

KEY POINT REVIEW

A **property manager**, whether an individual or a company, acts as the **general agent** of the investment property owner in administering the property to achieve the **objectives** of the owner, generate **income**, and preserve and/or increase the property's **value**.

Property management functions may require a real estate or property management **license**, as provided by state law.

Property managers may undertake **asset management** by helping the owner to decide the **type** of real estate in which to invest (residential or commercial), the **best** property to purchase, the **financial resources** necessary to fund the purchase, and the best time to **dispose** of the property.

A **leasing agent** is usually a state-licensed real estate professional working as an **independent contractor** or property manager on a commission basis.

A **corporate property manager** is usually an **employee** of the corporation.

A **management plan** and **management agreement** should define the expectations and responsibilities of the parties.

A **cash flow report** will summarize income and expenses.

Periodic **profit and loss statements** provide general financial information. **Net profit** is determined by computing **gross receipts**, then subtracting operating expenses and interest paid on a mortgage loan. A **budget comparison statement** compares actual results with the original budget.

Rents typically are determined at a **monthly rate per unit** for residential property and at a **monthly rate per square foot** for commercial property.

A building manager **selects tenants** while complying with all applicable federal, state, and local fair housing, antidiscrimination, and equal opportunity laws.

Commercial tenant considerations typically include **the suitability** of the building in terms of size, location, and amenities; **compatibility** of the prospective tenant with the building and other tenants; and the **availability** of space for expansion, if necessary.

Adequate property maintenance includes **preventive** maintenance, timely **repairs** or corrective actions, and the **routine** activities that help preserve the property and enhance its desirability to tenants.

The **environmental concerns** that require the attention of the property manager include the **disposal of hazardous wastes**, the **lead-based paint disclosure** for residential property constructed before 1978, **building-related illness (BRI)**, and **sick building syndrome (SBS)**.

Federal laws affecting property management include the following:

- **Americans with Disabilities Act (ADA)**, which includes
 - **Title I**, which applies to **employers** with 15 or more employees and provides for employment of qualified job applicants, regardless of disability, with reasonable accommodations
 - **Title III**, which prohibits discrimination in **commercial properties and public accommodations** and requires that access to facilities and services be provided

when reasonably achievable in existing buildings, with a higher standard for new construction or remodeling

- **Equal Credit Opportunity Act (ECOA)**, which prohibits lenders from denying a loan based on a person's race, color, religion, national origin, sex, marital status, age, or receipt of public assistance; additional protections may be added by state or local laws
- Federal **Fair Housing Act**, which prohibits discrimination in the sale, rental, or financing of housing based on race, color, religion, national origin, sex, familial status, or disability; additional protected individuals may be added by state or local laws

Risk management includes treatment of risk by deciding whether to avoid it, control it, transfer it, or retain it (**ACTOR**) and focuses on tenant security and types of insurance available. The renter's insurance policy that covers the renter's personal property is the HO-4 policy.