

# Property management

**Property management** is the operation, control, and oversight of **real estate** as used in its most broad terms. Management indicates a need to be cared for, monitored and accountability given for its useful life and condition. This is much akin to the role of **management** in any business.

Property management is also the management of personal property, equipment, tooling and physical capital assets that are acquired and used to build, repair and maintain end item deliverables. Property management involves the processes, systems and manpower required to manage the **life cycle** of all acquired property as defined above including acquisition, control, accountability, responsibility, maintenance, utilization and disposition.

## 1 Roles

Duties of property management generally will include a minimum of these basic primary tasks:<sup>[1]</sup>

1. The full and proper screening or testing of an applicant's credit, criminal history, rental history and ability to pay.
2. Lease contracting or accepting rent using legal documents approved for the area in which the property is located.
3. Mitigation and remediation regarding any maintenance issues, generally within a budget, with prior or conveyed consent via a Limited Power of Attorney legally agreed to by the property owner.
4. Maintaining necessary records for tax and legal purposes.

There are many facets to this profession, including managing the accounts and finances of the real estate properties, and participating in or initiating litigation with tenants, contractors and insurance agencies. Litigation is at times considered a separate function, set aside for trained attorneys. Although a person will be responsible for this in his/her job description, there may be an attorney working under a property manager. Special attention is given to landlord/tenant law and most commonly evictions, non-payment, harassment, reduction of pre-arranged services, and public nuisance are legal subjects that gain the most amount of attention from property managers. Therefore, it is a necessity that a property

manager be current with applicable municipal, county, state and Federal Fair Housing laws and practices.

Property management, like **facility management**, is increasingly facilitated by **computer-aided facility management**.

## 2 Licensing

### 2.1 Australia

Every state of Australia has different licensing and compliance requirements. Generally, to be able to provide property management services, a real estate licence is required. State of Victoria Australia information<sup>[2]</sup>

### 2.2 Canada

In Canada, the laws governing property management and landlord/tenant relations are generally speaking a Provincial responsibility. Each Province and Territory makes its own laws on these matters. In most cases any person or company can offer property management services, and there are licensing requirements. Other than specific laws in each Province and Territory governing these matters, they are governed by English Common Law, except in the Province of Quebec where the Civil Code is used in place of English Common Law. In some cities, the Provincial Legislation is supplemented by City by-laws.

British Columbia - licensing of property managers is regulated by the provincial government and licensing by the BC Real Estate Council (BCREC).

Ontario - no licensing is required to operate, however ACMO - the **Association of Condo Managers of Ontario** is a self-governing body for certification and designation of its members who run buildings with more than 600 units. (RECO) the **Real Estate Council of Ontario**, regulates licensed realtors in Ontario. The provincial government is revising its **condominium act**. After public consultation, it hopes to put forth legislation during the 2015-2016 session requiring Condo Management firms and staff or condo employees and boards to be accredited.

Saskatchewan and Alberta both require property managers to hold a real estate license.

### 2.3 India

In India, there is no statutory regulation of property management companies, real estate agents or developers. In 2013, a Real Estate Regulation and Development Bill was passed by the Union Cabinet, but has yet to take effect. The bill seeks to set up 3 regulatory bodies in the country.

### 2.4 New Zealand

Residential property managers in New Zealand currently come in two types. Those that are licensed and those that are unlicensed. The New Zealand Government reviewed whether all forms of property management need any legislation. Following completion of the review, the Associate Minister of Justice, Hon Nathan Guy, announced on 2 July 2009 that no new occupational regulation would be imposed on property managers. A copy of the Minister's announcement is available at: [www.beehive.govt.nz](http://www.beehive.govt.nz).

New Zealand licensed property managers offer a full and complete service with qualified professionals who collect rent through an audited trust account to protect both investment property owners and tenants. Also licensed property managers adhere to the Real Estate Institute of New Zealand property management code of practice which outlines industry best practices for dealing with the public. Unlicensed property managers do not require any registration, minimum knowledge or skill, or adhere to any code of practice to offer a property management service.

Consequently, the services offered in New Zealand are varied where both licensed and unlicensed property managers have a mixed track record in delivery services to this industry.

The Unit Titles Act 2010 sets out the law for the ownership and management of unit title developments, where multiple owners each hold a unit title. The Act covers the set-up of such developments, body corporate governance, the rights and obligations of the body corporate and unit owners, disclosure between buyers and sellers, dispute resolution etc. The Unit Titles Regulations 2011 provide operational guidelines. The body corporate is responsible for financial and administrative functions relating to the common property and the development. All unit owners are members of the body corporate. A body corporate can delegate some of its powers and duties to a body corporate committee and a professional body corporate manager may be contracted to provide services.<sup>[3]</sup>

The Residential Tenancies Act 1986 sets out the rights and responsibilities of residential landlords and tenants, including the requirement to have a written tenancy agreement and the need to lodge tenancy bonds (if one is required) with the Ministry of Business, Innovation and Employment. Commercial leases are covered by the Property Law Act 1952.

### 2.5 Republic of Ireland

In the Republic of Ireland, there is no legal obligation to form a property management company. However, management companies are generally formed to manage multi-unit developments, and must then follow the general rules of company law in terms of ownership and administration.

Since July 2012, it has become mandatory for all property service providers, including property management companies, to be registered and fully licenced by the Property Services Regulatory Authority of Ireland.

The National Consumer Agency (NCA) has campaigned in this area, and in September 2008 it launched a website explaining consumer rights. The NCA does not have a legislative or regulatory function in the area, unless a consumer complaint is in relation to a breach of consumer law.

### 2.6 Romania

No specific regulatory or licensing body exists at this time (November 2012). However, under Financial business law, Any business offering Property Management as a chargeable, fee earning act of commerce may only do so if such services are listed in their Company Acts of Constitutions, i.e., legally pre-declared list of business activities. Under Romanian law, no business can derive income from any such service that is not declared in this way and should be demonstrable upon request by the client of legal entities.

### 2.7 United Kingdom

In the United Kingdom there is no statutory regulation concerning property management companies. Companies which manage rented residential property are often members of the Association of Residential Letting Agents. Companies or individual landlords who accept tenancy deposits for "assured shorthold tenancies" (the usual form of residential tenancy) are required by statute to be members of a Tenancy Deposit Scheme.

Companies which manage apartment buildings are often members of the Association of Residential Managing Agents (ARMA).<sup>[4]</sup> ARMA is a trade association for firms that manage private residential leasehold blocks of flats in England & Wales. ARMA promotes high standards of leasehold management by providing advice, training and guidance to its member firms of managing agents. ARMA also produces guidance materials for leaseholders and Residents Management Companies. With over 280 firms in membership, ARMA also campaigns for improvements in the legislation governing the leasehold sector.

## 2.8 United States

Most states, such as New York,<sup>[5]</sup> Texas,<sup>[6]</sup> and Colorado,<sup>[7]</sup> require property management companies to be licensed real estate brokers if they are collecting rent, listing properties for rent or helping negotiate leases and doing inspections. A property manager may be a licensed real estate salesperson but generally they must be working under a licensed real estate broker. Most states have a public license check system on-line for anyone holding a real estate salesperson or real estate broker's license.<sup>[8]</sup> A few states, such as Idaho, Maine, and Vermont do not require property managers to have real estate licenses. Other states, such as Montana, Oregon, and South Carolina, allow property managers to work under a property management license rather than a broker's license.<sup>[9]</sup> Washington State requires property managers to have a State Real Estate License if they do not own the property.<sup>[10]</sup>

Owners who manage their own property are not required to have a real estate license in many states; however, they must at least have a business license to rent out their own home. Owners who do not live near the rental property may be required, by local government, to hire the services of a property management company.

In California, third-party apartment property managers must be licensed with the California Department of Real Estate as a Real Estate Broker. A broker's license is required for any person or company that, for compensation, leases or rents or offers to lease or rent, or places for rent, or solicits listing of places for rent, or solicits for prospective tenants, or negotiates the sale, purchase or exchanges of leases on real property, or on a business opportunity, or collects rents from real property, or improvements thereon, or from business opportunities.<sup>[11]</sup>

## 3 Professional designations

Building Owners and Managers Association (BOMA International) offers industry-standard designations that certify the training to property managers:<sup>[12]</sup>

- Real Property Administrator (RPA)
- Facilities Management Administrator (FMA)
- Systems Maintenance Administrator (SMA)
- Systems Maintenance Technician (SMT)

Institute of Real Estate Management (IREM)

- Certified Property Manager (CPM)
- Accredited Residential Manager (ARM)
- Accredited Commercial Manager (ACoM)

- Accredited Management Organization (AMO)

Manufactured Housing Institute (MHI)

- Accredited Community Manager (ACM)
- Professional Housing Consultant (PHC)

National Apartment Association (NAA) has the following designations:

- Certified Apartment Manager (CAM)
- Certified Apartment Property Supervisor (CAPS)
- Certificate for Apartment Maintenance Technicians (CAMT)
- National Apartment Leasing Professional (NALP)

National Association of Residential Property Managers (NARPM) offers designations to certify ethical and professional standards of conduct for property managers:

- Residential Management Professional (RMP)
- Master Property Manager (MPM)
- Certified Support Specialist (CSS)
- Certified Residential Management Company (CRMC)

State-specific designations include the following:

- California - Certified Community Association Manager (CCAM)
- Florida - Community Association Manager (CAM)
- Minnesota - Certified Community Association Manager (CCAM)
- Minnesota - Certified Residential Manager (CRM)

The Community Associations Institute also has designations in the United States for residential property managers who manage planned communities such as Condominiums, Home Owners Associations and Cooperatives. National designations include:

- Association Management Specialist (AMS)
- Certified Manager of Community Associations (CMCA)
- Large Scale Manager (LSM)
- Professional Community Association Manager (PCAM) - Highest designation awarded.

The **National Association of Home Builders** has a specialized designation for the affordable housing industry through the Low Income Housing Tax Credit (LIHTC) program: • Housing Credit Certified Professional (HCCP)

In the UK:

- **Association of Residential Managing Agents (ARMA)**
- **Institute of Residential Property Management (IRPM)**

## 4 Software

Property management software continues to grow in popularity and importance. As it decreases in price, smaller companies and amateur property managers are able to function using some of the same best practices and efficiency as larger companies. Online asset management software (OPMS, or online property management software) has been a major cause of the price declines. In addition to the core property management software options, there is a quickly growing number of closely related software products being introduced to the industry.

## 5 Screening resources

One of the most important roles in property management is the tenant screening process. The implications of carrying out this duty too lightly will cost money, legal issues, and possible damage to property.

## 6 Business models

### 6.1 Percentage of rent

This is the most common model, and is used by property management companies in the residential space that manage multi-home units and single family homes. The property owner in this case signs a property management agreement with the company, giving the latter the right to let it out to new tenants and collect rent. The owners don't usually even know who the tenants are. The property management company usually keeps 10-15% of the rent amount, and shares the rest with the property owner.

### 6.2 Fixed fee

This is the most common revenue model used by companies when monitoring empty homes or empty land sites. The work here involves monitoring the property and ensuring that it is safe and secure, and reporting back to the

owner. As there is no income from these properties, a fixed monthly fee is usually charged to the owner.

### 6.3 Guaranteed rent

This model is also used in the residential space, but mostly for small units in high demand locations. Here, the company signs a rental agreement with the owner and pays them a fixed rent. As per the agreement, the company is given the right to sublet the property for a higher rent. The company's income is the difference between the two rents. As is evident, in this case, the company minimizes the rent paid to the owner, which is usually lower than market rates.

### 6.4 Revenue share

This model applies to the service apartment space and other commercial establishments, such as retail or business centers that generate revenue. In this case, the property manager signs an agreement with the property owner, with the right to convert the property into a revenue generating business such as a business center, service apartment, etc. Instead of paying rent to the owner, the management company shares a percentage of revenue. There are also hybrid structures here, where a combination of a fixed rent and a share of revenue is shared with the property owner.

## 7 See also

- 1:5:200
- Access control
- Activity relationship chart
- Building information modeling
- Comparison of property management software
- Computerized maintenance management system
- Enterprise asset management
- Facility management
- Lease administration
- Physical plant
- Property maintenance
- Property manager
- Security guard
- Property management business models

## 8 References

- [1] Delrio, Jannie. "Commercial Property Managers: What Do They Do?". Retail Solutions Advisors. Retrieved 5 October 2015.
- [2] theOCguide
- [3] . Department of Building and Housing NZ <http://www.dbh.govt.nz/unit-titles-intro-to-uta-2010>. Missing or empty |title= (help)
- [4] "AMRA". Amber Management. 19 March 2013. Retrieved 19 March 2013.
- [5] Chasse, Terrance. "New York State Property Management Law". NYCPP. all New York property management companies must possess *[sic]* a real estate broker's license. This license is required for such activities as renting to list, negotiating the rental of a property, collecting rent and placing tenants on behalf of a landlord client. There are very limited exemptions to this requirement.
- [6] "Property Management requirements in Texas". AllPropertyManagement.com. Retrieved 2 January 2015.
- [7] "CP-27" (PDF). colorado.gov. Retrieved 2 January 2015. Pursuant to C.R.S. §12-61-101(2)(a)&(b), the leasing and subsequent management of real estate for a fee or compensation, is included among the activities for which a license is required.
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## 9 Further reading

- Chavis, Bryan. "Buy It, Rent It, Profit!: Make Money as a Landlord in ANY Real Estate Market". 304 pages. [Paperback] Fireside, April 2009. ISBN 978-1-4165-8984-6
- Rhodes, Trevor. *American Landlord: Everything U Need to Know... about Property Management*. 384 pages. McGraw-Hill, January, 2008. ISBN 0-07-154517-4.

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