to then be monitored with a follow-up date. Once you attach KPIs to lead generation, it’s easy to keep track of what your BDT is doing to generate leads and convert as many of them as possible into new business”.

Everything Andrew learned about marketing and business generation at prorentals was implemented into IRE BDM. It can incorporate all standard follow-up letters, emails, and SMSs, you can change the status of the lead, notifying all relevant parties automatically, and stockpile more general enquiries into a slower, more passive marketing stream, which issues the company’s mainstream marketing such as monthly newsletters and emails, thereby taking care of your future pipeline.

Andrew said, “One of the best things about IRE BDM is its rapid response time. When an investor has made the decision and purchased, they’re looking for a property manager straight away because they need that tenant to start bringing in an income now, not some time in the future. IRE BDM quickly identifies and tags who’s hot and who needs to be followed up now. These hot leads land in your inbox daily. It’s a matter of harnessing them, following them up, and putting some structure and systems behind them”.

So to sum up this chapter on marketing, Andrew and James were way ahead of their time in so many aspects of their business, including marketing and business generation. Their decision to generate and convert leads by identifying and looking after their Multiple Property Referrers and paying their own Business Development Officers an incentive to do so, was sheer brilliance. Also brilliant was their focus on the key pain points for landlords when it came to

their marketing, such as loss of income through vacancies, and the way they encouraged all team members to generate new business without creating competition between listers and property managers. As Chris Rolls from Rental Express observed, ‘they actually did marketing’, which in itself was almost unheard of in property management circles at the time.

## 6 : Winning Business

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Clearly, winning business is critical for any company. And there is definitely an art to it in property management to ensure you don't get stuck on the 'how much rent' question. Andrew and James spent a lot of time perfecting and fine-tuning a winning listing presentation, which they taught their team to ensure outstanding company-wide performance. Just the fact that prorentals had a listing presentation proved that they were determined to give equal weight to professional lead conversion in the property management space as was given in the sales arena. And their strategy paid off handsomely. Above all else, Andrew attributes the company's success with winning listings to one unique selling proposition: the fact that both directors and their team were always true to his number one mantra in business – See The People.

Andrew taught his team the benefits of dealing with people the old-fashioned way – face-to-face. Rather than simply sending a form with a note asking an owner to 'sign where indicated and return as soon as possible', they would always take the time to meet with an owner.

Andrew said, "I firmly believe that meeting with your clients helps you understand what they want from a property manager. Every owner is different as are their expectations on how they want you to manage their property. You simply can't get a feel for that unless you get to know them.

"To give you an example, one of our first owners worked with a global finance company, so he would regularly travel all over the world and was often out of the country. Because he got to know us so well he felt comfortable to entrust us to handle everything and make all decisions on his behalf, which we did for a few years until he retired. Once he retired, he no longer travelled as much and being retired, money was more important to him than ever. As a result, he now wanted to be a part of every single decision that was made. Because we had built a strong relationship with him from the start we understood who he was, how he operated, and his expectations of us. Therefore we were able to adapt to his changing requests throughout the management journey. You wouldn't pick up on a landlord's changing expectations and needs via email and SMS."

## The prorentals listing presentation

The purpose of the prorentals listing presentation was to convey to the owners that they were serious, professional, and understood the value of the asset they were being considered for to manage. Importantly it was also designed to provide solid evidence that a landlord would profit from having their property managed by a prorentals agent, as they were at the top of their game. Last but not least the document served as the start of the educational process for the owner in terms of how prorentals would manage their asset and the outcomes they could expect.

Aside from always meeting in person (unless of course the owner was unavailable, such as a foreign investor), Andrew was emphatic that a team member learn everything they could about both the property and its owner before conducting the listing presentation. For instance, it was important to determine if the investor had an emotional attachment to the property or if they were dollar-focused.

Andrew said, “One of my favourite lines to ask an owner before diving into the listing presentation was, ‘Why did you buy this property?’ As soon as you asked that question, you immediately learned if the property was bought purely as an investment (dollar-focused) or if their mother or father had just passed away and they had inherited the property (emotionally attached). This would give me an insight into their needs and motives straight away”.

Asking this question also served to make the owner feel that the prorentals representative was interested in them and there to serve their best interests, making them more agreeable to listening to what they had to say next.

## Always have an agenda

The prorentals team was taught to always take a meeting agenda with them to ensure their time was used effectively and to maximise the outcome of the meeting for both parties. The agenda set the tone for the meeting, gave the team member a point of focus, and ensured they asked the important questions – ones designed to move the discussion forward in a positive way. The meeting agenda also provided a way of uncovering early, any objections that the owner may have had. This enabled the team member to tailor the presentation to suit, expertly handling those objections head on, rather than avoiding them.

## The prorentals Top 10 for listing presentations

Andrew took me through the Top 10 key points the prorentals team delivered in their property management listing presentations. It was a cut-to-the-chase presentation that directly addressed owners' concerns. It also gave owners confidence in selecting prorentals as the right agency to manage their hard-earned financial asset.

### ***1. 100% focused on property management***

This was the obvious place to start because it was one of the major points of difference between prorentals and the competition.

### ***2. Single point of contact***

Having a dedicated property manager responsible for looking after a client and their complete property portfolio was a unique offering from prorentals and considered a real incentive by clients to engage their services.

In the early days when Andrew and James were researching the market to clarify what it was that property investors actually wanted from a property manager, they found that having a single point of contact was high on the agenda. Andrew told me that one of their first clients, who owned properties all over Australia, highlighted that having to deal with multiple people who didn't know him was a deal-breaker for him. So they learned from this and offered a single point of contact for all clients, highlighting this as another key point of difference during the listing presentation.

Andrew said, "It's no different to dealing with the bank. You want to know you can ring your bank manager when you need help or advice. Sure the bank manager may delegate tasks as a result of that call to other team members, but the point is the customer only needs to ever speak to the one bank manager. So number two on the priority list was to highlight the fact that even though we had a team of thirty-odd people, the client would be given a single point of contact".

### ***3. Find tenants fast***

Andrew and James implemented systems to ensure they always had a steady tenant pipeline coming through. This was highlighted to prospective clients as another point of difference and a distinct advantage to them, because a steady

pipeline of tenants gave prorentals the ability to tenant a property quickly, reducing vacancy periods.

Andrew said, “Our people were taught to outline exactly what we did to find tenants fast. This included our online booking system and how we could dispatch a car within two hours. So, much like you would book a taxi or a Uber, you could jump online and book an inspection in two hours’ time because we had four cars on the road at any given point in time driving all over Brisbane, meaning we had the capacity to show a property to a potential tenant straight away”.

#### **4. Price**

Andrew and James let owners set the price for their own rent. This unique approach was followed up with a system that showed the owner what the market was prepared to pay. Furthermore, team members were incentivised to achieve the highest possible rent. This clever approach served to ease an owner’s concern over price, which is normally the most contentious part of the discussion during a listing presentation. Allowing owners to set the price gave them a sense that they had some control over the process.

Andrew said, “During other property management listing presentations, different property managers may give different prices and an owner is left feeling very confused. So we decided early on to advise the owner that we were happy to list the property at whatever price they wanted – after showing them evidence of what the marketplace was paying so they couldn’t come back to us later and say we misinformed them”.

The prorentals team member conducting the listing presentation would come in armed with a Comparative Market Analysis (CMA) report to show the client details of comparable properties currently under management with them, comparable properties that were vacant, and data on the relevant time of year. Ultimately, the client could choose the price. This was a very clever technique that really gave prorentals the edge, as it completely took price out of the equation as a reason for losing a listing.

The prorentals online booking system made it easy to see exactly when the property was put on the rental list and quickly gauge the response from the market. As a result, the owner could be advised if there was a need to adjust the price (not unlike the sales process).

Andrew said, “We could educate the owner and tell them, ‘you can pick the price,

but we'll be able to tell you by day three how many future bookings we've got. If you're too high, or you're out of the price bracket, you won't receive have any enquiries or bookings'. Once the owner was educated on how it works, that is, we don't really know the price until the market tells us what it would be prepared to pay, then we could work together to achieve the right price for the market".

## **5. Owner got to choose the tenant**

We've all seen the horror stories on television shows like A Current Affair about tenants from hell who destroy a place and refuse to leave. One of the greatest concerns of any investment property owner is that their property will be leased to a 'bad' tenant. The prorentals strategy was to give the owner the final say on tenant selection.

Andrew said, "After completing our stringent tenant selection process, the final say rested with the owner. That gave them reassurance that we weren't aiming to put just anybody into their property".

## **6. Arrears**

Another fear for owners is that their tenant will fall behind in their rental payments. So explaining the process of payment collection and the prorentals arrears process served to ease an owner's mind. Andrew and James taught their team to make it crystal clear to owners that they understood what mattered.

Andrew said, "We went through the rental collection and arrears processes with our owners in detail, including how at the start of a tenancy we would give the tenant a rental payment schedule and point out all the days the rent is due. We'd also tell them that we had a daily arrears list to demonstrate the quality and thoroughness of our work. So if a tenant fell behind in their payments, even by a day, we would call them every single day until payment was made".

## **7. Limits of authority on maintenance**

The more control an owner feels they have over their investment, the more comfortable they feel. This doesn't mean that owners want to do it all themselves. It simply means they want to have a say on decisions made. Allowing owners to set a limit of authority on maintenance gave them the comfort of knowing that their property manager could only spend \$x on repairs and maintenance without their consent.

Andrew said, “Some owners wanted us to have zero authority to spend, while others might have been travelling a lot or busy with work commitments and gave us either a substantial limit or wanted us to make the call. The point is they liked the fact that they could have their say; therefore this was another point highlighted during the listing presentation”.

### ***8. Team was incentivised to ensure their goals aligned with the owner***

If a prorentals property manager didn't find a tenant, they didn't get paid. This strategy is not unlike the one used in sales – no sale, no commission. On the other hand, if a maximum rent was achieved, then they were entitled to a higher fee. Explaining this to an owner during the listing presentation allowed them to see that the system was fair, equitable, and transparent.

Andrew said, “If we were successful in achieving a maximum rent, then we were able to get the highest possible commission. So owners really knew that our interests were very much aligned. What's more, unless we found a tenant who met their approval (remembering they got to choose), then they weren't charged a fee to use our services. We heavily promoted the fact that there was no fee unless we found a tenant who the owner approved. When the phone would ring in the office and someone would ask, ‘How much do you charge?’ our instant reply was, ‘Zero, unless we find a tenant that meets your approval. When can we meet?’ It was a very effective strategy”.

### ***9. Reporting***

Point 9 on the listing presentation agenda was educating owners on the comprehensive prorentals reporting system. An entry condition report prepared by prorentals would be shown and compared to a report produced by the competition to show how thorough prorentals was when conducting ingoing, routine, and outgoing condition reports versus the process adopted by others. It was another key selling point.

### ***10. Legal paperwork***

Last but not least was the legal paperwork, which they would walk the owners through in detail. Not only did this demonstrate transparency but it was also a form of closing the deal.

Andrew said, “We would explain everything contained in the Authority while filling in the details. Then we’d simply say, ‘Mr and Mrs Woodward, by having the Authority completed we will be ready to start work as soon as you give us the go-ahead to find you a tenant. All that’s left is for you to authorise the document with your signatures’. We’d then suggest that we would leave it for them to sign, but a lot of them just signed straight away and off we’d go”.



Text ‘AGENDA’ to 0786 006 5000 to receive a copy of the parentals listing presentation agenda.

## The Listing Kit

Team members would take a parentals Listing Kit to every listing presentation, a prop that helped them influence the owner’s thinking. This professional document allowed them to showcase their unique selling proposition and highlight that they would go the extra mile and put in that extra effort and sweat to get a great result.

Andrew said, “76% of the growth of our property management business came to us because the properties were vacant. So 76% of our Listing Kit was all about what we did to find a tenant for a property. It was all based around what we did to let the properties. The order of the Listing Kit was extremely important because at any moment you could get ‘dropped and jabbed’ by an owner. Our Listing Kit followed the same order as a normal tenancy. So at the start it was all about finding a tenant, then it focused on moving the tenant in and the condition report before moving on to rent collection, repairs, routine inspections, and what happens when a tenant vacates the property. Finally the kit would outline what we do to start the whole process over again. So at any point in time, if someone asked one of our team members a question, they knew where to look to find the documentation or information that would address that question”.

Andrew explained some of the winning questions he and the team would ask in a Listing Presentation, using prompts from the Listing Kit.

If the owner had a vacant property, Andrew would say:

**Andrew:** Why do you think it’s vacant?

**Owner:** Oh, I don’t know, our last property managers couldn’t find a tenant. Now we’re at the point where we just need a tenant!

**Andrew:** I understand your frustration. How much are you trying to achieve at the moment?

**Owner:** Three-fifty a week.

**Andrew:** Three-fifty a week? How about I do a comparative market analysis to see what we are currently achieving for similar properties in the area, as well as have a look at what's available on realestate.com.au? Do you know where your property is currently listed on the Internet? Have you done a search?

**Owner:** No, I haven't. I've got no idea.

**Andrew:** You haven't done a search? How about we do one right now (types ID into laptop). I can see that your particular property is ninth down the list on the eighth page. No wonder nobody's found it!

**Owner:** I had no idea!

**Andrew:** The fact that you are on page eight right now means you're probably being overlooked. So what we need to do is put some strategies in place to get your property back to the top of the list.

**Owner:** That sounds good.

**Andrew:** We also have an online booking system that will allow us to set some times over the next week to show your property to prospective tenants if you decide you'd like us to manage your property. Now, how our system works is that we put up a range of times that our team is available to show the property. That way the tenant can select the time that suits them. Tenants like to have this choice. Imagine if you needed a haircut and instead of selecting a time that suited you the hairdresser simply told you a set time to come in. Wouldn't you prefer to select your own time?

**Owner:** Absolutely!

**Andrew:** Yes, so it's just the same theory – the times are placed on the Internet. The great thing for you is that we'll also be able to view any activity levels. In other words, the system will show us the number of enquiries that we receive as well as the number of people registered to book and inspect the property in advance. We can then give you that information so you can see what we're doing to achieve the rent you're after.

Another great feature of our system is that I can bring up all the tenants who have made an enquiry on a similar property with

us in the last fourteen days. So if you authorise the paperwork today for us to start looking for a tenant for you, I can contact those people straight away. Here they are (pulls up list of prospects on the laptop).

The parentals team would also show persuasive relevant statistics and graphs of all the enquiries that had been received over the year so the owner could see the highs and the lows of the rental cycle.

Andrew said, “If the discussion took place in April, which is traditionally a slow time of the year, you could say to the owner, ‘look, I can see why you’re struggling to find a tenant for your property as your lease has expired at the quietest time of year. My suggestion would be to put a strategy in place to take a nine- or ten-month lease term, as that would put the property back into the peak season and allow you to achieve a great return’. Without actually saying that the other agent is not doing a satisfactory job, the aim is to point out that one of the obvious reasons they’re not getting the level of enquiries they’d like is simply because of the time of the year. I would then say something like, ‘how about we get it back to peak season and then try and achieve something better than you’re getting at the moment. We just need to adjust it, and be reflective of the time of the year. Alternatively you could keep it vacant for the next two months if you would prefer. That’s another possibility’. As you can see it’s all about giving a sense of control to the owner while showing off your strengths and professionalism”.

## Feature Listings made listings move

Andrew knew that when it came to digital marketing, the Feature Listing was the way to go if you wanted a client’s property to stand out from others and achieve a solid number of enquiries. Feature Listings made listings move.

Andrew said, “When we sat down and talked to an owner, it was important to bring in some relevance. The first thing I would do was use an analogy to highlight the importance of being first on Google, ‘if you’re looking for a plumber, how would you do it?’ And most people said they would go to Google, type in ‘plumber’ and the location, and scroll through the first one to two pages. I would then ask them, ‘at what point in time would you stop looking?’ Nine times out of ten they would say that they’d stop at the third or fourth plumber on the list. Then I would ask, ‘So how do you think tenants find properties these days?’ And of course, the obvious answer would be that they would conduct an online search

on realestate.com.au or domain.com.au. I would then show them a search and point out the Feature Listings at the top of the page. The Feature Listing was a great technique and most would be sold at that point. If they decided not to go with a Feature Listing however, we would let them know that we would keep them informed as to which page number their listing currently was on throughout the campaign”.

## Listing Presentation checklist

The listing presentation checklist was used in conjunction with the listing kit and acted as both an in-depth document and a conversion tool. It served to educate the owner about how prorentals would ensure the smooth running of the management while maximising their rent and long-term capital gain prospects. It was also a tool that ensured consistency across the board, which was particularly important once the team began to grow in earnest.

Andrew said, “Once the team grew, we wanted to make sure that the message about our deliverables was the same whenever any one of our team members met with a prospective new client. As I pondered how we would achieve this in the least time-consuming way possible, it struck me that a checklist would be the way to go as it would allow team members to tick off all items as they went, ensuring all the key points were covered. Once the listing presentation was complete, the lister or property manager – whoever was conducting the presentation – would hand the checklist to the owner and have them sign it to make sure they were satisfied that we had covered everything that we should. So this checklist was far more detailed than the ten-point meeting agenda”.

The way I see it, the gold in this process was handing such a detailed checklist to a potential client. They would have thought to themselves, “Wow, this is really different. These guys really do have systems and procedures in place to protect my asset”. As the owners, it also provided Andrew and James with documented proof that the same message was being communicated to new owners by all team members and served as an excellent training tool for new recruits.



Text **‘CHECKLIST’** to 0786 006 5000 to view a copy of the prorentals Listing Presentation Checklist.

## Losing a listing

Nobody likes to lose a listing in sales or property management, but when it happens it's important to sit back, assess what happened, and learn from the mistakes that were made. While prorentals won far more than they lost and rarely lost a property management, I asked Andrew why he believed they lost a listing when they did.

Andrew reflected, "Well, primarily it was because the relationship had disintegrated. The way our property managers were incentivised, they would lose the income if they lost the management. Generally it was all about communication, that is, the property manager wasn't getting back to them. We had great success when we were given notice by an owner that they were thinking of leaving as it allowed us to have a member of our New Business team phone them to uncover what the issue was. Our Business Development Manager (BDM) would be paid a bonus if they managed to keep them, so they really tried hard to win the client over. Generally the BDM would discover that the issue was with the owner's designated property manager so they would offer the client a re-allocation to another property manager. This strategy saved many listings from being lost. Having the New Business team ring even allowed us to re-list some lost properties".

I'm sure you would agree after reading this chapter that prorentals had a winning listing strategy that paid dividends. Andrew and James were structured and systemised in their approach and identified a great way to not only get the entire team on board but also train newcomers in the prorentals way to list a property. But of all the strategies, the one that I believe was most effective of all was the way Andrew and James instilled Andrew's mantra – 'See The People' – onto the team. As is the case with sales, real estate is about people first – the property is simply the product.



# 7 : The Exit

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Timing is everything in business. And so is planning. If you don't plan your exit strategy early on in the life of your business, you are setting yourself up for failure. All good business plans include a clear exit strategy from day one. After all, the only reason anyone starts a business is to get out of it one day. Why? Because that is the day you can cash it in and be rewarded for the blood, sweat and tears that went into making it a success. There are a few different exit strategies, including merger, acquisition, going public, and sale, the latter making for a simple, clean exit and the choice opted for from the beginning by Andrew and James. But planning to sell is one thing; actually selling is another. There are many things to consider, including when is the right time to sell, can a business ever be too big to sell, and how to structure the sale.

Andrew reflected, "When James and I started the business, our goal was to get to 10,000 properties under management. Once we got to around the 1,500 mark, we started to wonder whether that goal of 10,000 properties was actually achievable. The answer to that question was yes it was possible, but we would be very old men by the time we had achieved it! So, during one of our many business strategy sessions we wrote the words, 'Reasons to sell the business' on the whiteboard. This was back in January 2009, so exactly 11 years after opening our doors and creating our initial exit strategy. What followed was a very open and honest conversation and an energetic brainstorming session. We ended up with a total of 23 reasons to sell and seven reasons not to sell up on the board".

## 23 reasons to sell

### ***1. It had reached a saleable size***

Andrew and James realised that there is a point at which a company is saleable and also a point at which it has crossed that line. Wait until it grows too big and you run the risk that there won't be anyone to buy it. When they eventually

sold the company a year later, the average sale of a rent roll in Queensland was about a 150 properties. Andrew and James's 1,756 properties gave prorrentals a top line value of about \$9.5 million. Not bad considering they had started with 31 properties under management and a \$50,000 debt.

Andrew said, "If we had hung in there longer and doubled our rent roll to 3,500 properties – all of a sudden we would have been sitting on a \$20 million asset! And at the time there was nobody in the market who had \$20 million to buy a residential property management business. So we became quite focused on this point, and in hindsight at the time, we made the right decision to carve it up to sell to 11 separate sellers. If we had waited until we had achieved 3,500 properties we would have had to carve it up to sell to 22 separate sellers. Things have now changed in the market and large rent rolls are back in vogue with sales of larger rent rolls now occurring".

## ***2. The nature of partnerships***

Anyone who has been in business with someone else will tell you it isn't easy. Sure you get to share the load and the expenses, but no matter how well two people get on, work together and communicate, there are always going to be underlying concerns around whether or not you really are sharing the load equally, in terms of time, effort, and money. Who's working harder? Who's investing more of their own funds into the business? Those are the kinds of questions that inevitably arise in any partnership.

Andrew said, "I'll never forget what my father once said to me. He said, 'Partnership is an interesting thing. It's a marriage but without the sex'. It was an interesting definition but it really truly is like a marriage on so many levels".

Fortunately Andrew and James were well-suited to be partners in business because they were so different. Their individual skill sets and personalities were a great balance and, as you would have read in earlier chapters, the staff attested to this. However, after all these years in business together the pair could no longer agree on the goal, and as a result there was a lack of direction.

## ***3. The legal landscape had become more challenging***

In the 11 years since they had started the business, property management legislation had changed substantially and this impacted considerably on their business operations.

Andrew said, “When we first kicked off, an authority to act for an owner was a simple one page document with a carbon copy on the back. As the years went by however, everything became more and more complex, including compliance. Owners’ expectations also ramped up considerably and tenants were of the view that they rented the property from us – prorentals – not the owner. All in all everything became far more time consuming”.

#### ***4. It was time to relax and enjoy a real break***

Owning and running a business is 24/7. Even when you go on a holiday, you can never truly relax and unwind because you are always aware that the buck stops with you.

“Unless you’ve actually been in business yourself, you wouldn’t understand that constant nagging in your head”, said Andrew, who ironically went from owning one business into starting and running another almost immediately following the sale of prorentals.

#### ***5. Did we have the energy to transition from a small business to a medium or a large one?***

Running a small business takes a bundle of energy as it is. But to run a medium or larger organisation, well that’s a whole new ball game altogether. When a small business is on the verge of crossing the line into medium or large business territory, the question must be asked whether or not the energy is there to make that leap.

“A larger business becomes a bureaucracy. At the start, you would just employ one person to fill out a Condition Report. All of a sudden, when you’ve got 13 people doing Condition Reports, you have to employ someone to check on that process. You’ve also got additional compliance to worry about and we could see more and more of that happening as we were going forward”, said Andrew.

#### ***6. The frustrations of dealing with people is tiring***

Anyone who has worked in property management will understand that, while the rewards can be great, it can also be relentless, thankless, and draining work.

“When we were performing at our peak we moved 405 property changers out of one dwelling and back into another within a month, so 405 changeovers a month. That’s an awful lot of people to move and keep happy. Even if 96% of

all the handovers you facilitate go well, that means four out of 100 don't. So if our property managers did 400 in a month, the odds were that 16 of those changeovers weren't going to go as well as you would have liked them to. And guess where those reports ended up? You guessed it, in the boss's in-tray. You end up dealing with the 16 dramas and all the frustrations that go with that. And it was never the property that called up to complain, it was the owner or the tenant. That's why it should really be called People Management, not Property Management", said Andrew.

## ***7. A lack of cash earnings***

Andrew recalls, "James and I were very strong in building the asset. But we probably didn't take out the right amount of cash along the way. Instead we invested most of it back into the resources, the people, the structure, and the systems. Within the 12 years that we owned the business we had built an asset that was worth a lot of money. But that was on paper only unless we sold it. We knew that by selling it we were both set to achieve a much better return with the cash sitting in the bank. The money we were paying ourselves definitely didn't match all the effort we were putting in. This validation on its own made a great case for selling when we did".

## ***8. Tired of living in fear***

Running any business has its share of risks. But running a property management business brings with it an entirely different set of risks, such as the threat of natural disasters and weather events. These risks are totally out of your control. And given that Queensland is known for its significant weather events, this was a very real threat for the Brisbane-based company.

"Property management is a funny beast. You do all this work and then all of a sudden a storm can come through and wreak havoc. You then spend the next six weeks cleaning up after the storm, only to be exactly where you were six weeks before. That brings fear into you over time, especially once peak season kicks in", said Andrew.

## ***9. Changing ownership dynamics***

James's wife became a partner in the accounting firm, which Andrew admitted had an impact on the decision-making process. It meant that decisions on

everything from insurance to banking arrangements required approval from an independent party.

### ***10. No autonomy***

This point is related to the previous one. Being in partnership means you can never make a decision on your own.

“It’s an odd feeling when at the age of 40 you can’t make a decision on your own. When you’re in a partnership, you have to discuss everything before a decision can be made. Being pragmatic by nature, I admit I struggled with that”, confessed Andrew.

### ***11. Time-off constraints***

Andrew said, “Having constraints on when we could have time off was another big one for me at that time. For instance, it was difficult for me to have time off when my children were on holidays. The peak seasons always fell during school holidays, meaning I was constantly working when they were off. I know this affected James too, as he also had kids, albeit younger than mine”.

### ***12. No rest until the job was finished***

Andrew is a perfectionist and a stickler for achieving goals. So when he set a goal, he wouldn’t rest until it was achieved. Imagine his frustration then when he realised they were never going to achieve their goal of 10,000 properties under management.

He admitted candidly, “This point relates more to my personality. Even though my rational mind told me that achieving 1,700 properties was a great result, it was only 17% of what we had set out to do. So I saw this as a failure and felt we needed to keep working as hard as we could to try and achieve that original goal. The hours we were putting in to achieve the unattainable were crazy. It may have only been a matter of time before one or both of us burned out”.

### ***13. Capital Gains Tax implications***

With the help of an accounting firm that did some private ruling work for them, Andrew and James worked out that if they continued to grow at the pace they were, they would have been on track to double the size of the business.

This would have had significant tax implications on exiting the business, for instance, doubling the size of the business would have ruled them out for small business concessions.

#### ***14. The fear of being sued***

In their last year in the business, Andrew and James's professional indemnity insurance commitment was a whopping \$33,000 to cover themselves in case they were sued, not because they were doing anything wrong, but simply because of the nature of working in the property management sector and handling such a large volume of properties.

Andrew explained, "Our policy was one that required us to declare any claims made against us. So if someone said, 'I'm going to sue you', or, 'My daughter has just burnt her leg on the hot water system', or anything like that, then we would have to report those incidents to our solicitors to ensure we had the right legal support in case the situation escalated. We had an end of month procedure in place, where we'd ask all our property managers to report any potential legal issues. I have to say that the file was getting bigger and bigger by the month. We just saw it as a major concern".

#### ***15. Entering into unknown territory***

When you start a new business you have a level of commitment, belief, and energy that drives you to work harder than you've ever worked in your life. But eventually a business either plateaus or, as was the case with prarentals, reaches a point where the next big leap in growth is in sight. That point in business motivates some, but makes others wary. The latter was the case for Andrew and James.

"We weren't sure how to feel about the next chapter. There was an uncertainty over where we were heading at this point", said Andrew.

#### ***16. Carpe diem – seize the day!***

Andrew recalls, "I was still young and so were my kids. So the option to spend more time with my family was very appealing. I knew there was only a small window of opportunity there – before too long my young teens would be adults and that opportunity would be lost forever. I thought to myself, well, if you're going to jump, you should jump soon before it's too late".

## ***17. Small business thinking***

Andrew and James came to the realisation that they were small business thinkers. They knew that to go to the next level would require a dramatic shift in mindset. And they weren't convinced that they were ready for that (nor were they sure they wanted to).

## ***18. Health***

Many business owners will admit to neglecting their own health and wellbeing and Andrew said that he and James were both guilty of that. This may work when you're young, but as you get older, looking after your health becomes increasingly vital.

"Unfortunately we were so busy that our health was put to the bottom of the pile", said Andrew.

## ***19. Being on call 24/7***

Andrew told me, "In property management you have the constant feeling that you're on call 24/7". That is simply the nature of the industry. If there is an emergency in one of the properties you manage (and some of those can be life-threatening, such as an electrical fault) it must be attended to urgently.

## ***20. Dealing with frustration when the desired standard wasn't met***

As a perfectionist, Andrew had high expectations that a quality product and service would be delivered at all times. He struggled to deal with the fact that this ideal could not be maintained 100% of the time.

## ***21. Exhaustion***

"We were working so many hours for so many years that we just became really tired. That's the only way to describe it", said Andrew.

## ***22. People management***

There wouldn't be too many business owners with staff who wouldn't regard people management as one of their greatest business challenges. While Andrew and James were blessed with a great team of people, there was always the fear that

someone would leave. Of all industry sectors, real estate is renowned for its high staff turnover, so this was always in the back of their minds.

“Ultimately, everyone’s going to leave at some point”, said Andrew. “It was pointed out to me early on in our business journey that if you have 33 team members and everyone works for you for two years, then someone’s going to leave every month. That’s a lot of new people to recruit, induct, and train!”

### **23. Management company with growth company overheads**

Andrew and James had a big decision to make. Would they structure the business as a management company with a focus on the profits or would they focus on growth, which would require a dramatic increase in overheads? If it was to be the latter, Andrew knew they would have to set aside the funds to pay for that growth upfront (on wages, the space, their resources, and the people). At the time of writing their list of pros and cons they essentially had a foot in both camps. So you could say they were a management company with the overheads of a growth business. And that was not a good place to be.

## **7 reasons not to sell**

Andrew and James’s ‘Reasons Not To Sell’ list was much shorter, so that spoke volumes.

### **1. Property management is a fantastic business**

Andrew said, “If you look at all the facts you can’t deny that property management is a great business to be involved in. It’s commission driven, it’s an asset you can grow, and it’s a necessity in the community, to name just a few of the reasons that make it great. These are all reasons that got us into the game in the first place. Did we really want to let that go?”

### **2. We were at the top of our game**

Andrew and James were at the top of their game when they conducted this pros and cons exercise. They had put a range of systems and processes in place that they knew would facilitate massive growth and prosperity. The question remained however – did they want to keep growing?

### ***3. Still got a buzz out of it***

Andrew said, “We still got a real buzz out of helping people, adding new clients, seeing the team grow and develop, and watching our assets build”.

### ***4. Still provided a challenge***

There are people who sell a business because it has become a bit mundane and lacking the challenge that was there at the start. This wasn't the case for Andrew and James who still felt challenged every day. Simply overcoming the obstacles that gave them so many reasons to sell were enough to keep things interesting.

### ***5. We still believed that we could get to 10,000***

Andrew said, “We knew we could potentially get there. We just needed to decide if that was what we still wanted to do. The business was at a point where it could virtually stand alone. At one point I even suggested to James that he work in the business one year and I work the next and so on – just as a way achieving some sort of work/life balance”.

### ***6. The potential to diversify, such as adding a sales arm onto the business***

While this was a potentially viable option and a valid reason not to sell, it was not a path Andrew and James wanted to go down.

### ***7. The cost of exiting***

There are significant costs associated with selling a business that people don't necessarily tell you about, such as paying out staff redundancies and incentives, paying rent until the lease expires (in Andrew and James's case that was 18 months rent they had to pay), brokerage costs, and legal fees.

“The cost of exiting prorentals ended up being massive”, said Andrew.

## **The exiting process and the lessons learned**

The most interesting business stories – the ones that make people sit up and really take notice – aren't always the great success stories, but the stories of challenge and lessons learned. In terms of prorentals, the exit was a significant part of the story

because it was such a large asset with properties spread over a vast geographical area. This wasn't the sale of your typical property management business with a rent roll of 100 to 150 properties. We're talking about more than 1,700 properties!

I spoke with Andrew, Doug Stockley (the lawyer who handled the legal aspects of the sale) and Chris Rolls (the co-owner of Rental Express in Brisbane) to understand various perspectives on the sale of prorentals. I began by asking Andrew what he learned most from the sale process.

He said, "As things got hard – and they got really hard – we realised that a solution would come. Let me explain what I mean. James and I made a decision to incentivise our team to call all landlords to let them know the business was being sold, but at the same time reassure them that nothing would change in terms of the service they would receive while this was happening. All prospects were also advised of the impending sale. The result was that we had 100 prospects advise us that they weren't progressing with the company while we were switching over to the new owner. Basically we lost a lot of value almost overnight. Now we could have sat in the corner and cried over that or we could have started to think of ways to handle the transition process better. We opted for the latter and took control of the situation by making calls ourselves".

I asked Andrew to share the greatest lesson learned from the sale.

He said, "The greatest lesson was that we should have sold a smaller parcel of the business first. In the end we were only paid for 76% of the asset, so 24% was lost straight off the top in transferral costs. Thankfully laws are a bit different in Queensland now, but back then you had to have the new Authority signed in the new agent's name, including two signatures, and around eight initials. There was a substantial amount of documentation required to move the Authority to Act across to the new owners. Essentially you had to do 1,756 listing presentations but in reverse".

As a consequence of the sale there was some pushback from owners, including some long-term prorentals clients who opted to transfer their business elsewhere.

Andrew said, "We understood their reasoning. But accepting it was hard, especially when we realised that some of our best and most highly-valued clients had taken their business to management agencies that we knew were not going to be the best choice for them. I guess you could say we still cared a great deal, even though we were getting out of the business. So we spent a lot of time scanning all the documentation and information relating to the management of those exiting properties to ensure the new agent received as much information as

possible about the landlord and their property. That was a much better transition for that owner, instead of saying here you go, here's your condition report and your lease sitting at the front counter, ready to go. We actually put someone on to manage the exit process in the end".

The following outlines the perspective of Doug Stockley, the solicitor who handled the legal aspects of the sale.

Doug recalls, "I don't think there was much that Andrew and James could have done better. They were highly organised, and the systems they had in place to keep track of what they were doing were commendable, especially compared with others I have seen whereby proprietors didn't have a great understanding of what they should have been doing to keep control of their property management rent roll. James and Andrew had it down pat.

The greatest challenge I would say was the enormity of the task and the detailed process involved in selling such a large rent roll. For starters, the prorentals rent roll was spread over an enormous area of greater Brisbane. So it was difficult to manage from a logistical point of view. It ended up being broken up into chunks and going to 34 settlements, which is a record for me. The previous record for a property management business was three settlements.

The fact that the team was incentivised to personally contact all their owners was admirable in my opinion. There's nothing like that direct, personal approach to cement an arrangement and reinforce to the property owner that nothing is going to change; that they will still get good service from the incoming proprietor. That personal touch really paid dividends for them because the number that refused to accept an assignment was substantially reduced. They put the hard yards in to make sure that those assignments were transferred to the new owners".

I asked Doug whether the greatest lesson is not to grow too big; that the larger the rent roll, the harder it is to achieve a simple, clean exit. Here's what he had to say.

"I wouldn't say it's the size. It's more the geographical spread that's the issue. Having to commute and travel between your various properties to keep an eye on them is very difficult. Of course, you've got to balance that up with the fact that you may have developed a relationship with a property owner with a scattered portfolio of properties. They don't necessarily want to be dealing with five different property managers. They may prefer to be dealing with the one office. This creates a challenging decision-making process whereby you need to balance the pros with the cons".

For a different perspective on the sale of prorentals and the sale of large property management businesses I spoke with Chris Rolls (the co-owner of Rental Express, the largest property management company in Queensland and prorentals' main competitor). Chris said he and his business partner at the time, Jason Rose, learned a lot from Andrew and James's experience with the sale of their company.

Chris said, "One of the things that Jason and I had the benefit of, was Andrew and James's experience. It was a landmark sale as far as I am aware. I remember there was a lot of debate at the time about whether or not it was possible to sell a rent roll of that size and geographical spread in one go. My belief is that they may have been able to but they went down the path of breaking it up, which I'm not convinced was the right path. We learned a lot from the issues that they had in breaking it up. Andrew was very generous for sharing that information with us. It was a real eye-opener to business owners like us with large rent rolls.

"Something else we learned about property management since the sale of prorentals is that it is very cyclical. So the value of a rent roll and demand for it changes in line with the sales market. When sales markets are booming, all the agencies around Australia are cashed up and want to buy rent rolls. We took advantage of that when we sold Rental Express. As a result we ended up in a competitive scenario whereby we had three parties putting in formal offers. Fortunately for us, we were able to sell our business for one cash lump sum. What's more, we were able to sell it without having to change existing management agreements into new management agreements. That was because we were structured well from the start. For me, it was the fourth business that I had built, grown, and sold. Experience teaches you how to structure businesses that are tax effective and asset protection effective but that also allow you to exit well. Our rent roll was held in an entity that had never traded. A buyer was not scared of buying that entity as a whole and therefore this removed the need to transfer agreements.

"Another thing that had a significant positive impact on the sale of our business was the fact that I hadn't been personally involved in it for a couple of years. Very often, when the leader and owner sells a business and steps away from it, everything falls apart. We had what I believe was probably the best management team, in terms of property management, in Australia. I don't think there would be a business anywhere in Australia that was run by a more capable team of people who knew the industry inside out and were very effective. That was very attractive for an incoming buyer because they were buying a business rather than just a rent roll".

## A new chapter begins

Within a year of selling prorentals, Andrew was co-owner of a new business. Noticing a gap in the property management industry, he set about developing software to fill it. The result was InspectRealEstate – a customised online booking system that allows prospective tenants (and now also buyers) to automatically book inspections.

Andrew says he got into software development almost by accident. “When we owned prorentals, James and I were always looking for a better way to do things. I was lucky that my brother-in-law worked for Boeing and was very technologically savvy. One day he was playing around with an access database program to develop a footy tipping competition. So I asked him if it would be possible to use similar technology to track our keys, control our vacancy lists, and other things that would help with our leasing activities. So that’s precisely what we did and the experience of working in the industry and using technology to create greater efficiencies in the business gave me an understanding of other gaps in the sector that could be filled with a simple technological solution.”

Interestingly, Andrew’s first IRE customer was Rental Express, one of his main rivals when he owned prorentals. But while they were competitors in business there had always been an openness and willingness to share information between the owners.

“Chris (Rolls) and the team assisted us with the development of the software, and within four years the software was used by more than 620 offices nationally”, said Andrew.

Today the software is utilised within a rapidly growing number of real estate businesses in Australia and New Zealand. Within the last 8 months alone the number of businesses using IRE has grown from 1,200 to 1,900 and has generated in excess of 26.4 million enquiries and counting (head to the IRE website and you’ll literally see the tally rise on the Home screen).

Andrew’s former business coach and current account manager at IRE, Paul Hopkins, sums it up well.

“InspectRealEstate is scalable beyond belief. You can take it anywhere. If you look at a property management business you’re restricted by staff and properties. But with this business you’re not restricted by anything, so it’s really an open playing field. Everybody in InspectRealEstate is in it because of Andrew.

His experience at prorentals meant pretty much everybody in the business, me included, knows Andrew, or knew Andrew before. It's like moths to a flame. Even though we don't know exactly where we're going, we all know that we're going somewhere fun."

Joel Davis is Managing Director of Brisbane-based property management and residential property investment sales group, Image Property. After observing what Andrew and James had built with prorentals from a distance, Joel and his brother Shannon experienced many ah-ha moments to the point where they eventually bit the bullet and made it happen for themselves, starting Image Property in 2004. Joel, who specialises in property management, currently has more than 2,500 properties under management, which he says would not be possible without the lessons he learned from the prorentals experience and the many benefits of IRE.

The next chapter outlines the business success achieved by a number of former prorentals team members in the wake of the company's success, and highlights Joel's business journey as a case study. The chapter demonstrates how many people have gone on to profit from Andrew and James's knowledge and experience, which they so generously shared with others.

## 8 : It Works!

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Right from the start Andrew and James were very generous with the sharing of their property management business ownership knowledge and experience. As a result, many people who had observed the prorentals journey have since become successful property management business owners themselves, including some of their own team members such as Lauren, Hamish, Chris, Erin, and Dan. Others, like Chris Rolls and Jason Rose, whose business Rental Express was in direct competition with prorentals, adopted some of Andrew and James's business practices with their full blessing, which resulted in improved efficiencies and a better team culture.

From my own perspective as a real estate trainer who regularly travels throughout Australia and New Zealand, it has been amazing to see how many people have been positively affected by the prorentals story. Not only was prorentals ahead of its time, but Andrew and James, without realising they were doing it at the time, were building a platform that allowed many property managers to profit from their knowledge. There is no doubt in anyone's mind that the systems they developed work.

By speaking with many of Andrew and James's former team members as part of the research for creating this book, I was thrilled to learn how many had created successful property management businesses themselves by replicating many elements from the prorentals formula. In metaphorical terms you could say that Andrew and James built the Jim's Mowing of property management with prorentals. It's a proven business model that works.

Chris Gordon, who was a senior property manager at prorentals, successfully created his own business eProperty Rentals together with his wife Erin (also a former prorentals team member) in Queensland, based on the prorentals model. Chris told me, "I decided to take the systems from prorentals and set them up on a smaller scale. I liked the idea of incentivising people and as a result we have lower staff turnover and keep our clients happy. In fact we've never had a property manager leave. We are a small agency with just over 220 properties under management, but we find our staff really enjoy coming to work.

They manage smaller numbers, but we find they do it to a higher standard. Incidentally, everyone who works at eProperty Rentals originated from prorentals as we couldn't find anyone else with the skill set of those who had worked at prorentals”.

Dan Young worked as a sales agent for a while after the sale of prorentals but found the unstructured nature of the work didn't suit him. He missed the structured systemised environment he had enjoyed at prorentals.

Dan recalls, “I can clearly remember the day I made the best decision of my working career. It was a Saturday morning in January 2012 and I was on autopilot driving around Indooroopilly. I was completely burnt out and lacked any motivation to continue in the real estate industry. Then, as I was closing a viewing, a car pulled up. It was Chris (Gordon), whom I'd worked with at prorentals, and he had a proposition for me – a chance to join him in the property management company he founded. Since then I've been working with eProperty Rentals building a business we are all very proud of, where many of the industry norms have been turned on their head, and fostering an environment where we value the relationships with our clients and tenants alike”.

Chris added, “After Andrew and James told everybody that they were going to close up prorentals, they actually did in-house workshops for people on the team who were considering the idea of starting their own business, be it real estate or another type of business. One afternoon a week we'd stay back, have a couple of beers, and discuss the structures you need to have in place to be successful and how to get a new business off the ground. To this day Erin, Dan, and I can still call Andrew and James for help whenever we need it”.

Hamish Turner is another fantastic example of post-prorentals business ownership success. After the sale, Hamish returned to the country of his birth, New Zealand, to begin his own property management brand, Rented. After starting Rented in May 2009, Hamish grew the business and expanded the brand into seven locations before transitioning the business to a new licensor in May 2016. Today Hamish consults to Andrew and the team at InspectRealEstate and is a trainer, speaker, and consultant for the property management industry in New Zealand and Australia.

The bottom line in all this is, real leaders build leaders. Other people may think they're a leader, but all they're really doing is building their own world.

This rest of this chapter shares the journey of Joel Davis as a case study in point.

It highlights how he and his brother and business partner Shannon put Andrew and James's systems and processes into practice with astonishing results. Joel began his property management journey with 280 properties. Today Image Property, the Brisbane-based company his brother Shannon founded in 2004 and Joel later joined in 2010, manages more than 2,500. I chatted with Joel and asked him to look back on the nuggets of gold from the prorentals journey that inspired him and his brother the most.

Joel reflected, "Shannon was always a real believer in learning from those who are already getting the results you want. So that was one of the main reasons Andrew and James became such spheres of influence for us. Andrew in particular was unbelievably generous with his time and advice and it was obvious that he genuinely wanted to help us succeed. Some of the knowledge he passed on from prorentals still forms some of our core procedures to this day".

## Nuggets of gold

Shannon and Joel learned a lot from observing prorentals' key points of difference and also from spending time with Andrew.

### ***Referral partners***

Andrew and James's referral partners system topped Joel's list of key learnings from the prorentals way of running a successful property management business.

"Andrew showed us how to establish our referral partners and make strategic alliances with sales agents that weren't affiliated with the rent roll, keeping them close and incentivising them to refer properties to us on a regular basis. We took that concept and rolled it out on a much bigger scale. To this day referral partners make up approximately 70% of our new business", said Joel.

### ***Templates & laminates***

Joel's BDM still uses some of the prorentals resources Andrew handed out at a property management training day he ran a few years ago. One that Joel particularly likes is a graph that highlights the peak periods of the year.

"The graph shows a sharp peak in enquiry rates from January to February and then again in July and August. We use that graph in our listing presentations to visually highlight how we strategically structure a lease to end in one of the peak

periods in order to maximise the return on a property. That laminate was given to us seven years ago and it's just as relevant today as it was then", said Joel.



Text 'PEAK PERIODS' to 0786 006 5000 to receive a copy of this resource.

## ***Procedures***

One of the key strengths of prorentals was the platform on which they documented their procedures and how they encouraged team members to find the answers to their own questions by using this platform. In the early days, staff would have a habit of going to James to ask a question. Once their internal website was up and running, he would simply tell them 'it's on the net', and off they would go to find the answer themselves. Rather than giving people the answer, it made them get used to doing their own research and being more self-sufficient.

Erin Gordon started working with prorentals in her teens and today runs eProperty Rentals with her husband Joel, and Dan Young, both former prorentals colleagues. Erin said, "Everything was on the internal website. There weren't many things that you would not find on there. The best thing about the internal website is that we created it as a team, so it made sense to us. It was exactly what we did and how we did it. And it was easy to follow. That's why we used it so much".

Today, Joel has taken the principle behind the prorentals internal website to the next level. He has an offshore team of people working for him (in the Philippines) and they use his online procedures platform with great success. These are non-real estate property management workers who, in many cases, are doing a better job than property management companies here in Australia, simply because they have access to such quality information. Everything is literally at their fingertips.

Joel said, "As long as you have a process in place which is clear, documented, and calls people to account, then it works very effectively. One of the things we've done with our Philippines team is that if their work isn't uploaded correctly it bounces back, with the system prompting them to try again".

I believe prorentals was the first to have that style of internal internet for their procedures in place. I have personally been through all the assets in the 'prorentals vault' and found so many great timesavers in it, many of which are accessible through the mobile marketing links within this book. Today those assets also live within the Real Estate Academy Property Management Digital Frameworks System, which is to be launched nationally.

## ***The benefits of insourcing***

Just to clarify the role of the team in the Philippines, Joel actually insources work to that team as opposed to outsourcing it. There is an important difference. To Joel they are as much a part of the Image Property family as their people in Brisbane. They wear the Image Property uniform, use the Image Property resources and technology, and follow the same scripts and dialogues when speaking to landlords and tenants. They just happen to be located offshore. It's no different to realestate.com.au insourcing work to an offshore team located in China. The world is becoming infinitely smaller. Technology today is such that real time collaboration and meetings are readily facilitated across international borders. The only factor that needs to be worked around is the time difference. Working with teams in this way gives owners another means to enlist talented people to support them. Furthermore, the availability of quality talent in countries like the Philippines and China is excellent and the employment process is greatly simplified compared with the process here in Australia. Therefore in my view business owners should be open-minded to alternative team arrangements like this.

## ***Price reductions***

Andrew and James had a price reduction strategy in place where they would reduce the rent by 10% after ten days on the market. Joel has implemented a similar price reduction strategy in his business but has opted for a reduction of 5% after ten to fourteen days instead, so it's more relevant to the price points in their marketplace today.

## ***Working on the business rather than in it***

Thanks to the prorentals formula, Joel doesn't have an active role in sales or property management at Image Property. He is a true business leader.

"One of the things that prorentals taught us was that the interests of the staff and the interests of the business owners must be aligned. They had a pay structure where everyone was paid a percentage of their portfolio. While our pay structure is different, prorentals taught us the value of incentivising your team. So we have a model in place in which people know that if they want equity in the business it's on the table and it's something they can work towards. That has given me the ability to step out and work on the business in a leadership role as opposed to working in it", said Joel.

The Image Property equity model is working brilliantly and has had many in the industry sit up and take notice, including Andrew. One of Image Property's team members, Hayden, now owns a 50% share in one of the group's Brisbane offices and he's just 24 years old. This is also how Joel came to own his own office with over 1,500 managements on the north side of Brisbane.

"Our incentive structure has been an excellent way to keep great people on the team and keep them focused. The other benefit is that it reduces my responsibility for an office because I'm able to hand a lot of the responsibility over to them", said Joel.

## The biggest game changer of all

When Andrew and James sold parentals and Andrew started InspectRealEstate, Joel had no idea at the time how much that decision would affect his business when he chose to implement it into his business.

"Having started with just 280 properties under management, I am absolutely convinced that we could never have achieved anywhere near the number we manage today (more than 2,500) without InspectRealEstate", said Joel.

As one of the first adopters of the technology, Joel said he and Shannon were instantly impressed from the moment they turned it on.

"The first thing we noticed was that the phones stopped ringing. That may sound like a negative but in our world it's a positive because while the phones stopped ringing, the volume of online tenant enquiries skyrocketed", said Joel.

The following points highlight what Joel appreciates most about implementing InspectRealEstate into his benefits.

- Tenants are able to register immediately for inspection times.
- If an inspection time isn't appropriate they can get in touch and make a time that is.
- It notifies tenants if a property is rented prior to their allocated inspection time.
- It automatically confirms the time an inspection has been booked and automatically sends a reminder two hours before the appointment.
- A Web Book about the property, which includes an application form for

the property as well as key conditions about the property, can be attached to a confirmation email.

- Enquiries can be leveraged off one property onto other properties because the system captures the data from all enquiries.



Text ‘**IRE WEB BOOK**’ to 0786 006 5000 to see an example of what a prospective tenant would receive.

“Vacancy rates are very high in the Brisbane market and sourcing tenants manually is difficult”, said Joel. “Having the ability to list a new property, automatically include all the details about the property, and send that information to all those who have enquired within a certain proximity of the property’s location, is fantastic. Then the system will automatically bring up approximately 30 to 60 clients – that’s generally representative of the numbers we would get for any standard property. All those prospects are then automatically notified of the fact that there’s a new listing and given the opportunity to book in to view it. We’ll typically see, within a minute or two of that going out, three or four tenants register straight away.”

There are a number of other InspectRealEstate features that Joel and his team utilise to help the business grow.

### ***The App Tracker***

Joel said, “Once prospective tenants have applied for the property, it automatically allows us to keep them notified in line with where they’re at in the process. As soon as we’ve got the rental references sent off and confirmed their employment, the system lets them tick the stages as we go and keeps them informed. It lets them know we’re working on it. Overall it’s a huge time-saver for us, and also a very effective way of providing good communication to the tenants who are registered”.

### ***Owner reporting***

Joel says, “The system is also a very effective tool for keeping landlords up-to-date. Say we’ve got an open home in the afternoon. As the tenants are coming through, the leasing officer or BDM uses the app to document who has arrived, individual feedback from those tenants, and whether or not they intend to apply. They can then add some of their own comments, hit send, and within minutes of the open home ending the owner has a comprehensive report that details how it went”.

## ***The Sales App***

The Sales App has helped generate incredible growth for the group through lead generation conversion, which has organically grown the brand. I asked Joel how the Sales App is used within Image Property, which as you will recall handles sales and property management, to capture the data of future investors.

Joel responded, “The Sales App has been a great lead generation tool for us. We don’t have a big sales team at Image Property. But they’re great lead sources for our property management BDMs. Here’s how it works. When people come through their open homes, the sales agent is able to notify us which of those potential buyers are property investors. Come Monday, the data on all investors who have attended any of our open homes is provided to our BDMs, giving them an instant chase list. We know those people are investors so they’re the perfect potential client for us”.

## ***Winning the business***

No matter how many leads are generated, it doesn’t mean much if at least a significant portion of those leads isn’t converted into listings. This is true whether you work in sales or property management. The listing presentation is your chance to show owners why yours is the best company to manage their investment property.

I asked Joel how his team uses the IRE sales app in a listing presentation in order to win the business.

Joel replied, “We use a program called Snagit, which captures the screen that you’re on with your computer. We use the program to visually show the owners exactly how we use the tenant matching system to indicate how many tenants we have in the system that match the specifications of their property. For instance, we could show them that we have have 64 tenant matches, and we had six groups register for the inspection within 24 hours of listing their property live. It’s a huge competitive advantage so naturally we make sure that people are aware of it. Compared with our competitors who aren’t using InspectRealEstate or aren’t educating their owners like we are, it’s a definite winning point for us. It has become a very effective tool and has been one of our best winning moments during a BDM presentation”.

After reading about Joel’s success journey you would be forgiven if you assumed that he had worked in real estate for decades. The truth is he first came into real

estate just seven short years ago. He was in fact a builder who, after suffering a workplace accident, was looking for a career change. He joined the company his brother founded and began his career in property management with a little over 280 properties, as mentioned at the start of this chapter. As we also know, that number has since grown to more than 2,500. I asked Joel if he thinks he could have achieved that level of growth without InspectRealEstate.

Joel's response was simple. "No. Without InspectRealEstate I'd probably be talking to the bank about exactly what my business is worth and finding an easy way out. Because, honestly, I don't know how agencies would be able to deal with that volume of enquiry and that volume of data manually. It just does not make sense to me. In terms of the benefits of InspectRealEstate, I honestly don't understand businesses that aren't using it. I can guarantee that if you turn it on for a period of six months, you will never turn it off".

Joel will be consulting to Real Estate Academy and InspectRealEstate as an accredited property management trainer, coach, and speaker from early 2018.



## 9: Pay it Forward

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As we come to the conclusion of this incredible story about the flight of prorentals and the business journey, there were a few final questions I wanted to ask Andrew. I started by asking him if, with the benefit of hindsight, he would have done anything differently.

Andrew reflected, “Would we have done anything differently? That’s a difficult question to answer because it really depends on the goal you set for yourself at any given point in time. As you know our initial goal was to grow the rent roll to 10,000 properties in order to generate a large capital base. Could we have achieved that? In hindsight I believe we could have had we structured the business differently. For instance, we could have put a contract in place after buying those initial thirty one properties from Brad Jackson that would have given Brad the right to buy back the rent roll once we had grown it to 180 to 200 properties. In other words, we could have built an asset under the umbrella of a salesperson for eighteen months up to that 180 to 200 figure, sold it for a million dollars, taken a year off and repeated that process over and over again. The result would have been a greater financial return, much less stress, and a lot more time off for James and me over the twelve-year period.

The ‘buy, build, sell’ model offers multiple benefits. Not only does it allow you to achieve the numbers you need, it also encourages you to improve the systems as you go. After all, if you have the drive to build a massive base of 180 to 200 properties you’ll be very focused on the systems to facilitate and accommodate that growth. With prorentals, we were putting systems in place that could be scaled to 1,000, 1,500, 2,000 or 10,000 properties right from the start”.

When there are two partners in any business, each partner naturally brings different DNA to the table. They may have opposing views and different leadership styles. They may even have different goals for the future. While the partnership between Andrew and James was successful and their differences created a good balance, they didn’t always see eye-to-eye on all major decisions. One of those was the option to sell their properties to team members. Andrew

was very open-minded to this option; however, James was not, as he did not feel comfortable with the idea of being in partnership with more than one person.

Andrew said, “James and I went through many different options to realise the greatest value. I came up with a system called the ‘Kite System’. Let me explain. As we were already incentivising our team, the next level of opportunity to offer them was the ability to generate some capital. The system was a relatively simple one. The bank would own 50% to 60% of the rent roll and each property manager would enter into a transaction with the bank to borrow against a portfolio, pay us out, and have the option to make their portfolio even stronger, knowing that each one they were putting on was worth \$5,000. We’d continue to support them with the trust account and a few other bits and pieces. They would just need to pay a desk fee until they were ready to be launched in other locations. In other words, we would become like a business incubator”.

Every principal’s greatest fear is to lose a long-term property manager and their clients to a competitor down the road. What I really like about Andrew’s Kite System is that it creates and nurtures better business people for the future. That way of thinking was ahead of its time back in the prorentals days but I believe it could work exceptionally well for today’s forward-thinking business leaders.

Andrew said, “It starts with fostering the right person. Not all property managers would be comfortable to take on a responsibility like that and that’s fine for the traditional property management role. The ethos at prorentals however was to create opportunity for individual property managers and ensure they felt a part of the business. That’s why we looked for people in whom we saw that potential and that’s also why we incentivised people. The next level was to offer them the opportunity to grow their own rent roll. It’s no coincidence that seven of our team members started their own businesses after the sale. In fact six of them still do. They took the skills we fostered in them to the next level, which is great”.

Andrew and James never hired traditional property managers. They were always looking for entrepreneurs as opposed to simply hiring people who were good at managing properties. They looked for people who fitted the prorentals model, as they knew the skills could be taught. Every former prorentals team member I interviewed for this book fit the model to a T. They really appreciated the opportunities that working with Andrew and James created for them. Their guidance and support, for many, was life-changing.

Andrew said, “I have always believed that people should be treated the way you’d like to be treated yourself. I have been very fortunate throughout my career to have

the support of a number of significant people who assisted me at various times on my business journey. So when it was my turn to assist others, I saw it as simply returning the favour. I learned that important lesson from RE/MAX Australia founder, Don Marion. He had a great influence on my life. I wrote him a letter of thanks years later and he replied that the best thing I could do to thank him was pay it forward by having a positive influence on others. I tried to instil the same values into our team in the hope that they too would pay it forward. I believe they are all doing just that, so I would say that was the best gift of all to come out of the prorentals journey”.

Today James is an active and successful property investor and developer, and Andrew, as we know, heads InspectRealEstate, which employs a growing team of 77 across Australia and New Zealand. I asked Andrew if he ever thought he would one day own a tech company.

Andrew responded emphatically, “No way! My kids still think it’s hilarious that I own a software company. To be honest I have only really just woken up to the fact that it is a software company. If you look at the number of people we employ who are either former prorentals team members or have a property management background, anyone would think it’s more of a property management business than a tech company”.

Technology is where tomorrow’s success lies. Property management is no exception to this. At the end of the day there will always be people who need to rent and there will always be people investing in property. With InspectRealEstate, Andrew and his team are simplifying and perfecting that process. I asked Andrew to explain his vision for the future and how far he wants to grow the business internationally.

He said, “When we did the numbers for the last financial year and I realised that we had actually facilitated and assisted 1.8 million property seekers within that 12 month period, it was a real light bulb moment for me. That’s a lot of moving happening in a single year. One thing I learned at prorentals is that the tenant-moving process is a very tricky part of the business. If all tenants stayed living in the one property you would only be dealing with repairs and maintenance, routine inspections, and rental payments. It’s the ins and outs that cause the greatest challenge. I’ve spent a lot of time in the past year trying to come up with ways to make that moving-in and moving-out process more streamlined. As a result of this research and development, we will soon launch five exciting new products to address that challenge. I have such belief in these new products that we have a vision to launch InspectRealEstate on a global scale in the not-too-distant future”.

In June 2017, Andrew and I made the exciting announcement that after many years of knowing and working with one another, our companies, Real Estate Academy and InspectRealEstate have joined forces to build even better technology for the future. There's a lot of technology in the marketplace but the fact is, not all technology is effective. This partnership will allow us to build a fully mobile world for salespeople and property managers that will enable them to scroll and call, list or lease, and sell or rent, all from their phones. Watch this space.

My final question was to ask Andrew what excites him most about the property management space and the real estate industry as a whole, and if he could offer any advice to principals today who own a rent roll given what he knows about the future of the property management sector.

He responded, "My passion lies in helping people. Having the ability to help 1.8 million Australians move is incredibly rewarding. If I could do that on an international scale then that would be awesome. As I said earlier, to me property management should really be called people management. It's much more about people than it is about property. I think a lot of people don't see it from that perspective.

"Where do I see the industry going? I believe the industry is going in three directions. First, there will always be the need for real people delivering personalised service. Second, with all the outsourcing going on I believe someone will eventually come up with a 'no frills' approach to property management, which will appeal to a certain segment of the market. Third, I believe we will see a greater embrace of technology. While there will always be a need for human intervention in this industry – someone to conduct an entry report, someone to do the exit, and someone to conduct the routine inspections etc. – I think technology will eventually streamline almost every other process. At InspectRealEstate we are well on our way to achieving this. So my advice to principals is, embrace the future direction and know that your rent roll is your super fund".

## Conclusion

When I first came into real estate in the early 1990s, property management was the last place anyone wanted to work. Thanks to people like Andrew, James, and the many others who followed in their footsteps to change the face of property management, a growing number of principals, business leaders, and property managers are finally seeing the light.

I will leave the final word to Andrew.

“You’ve heard our journey, we’ve put our heart on the line, and we’ve had third-party verification that our concepts and ideas do work. My questions for you are simple. Are you prepared for the challenge? Are you prepared to do what’s required to really look after your team and in so doing deliver an outstanding level of service to your clients? Are you ready to embrace the concepts outlined in this book, make them your own, and take them to a new level so the industry continues to improve and grow? I urge you to take onboard what you have learned, make it happen, and pay it forward!”