

Property Management

Lesson 1:

Property Management: An Overview

Introduction

This lesson covers:

- professional property management
- types of managed properties
- the property manager's role
- career possibilities
- professional development

Introduction

Property management. The administration, operation, and maintenance of real estate.

Usually refers to management:

- by professional property manager
- working for property owner

Property Management

Who uses property managers

Generally three types of owners:

- investor-owners
- incidental or interim owners
- institutional owners

Property Management

Who uses property managers

Investor-owners:

- hold property with main goal of income production (rent)
- may be individual or investment syndicate (partnership, corporation, LLC)

May manage property themselves, but often choose to use managers, especially for larger properties.

Property Management

Who uses property managers

Incidental/interim owners:

- come into ownership by circumstance, rather than deliberate investment
 - individuals by inheritance
 - banks through foreclosure
 - government agencies via seizure

Usually intend to sell property; want manager to maintain it in the interim.

Property Management

Who uses property managers

Institutional owners:

- own and occupy a property; goal is not income production
 - include private companies, nonprofits, schools, military

Managers of these properties often called facilities managers; property often called institutional property.

Property Management

Development of the profession

Historically, landowners employed managers to maintain land and collect rent.

But not until economic, social, and technological developments of 20th century that property management became recognized as a profession.

Property Management

Development of the profession

20th century developments:

- technological advances enabling construction of high-rises
 - greater tenant density
 - more complex ownership structures

Property Management

Development of the profession

20th century developments (continued)

- Great Depression
 - more foreclosures; more bank-owned (REO) properties
 - REOs needed management

Property Management

Development of the profession

20th century developments (continued)

- after World War II
 - economic prosperity
 - growth in suburban development; more shopping malls and industrial parks needing professional management

Property Management

Development of the profession

20th century developments (continued)

- 1960s – 1970s
 - increased construction of apartment buildings, condominiums, other CIDs
 - increased investment in real estate by pension funds, insurance companies, REITs.

Regulation

Licensing

Most states require real estate license or property management license to engage in:

- leasing
- offering to lease
- negotiating lease terms
- collecting rent
- soliciting rental listings

Regulation

Licensing exemptions

Some situations that generally don't require a license:

- owner who manages own property
- someone acting without compensation
- resident manager
- family member of owner

Regulation

Licensing requirements

Typical state requirements for license:

- complete real estate coursework
- pass exam
- meet age and/or experience requirements
- maintain professional insurance
- complete continuing education to maintain license

Regulation

Business practices

Activities involved in property management also regulated by federal, state laws:

- handling security deposits, trust funds
- retaining copies of leases, documents
- fair housing, antidiscrimination
- landlord-tenant
- antitrust