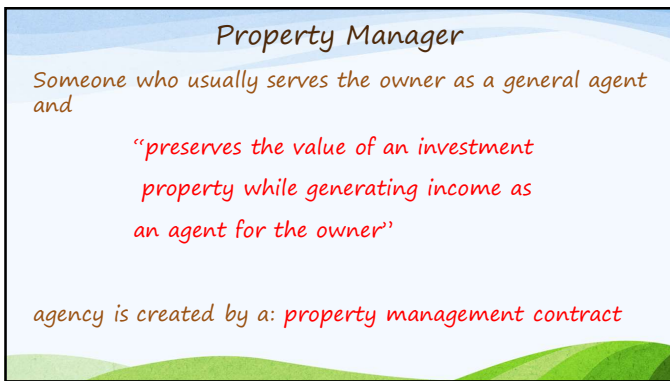




1



2



3

Agency:

A property management agreement **MUST be** in writing at inception.

Unlike other agency agreements:

Usually automatic renewal clause if parties can terminate at the end of any period with notice.

P 333

4

Property Manager (individual or company)

General Agent

- Obedience
- Loyalty
- Disclosure
- Care in administrating the property
- Accounting
- Reporting and Reasonable Skill



5

Property Management Agreement

- Description of Property
- Contract Period
- Management Fee
- Managements Responsibilities
- Extend of Manager's Authority
- Reporting
- Responsibilities of Owner
- Duties upon Termination
- Miscellaneous Provisions



6

Property Management Agreement



Questions an agent should ask:

- Does owner have realistic income goals?
- Is owner willing to spend money on necessary maintenance?

If not, could endanger managers reputation and make it difficult to find future business

7

Who Can Be a Property Manager?

- A title-holding owner w/o license can manage his own property, but they can't pay any unlicensed friends or relatives for assistance
- A non-provisional broker can employ other brokers or unlicensed persons for activities that do not require a license (licensing agent-as long as they don't negotiate)

8

Who Can Be a Property Manager?

- Management of owner associations does not require licensure at this time in North Carolina

Chapter C and Subchapter S may have unlicensed persons managing the property

9

Typical Property Management Duties

- *Keep owner well informed on policy matters*
- *Stay knowledgeable and keep informed on current professional policies*
- *Realize the highest return on the property that is consistent with owner's instructions*



10

Typical Property Management Duties

Preparing a Management Plan

1. *Owners objectives*
2. *Regional/Neighborhood market analysis*
3. *Specific property analysis*


Preparing Reports

- *Operating Budget – projection of anticipated revenues and expenses (establish a cash reserve)*



11

Typical Property Management Duties



Preparing Reports

- *Operating Budget – projection of anticipated revenues and expenses (establish a cash reserve)*
- *Capital Expenditures – modernization or renovation*
- *Cash Flow Report – Monthly*

*Most report because it shows CURRENT financial **important** status of property*

12


Typical Property Management Duties

- **Income:** Potential Gross vs. Effective Gross
 100% rented collection losses
- **Expenses:**
 Fixed – charges that remain steady
 Variable – can vary in occurrence and amount
 Profit & Loss – Did business make money?
 See cash flow formula p 336

13

Typical Property Management Duties

- Budget Comparison Statement – actual vs original
- Investment Characteristics – need basic knowledge



- Cash Flow aka Cash
 Throwoff
- Before-Tax Cash Flow
- After-Tax Cash Flow
- Leverage
- Equity Buildup
- Appreciation
- Inflation

14

Typical Property Management Duties

- Property Manager vs Leasing Agent
- Establish Rental Schedule
 - Must cover property's fixed charges, operating expenses and a profit
 - Comps, vacancy level;
 - Residential in monthly amounts
 - Commercial monthly per square foot

15

Typical Property Management Duties

- Marketing the Property
- Selecting Tenants
 1. adequate room for tenants needs
 2. Tenants ability to pay
 3. Tenant's business is compatible with building and other tenants
 4. If tenant wants to expand, will there be space?

Then keep them happy

16

Typical Property Management Duties

- Collecting Rents
 - Summary Ejectment
- Landlord Duties under the Lease
- Accountability and Recordkeeping – retain 3 years
- Maintaining the Property

17

Typical Property Management Duties

- Hiring employees vs Contracting Services
- Handling Environmental Concerns

18

Typical Property Manager Duties (cont'd)

The Americans with Disabilities Act (ADA)

1. Adopt non-discriminatory employment policies – 15+ employees
2. Ensure people with disabilities have full and equal access to facilities and services
3. May have to retrofit by removing existing barriers, “readily achievable” manner
4. Utilize alternative methods of compliance if restructuring is impractical

19

Risk Management

Avoid it
Control It
Transfer It
 or
Retain it



Final decisions must be made by property Owner

20

Types of Insurance

- Fire and hazard
- Consequential loss, use, and occupancy
- Contents and personal property
- Liability
- Casualty
- Surety bonds

21

Types of Insurance

Claims

Depreciated Actual Value (aka Cash Value) or Current Replacement Cost

- Usually include a 'coinsurance clause' usually 80% replacement value
- Seller should keep policy through closing, and
- Buyer should purchase before closing!

22

Property Management Fee

Property Manager gets 9% of rents collected. There are 2 studio apartments that rent for \$500 each, 7 one-bedroom apartments that rent for \$700 each and 9 two-bedroom apartments that rent for \$900 ea. If only 1 studio, 5 one-bedroom and 9 two-bedrooms are rented, how much does the property manager make at 9% ?

23

Property Management Fee

$\$500 \times 1 \text{ unit} = \500
 $\$700 \times 5 \text{ units} = \$3,500$
 $\$900 \times 9 \text{ units} = \underline{\$8,100}$
 $\$12,100$
 $\$12,100 \times 9\% = \text{\$1,089} \text{ Fee}$

24

*Rental Commission
(usually paid annually)*

If an apartment rents for \$475/month and it is occupied year-round, how much will the property manager make if his commission is 8%

\$475 per month x 12 months = \$5,700 annual rent

\$5,700 x 0.08 = \$456 annual commission
