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Real Estate Management

ARE 528 REAL ESTATE MANAGEMENT

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Presented by
 Dr. Al-Hammad

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Scope of Management -Definitions 1/2

Property is divided under two classifications:

1. Real property
2. Personal Property

The property manger deals primarily with real property

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Scope of Management

- The property manager owner may have placed his property with the property manager for one or more of several reasons, such as:

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Scope of Management-Definitions 2/2

Real property (real estate) in its broadest sense refers to land and improvements(if any) on it.

However, the classic definition often is limited to nonagricultural property which accommodates individual, families, commerce, industry, professions and other institutions.

Property manager is one who directs, controls or operates real property on the behave of the owner property.

Professional Property (Real Estate) Management is also defined as the administrative operation and maintenance of property according to the objectives of ownership.

He deals with property which leased or rented to another. That is where the relationship of landlord and tenant exists.

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Scope of Management

- The property manager owner may have placed his property with the property manager for one or more of several reasons, such as: (Continue)

4. The owner has other interests and does not have time to look after the properties himself
5. The owner is a non-resident owner
6. Old age
7. Ill health
8. He does not have the right temperament to deal with tenants successfully

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Scope of Management

- The property manager owner may have placed his property with the property manager for one or more of several reasons, such as:

1. To increase his rental income
2. To reduce the cost of maintenance
3. The ownership is vested in more than one person and no one of the owners wants to assume the responsibility of management.

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Scope of Management

- ❖ Whatever the reason, the manager provides a service for the owner and the owner will expect the manager to increase the earning if possible and to prolong the life of the property, especially where property is purchased for long term investment.
- ❖ The work of the property manager can be divided into four divisions:
 1. *Renting or merchandising of space in the building under his management*
 2. The operation and maintenance of the property
 3. *The remodeling, rehabilitation or modernization of the building*
 4. *Record keeping and rent collecting*

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Scope of Management

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Scope of Management- The work of the property manager


1. *Renting or merchandising of space in the building under his management. (continued):*
 - A. Establish proper rent schedules for space in the building
 - B. Prepare and lay out a rental program
 - C. Conduct an active campaign to secure desirable tenants in keeping with rental schedules
 - D. Cooperate with other brokers in order to give the owner the broadest market possible
 - E. Prepare advertising copy or cooperate with advertising counsel in preparation of advertising copy
 - F. Secure and train salesmen in the art of selling building space


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Scope of Management - The work of the property manager


1. *Renting or merchandising of space in the building under his management.*
 - ❖ This is a most important function of management as the rental income of the property is its life blood.
 - ❖ It is from the rental received that the owner pays taxes, interest on any indebtedness, operating and maintenance expenses, insurance premiums and receives his profit on the capital invested.
 - ❖ Under this heading should be classified such services as the following:


 Real Estate Management	Scope of Management-The work of the property manager
	<p>2. The operation and maintenance of the property</p> <p>❖ Under this classification comes such work as:</p> <p>A. Hiring, training and supervision of building employees</p> <p>B. Regular inspection of the property</p> <p>C. Maintenance of all space in the building in good condition</p> <p>D. Purchasing of all supplies and equipment</p> <p>E. Supervision and recommendation as to insurance requirements and bonds of employees</p>


 Real Estate Management	Scope of Management- The work of the property manager
	<p>1. Renting or merchandising of space in the building under his management. (continued):</p> <p>G. Promote the reputation, character and goodwill of large structures such as office building, apartment hotels and loft buildings</p> <p>H. Assist the tenant in the preparation of plans and layouts</p> <p>I. Check the desirability and financial status of prospective tenants</p> <p>J. Make an analysis of the rental market from time to time</p> <p>K. Prepare leases or assist in their preparation by counsel</p> <p>L. Renew expiring leases from time to time</p>


 Real Estate Management	Scope of Management-The work of the property manager
	<p>2. The operation and maintenance of the property (continued):</p> <p>J. Negotiating labor contracts where the building is unionized</p> <p>K. Maintaining elevators and other machinery in good operating condition</p> <p>L. Maintaining proper stockrooms with adequate controls over supplies and replacements</p>


 Real Estate Management	Scope of Management-The work of the property manager
	<p>2. The operation and maintenance of the property (continued):</p> <p>F. Following tax assessments and assisting the owner in having over-assessments reduced</p> <p>G. Making and filing reports of accidents, either to employees or to the public, with the proper insurance agent</p> <p>H. Establishing building rules and regulations for employees and tenants</p> <p>I. Setting the standard of building operations</p>


 Real Estate Management	Scope of Management-The work of the property manager
	<p>3. The remodeling, rehabilitation or modernization of the building. (continued):</p> <p>C. Assistance to the architect in the preparation of plans for work</p> <p>D. Securing the tenant's goodwill and consent to building changes</p> <p>E. Cooperating with contractors to whom the contract is let</p>


 Real Estate Management	Scope of Management-The work of the property manager
	<p>3. The remodeling, rehabilitation or modernization of the building.</p> <p>❖ Not every property placed in the manager's portfolio will need remodeling, rehabilitation or modernization but many of them will as they become outmoded by reason of obsolescence or style changes.</p> <p>❖ Under this heading should be placed such work as:</p> <p>A. Advice to the owner when extensive reconditioning should be done</p> <p>B. Advice to the owner as to the extent of the work recommended</p>


 Real Estate Management	Scope of Management-The work of the property manager
	<p>4. Record keeping and rent collecting. (Continued)</p> <p>A. Render tenants monthly bills for rent, electric current, steam or other proper charges</p> <p>B. Make prompt collection of all monies due the owner</p> <p>C. Cooperate with the owner's attorney where eviction proceedings are necessary</p> <p>D. Keep accurate records of all charges due from tenants and the time of payment</p> <p>E. Deposit owner's money in proper bank accounts</p>

 Real Estate Management	Scope of Management-The work of the property manager
	<p>4. Record keeping and rent collecting.</p> <ul style="list-style-type: none"> ❖ Proper records must be maintained of rentals due and payments made. ❖ This is an absolute necessity. ❖ There are also many other records necessary, either for Governmental reports or to keep the owner informed. ❖ Into this classification the following should be placed:

 Real Estate Management	Scope of Management-The work of the property manager
	<ul style="list-style-type: none"> ❖ The work of the property manager is one of service. ❖ The property manager has nothing to sell except his knowledge and his organization.

 Real Estate Management	Scope of Management-The work of the property manager
	<p>4. Record keeping and rent collecting. (Continued)</p> <p>F. Prepare and file necessary social security, withholding tax and other Governmental returns</p> <p>G. If property is under rent control file necessary registrations and petitions with Office of Rent Stabilization</p> <p>H. Keep records of all purchases and payments for purchases</p> <p>I. Maintain records of all utilities used</p> <p>J. Render to the owner at regular intervals a complete statement of building operations</p>

 Real Estate Management	Building Classification
	<p>Under the heading of residential properties there are:</p> <p>The single house</p> <p>The two-family flat</p> <p>The four- and six-family flats</p> <p>The income bungalow</p> <p>The double house</p> <p>The bungalow</p> <p>The terrace building</p> <p>Row housing</p> <p>Apartment buildings</p> <p>Apartment hotels</p>

 Real Estate Management	Building Classification
	<ul style="list-style-type: none"> ❖ Having discussed the scope of the management business and the divisions of the work connected with it ❖ It is important to consider the different types of property with which the property manager may deal and their importance to the property manager. ❖ These properties may be placed into two main classifications: <ul style="list-style-type: none"> Residential Properties and Commercial properties.

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Reasons for Ownership

- ❖ It might be well at this point to examine some of the reasons why people buy real estate, and to look into the future possibilities for the property manager.
- ❖ As mentioned in the previous lecture about history, People thought the good times would never end and, as a result, spread their finances as thin as possible in order to control more property.
- ❖ When the crash came , they had no resources from which to draw to protect their equities. Foreclosure was the rule and Banks and other lending institutions took over the properties.

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Building Classification

Commercial buildings may be divided into:

- Stores
- Shops
- Loft buildings
- Office buildings
- Factory and industrial buildings

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Reasons for Ownership

1. For self use
 - ❖ This was particularly true of the single house, two-family flat and of some commercial and industrial building.
2. For speculation.
 - ❖ As has been stated, the prices at which these properties were sold by the lending institution were most attractive, often way below their reproduction cost.
 - ❖ People saw in their purchase a chance to recoup the loss they had suffered before
 - ❖ Most people invest in this way are interested in the capital gain rather than the income from these properties

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Reasons for Ownership

- ❖ Banks and other lending agencies look for property managers to take care of the buildings
- ❖ When repression over, people again had money to invest, they re-purchased the properties from the lending agencies in a favorable terms

The purchasers bought these properties for three reasons:

1. For self use.
2. For speculation
3. For income

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Reasons for Ownership

- ❖ By the far greatest percentage of owners purchase property as an investment.
- ❖ If we examine further, we will see that the following reasons prompted their purchases for investment purposes:
 1. There has been an inflationary movement for several years.
 - ❖ Thus, people have purchased rental properties, believing that as inflationary trends spread upward real estate will advance in price.

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Reasons for Ownership


3. For income
 - ❖ For years on end, thrifty people , thinking of the years when they will not be able to earn a livelihood, have saved their money and invested it in income producing property.
 - ❖ Expecting that the revenue from their properties would keep them.
 - ❖ This class of owners makes up quite a large percentage of the total number of property owners.

 Reasons for Ownership

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Reasons for investments (Continued)

- We consider now the high savings people have accumulated during the war years.
- ❖ Saving banks are bulging with money. Instead of having their money in a saving account with low interest rate they invested their money in the real estate.



 Reasons for Ownership

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Reasons for investments (Continued)


2. Interest rates during the past several years have been declining.

- ❖ This fact has forced many investors to turn to real estate where higher returns might be secured

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THANK YOU

 Reasons for Ownership

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- ❖ It is the last group of owners, that is the owners who purchase for investment purposes, which is of the most interest to the Property Manager.
- ❖ These owners ordinarily purchase for a long-term investment.