

Property Management Essentials:

Truth in Advertising



ECHOSUMMIT
PROPERTY MANAGEMENT

Advertising a rental property correctly is incredibly important, as there can be significant financial and criminal penalties involved if done improperly and bad events happen.

A property manager is managing a property for an owner. The owner says they do not know if the basement room is conforming or not, so are unsure whether to list it as an extra bedroom. The property manager, in an attempt to get more rent and rent to unit out quicker, opts to list the basement room as an additional bedroom... not really knowing if it is conforming or not. In this case it is indeed non-conforming.

Now, the neighbor across the street gets grumpy because they see four cars

at the house. The neighbor contacts the city to complain, and to come out and inspect the situation. After going through the house the inspector says to the tenant “you can’t have someone living in the basement bedroom.” The



tenant says, “but our property manager said we could. Look, our application and lease agreement has all four of us listed. Look at the advertisement. It says it’s a four bedroom house.” The inspector says “I don’t care, I’ll be back in 24 hours and you have to be out of that room or fines will start accruing.”

So the tenants call the property manager, obviously, very upset.

If the property manager is managing the property on a fee-based agreement; meaning the home owner is being charged a monthly fee, then the property manager could be liable in the following ways: 1: they would liable to pay to relocate the tenant, because it was their

negligence and 2: they might have to compensate the owner for lost rent until the property is re-leased.

Now – it can even get worse.

Let’s say a fire breaks out in that non-conforming basement room. Even if the property manager has a smoke detector and carbon monoxide detector installed, something terrible happened and someone died as a result of fire. Now, this can easily turn into a civil lawsuit. The property managers fancy E&O insurance, company liability insurance, even their umbrella insurance that separates their personal life from your business; all of these will get thoroughly tested.

This is an area where property management varies greatly from regular real estate, especially in the area of E&O insurance. Landlords must be very careful, and very conservative of how they advertise and lease properties. Do not cut corners in this area.

Key Topics

- *3 or 4 bedrooms?*
- *City inspector gets involved*
- *What are you liable for?*
- *Civil lawsuit possibility*

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