

PERFECT PHRASES

for

LANDLORDS AND PROPERTY MANAGERS



**Hundreds of Ready-to-Use Phrases
for Negotiating Agreements,
Dealing with Tenants, and
Managing Maintenance**

John A. Yoegel

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and Property Managers**

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John A. Yoegel, PhD, DREI



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Contents

Preface xi

Acknowledgments xv

Part One:

The Landlord and Property Manager 1

**Chapter 1: Managing Investment Properties:
Goals and Objectives 3**

**Chapter 2: Managing Investment Properties:
Skills and Responsibilities 7**

Planning 8

Budgeting 8

Maintenance 9

Marketing and Leasing 9

Skills Needed by a Landlord or Property Manager 10

Contents

Part Two: The Business of Property Management 11

Chapter 3 The Property Management Team 13

- Assembling the Team 15
- Training 18
- Managing the Team 21
- Compensation and Motivation 24
- Policy and Ethical Issues 27

Chapter 4 Property Manager–Client/Owner Relations 31

- Owner Objectives 33
- Communications 36

Chapter 5 Business Development 39

- Developing New Business 41
- Real Estate Investment Counseling 44
- Real Estate Development 47

Chapter 6 The Management Agreement 51

- Preparing for Negotiations 53
- Term of the Property Management Agreement 56

Contents

Compensation	59
Duties	62
Termination and Renewal	65
Reports	67

Part Three: Managing the Properties 69

Chapter 7 Managing Residential Properties 71

Medium to Large Apartment Building	72
The Small Property	75
Lease Negotiations	78
Tenant Relations	81

Chapter 8 Managing Commercial Properties 85

Negotiating Leases	87
Tenant Relations	90
Management Issues	93

Chapter 9 Managing Owners: Condominiums and Cooperatives 97

Condominiums and Cooperatives	99
Condominiums	104
Cooperatives	105

Contents

Chapter 10 Special Purpose Properties 107

- Industrial Properties 109
- Mobile Home Parks 112
- Medical Buildings 114
- Self-Storage Facilities 118
- Age-Oriented Housing 120

Chapter 11 Tenant Relations 123

- Communications 126
- The Problem Tenant 129

Chapter 12 The Management Plan 131

- Regional Analysis 133
- Neighborhood Analysis 137
- Property Physical Analysis 140
- Income Stream Analysis 143
- Operating Budget 146
- Capital Budget 149
- Beyond the Management Plan 152

Chapter 13 Landlord (Owner) Management Issues 157

- Nonresident Landlord 159
- Resident Landlord 163

Contents

Chapter 14 Issues Common to All Properties 167

Maintenance 167

Nondiscrimination 171

Risk Management 175

Chapter 15 Marketing the Property 181

The Marketing Plan 182

Advertising 184

Describing the Property 187

Promotional Activities 190

Networking 193

Resources 197

About the Author 199

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Preface

Things to Consider before Saying a Perfect Phrase

Communications

This book is about communications; or rather one aspect of communications. We begin to learn to communicate as soon as we are born. Maybe even before. Infants communicate their needs very effectively without ever uttering a perfect phrase or even a coherent word.

Most of us eventually learn to communicate primarily through written and verbal language. We quickly learn that verbal, face-to-face speech is arguably the most effective form of communication, accompanied as it is by hand and facial gestures as well as tone of voice. The ability to receive and respond to questions also enhances the communications process. So effective listening becomes a part of effective communication.

We learn that the same words uttered in a conciliatory tone, an angry tone, or an authoritative tone of voice will convey three different messages. In our current technological age we've begun to understand that the medium—written letter, e-mail,

Preface

phone call, face-to-face—all carry a different level of seriousness or importance when communicating.

Many communications carry multiple messages. The demand that is delivered in an angry tone of voice will carry the message of the words used. It will also carry the obvious message that the communicator is angry. In fact, the message itself may be lost within the feeling of anger that is being expressed. In communicating with people from different parts of the country and now the world, the very speed with which some people speak may be viewed as rude.

My hope is that the perfect phrases presented in this book serve the property manager and landlord reader well. But a perfect phrase delivered in an imperfect manner loses some of its effectiveness. As you use the phrases in this book, I encourage you to listen to yourself as well as to the person with whom you are communicating. The golden rule of communication could be stated as thinking about how you would want to be spoken to and then speaking in that way.

Who's Talking and Who's Listening?

The perfect phrases in this book have been written for use by professional property managers and landlords, or owners of property who choose to manage it themselves. With a few noted exceptions, such as the chapter on the resident landlord/owner, most of the phrases in this book can be used by the property manager or the landlord/owner interchangeably.

Who will be speaking these phrases is clear. To whom these phrases will be spoken may need a bit of explanation, which I provide where appropriate. The phrases in this book fall into four major categories.

Preface

1. Property manager to property owner
2. Property manager to tenant
3. Property manager to staff and employees
4. Landlord to tenant

What You Need to Make the Most of This Book

This book is for the professional property manager and landlord/owner who has knowledge and skill in the field of property management. This book is not a property management primer. In my experience, one of the biggest surprises a first-time real estate investor encounters is the realization that property management is not as easy as it appears. Anyone engaged in property management, whether as a professional career or as part of a self-managed real estate investment, should avail themselves of the material available to educate themselves in this complex field. This book presumes that readers have or will gain that knowledge and will find these phrases useful in situations that they will encounter.

The phrases in this book can best be viewed as a way to say something once a decision is made to take a particular action. I presume that you have that knowledge and experience to make the decision in the first place.

A resource file at the end of this book provides information on education in the property management field.

Important to Note before You Begin

This book is not designed to provide either legal or accounting advice, nor for that matter specific advice in managing a

Preface

property. Any contracts or leases should be reviewed by an attorney before they are signed. So too, any financial decisions may need to be reviewed by an accountant before they are finalized.

Property management decisions in any given set of circumstance for any particular property are affected by many factors. Once the appropriate decision is made based on knowledge, experience, and the advice as needed of the appropriate professionals, the phrases in this book will prove useful in implementing those decisions.

This book discusses ways of doing business, methods of providing service and negotiating fees, and employee compensation. Nothing in this book should be construed as the correct way, the only way, or even the recommended way to approach these types of issues. Property manager mindsets are designed to explore the thinking behind some of these issues. The phrases are provided to implement a decision made by the property manager or landlord among the many options that exist. In all cases these are presented as examples only. Nothing in this book should be construed as an invitation to price fix, or conduct business in a certain way, or in any other way to eliminate competition among property managers and landlords by providing a recommended way to do business.

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First and foremost I wish to acknowledge the contribution my wife, Marina, has made to this and all my writing and teaching endeavors. Without her support, encouragement, and flexibility in ordering our lives very few of my words would ever have been put on paper by me. I also wish to express my gratitude to my agent, Grace Freedson, who despite her admonition that I will never get rich writing real estate books, has done her best to help me pay more than a few bills by providing me with writing projects. I am most grateful for my editors, who added much to the finished product. Finally, as always, I thank all of my teachers and students. It is a rare day in front of a class that I don't learn something new. As they generously share their knowledge with me, I hope I share it with my readers.

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Part One

The Landlord and Property Manager

What is an investment property? What is involved in managing it? What should the goals be of the property manager? What are some of the skills necessary to manage this type of property? Is there a difference between a professional property manager and an owner/landlord manager?

These are some of the issues I'll address in this first section of the book. You won't get any "perfect phrases" yet in this section, but I'll try to lay the groundwork for what comes after.

In this first part we'll take a brief look at the goals and objectives of the property manager. I'll also discuss the different skills needed to manage an investment property, as well as some of the responsibilities that a property manager or owner/landlord assumes.

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Chapter 1

Managing Investment Properties: Goals and Objectives

It may be obvious, but let's start with a basic definition of the kinds of properties we'll be talking about in this book. The major distinction that is made in any discussion of property management is the difference between a property that is purchased to live in with additional units that provide income, as opposed to a property that is bought for investment purposes, that is, for the income that the property will generate now or in the future. A similar situation exists with an owner whose business is located in part of a building he or she owns with the rest of the space being rented out.

Some people refer to properties bought for investment purposes generically as commercial properties. This is not so much wrong as it is imprecise. Commercial properties are properties that are used for business purposes. Office buildings, retail stores, shopping malls, and factories, among other types of properties, fall into the category of commercial properties. On the other hand, properties that people live in are referred to as residential properties. These could be anything from a single-family house to a large apartment building or a condominium or cooperative apartment.

Perfect Phrases for Landlords and Property Managers

The simple distinction that we deal with in this book is not commercial versus residential, but rather for what purpose the property was purchased. Any property, whether commercial or residential, that is purchased solely for owner occupancy is not the purview of this book. I will be discussing and providing perfect phrases for properties that have been purchased and are being managed for their income potential as investments. One rather obvious crossover that I'll discuss in a later chapter are some of the issues faced by the owner/manager who either lives or works in part of the building and rents out the rest of the space or other apartments. These owner-occupied buildings can have some unique benefits, and problems, that we'll address.

In some ways any of us who own a single-family home, condominium, or cooperative, manage it. We make sure all the bills are paid, like the oil or electric, and we keep it in good repair. We do this ultimately to keep the tenants happy, and that would be us. And we also do it to maintain the value of the property.

Our goals as either an owner/manager, commonly referred to as the landlord, or professional property manager of an investment property are no different. We should be doing what we can to keep our tenants happy because to put it simply, happy tenants will be willing to pay higher rents and will recommend the building to other prospective tenants, which will keep our vacancy rates low. All of this translates into more financial return on an investment. Maintaining the building will also generate both short-term profits as well as long-term gains when the building is sold.

The goal of maximizing income from an investment property while maintaining or increasing its value is, of course, not

The Landlord and Property Manager

totally within the control of the landlord or property manager. Market forces, supply and demand, and the overall economic situation, as well as the particular microeconomic climate for that type of rental space in that particular area are usually beyond the control of the landlord or property manager. In the first instance a wise choice of investment property will anticipate or mitigate some of these market forces. But since investing in real estate doesn't come with a crystal ball, the property manager's and landlord's job is to anticipate as much as possible and react appropriately to changes in market conditions. Although this book is not directed toward decisions made when choosing a property in which to invest, it will address the property manager's role in recommending actions that may be taken to maintain or enhance the property's marketability in changing circumstances.

As noted, whether the property is managed by an owner-occupant landlord, absentee landlord, or professional property manager, the goals in managing an investment property usually are the same. Perhaps the biggest difference between a landlord and professional property manager is the flexibility that a landlord has to react to certain situations or modify his or her business plan. Whereas a landlord might instantly be able to renegotiate a rental agreement, a property manager, depending on the extent of his or her authority, may have to seek the owner's approval. As you use this book you'll note that most of the phrases can be used by landlords as well as property managers. In some instances the phrases are unique to property managers or landlords.

So far we've been talking about landlords and property managers interchangeably. An important aspect of managing

Perfect Phrases for Landlords and Property Managers

an investment property is the relationship between an owner who chooses not to manage the investment property and the property manager who is hired to do the job. Some phrases are presented that also address this relationship.

Chapter 2

Managing Investment Properties: Skills and Responsibilities

As an introduction to getting the greatest benefit from using the phrases in this book, it is worthwhile to briefly review the basic duties, responsibilities, and skills needed to manage an investment property. Regardless of whether you are a landlord or professional property manager the duties and responsibilities are much the same. This review is no substitute for detailed study and experience in the property management field.

One can categorize the duties in managing a property into four major areas:

- Planning
- Budgeting
- Maintenance
- Marketing and leasing

These areas will be further broken down in the book, but a brief overview at this point will provide easier access to the material.

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Planning

A landlord or property manager should always be anticipating changes in market conditions that may affect the property. These could be changes in the general economic conditions of the country or a particular segment of the economy. For example, interest rates could go up, making it more expensive to secure financing for major renovation. Or a building devoted to renting space to high-tech companies may suffer if there is a downturn in that part of the economy.

Another situation that can affect a property is change in the area or neighborhood in which the property is located. Perhaps a residential neighborhood has grown unsafe or the land uses in the area are changing from residential to commercial. These are external changes that can affect a property.

Changes can also be internal. Buildings and their systems wear out. Leases expire. Employees retire. All of these changes can affect a building and most can be anticipated and planned for.

Although no one can predict the future, an owner or property manager needs to be alert to changes that will affect the property in some way and take appropriate steps to plan on minimizing the impact of anything from a broken furnace to a retiring superintendent. The landlord or property manager also needs to react quickly to external changes so as to both minimize any negative impact and if possible take advantage of the change to enhance the value of the building.

Budgeting

Budgeting involves collecting rents and paying the bills. On the income side a rent collection system should be established.

The Landlord and Property Manager

Expenses generally fall into operating expenses and capital expenses. Operating expenses are those that recur either monthly or at least annually, such as power, fuel, and salaries. Capital or nonrecurring expenses are those that may occur periodically but not every year. Some of these expenses may only occur once during the length of ownership of the particular owner. For example, a roof might need to be replaced every 10 to 20 years. The property's budget should deal with both of these kinds of expenses.

Therefore, the budgeting process has a planning element. A landlord or property manager needs to anticipate and plan for capital expenditures, renovations, and loss of revenues due to lease expirations, as well as unanticipated vacancies. In addition, when a property manager is employed arrangements must be made for periodic financial reports to the property owner.

Maintenance

The property must be maintained to meet health, safety, and building code standards. Further, it should be maintained in such a way as to avoid tenant complaints and make it competitive with similar buildings in the area. Maintenance is generally performed by employees of the owner or property manager, contracted companies or individuals, or a combination of the two.

Marketing and Leasing

Unless economic conditions remain extremely favorable, causing prospective tenants to flock to the property, at some point

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an owner or property manager will have to market the property. This might be something as simple as an ad in the newspaper or as elaborate as a marketing campaign.

Assuming the marketing campaign is successful, the landlord or property manager will then have to negotiate a lease with the tenant. Lease negotiations can be highly complex.

Skills Needed by a Landlord or Property Manager

To the extent that one can master the skills required, a property manager should have knowledge in the following areas:

- Leasing activities
- Budgeting
- Construction and project management
- Real estate economics
- Marketing

Note that the skills listed are reflective of the duties and responsibilities for the landlord and property manager. It is helpful, for instance, in planning for and executing a capital renovation for a property manager to have some knowledge of construction and project management.

In addition, a landlord or property manager should have a heavy dose of patience, good communication skills, both written and oral, and generally good people skills. It is in fact in the area of good communications that this book is most useful. Whether dealing with a tenant or a contractor, negotiating a lease or managing your property management team, you'll find useful phrases in the chapters ahead.

Part Two

The Business of Property Management

Property management, for many people, is an activity that is part of owning an investment property. This is who, in this book, I refer to as the landlord. But for many owners the burden of managing a property is beyond either their skill or time. These people, so-called absentee owners, will contract with property managers to assume the responsibilities and perform the duties connected with managing a property as described in Chapters 1 and 2.

This part provides phrases for use within the property management company as well as phrases professional property managers would use as they relate to their owner/clients.

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Chapter 3

The Property Management Team

In most places anyone holding a valid real estate broker's license can act as a property manager. However, property management is a unique specialty within the larger field of real estate. Many companies specialize only in property management, whereas some general real estate brokerages have property management divisions. In either case this specialized area requires all of the staffing, organizing, planning, and management skills that are needed to run any successful business organization.

The laws of your particular state will determine what, if any, type of state license is required to operate a property management firm and who within the firm needs to have a license. In addition, decisions need to be made about the legal form the organization will take (for example, corporation or partnership) if there is more than one business owner. These decisions are best made with the advice of an attorney and accountant. Regardless of the form the organization may take or the state licensing requirements, as with any organization the greatest asset is the people who work for you. Hiring the right people, training them, and stating clear goals for the organization as well as for individual performance, and rewarding employees accordingly are all part of running a successful enterprise. You,

Perfect Phrases for Landlords and Property Managers

as the owner of the property management firm, will not only need knowledge of property management, but also business administration.

The phrases presented in this section will help you deal with a variety of issues that will be part of operating your property management firm. The phrases are geared toward hiring, training, and managing staff property managers. The term *staff property managers* is used to refer to those individuals employed by a property management company who are responsible for the day-to-day management of the properties. In very large firms where other hires are made, such as maintenance workers, most of these phrases, with minor changes, will be useful in managing other workers. This chapter is about getting the best people and then getting the best from the people you have.

Assembling the Team

The Boss's Mindset

- Hire the best people possible.
- Make sure the people who are hired have the proper licensure and/or certifications.
- In order to secure the best people provide competitive wages and benefits.
- Make sure there is a good fit between the prospective employee and the company.
- Judge a prospective employee by a number of different but important criteria.
- Understand the employee's expectations of the company.
- Make sure the employee understands what will be expected of him/her.
- Avoid any and all references and questions to a prospective employee that may violate equal opportunity employment laws.
- Check the references of prospective employees. If possible, check with the owners of the building they have previously managed.
- After making an offer of employment, provide a reasonable time for the prospective employee to respond.
- Follow up as promised with an applicant.
- Allow the applicant to explain any employment gaps.
- Arrange for one or more current employees to meet with the applicant.
- Be honest about the requirements and benefits of the job.



- Pose a few hypothetical property management situations to see how the applicant will respond.

Phrases

- “Assuming we were to hire you, would you have your real estate license by next month?”
- “How far along are you with your Certified Property Manager® courses?”
- “I’m sure you’ll find our wages and benefits package very attractive compared to other property management firms.”
- “Tell me why you want to switch from real estate sales to property management.”
- “I’m interested in what you were doing during the gap in employment indicated on your resume.”
- “Can you tell me a little more about (name of applicant) since you wrote a reference letter for him or her?”
- “What was your worst experience as a property manager in your previous jobs?”
- “We’ll expect you to be on call 24 hours a day, 7 days a week for the buildings that you’re assigned to manage.”
- “We’ll be in touch one way or the other by the end of next week.”
- “I do hope you’ll join our team, but either way could you let me know your decision by the end of the week?”
- “We have a policy here of applicants being interviewed by one or more of our current property managers, so I’ll turn you over to (name of current employee) for a little while.”
- “Why do you want to come to work for us?”



- "I'm sorry, but we don't hire people without a property manager certification."
- "Describe to me your perfect boss."
- "Some of our buildings are located in less than safe neighborhoods. How do you feel about that?"

Training

The Boss's Mindset

- Have the best trained staff possible.
- Discuss the importance of training during the hiring process.
- Emphasize the importance of training as a matter of company policy.
- Offer incentives to employees who acquire advanced training.
- Indicate training opportunities within the company when hiring.
- Provide financial assistance to employees for training.
- Provide mandatory in-house training programs.
- Follow through consistently with any rewards for advanced training.
- Establish a program of on-the-job training with employees assuming greater responsibility and taking on more difficult assignments.
- Establish a mentoring program matching junior employees with more experienced employees.
- Provide free time off for attendance at conferences.
- Allow employees to work flexible hours in order to pursue educational goals.
- If your only training to be the boss of a property management company is experience as a property manager, it is you who need training.

Phrases

- "I expect everyone to attend the monthly training seminars that we'll be conducting here in the office."



- "I want you to work with (name of more experienced employee) for a few weeks or so and then we'll turn you loose on your own."
- "The boss has assigned me as your mentor, so please come to me with any questions or concerns you might have."
- "There will be an automatic raise of (dollar amount or percentage) when anyone achieves their property manager designation."
- "I'm going to establish an educational assistance program to help any employee who wants to go to college or graduate school in a subject related to what we do here."
- "I know you're available whenever we need you to do your job, so I have no problem if you leave early one day a week to attend college classes."
- "I'm sorry, but a course in political science (or some other unrelated subject) doesn't qualify for our educational assistance program."
- "By all means take the three days on us to attend the property manager's conference."
- "Usually we want people who already have some real estate training. But I think you have a great deal of potential and I'm willing to pay for you to get your real estate license if you'll come and work for us."
- "When you get your property manager designation you'll be assigned your own buildings to manage."
- "The training program we have in place has you start by managing small buildings at first and working your way up to managing our more complex properties."



- “At the next company training session we’ll allocate some time for you to share with the group any new ideas that you learned at the conference.”
- “Congratulations! We’re all very proud of you for having been awarded your property manager designation.”

Managing the Team

The Boss's Mindset

- Create an effective and efficient team of staff property managers and support staff.
- Different people have different skills and abilities. Develop the talents of individual staff members accordingly.
- Your highest paid people should not be doing work that lower paid people can do. Maintain an effective support staff to free up the time of your property managers.
- Employees are not mind readers. They need to know your expectations. Your ability as a boss to communicate clearly with your staff can make or break your organization.
- You must be many things as a boss: supervisor, coach, mentor, and instructor.
- There is almost nothing that will drive an employee crazier than inconsistency on the part of the boss.
- Do not fall into the trap of managing people's time. Property management is not a 9-to-5 job.
- Do not be the absentee owner of your own property management business. Talk to your clients and the tenants periodically to determine their satisfaction. Make sure your staff property managers know that this is not so much about checking up on them as it is about keeping your hand on the pulse of your business.
- Even if you have a very small property management business, do a regular, periodic review of your staff using a standardized form. Meet with employees to discuss their evaluation.



- Ask your employees what they need and want to make their jobs easier and then provide it if you can.
- A clear, minimum standard of acceptable work should be established.
- Holiday parties and company picnics will never replace good day-to-day management.
- Be aware of generational differences in worker style and manage accordingly.

Phrases

- “The tenants have said some very good things about the way you’re managing that building.”
- “You’ve been doing so well with that residential complex that I think it’s time we gave you some experience managing a commercial building.”
- “Here’s a copy of the form that I will use to evaluate your performance annually.”
- “Unless you’re away on vacation I expect you to be able to respond to a problem in the building within 30 minutes.”
- “Property management is not a 9-to-5 job, so your time management is up to you.”
- “As you are one of our newer clients, I thought I’d give you a call and see how we’re doing managing your building.”
- “What do you need to make your job easier?”
- “We pay you too much to use your time making copies, so use the clerical staff for that.”
- “Don’t ever worry about calling me day or night with a problem in one of your buildings if you think I need to be involved.”



- "I don't think you're cut out to be a property manager, so let me make a few calls to see who could use a good real estate salesperson."
- "I know your work will keep you in the field most of the time, but I do want you to check in to the office by phone every day and come in at least once a week to let me know how things are going."
- "I want everyone to get important messages as soon as possible, so please be sure to check your e-mail at least once a day."
- "It's great that you like to work so independently, but I'd appreciate it if you could keep us in the loop back here at the office in case you're out sick or on vacation."
- "I'm here to make you do your job better."
- "When you get a compliment, I get a compliment."

Compensation and Motivation

The Boss's Mindset

- People work for many reasons: money, respect, job satisfaction, and creative outlet among other things. Be sure you address all of these needs of the people on your team.
- The reward for good work should be an incentive, not more work.
- More work, more difficult work, and greater responsibility should be rewarded.
- Your team members need to know what the rewards are for good work. They also need to know the consequences of work that is not up to standard.
- Promote from within whenever you can. It gives people an incentive to work hard and smart.
- Incentives that reward one employee's performance over another's divide the team and pit employees against each other. Employees will be reluctant to help one another, which is the opposite of what you want to achieve.
- Reward performance against a standard or against the employee's previous performance.
- Nonmonetary motivation can be as important as money, provided employees don't feel taken advantage of monetarily.
- Profit sharing and group incentives based on performance can be an effective way to make all employees feel part of the team.
- Giving control of his or her job to the employee is a cost-free way of motivating that employee.



- Allow employees to express their creativity and problem-solving skills. You may be the boss, but you probably don't know everything.
- Management and motivation are serious business, but that does not mean they can't be done with humor.

Phrases

- "The success of this company is a result of the hard work of all of you, so the profit sharing plan will include everyone."
- "The pay plan doesn't allow for a salary increase at this point, but I just wanted you to know how happy we are to have you here working with us."
- "Anyone who maintains an occupancy rate of (some percentage) for 2 years in a row will receive a night-on-the-town incentive, including dinner and theater tickets."
- "(Name of employee's spouse or significant other), you know we couldn't really get along without (name of employee) on our team."
- "I expect everyone to win the annual incentive trip, so help each other out."
- "You know what the job is, so let me leave you alone to do it."
- "(Name of employee), I think you can do a lot more than clerical work, so how about we send you for some classes and start you managing a small building?"
- "I want to hear any idea you have that will make this place run better unless it's that I should take a permanent vacation."



- “I won’t penalize any property manager for market conditions that are beyond his or her control.”
- “We want to be the best property management team in the city, so I expect each of you to always have your buildings at least 3 percentage points (or other measure) above the average occupancy rate for that kind of space.”
- “We learn more from mistakes than we do from successes; just don’t make the same mistake twice.”
- “Salaries and incentives around here are pretty straightforward since property management is a numbers game; occupancy rates, rents collected, maximizing revenues, and number of units or square feet managed and all the while keeping the tenants happy.”
- “Remember that without the clerical support staff this office couldn’t function.”
- “I don’t really care how you schedule your time as long as the job gets done.”
- “You don’t need to spend more time in the office during the holidays, so instead of the big office holiday party this year we’ll just have a little eggnog and cookies next week and I’m giving each of you a gift certificate for a dinner for two at (restaurant name).”

Policy and Ethical Issues

The Boss's Mindset

- Good communication of policies is important to maximize efficiency and effectiveness within the property management firm.
- Although verbal communication is often easier and faster than written communication, it is also less precise and more easily misunderstood or changed over time. A written policy manual is necessary on issues of ongoing importance and when consistency is paramount.
- All employees should understand their relationship to the company regarding things such as benefits, sick leave, work hours, and grievances. This information can be part of the company policy manual or a separate employee handbook.
- It is important for employees to have a reference source to understand what is expected of them and how to deal with specific issues. This should be the principal focus of a policy manual.
- Ethical behavior is important in building trust with clients.
- Ethical behavior is expected of all employees. Since ethics can be defined many ways in general and vary in specifics, it is necessary that all employees have a clear understanding of the specific ethical behavior that is expected of them.
- There are national codes of ethics for Certified Property Managers® and Realtors®. The company code of ethics can reference these codes and/or supplement them.



- It is important that employees be aware of and not violate nondiscrimination statutes as well as any other laws that may affect the management of properties.
- Employees must be made aware of the consequences for violation of various aspects of the policy manual.
- It is important for the employer to make a distinction between willful disobedience of policy and an honest mistake, particularly with new or inexperienced employees.
- A good policy manual should be instructive as well as simply setting down a list of rules.
- Policy manuals should be periodically reviewed and updated. An out-of-date manual sends the message to employees that the material in the manual is unimportant.
- Frequent and timely communication with employees is important to quell rumors and provide up-to-date information on policy changes, new business, incentives, and other issues of immediate importance. Newsletters, e-mail blasts, bulletin boards, and regular staff meetings are all ways to keep employees in the information loop of the company.
- Employees are interested in how the company is doing. They also respond to being recognized for their own individual accomplishments. Newsletters and other regular, periodic communications provide an opportunity for employers to disseminate information about the company and individual employees.



Phrases

- “The policies of this company as stated in this policy manual are to be followed by all employees.”
- “If a situation arises that is not covered in this policy manual, please consult with your supervisor.”
- “Please let us know of any professional accomplishments such as certifications or courses you’ve completed so we can report them in the monthly newsletter.”
- “Thanks to your efforts, during the past quarter the company has added (number) square feet of floor space (or apartment units or other measure) to its management inventory.”
- “We’ll be conducting our annual review and update of the policy manual, so please submit all your suggestions for changes and additions by the 10th of the month.”
- “Acceptance of gifts or money from suppliers and contractors will be grounds for immediate dismissal.”
- “A relationship of trust exists between us and our clients; therefore, this company will adhere to the highest ethical standards.”
- “A property management company’s reputation and therefore its success is made or broken by how much our clients can trust us to treat them fairly and honestly.”
- “(Full name of employee) was just awarded his Certified Property Manager designation. Congratulations, (First name of employee).”
- “As a new employee, you might not have been aware that we have a policy about that. Just don’t make the same mistake again—and it might be a good idea to spend some time reviewing the whole manual.”



- "Please consult the employee handbook or your supervisor for information regarding employee benefits."
- "Whether or not you are a Certified Property Manager or a Realtor, we will expect you to adhere to both of those codes of ethics in your work for this company."
- "Knowingly permitting a property to be out of compliance with any building, fire, electrical, plumbing, or any other safety code will be grounds for immediate dismissal."
- "Serving our clients' interest by maximizing revenue and maintaining or increasing the value of their properties is the primary goal of this company."
- "The only time the client is wrong is when he or she wants us to violate the law."

Chapter 4

Property Manager–Client/ Owner Relations

The essence of developing and maintaining a successful property management business is the relationship between the client/owner of the property and the property manager. It may seem obvious, but without owners there would be no need for property managers. And without professional property managers, there would be many properties that are undermanaged, do not generate as much revenue as they might, and whose value may very well decrease through neglect.

First, this chapter provides some insight and phrases in the development of the client-manager relationship and the establishment of goals and objectives that both parties can understand and to which they can agree. Second, it deals with ongoing communications between the client and manager. A later chapter discusses the formal relationship between the client/owner and the property manager.

These sections should be read and used not only by the owner of the management firm, but also by staff property managers since these are the people who often have day-to-day contact with the owners of the properties. Phrases dealing with specific property types and situations are presented in later

Perfect Phrases for Landlords and Property Managers

chapters. This section deals more generically with the issue of owner–manager/client relations.

Property owners seeking to hire property managers should also read through this section to better understand the property management firm’s mindset.

Owner Objectives

The Property Manager's Mindset

- It is essential that the property manager understands the goals and objectives the client/owner has for the property under management.
- The property manager should be in agreement with the goals and objectives for management of the building.
- An inexperienced client/owner will look toward the property manager to guide him or her in setting the goals and objectives for managing the building.
- A competent property manager understands that there may be different management objectives for various ownership/management situations.
- A property manager who disagrees with a client/owner's objectives on ethical or legal grounds should decline the management assignment.
- The most common management objective for a property is managing it to maximize revenue while maintaining or increasing the value of the property.
- In managing a property, a manager must remember that his/her primary fiduciary duty is to the client/owner above all other interests, including his or her (the property manager's) own.
- A property manager should immediately report any possible conflict of interest to the client/owner. A staff manager should report this to the company manager or owner.



- Although a manager has a primary duty to his or her client/owner, the manager also has a legal and ethical obligation to the tenants of the property.
- Remember that if the owner wanted to manage the building personally, he or she would not have hired you. There is an expectation on the part of the client/owner of your competence and honesty and that the owner will only be consulted along the guidelines established at the beginning of the client/owner –property manager relationship.
- Property managers must always keep in mind that an investment property is just that—an investment. The owner’s objectives in one way or another are about money.

Phrases

- “Tell me what you see as the short- and long-term objectives for this property.”
- “Do you have any idea, at this point, how much longer you’re going to own the property?”
- “Our company goal for all our properties is to manage them so as to maximize the revenue to you and maintain or enhance the value of the property over the long run.”
- “I’m sorry, but I think your goals for the property and how we manage a property are incompatible.”
- “May I suggest that by spending money on upgrades and maintenance, in the long run you’ll be able to get higher rents and may also realize a profit when you sell the property?”
- “You’re the client, so our job is to keep you satisfied; one way to do that is to keep the tenants happy.”



- “We’ve found that the most shortsighted and expensive thing one can do in managing a building is maximizing short-term revenues by skimping on maintenance.”
- “I wanted to call you right away to let you know that we’ve been approached by the company my sister (or other close relative) owns to rent space in your building.”
- “We have a longstanding relationship with that cleaning company; although they are not the cheapest around we feel they’re the most reliable.”
- “As long as we don’t go below minimum standards of health and safety, we can go along with your objective of deferring as much maintenance as possible to maximize short-term revenues.”
- “It’s important for us as property managers to understand what your short- and long-term financial objectives are for this property.”
- “It is our legal and ethical duty to always put your interests ahead of anyone else’s, including our own.”
- “We’ll need to spend some time discussing how involved you want to be in the management of the property.”
- “I just don’t think there’s a good fit between what you want to accomplish with this property and our management style.”
- “I believe our management style and what we try to accomplish for an owner is an exact fit with your financial objectives for this building.”

Communications

The Property Manager's Mindset

- Owners/clients want to be kept informed about their properties.
- Communications with the client/owner should not be filtered as to whether the news is good or bad for the manager. The client/owner has a right to know what's happening with the building.
- The most effective communication with a client/owner about a problem with a property is after the problem has been solved.
- If a client/owner decision is needed, provide the client/owner with a statement of the issue, several alternatives, and your recommended solution or course of action.
- Don't inundate the client/owner with information just to show him or her that you're keeping busy managing the property.
- Keep the client/owner informed about market conditions for his or her type of property in the market area. This will allow the owner to keep the property's vacancy rates and revenues in perspective.
- Set up and follow a regular system of communication with your client/owner.
- Tailor your communications to the client/owner's needs and capabilities. Not everyone uses text messaging on their cell phones, nor checks e-mail every day. Some people still want written reports and letters to hold in their hands. Don't force the client/owner to adapt to your style of communication.



- Your client/owner's expectations of communications should never exceed your capacity to fulfill those expectations. If your client expects all the reports and other communication through e-mail or other electronic means, you need to adapt to that.
- Inform your client/owner of good news, such as a new tenant leasing a large amount of space.
- As you have the discussion with the client/owner about his or her objectives for the property, also discuss the type and frequency of communication that the client/owner expects.

Phrases

- "You tell me when you want to be contacted and about what and that's what we'll do."
- "I'll have a staff manager assigned to your building, but you'll always be able to reach me directly if you need to."
- "This may put us out of a job if you sell the property, but I need to let you know about some changes going on in the neighborhood that could negatively affect the value of the property."
- "There are three possible ways we can handle the problem. Here's the cost for each and my recommendation as to what I believe is the best approach."
- "One of the things we should discuss is how we like to keep in touch with our clients beyond the normal financial reports and whether or not that suits your needs."
- "What's the best way to send you my regular reports and other information?"



- “Periodically I’ll send you information about the market for your property so you can keep informed about what’s going on in the area.”
- “Please contact me anytime if you have a question or just want to talk about your property.”
- “Here’s a list of my phone numbers, including my home number.”
- “I check my e-mail throughout the day, so that’s always a good way to reach me.”
- “We’ve set up a password access–only Web page for all your properties so you can access your information any time you like. We’ll update it weekly (or monthly).”
- “I just wanted to let you know that I leased the entire floor to (tenant’s name).”
- “I know you haven’t been happy with (name of staff property manager), so I wanted you to know that starting Monday there’ll be a new staff manager for your property and I’ll personally supervise him or her until I’m sure we have a good fit.”
- “Thanks for the compliment.”
- “I have some news about the property that can’t wait.”

Chapter 5

Business Development

The first area of concern with respect to business development for a property manager is expanding the firm's client base. Bringing more properties and more client/owners into the firm should be the goal of not only the owner of the property management company, but also every employee of the company, especially staff property managers. The first section of this chapter addresses this aspect of your business and includes some phrases to get everyone in your firm thinking about the company's expansion.

Another aspect of business development, in any business, is expanding the business into a related area. Usually this requires additional expertise. Sometimes this expertise can be achieved through study and experience. Often, it means associating yourself with someone who has expertise in the area into which you want to expand your business.

Other than real estate sales, which are often part of a property management business, the two areas most closely related are real estate investment counseling and real estate development and construction.

Real estate investment counseling is perhaps the most closely related to property management and the most easily learned. Property managers are in the field and should have a

Perfect Phrases for Landlords and Property Managers

good sense of what is working and what is not in terms of the various investment properties. With a little study in the areas of investment analysis and property valuation, an experienced and astute property manager should be able to provide sound advice regarding various real estate investment alternatives to meet a client's needs.

Real estate construction and development will require specialized knowledge and is best approached in association with experienced development professionals. The property manager who has overseen a small renovation for a building may be on the way to gaining some knowledge about development and construction. However, the manager should move cautiously into larger projects.

The sections in this chapter dealing with real estate counseling and development and construction provide some ideas and phrases to get you started in exploring these areas of business expansion. Additional research, study, and experience may be needed to make a decision as to whether or not to expand your business into either or both of these fields.

Developing New Business

The Boss's Mindset

- There is a certain critical mass of investment in space, personnel, and equipment that I have to make whether or not the company manages one property or many. The more properties we manage, the more efficient all these basic investments will be in returning a profit.
- I can expand the property management business by adding more properties under the same owner or more properties under different owners. Both these options are viable but may require different staffing needs.
- Managing one large property is generally more efficient than managing several properties in different locations totaling the same space, especially if they are owned by different owners.
- Expansion of the amount of space under management must not compromise the quality of the management services provided.
- Although it is attractive to manage all the properties of a single client/owner, it also places the business in a vulnerable position if too much of the business rests on that one client/owner's properties. Putting all your eggs in one basket is a bad idea.
- Tell your owner/client everything he or she needs to know, not everything you know. The property manager is being hired for his or her expertise as well as day-to-day management work. Don't give away that expertise.
- Ask your satisfied client/owners to recommend you to other owners and ask them to provide you with names of people who might be interested in your services.



- Be careful not to violate any code of ethics regarding interfering with the business relationship of another property manager with an owner.
- Developing business should be part of every employee's work. Provide incentives for your staff to bring in new clients.
- Expand your staff, space, and equipment as needed as you expand your client base. Nothing can kill morale faster than simply heaping more work onto your people with no commensurate reward. The perception is that you, the boss, are making more money and their hourly wage just went down. Quality will likely go the way of morale.
- Business development can also include providing less than full services to owners who need help with particular property management issues.

Phrases

- "We're establishing an incentive program for any employee bringing new business into the company, the details of which we'll publish in next month's newsletter."
- "I hope you'll recommend us to other property owners you know who could benefit from our services."
- "If we bring that much new space into the firm, how many more staff managers will we need, or do you think we can handle it with existing staff?"
- "I'm looking for more quality people, but until I can find them I have to ask you all to temporarily increase your workload a little."
- "Let's send out a blanket mailing to all the property owners in the area explaining our services."



- “We’ve been concentrating on residential properties so far, so I’ve brought in someone who can head up a commercial property management division.”
- “Send a case of wine (or other gift) to (client/owner) for recommending (new client/owner) to us. I’ll include a personal note.” (If permitted by state law)
- “Let’s do a mailing with our new brochure to all our clients and include a letter asking them to pass it along to any other property owners they know.”
- “The fact that you recommended us to another property owner tells us that you’re pleased with our services, and that means as much to us as the new business we got. Thank you.”
- “Make sure the ‘under management of (company name)’ sign is visible from the street.”
- “We want our clients to know as much as they need to about what we do for them, but don’t tell them so much that they don’t need us anymore.”
- “See if you can discreetly find out if they’re shopping around for another property manager.”
- “Can you handle those new properties as well as you’ve been handling the ones you have now?”
- “Thanks to all of you and the great work you’ve done. We’ve outgrown our space and will be moving to larger offices in a few months.”
- “We’ve had such a great year in terms of expanding the business that I’ve decided that each of you will receive a portion of the increased revenues to thank you for all your hard work.”

Real Estate Investment Counseling

The Boss's Mindset

- Real estate investment counseling can be a natural offshoot of property management since property managers are exposed to many different types of investment properties.
- Property managers gain knowledge of expenses, revenues, financing, and other financial issues that contribute to determining the return on a real estate investment. That knowledge can be applied to advising people on selecting quality investments.
- Investment counselors must have knowledge of the overall market, competing investments, and prevailing returns on real estate investments.
- Some expertise beyond property management is necessary to offer real estate investment counseling services. This expertise should be acquired through careful observation of the market as well as appropriate academic and professional study.
- Real estate counseling should be a completely separate service offering of the property management company.
- Potential clients should be made to understand that counseling services are unrelated to property management services to avoid the appearance of a self-serving conflict of interest. It should also be kept separate from property sales services as much as possible.
- There is a natural tendency in multiservice businesses to try to profit from the same client in various ways. There is nothing intrinsically wrong with this approach as long as



antitrust laws are not violated. The client should be encouraged to make this choice by superior service and objective advice rather than by any subtle pressure or lack of information.

- An experienced real estate investment counselor/analyst should head up the investment counseling division in order to inspire confidence in clients as well as to train staff.
- Counseling services can include recommendations for investment, portfolio review, financing advice, sales recommendations, and management advice.
- Marketing the services of the new counseling division should not be restricted to existing property management clients. This will lend legitimacy to the idea that this is a completely new and separate service being offered by the company.

Phrases

- “We’ll be offering real estate investment counseling services in a new division of the company starting at the first of the year.”
- “I’ve just hired (name of new person) to head up our counseling division, and we’ll be looking for a few people interested in making the transition into this new division.”
- “The fee structure for our counseling services will be based either on an hourly rate or for the specific services we provide.”
- “You can be assured our counseling advice will be objective for the simple reason that we get paid whether you take our advice or not.”



- “We want you to know that the advice we’re giving you is based on our best judgment for your real estate investment needs as you’ve explained them to us.”
- “Sure, the company would like to manage that building if you buy it, but that’s not the basis of our advice.”
- “As a counselor you’ll be paid a flat salary so that your advice to our clients is not influenced by any commission issues.”
- “Yes, I know we’ll be losing you as a client of the property management division, at least temporarily, but I really do think it’s time to sell that property.”
- “The financial details of any property I recommend should be reviewed by your accountant to determine the particular impact on your tax situation.”
- “We’ll be offering a free portfolio review by our counseling division for each of our property management clients.”
- “The natural tendency is to find properties for our clients to invest in; but remember, advice to wait and see what the market does may be more valuable than recommending the purchase of a property.”
- “If you really want to make a mark in the counseling division, you’ll need to go back to school.”

Real Estate Development

The Boss's Mindset

- Real estate development is a way for investors to make money in real estate and is therefore related to real estate counseling and property management.
- People who build buildings often need someone to manage them.
- Real estate development requires specialized expertise in a variety of fields.
- Development is different enough from counseling and property management that it should have its own division within the company.
- Real estate development can include services such as property/project identification, land acquisition, design, legal work, construction supervision, or a combination of these tasks into a full turnkey operation.
- An experienced development professional should be hired to head up the real estate development division.
- Marketing the services of the new division should include, but not be limited to, existing property management and counseling clients.
- Clients can make money in development projects without ever actually building anything by simply adding value to land through legal and administrative work.
- The real estate development division can be used to provide services to existing clients who wish to rehabilitate or physically convert their buildings. Caution should be exercised by property managers not to "sell" unneeded rehabilitation work simply to make profits for the development division.



- With an understanding that new divisions take time to become profitable, it is good management to keep divisions separate as their own cost and profit centers.

Phrases

- “Please make (name of new person), the head of our new real estate development and construction division, feel welcome.”
- “We can take you through the entire development process and turn a finished building over to you.”
- “There may be some opportunity for profit here without putting a shovel in the ground if we can get the zoning changed.”
- “Now that the subdivision has been approved, all we have to do is put the road and all the utilities in and we can start selling lots.”
- “Of course we’d love to manage the building when it’s completed, and if you like, I’ll have someone from our property management division contact you.”
- “Welcome to your new office building.”
- “It’s important that you spend some time in the field as project managers before you assume more senior positions within the division.”
- “I think maybe it’s time we took advantage of all this talent, so I’m assigning the division the job of coming up with a project we can work for ourselves.”
- “We keep our divisions separate so that our clients can always feel they are getting the best service for their particular needs.”



- “No, you don’t have to use our construction division to do the rehab work I’ve suggested, but I know they’d like to bid on it.”
- “Shall I have someone from the construction division contact you directly to talk about the work I recommended for the building?”
- “Have you thought of doing some real estate development of your own rather than always buying someone else’s buildings?”
- “I can get our construction division to give us a rough estimate of the cost of the work with no obligation on your part.”
- “Each division of the company will have to be profitable on its own within 2 years (or other time frame).”
- “Since we’ve been approached to help this client build his or her own shopping center, this may be the opportunity we’ve been waiting for to get into construction and development.”

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Chapter 6

The Management Agreement

The management agreement defines the relationship between the property manager and the client/owner. It commits to writing the obligations and responsibilities of both parties. It is the result of discussion and negotiations that precede the actual signing of the agreement. As such, the initial section of this chapter deals with the pre-negotiation mindset and related phrases that the supervisor or property management owner might say to the staff property manager who will be conducting the actual negotiations. Whether or not this is the practice in your company, or whether you, as the company owner, conduct all the negotiations yourself, this section gives you an opportunity to examine some of the issues relevant to all property management negotiations.

It is usually impossible for any agreement to cover every possible contingency, just as it is impossible for a book of this size to deal with every issue that may need to be included in the agreement. The essential sections discussed in this chapter are standard regardless of the type of property being managed, but are by no means all-inclusive.

The agreement, regardless of whether it takes the form of many pages for the management of several large properties or a one-page letter involving managing a summer rental, is a

Perfect Phrases for Landlords and Property Managers

legally binding document. It should not be drafted or signed without the advice of legal counsel. As a practical matter, a property management firm can develop a standard property management contract with the advice of an attorney and then simply fill in the blanks for things such as fees, term, names, etc. Substantive changes should be approved by the company's attorney.

The phrases suggested in this chapter are primarily designed to be used in negotiations with clients/owners leading up to the signing of the property management agreement. In some cases the phrases may be appropriate for the agreement itself. It's important to note that these phrases are presented out of context with respect to the overall agreement and should be reviewed by an attorney before inclusion in any specific property management agreement.

Preparing for Negotiations

The Boss's Mindset

- Knowledge of the market in the area for this type of property is essential to understanding the owner's situation with respect to the property. Specifically do market conditions favor the owner or the property management company in the negotiations?
- Will bringing this property under the company's management require any additional expenditure for the company?
- Does the company have the expertise to handle this type of property?
- Does adding this property to the company's roster add something besides simply another property? For example, does it allow the property management company to enter a new geographical market?
- Does this building represent a new type of property for the company, thereby allowing it to develop a new market for managing these types of properties?
- Does this client represent a possibility of additional income through the company's other services, such as counseling or development?
- Are there any negatives to working with this client or this property, such as a geographically undesirable location or a client in financial or legal difficulties?
- Is this a client that we have been trying to establish a relationship with, who will benefit us through additional contacts or other properties that the client owns or controls?



- The name of the game is information. We need to get as much information as we can about the market, the specific building, similar buildings, and the owner as we can before we start negotiations. This should be an ongoing process, especially with respect to specific and general market information.
- A quick response to an owner's inquiry is important. It demonstrates your interest in that client and your ability to respond quickly in general. You may be one of several property management firms the owner has contacted, and until he or she meets with you, in the owner's eyes all the firms may be equal.

Phrases

- "We've been trying to land this account for years, so we've got a lot of flexibility in our negotiations."
- "Stick to your guns on the fees because we'll have to add staff to manage these buildings."
- "The only way we'll take that building (in an unfavorable location) is if the owner also gives us her or his other two buildings."
- "Feel the owner out about doing some development work with that land he or she owns."
- "Don't forget, if you need time to think something over, just tell the owner you'll have to check back with the office."
- "Don't give away the store, but I'd love to break into managing that type of building, so you can be very flexible."



- “Send the complete company information package to him or her today by overnight mail, and then follow up with a phone call tomorrow.”
- “I’m pretty sure we’ll be getting this property, so let’s start advertising for someone who can manage it.”
- “Meet with her or him as a courtesy, but the company is in deep financial trouble and we’re not the ones who can save them.”
- “We need the owner more than he or she needs us, so negotiate the terms of the management deal accordingly.”
- “This is potentially our biggest account, if we get it, so I’ll be handling the negotiations personally. This way if I screw up I’ll have no one to blame but myself.”
- “I know this owner is in some difficulty, so emphasize our experience in turning buildings around.”
- “Manage that property as well as you handled the negotiations for the agreement and you’ll be sitting in my chair soon.”
- “This property will be more work than it’s worth, but I want his or her other buildings, so we’ll take the deal.”

Term of the Property Management Agreement

The Property Manager's Mindset

- In general the owner wants a short-term agreement in order to evaluate the property management firm and in some cases to benefit from their ideas and expertise, which he or she will later use to self-manage the property.
- The property management firm wants as long a commitment as possible so that it may adequately demonstrate its ability to manage the property to the owner.
- A consideration relative to the term of the agreement is that the management firm will make an initial investment of time and set up costs that it needs to recoup over the period of the agreement.
- The recommended minimum time frame in some books is 1 year, but each situation will vary with the initial investment the management firm makes to manage the property.
- The relative flexibility in negotiating the term of the agreement will be related to how badly the property management firm wants to work with that particular property or owner.
- It is important to spell out the details and conditions of termination of the management agreement.
- The owner may agree to the automatic renewal of the term of the agreement upon achieving some goal, such as renting a specified amount of space within some time limit.



- Consideration must be given to any state laws that may apply to limiting the term of a property management agreement.
- Premature termination of the agreement may be permitted if some costs can be recouped.
- The term of the agreement should reflect the time necessary to accomplish the objectives of the owner for the property.
- An option rests with the one who has the power to exercise it.

Phrases

- "Don't settle on anything less than a (some time frame, e.g., 1-year) agreement."
- "Come back to the office with their proposal so we can figure out what our costs are going to be before we settle on a term for the agreement."
- "Remember that they want to date us and we want to get married. We need to settle somewhere in between."
- "See if you can get the owner to agree to a (some time frame, e.g., 1-year renewal) option if we bring the occupancy up to (some percentage)."
- "Tell them we need at least (some time frame, e.g., 1 year) to accomplish what they want us to with that property."
- "I'll agree to anything more than (some time frame, e.g., 6 months) just to get this deal."
- "Tell them you need to check with the office on any term of less than a (certain time frame, e.g., 1 year)."
- "We'll agree to allow you to terminate the contract for no cause at any time after (certain number of months), but



you will have to pay us (a certain percentage) of the remaining fee that we're due."

- "I simply can't agree to that term."
- "If you won't agree to that term, what will you agree to?"
- "I'll need (so many days') written notice before the end of the agreement for you to advise us of your intention to renew or terminate the agreement."
- "I'll agree to termination for cause by either party upon (so many days') written notice."
- "There are a lot of expenses in setting up our systems to manage your property, which is why I need at least a (period of time) commitment to recoup those costs."
- "For that level of initial work, including the studies we'll do (e.g., market studies), I'll need for the agreement to be at least (period of time)."

Compensation

The Property Manager's Mindset

- Provide superior service at the highest price such service can command.
- Stay competitive with other property management companies in terms of service and fees.
- Educate the client/owner as to her or his property management needs as opposed to wants. The need for extra services, for which your fees will be higher, needs to be "sold" and explained.
- Stay informed as to prevailing fees within the property management field and the various ways fees are calculated. Do not violate antitrust laws by discussing fees with competitors.
- Remain flexible as to alternative fee arrangements the client/owner may suggest. Many of the best ideas come from adapting to client needs.
- Use incentive fees, such as commissions, bonuses, and percentage fees where appropriate. They can reassure the client of your performance and will reward the management company's performance. Be cautious, however, in that the fees may be difficult to achieve. Examine the use of such fees carefully for each situation.
- Remember in any negotiation, particularly when fees are concerned in an ongoing relationship, if one side gets everything they want and the other side gets nothing they want, both sides lose. The side getting nothing will be resentful and will seek to move on to a new and fairer relationship.



- It may be worthwhile to take a property management job at cost or low profit if it provides other benefits, such as entry into a new geographical area, or provides the possibility of managing other properties for the same owner.

Phrases

- “Let me explain why I think we should also handle the leasing for the building in addition to the day-to-day management.”
- “We normally work on minimum versus a percentage of gross income per month.”
- “Let me be candid with you. I’ll take this property on at cost just to prove to you what an outstanding job we’ll do and hopefully you’ll give us the chance to manage all of your properties.”
- “Now that I know what services you need, let me work up a full proposal for you, including fees, and we’ll meet again in a few days to discuss it.”
- “Don’t commit to any fees until you talk to me.”
- “Given the services you want, I’m willing to consider an alternative fee approach.”
- “Talk to some of the owners you know and see what you can find out about management fees in the area into which we’re moving.”
- “If that’s the only service you want from us, I think a straight, flat monthly fee would be best for both of us.”
- “I just can’t make this work at that percentage of gross, but if you can come up a little I think we can make this deal work.”



- "I can manage the building for that if you can give me a longer term since I'll need the extra time to recoup my initial costs."
- "Why don't you take our proposal and look it over and I'll call you in a few days and we can talk again?"
- "I'd like the chance to better anyone else's offer before you make your final decision on hiring a property management firm."
- "That works for me. We have a deal."
- "If you let us use our own contractors I can do the job for that fee."
- "The more services we provide, the better the overall deal for you. Isn't it better to have one firm handling all the aspects of running the building?"

Duties

The Property Manager's Mindset

- All the duties of the property manager should be clearly spelled out in the agreement.
- Any point of contention that is not resolved will be assumed by each party that it will be resolved later to his or her benefit.
- Enumerate specific duties in the agreement that the property manager will not be responsible for, especially if they are deemed to be routine or normal property management duties.
- The duties and responsibilities of the owner should also be listed in the agreement.
- The property manager will be acting as the agent of the owner; as such, the extent of the property manager's authority should be specifically described.
- The agreement should address the issue of supervision, hiring, and firing the property owner's employees, if any.
- Attention should be given to the maintenance of the balance of the property account by the owner if it is a negative cash flow property.
- Overall financial obligations of the owner, such as paying the mortgage, should be explained in the agreement.
- Allocation of expenses, that is, which expenses are to be paid from the property income and which expenses are to be paid from the property manager's own funds, should be enumerated.



- Any special studies, such as market analysis, that the manager will perform or contract for should be listed in the agreement.
- Leasing responsibilities of the property manager should be clarified.

Phrases

- “Even though you want us to assume the standard management duties, I’d like to go over them and list them in the agreement for both our benefit.”
- “Will I have complete authority to hire and fire the building staff?”
- “I don’t mind running the hiring and firing decisions by you, but in my experience it’s difficult to supervise building employees if they know they can go to the owner directly and have my decisions second-guessed.”
- “Since this property is running in the red, let’s discuss the financial issues with respect to maintaining the account to pay bills.”
- “Just to be clear on this, you’ll pay the mortgage and taxes directly from your own funds and we won’t have to pay them out of the property account.”
- “Then it’s agreed that we can make any single expenditure up to (dollar amount) and you want to personally approve anything above that.”
- “What kind of time frame do you think is reasonable if we need approval to do something?”
- “If we need additional funds to pay the bills, how much notice will you need to put money into the account?”



- "I'd like to resolve that issue now rather than assume it will resolve itself later."
- "I always like to have a backup person to call in case of an emergency or if there's no cell phone service when you go on that vacation to Tahiti."
- "OK, if we're getting extra compensation for leasing activity, I'll pick up the advertising expenses from our own funds."

Termination and Renewal

The Property Manager's Mindset

- Conditions for termination should be fair and equitable to both parties.
- Up-front costs, expenditures, and investment of time should be considered in any early termination of the agreement.
- Consideration should be given to an automatic renewal option if certain of the owner's goals for the property are met.
- Arbitration provisions might be suggested to settle any dispute rather than proceeding to lawsuits.
- Money aside, remember, we probably don't want to work for an owner who doesn't want to work with us anymore.
- The conditions under which the agreement can be terminated should be spelled out as much as possible.
- No one is ever in a better frame of mind to negotiate than at the beginning of a relationship. When things go bad, negotiations will be that much more difficult.
- Assume the goodwill of the owner, but get it in writing.
- The termination issue is inherently an unpleasant one to negotiate. Do not save it for last in the negotiating process.
- An option to renew that rests in both parties is in reality no option at all but simply an agreement to negotiate a new agreement.



Phrases

- “Now that we’ve settled on a term of the agreement, why don’t we talk about termination and get that out of the way?”
- “I’m faxing (e-mailing) over our standard termination clause. Why don’t you have your attorney take a look at it before we meet?”
- “We’re prepared to give you our best effort, so why don’t we sweeten the pot a bit with an automatic option to renew if we get the vacancy rate down to (some percent)?”
- “We’ll be investing quite a bit of time and money initially when we take over the building, so if for some reason you want to end the contact before the full term we’ll need some kind of compensation for those expenses.”
- “We always amortize our initial expenses over the term of the agreement, so any early termination would have to take that into consideration.”
- “The termination for no cause section you’re proposing is not something we can agree to without compensation.”
- “Arbitration in lieu of litigation makes everyone’s life a little easier if it comes to that.”
- “We don’t want to work for an owner who’s unhappy with our work.”
- “I appreciate your assurances, but we really do have to get all of this into the agreement.”
- “If we ever get to that point I don’t think either of us will be in the mood to negotiate, so let’s settle these last few things now.”

Reports

The Property Manager's Mindset

- Periodic reports are the primary way a manager keeps the owner informed.
- Bad news delivered early can be dealt with more effectively than when it is delivered too late.
- An owner is interested in the short-term profitability of the building and its long-term value.
- When an owner's approval is needed, give the owner plenty of time to make the decision.
- Keep the reports simple but complete.
- Net cash flow for the month is more important to most owners than how much the electric bill was.
- Leasing activity, particularly in commercial (nonresidential) buildings generally requires a long lead time.
- Report your successes.
- If you require an owner's decision on some issue, present the problem, the alternatives, including cost/benefits if appropriate, and your recommended solution.
- Periodically report to the owner on market conditions so that he or she can put your work managing the building in perspective with what's going on in the overall market.

Phrases

- "Let me explain to you our standard reporting procedure and see if that meets your needs."
- "We like to provide our owners with a regular stream of information about their property."



- “If there’s ever something you don’t understand in one of our reports, call us right away.”
- “We normally do a complete report to the owner every month.”
- “The monthly report will contain a great deal of information, so we always include a management summary highlighting the important things going on, including the cash flow for the month.”
- “As a special service to our clients we create a password-protected Web page for your property so you can access the report on the building at any time.”
- “We’ll highlight in the report progress toward the specific goals we’ve set for the property.”
- “Would you like a simpler monthly report concentrating on the financials and leasing activity and a quarterly report on the rest of the property information?”
- “We’ll send the report to you. Would you like a copy to go to someone else, such as your accountant?”
- “In addition to the regular reports we will notify you of any major change in market conditions or anything else that may affect the property.”

Part Three

Managing the Properties

In this part of the book we'll take a look at managing different types of properties. Many management issues remain the same among various property types, but differences in tenants, for example, residential versus commercial, and differences in building size may require different strategies for managing a building.

No book like this can address every possible scenario for a particular management situation. Even two buildings of the same type may require different approaches due to the length of time the tenants have occupied the building, the age of the building, or changes in the area around the property.

The phrases presented address the most common situations and issues that may arise for the various property types. Although the chapters and sections are divided by property types, you should find that many phrases useful in one type of property can be used in another, possibly with a simple change of one or two words, so feel free to be creative with these phrases and look for ways to apply them in a variety of property management situations.

As I begin to discuss some phrases useful in managing commercial properties it may be worthwhile to say a few words

Perfect Phrases for Landlords and Property Managers

about definitions. In real estate terminology large residential apartment building are often referred to as commercial buildings. For our purposes, however, I'm defining commercial properties as nonresidential.

Chapter 7

Managing Residential Properties

Managing residential properties poses some unique issues for the property manager. To the property manager the building may be a structure and a balance sheet. To the tenants, it is home, with all of the expectations and emotions attached to that word. While the manager cannot allow emotion to cloud his or her judgment about managing the property on behalf of the client, the manager must be aware of the many unique issues involved in dealing with a tenant who lives rather than works in a particular space.

Medium to Large Apartment Building

The Property Manager's Mindset

- Be aware that the laws in many places favor the tenant over the landlord.
- Building code and safety issues are of paramount importance.
- Emergencies and problems will often occur during the evening and nighttime hours.
- Tenants often do not have the option of going somewhere else in the event of a major system failure in the building.
- Assuming that you are responsible for leasing activity, the primary goal in managing a new building will be to achieve full occupancy as rapidly as possible.
- Tenants expect you, correctly so, to deal with any other tenant who causes a disturbance or in any other way interferes with their enjoyment of their apartment.
- A resident presence in the building, if financially feasible, allows for 24-hour response to building emergencies as well as a psychological sense of security for the building's residents.
- Residential properties may often be subject to as much physical wear and tear as commercial space.
- Tenants like to live in a building that is attractive from the outside. Curb appeal matters.
- Have a rent collection system set up and be consistent with collection and enforcement of late payment activities.



- If it is legal, within the power of the manager and the financial resources of the property, the tenant is always right.
- Within the confines of fair housing laws, careful selection of tenants will help minimize problems in the future.
- The tenant is not the enemy.

Phrases

- “We find that the best way to keep the owner happy is to keep the tenants happy.” (said to building owner)
- “This is your full-time job. I expect you to be on site pretty much all the time, especially in the evenings.” (said to the resident building manager or superintendent)
- “Please stop by my office so we can have a chat.” (said to a tenant suspected of illegal activity or causing other disturbances to the building)
- “This will be your only warning. If this (proscribed activity) doesn’t stop, I’ll be asking you to move out.”
- “If you do not pay the rent due with the penalty by (date), I will have to commence eviction proceedings.”
- “I’m sorry, but we checked your credit and you don’t qualify for this apartment.”
- “Please make sure all the sidewalks and steps are cleaned of snow and ice by 6:00 a.m. (or other appropriate time of day; sometimes governed by local laws).”
- “Your first job is to make sure the building is in compliance with and stays in compliance with all building and safety codes.” (said to the staff property manager)



- “There are very few things you can be fired for. One of them is allowing a building or safety code violation to go unaddressed for more than 24 hours.” (said to the staff property manager)
- “Remember, you’re managing the place where people live and raise their children.” (said to staff property manager)
- “The building management would like to introduce (name), the new building superintendent, to all tenants. He can be reached at (phone number) in apartment number XXX.” (A phrase such as this can be posted by the mailboxes, sent in a notice to each tenant, or posted in the building newsletter.)
- “It has been reported to me that you often play your (stereo, piano, TV, etc.) after 11:00 p.m. (or could be another time) at a volume that disturbs the other tenants. This is a violation of the building rules.”

The Small Property

The Property Manager's Mindset

- The small residential building—single-family homes to six- or eight-family apartment buildings—do not lend themselves to the same scale of management that larger buildings do.
- The property will usually not generate enough income to hire on-site staff.
- Space for amenities such as exercise areas, etc., will be nonexistent. The manager must concentrate on tenant satisfaction.
- Vacancies will have a greater impact on the property's income since there are fewer apartment units.
- Rental units such as two-family houses (duplexes, two-flat buildings) and single-family homes will often attract families, including children. Although these family units are protected by laws prohibiting discrimination, they may cause more wear and tear on the rental unit.
- With the lack of on an on-site management presence it will be important to visit and inspect the property on a regular basis.
- It is especially necessary in the small rental property to keep costs under control since as a general rule there is little excess income available.
- A tenant who pays the rent promptly, maintains the apartment in good condition, and is respectful of his or her neighbors and the property is an asset not to be taken for granted.



Phrases

- "I'll stop by on the first of each month to personally collect the rent."
- "Would you be willing to act as the building superintendent for a reduction in your rent? We can discuss the details if you're interested." (said to one of the tenants in a small building)
- "Trash pickup is every (whatever day or schedule)." (This would be in a periodic notice to the tenants.)
- "Please follow all recycling rules. If we continue to receive fines for recycling violations, we regret that we will have no choice except to pass them on to the tenants in the form of higher rents."
- "We have hired (name) to be the new part-time superintendent for the building. Please address all maintenance issues to him or her directly."
- "The furnace will be down for repairs on (date), so there will be no hot water between (times)."
- "I'll be back in 2 days to collect the rent."
- "I'm sorry that you're not satisfied with the maintenance of the building. Perhaps you would be happier living somewhere else."
- "Tenants on the top floor may be inconvenienced for a few days due to noise related to the installation of a new roof. We appreciate your patience."
- "I'll have to ask you to make sure the sidewalk is free of snow and ice by (time) if it snows; otherwise, we might be fined." (said to a one-family-house tenant, assuming it's in the lease)



- “No, I’m sorry. It’s against building policy to permit any satellite dishes or individual antennas anywhere on the building.”
- “No window air conditioners are permitted, which is why we’ve installed sleeves for the tenants’ use.”
- “We’ll be upgrading all the bathrooms and kitchens in the building over the next year.”
- “I don’t want to lose you as a tenant, but I just can’t agree to that.”
- “I’m sorry it’s come to this, but our attorneys will be contacting you.”

Lease Negotiations

The Property Manager's Mindset

- A lease defines the business relationship between the owner and in turn the manager and the tenant with respect to the leased premises.
- Each party to the lease is both protected by the terms of the lease and bound by them.
- A tenant's primary concerns in a residential lease are protection against eviction and against rent increases.
- The property manager's primary concern in a residential lease is maintaining control over the rental premises and the actions of the tenant that may have a negative effect on the property.
- Leases must be written in compliance with any applicable state laws. A standard lease should be prepared by the property manager's attorney.
- Some states require a lease, which can also be referred to as a rental or occupancy agreement, to be drafted in language understandable by people of normal intelligence and average education.
- Leases may, depending on local laws, have to be drafted in a foreign language as well as English. Even if this is not the case, a manager renting apartments to large numbers of non-English-speaking tenants may wish to draft the lease in the common foreign language spoken.
- Although leases are normally drafted for the landlord's protection, any lease negotiations should be conducted in such a way as to allow the tenant to understand that certain provisions are there for their protection.



- The courts, particularly in communities with large numbers of rental units, often interpret lease provisions generously on behalf of the tenant.
- Remember, tenants talk to each other. Any special provision or accommodation made for one tenant in his or her lease may soon have to be duplicated for other tenants.
- Any government rent control or rent stabilization laws applicable to the building must be followed exactly.
- In some places rent is due on a certain date unless otherwise stated in the lease. Make sure the lease contains the appropriate rent payment date provision.
- Negotiations for termination of a lease by mutual agreement is often less costly than pursuing court action for unpaid rent after the tenant moves out.

Phrases

- “That provision is in all the leases, so in effect it protects each tenant from the other.”
- “The maximum lease term we offer is 2 years (if that is the case), and that carries an automatic escalation clause for the second year’s rent.”
- “You’re responsible for the remaining term of the lease, but I think we can negotiate a settlement of the remaining amount due.”
- “The rent will be due monthly on the (date—generally the first of the month).”
- “I’m sorry, but if I allow you to have a dog, I’d have to allow everyone else to keep a dog or cat, and that’s just not something I can permit in this building.”



- “You have complete control of your heating and air-conditioning and pay for the cost of it directly.”
- “You’ll receive your security deposit back when you leave, less any deduction for damage to the apartment.”
- “Yes, I would be willing to put a termination clause in the lease in the event that you (buy a house, change jobs, or some other major event), provided we can come to some agreement about notifying me in advance and possibly a payment of some kind for having to re-rent the apartment sooner than I anticipated.”
- “How many people will be occupying the apartment? We strictly adhere to the building department’s occupancy standards.”
- “No, we do not put a termination on the sale clause in the lease, so if we sell the building your lease will continue.”
- “You can move in anytime after (date). Just let the doorman know so he can make the service elevator available for the movers.”
- “Please sign the lease and return all copies to me before the (date).”
- “The average length of time a tenant has been here is (years).”
- “I’d be happy to put you in touch with a few of the tenants if you’d like to speak with them before signing the lease.”
- “Yes, we will allow you to modify the apartment to accommodate your handicap, but you will be required to return it to its present condition when you leave.”
- “Of course we permit animals that assist the handicapped. All we need is a letter from your doctor for our records.”

Tenant Relations

The Property Manager's Mindset

- Tenants do not like surprises, but can adjust to discomfoting situations with proper notice.
- Raise tenant satisfaction by providing low-cost amenities and services.
- Tenants like to live in a pleasant atmosphere. Monitor on-site staff interactions with tenants.
- Never forget that you are dealing with someone's home.
- Tenants expect security and cleanliness in the building.
- Tenants will often not be as patient with repairs as they would be in their own homes. The tenant is dealing with you, the building manager, not the tradesmen directly, as they would be in their own home. They often expect an immediate response to emergencies that affect their living conditions.
- You can only deliver what you can control. Do not make promises that other people who don't work for you have to keep.
- Communicate regularly with your tenants and share good news with them. The tenant should not expect every communication from you to be bad news or a new rule.
- If tenants want to meet with you in a group, try to meet with them separately. People often take courage from a group and may be more reasonable if dealt with singly. Try to have a witness present from your staff for any meeting that you feel may lead to serious consequences, such as litigation.



- Deliver on your promises. Follow up in a timely manner in addressing complaints.
- The staff is your front line of service. Pay attention to their attitude, morale, appearance, and service.
- In larger residential buildings consideration should be given to establishing a building Web site as a way to keep tenants involved and updated about building activities.

Phrases

- "I want you to make very effort to be friendly and helpful to the tenants. This is a full-service building with an emphasis on service."
- "I wanted to pass on to you the tenant's compliments on your great service."
- "I can't do anything about that right now, but I will look into the noise complaint as soon as the night staff comes on."
- "If the building superintendent could fix that, it would have been done already. Unfortunately, that's a bit beyond his skill, so we'll have to wait for the (plumber, electrician, etc.)."
- "I'd be happy to meet with you individually to see if we can resolve your problem."
- "I'm just following up to see if the problem you reported has been taken care of to your satisfaction and if there's anything else we can do for you."
- "The building will be treated for pest control on (date/time). No problems have been reported and this is a routine treatment."



- “We’d like to announce the opening of a new restaurant (name) at (address) that will provide delivery service to the building. You’ll be able to find a link to the restaurant at the building’s Web site.” (Any other new neighborhood feature or service that might be useful to the tenants could be announced in this way.)
- “We’d like to announce the establishment of a building Web site. (Web address) You’ll be able to get all the latest news and communicate with us through e-mail.”
- “Please bear with the inconvenience of dust and work in the lobby and hallways as we replace all the carpeting (or flooring/wallpaper/paint, etc.).”
- “Please complete this tenant satisfaction survey and send it back to us with your rent payment or e-mail it to us.”
- “I wanted to call you right away and let you know that the plumber (electrician, etc.) just called to cancel so you wouldn’t waste the day waiting around. I’ll let you know as soon as he can reschedule.”

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Chapter 8

Managing Commercial Properties

The term *commercial properties* in this section is used to refer to all nonresidential properties that do not fall into the category of special properties, as covered in Chapter 10. Commercial properties include office buildings, retail stores, and shopping centers. Shopping centers themselves can range from small strip malls to larger enclosed malls.

The obvious difference between commercial and residential properties is their use. That includes a difference in the hours of primary use; for example, an office building is primarily used during normal daytime working hours, whereas a residential building sees its heaviest use in the evening and on weekends. A retail store experiences these same busy times. Retail stores also experience varying use at certain times of the year (i.e., holiday season), yet office building use generally does not vary with the seasons.

The other obvious differences are the needs and concerns of the tenants. The concerns of the office building tenant are to maximize the productivity of employees while they are in the building. A retail store or mall tenant wants shoppers to have a comfortable shopping experience, so that they remain in the store or the mall as long as possible, and most importantly, return.

Perfect Phrases for Landlords and Property Managers

The one common factor among all types of buildings, however, is the desire of the owner to maximize the profitability of the building and maintain the value of the property. The specific management issues and useful phrases to accomplish these goals for commercial buildings are discussed in this chapter.

Negotiating Leases

The Property Manager's Mindset

- Leases for retail properties may have to allow for some arrangement that accommodates the seasonal nature of retail store income. Percentage leases are often used for this purpose.
- The proper mix of stores relative to the customer base is extremely important for a shopping center's success.
- In retail complexes, non-retail uses should be supportive of the primary retail uses of the property.
- Be wary of granting leasing options. This is a right to the tenant. A good tenant can always be granted a new lease or an extension of the existing lease. An option binds the landlord, whether or not he or she wants the tenant.
- Unless a standard lease form that has been approved by the management company's attorney is being used, it is wise to have each individual lease examined by an attorney who is experienced in commercial property leasing.
- If a property manager is also responsible for leasing activity, the long-term prospects of the lease deal must be considered in conjunction with wanting full occupancy all of the time. If a separate leasing agent is used, the property manager should work closely with that agent to develop the right mix of tenants and avoid problem tenants. In extreme cases of conflicting goals, the owner of the building may have to be consulted.
- Commercial property leases are complicated with many provisions that are not present in residential leases. Any



staff manager employee of the property management company must be thoroughly familiar with the various items in a commercial property lease that she or he will negotiate.

- You may want to give consideration to the possible need for expansion of a particular tenant without necessarily granting a binding option for that space.
- Staff managers should be prepared to take any unusual lease requests back to the main office for consultation and advice.
- Provide prompt responses to prospective tenant questions and request prompt responses in return. You must attempt to establish seriousness of purpose without the appearance of being overanxious in leasing the building.

Phrases

- "I think your store would be a great addition to our mall, so let's see what we can negotiate."
- "I think your store might eventually find a place in our shopping center, but right now it would not be a good mix with the existing tenants."
- "You'll find the typical provisions in this lease."
- "Please get back to me with any questions you have about the lease."
- "I know this sounds like typical leasing agent talk, but there really is a great deal of interest in this space, so I'll have to ask for your decision within (whatever time frame works for the particular situation)."
- "It's not our practice to automatically grant an option to expand your space, but I do understand your potential



needs. I've located you in the building next to a company (or store) that may not be renewing its lease. We'll give every consideration to your need for additional space at that time."

- "That's not a typical provision in our leases, but I can get back to you on that by tomorrow."
- "I have complete authority to negotiate the final lease agreement."
- "I'm sorry, but that's a deal breaker."
- "I wish we could accommodate you, but we just don't have that kind of space available right now. I'll keep your company in the file for the future if anything opens up. Please do stay in touch with us."
- "We like to get as many things as possible settled in writing. It avoids misunderstandings later."
- "Since we're both the property managers and leasing agents we always want to make sure that there's a good fit between the tenant and building because we'll both have to live with the consequences if there isn't." (to staff managers)
- "Please look around at other spaces and I think you'll find our offer to be very fair."
- "You can move in any time after the lease has been signed."
- "Welcome to our building. Please get in touch with me if there's anything you need while you're moving in."
- "Is there anything we can do to keep you as a tenant?"
- "I'm sorry to see you go. You've been a good tenant. Good luck."

Tenant Relations

The Property Manager's Mindset

- Tenants want to be informed of anything that may affect the use of their space and/or the operation of their business.
- Although it may not be the direct responsibility of the property manager to notify the tenants' employees of anything that may affect them, the manager should make it easy for the business owner to notify the employees if appropriate.
- The manager has a responsibility to advise customers or visitors to the building of situations that affect them in some way. This responsibility is greater in a multitenant building.
- Use of Web pages and e-mail communications can be very efficient ways to communicate with the tenants.
- The tenant's employees will complain to the tenant and the tenant will complain to you. Valid employee complaints must be addressed when made, and anticipated and avoided when possible.
- There is no substitute for a timely response to a tenant issue, even if that response is that a solution to the problem is being undertaken.
- The only thing better than solving a problem is anticipating it and avoiding it in the first place.



Phrases

- “If you want to provide us with the e-mail addresses of all your employees, we can advise them directly of anything that may affect the building.”
- “In addition to the public Web site for the mall we have a private site for all our tenants.”
- “Here are enough flyers so you can hand them out to your employees.”
- “You may want to let your employees know that the (first floor/north wing, etc.) of the parking structure will be closed for repairs all next week.”
- “The HVAC people have been called already. I’ll send someone around to open all of the windows so we can get some ventilation in the offices.”
- “Please pardon our appearance as we take steps to enhance your shopping experience.” (posted notice to customers)
- “If you like shopping here now, wait till you see the new (name of mall).” (posted notice to customers)
- “Please excuse the inconvenience as we repair this elevator.” (posted for visitors to an office building)
- “We anticipate that all improvements to the food court will be completed before the holiday season begins.”
- “Mall hours during the holiday season will be extended as follows: (days/dates/hours).”
- “We’re aware of complaints about the temperature in the building and we are making appropriate adjustments in the heating and cooling systems.”



- “Window cleaning will begin on (day/date/time). Please have the area in front of the windows in your office clean of all items so that the windows are accessible. The window cleaners will move any furniture if necessary.”
- “This is a public building and we remind you to keep all valuables, purses, etc. in a safe place, out of site and inaccessible to the public.”
- “A theft of a (wallet, purse, laptop, etc.) has been reported. We are reviewing building security arrangements and will notify you shortly of any changes in building access procedures.”
- “I know this is an inconvenience for you, but the majority of tenants want this controlled access procedure.”

Management Issues

The Property Manager's Mindset

- In commercial retail situations, the more successful the store owners are, the more successful the property will be since there will be a demand for that space by other stores. Income may also rise in retail buildings and malls since the rent is often paid on a percentage basis.
- Tenant expectations are that the property manager will support the operation of the tenants' business by properly managing the property.
- Security issues must be adequately addressed in all areas of the property, especially parking structures and lots.
- Safety and building code related issues are the top priority in maintaining the building.
- Mall shoppers want a clean, well lit, comfortable, and spacious shopping environment.
- Shoppers expect an aesthetically pleasing environment in which to shop. Common areas such as food courts should be updated periodically and always maintained.
- Common areas in office buildings are important to serve as a first impression to people entering the building. Tenants want their visitors to be impressed with the building without seeming ostentatious themselves. Common spaces need to be well maintained and periodically updated.
- HVAC issues—too hot/too cold—are arguably the most common cause of tenant complaints, especially in office buildings.



- Property managers should become familiar with some of the issues related to the types of tenants that occupy the building. This is especially important in retail situations, in which store appearance, positioning, personnel, and even stock issues may have an impact on sales.

Phrases

- “Here’s the schedule of mall events for the year. Based on last year’s numbers we expect these events to increase mall traffic by (percent) for each event.”
- “You’re the expert, but may I suggest that people carrying those heavy items out of your store might appreciate being closer to the entrance. So why don’t we take a look at some space over there?”
- “The food court and common areas will be undergoing a complete renovation. We do not expect any interruption in mall traffic during that time.”
- “All building HVAC systems have been adjusted. At this point we advise that occupants of the building dress for their comfort.”
- “We will be providing additional security during the extended holiday hours.”
- “Access to the building will be restricted to employees with prior approval.”
- “I expect you to deal with all safety and building code issues as your first priority.” (to staff managers)
- “We welcome any suggestions by tenants to increase mall traffic.”
- “Please contact building maintenance immediately in the event of any toilet or sink stoppage or overflow.”



- "I'd like to introduce (name). He's our new building superintendent. Please call him directly in the event of any problem."
- "We have engaged a new building cleaning service that will begin their work on (day/date). Please give them a few days to acclimate. We'd like to hear if they are performing satisfactorily or if there are any problems."

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Chapter 9

Managing Owners: Condominiums and Cooperatives

Managing a condominium or cooperative is somewhat different from managing a building owned by a single or corporate owner. As the title of this chapter suggests, the primary difference is that you are dealing with boards, committees, and associations, each member of which has an ownership interest in the property. Furthermore, these boards or associations represent other owners who have a direct ownership interest in the property. If you want an idea of the subtle difference that this creates in managing these properties, imagine the difference between managing ten houses owned by ten different owners versus ten houses owned by one owner.

Despite the differences in approach required for dealing with boards and associations, there remain many similarities between managing a single-owner building and a condominium or cooperative. Maintenance and budget issues remain the most important things about which a property manager must be concerned. Individual owners have just as great a stake, if not more, in maintaining the value of their property as investor/owners do. In fact, in addition to living comfortably in

Perfect Phrases for Landlords and Property Managers

their units, maintaining and if possible increasing the value of their property is likely to be their highest priority. The mindset of the property manager of a condominium or cooperative primarily deals with the differences in dealing with many owners rather than one. It should be noted that there are commercial condominiums that reflect many of the same issues as dealing with multiple owners of residential units. The mindset and phrases are primarily oriented toward residential cooperatives and condominiums, as this is where this type of group ownership is most often found. However, the mindset and many of the phrases are applicable to both residential and nonresidential types of property.

There is enough commonality in managing cooperatives and condominiums that the first section of this chapter deals extensively with issues and phrases common to managing both types of property. The second and third sections deal with a few specific issues relative to condominiums and cooperatives, respectively.

Condominiums and Cooperatives

The Property Manager's Mindset

- Each unit in the property is not only someone's home, but may be their biggest investment.
- Although the board of directors (or other name for the governing board) is your boss, membership on that board can change. Every condominium owner has the potential to be your actual employer at some point.
- Regardless of whether a unit owner is on the board or not, the unit owner will feel that you work for him or her.
- Part of the mindset of the property manager must be to understand the mindset of the owners, who often approach issues as both tenants and owners.
- The property manager may have to provide advice to the board to help them arrive at good decisions for the property.
- In matters of maintenance, owners often forget that some of what they pay for might be cost-free in their own individual home, since they would have done it themselves.
- It is important to clearly establish your role as a property manager in a group housing situation. Clearly determine at the beginning of the relationship the extent of your decision-making authority. In some arrangements the manager will simply implement the decisions of the board. In other relationships the manager will have greater control over both short- and long-term decisions regarding maintenance of the property.



- The property manager may have to act as arbiter among board members.
- Since there is no revenue source as such, i.e., rents, the fee arrangements may be different in a management situation of group or co-owned housing. It is very important therefore to have the duties of the property manager clearly spelled out in the management agreement, so the fee can be fairly set.
- Owners' interests in deferred maintenance may vary with their intentions regarding their own property. Owners who have no intention of selling in the near future may be willing to put off paying for certain maintenance or rehabilitation items. Owners intending to sell soon will want the building in top shape to enhance the value of their unit. Conversely, owners who intend to sell soon may wish to put off large assessments for preventive maintenance.
- Bylaws, incorporation documents, and offering or conversion plans should be consulted to note any rules that the property manager must follow in managing the property.

Phrases

- "Make sure they're in compliance with their own bylaws and all the state regulations." (to staff manager)
- "Always remember that you'll be managing people's homes and investments." (to staff managers)
- "Given the fee arrangement, I think it's important for you and me to be clear on my duties."
- "At that fee I won't be able to include (whatever service)."



- “Since that will only occur occasionally, we’ll bill you separately when we have to provide that service.” (This could be used for any service above and beyond the duties covered in the basic management fee.)
- “My role as property manager will be to implement any decision the board makes, within the scope of our agreement.”
- “I’ll be happy to talk with any of the board members at any time, but it must be clear that I will only follow the instructions of the whole board itself.”
- “I’m sorry, but that is really beyond the scope of my authority. I’ll mention it to the board, but I suggest you contact them directly to see if they can do anything for you.” (to an individual owner)
- “I’d be happy to take care of that as soon as I get instructions from the board.” (to an individual owner)
- “I think you’re being penny wise here. If you don’t repair this now you’ll have to replace it later.”
- “I’m projecting (dollar amount) for capital improvements over the next (number of years). I think it would be more palatable to the owners if we accumulated the needed funds with a gradual increase in common charges than all at once with a special assessment.”
- “So I have full authority to manage the property except for any single expense over (dollar limit).”
- “These are the alternatives and their costs. The final decision of course is up to you, but my recommendation is (whatever the recommendation is). Let me explain my reasoning.”



- “Let’s see if we can come to some compromise between the two possibilities we’re discussing.” (to the board when there is a disagreement)
- “I have no problem enforcing the bylaws and rules and regulations if that’s what you want us to do as part of our management duties.”
- “Attendance at monthly (or other schedule) board meetings will be included in our fee.”
- “I don’t think you can defer maintenance on the (building or mechanical component) any longer without it costing you more money in the long run.”
- “I’m sorry, but interior maintenance is the individual owner’s responsibility.” (to an owner)
- “I know we’re meeting resistance to the assessment from some owners who are planning to sell soon, but I don’t believe we can put it off any longer.”
- “I’d like to recommend a small increase in the monthly common charges so that we can accumulate a reserve fund for maintenance expenses.” (to board)
- “The (percent) increase in the common charges will be used to establish a reserve fund for future maintenance expenses. In this way we hope to avoid a major assessment for the large expenditures that are periodically necessary to maintain the property.” (section of a letter prepared by the managers and sent to the owners by the board)
- “We have hired a new company to (plow the snow, pick up the garbage, etc.). What happened last week will not happen again.” (to the board and possibly in a letter to the owners)



- “We’ll have to divert funds from the long-term reserve account to make this unexpected repair. We should be able to build the reserve amount up again in a short time if we don’t run into any more unforeseen events.”
- “Remember that every owner thinks like an owner when it comes to her or his investment in the property and like a tenant when it comes to the expected services.”
- “I find that complexes this small cannot generate enough revenue from the common charges to pay a full-time property manager. But perhaps we can work out some arrangement for our company to provide limited services to address some of your needs.”
- “We can provide one-time consulting services to address the property’s physical condition and help you set up a maintenance program with estimated costs and time frames.”
- “Why don’t you review our management proposal with the full board and get in touch with me after your meeting?”
- “I believe we can defer that maintenance project for another year in order to give us time to build up the reserve funds.”
- “Yes, we can handle those repairs, but since they’re inside your unit, I’ll have to bill you separately for that work.”
- “No, we don’t handle repairs to the individual units, but I have a list of contractors that we’ve approved to work in the building.”
- “We will be providing round-the-clock security patrols throughout the complex.”

Condominiums

The Property Manager's Mindset

- Condominiums often have elaborate common spaces and facilities, such as pools and clubhouses, that must be maintained.
- There is generally no underlying mortgage in a condominium. This makes owners not as vulnerable to the serious consequences of foreclosure on the entire property if some owners neglect to pay their common charges. On the other hand, diligent collection of common charges is necessary to maintain the property.
- Although condominiums may be located in high-rise buildings, they are often designed in garden apartment or town house styles and spread out over several or more acres of land. Security may be an issue in such complexes.

Phrases

- "Here is a list of the units and owners who have fallen behind on their common charges. I've prepared a letter on the behalf of the board notifying them of the need to pay or further action will be taken."
- "The (pool, tennis court, clubhouse, etc.) will be closed for repair from (date to date)."
- "Please sign up in the management office for use of the clubhouse for any event you wish to schedule."

Cooperatives

The Property Manager's Mindset

- The cooperative is unique in that a corporation actually owns the property and "tenants" own shares in the corporation.
- Many cooperatives have underlying mortgage loans on the whole property that can make them vulnerable to foreclosure if mortgage payments are not made. Part of a tenant/owner's common charges goes toward payment of the underlying mortgage. Collecting sufficient funds from the owners to pay the underlying mortgage is of utmost importance.
- The cooperative board of directors usually has final approval authority as to whether or not a prospective purchaser will be allowed to become an owner.
- Common improvements to all units may be made to upgrade the building.

Phrases

- "Your primary concern should be the ability of the prospective owner to meet their financial obligations."
(to the board)
- "I have to tell you that your decision regarding that prospective owner appears to be arbitrary and possibly discriminatory."
- "I'm recommending that you refinance the existing underlying mortgage and remodel every bathroom (or other common project affecting each unit) in the building."



- “If you want to maintain the competitive value of the units in this building, we’ll need to undertake an upgrading of all the common spaces, such as the lobby, hallways, and elevators.”
- “You may want to minimize the number of rentals in the building so as to avoid any financial risk of nonpayment of common charges.”

Chapter 10

Special Purpose Properties

There are a variety of property types and uses that do not neatly fit into the categories of residential or commercial properties. Some of these properties might serve a residential purpose or a commercial, nonresidential purpose, but have some unique aspect that may affect their management.

For the most part, many of the phrases in this book can apply to any management situation and are essentially interchangeable among property types, including the special purpose properties covered in this chapter. Although many management situations are common to all types of properties, a property manager should never assume that if he or she has expertise managing one property type that expertise is readily transferable to other types of property.

An example of this is the management of mobile home parks. This type of property would appear to be just another form of residential property. Yet in some states there are special laws governing the management of these facilities on matters as simple as notification of a rent increase. It is wise anytime a property manager will be taking over management of a type of property with which he or she is unfamiliar, to take the time to research any laws or regulations that affect that type of property. It is also advisable that the manager familiarize him- or herself with any

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professional literature that might provide information on managing special purpose properties.

Included in this chapter are some of the more common special purpose properties that might come under professional real estate management. The manager's mindset and phrases presented are unique to these property management situations, although again, there certainly may be some interchangeability among the phrases.

Industrial Properties

The Property Manager's Mindset

- Staff managers need to become familiar with the different types of industrial properties and their unique management requirements.
- Staff managers should become familiar with the space to be rented and industrial space standards so that good matches may be made with tenants.
- One staff manager may be able to manage several separate industrial buildings since they are usually leased on a triple or absolute net basis. If each building is occupied by a single tenant, management may become a matter of collecting the rents and periodically inspecting the buildings.
- Even in a single-tenant industrial building rented on a triple or absolute net basis, certain standards should be set and enforced by the manager for periodic maintenance.
- Industrial parks or planned industrial developments consisting of several buildings in a single development with internal roads and green space may require an on-site presence of management and possibly maintenance staff.
- Management of industrial parks will most likely include common area maintenance as well as building repair. It may also include interior building maintenance services depending on the lease arrangements.
- Industrial facilities by their very nature can be nuisance neighbors. Within the limits of the types of specific industries that occupy the buildings, managers should



make every effort to make the park a good neighbor to the surrounding property owners.

- Industrial buildings and parks are generally heavily controlled by zoning and other local laws, including emissions and noise restrictions. Managers must first make sure the prospective tenant's business is legally acceptable under local ordinances. The manager must then make sure the tenant complies with the ordinances on an ongoing basis.
- Managers should be aware of additional uses that might be built on the property if zoning permits and land area is available.

Phrases

- "Now that we've got the contract to manage that complex, I want you to check with the building department and take a look at the zoning ordinance and any other regulations that may apply to the property."
- "I want to break you in with industrial properties, so I'm giving you (number of properties) to manage. They're all triple net, so you'll be able to get some experience without having to get down to the nuts and bolts right away."
- "Let me know what you think the on-site staffing requirements will be for the new industrial complex we just took over."
- "Try to shift as much of the building maintenance as possible onto the tenant when you negotiate the lease."
- "Take a look at the property and see if we can squeeze something else in there, like a self-service storage facility."



- “Rumors are already beginning to circulate. I suggest we write a letter to all the property owners in the surrounding area and explain exactly what the plans are for the complex. We might even think about inviting them to a meeting and a tour of the property.”
- “They are always building or changing something in these buildings. Make sure you give them the list of approved contractors and make sure you remind them that they have to use one of them.”
- “I drove by the other night and the neighbors are right. You can hear the loading bay doors being opened and closed from a half a block away. Take care of it.”
- “Don’t forget to emphasize the fact that there’s great office space right in the building so they can save some money by not having to put their headquarters downtown.”
- “We’re taking over a couple of factory buildings, and I want you to get up to speed on industrial building management as quickly as possible.”
- “Don’t forget to use a consistent measuring system when calculating the space.”
- “One of the first things I want you to tackle is the appearance of the place. It’s a mess. And while you’re at it, do something to standardize the signs at the front and throughout the complex.”

Mobile Home Parks

The Property Manager's Mindset

- Property management issues are unique insofar as the owner of the mobile park owns the land and leases it to tenants who own their own mobile home units. Maintenance of common facilities, which may include recreational as well as internal roads, is required.
- Although the mobile home park generally attracts a more modest income tenant/owner, the park is essentially a private community with features of both a single-family home subdivision, a condominium, and a rental.
- Duties of the property manager should be clarified in the agreement. In addition to rent collection and maintenance duties, property managers may be required to supervise mobile home park staff.
- Property managers may be responsible for determining placement of the mobile homes on the individual lots. This responsibility should be clarified with the owners of the park.
- Billing and payment of utilities may be billed through the park or may be billed directly to the tenant by the utility company.
- Depending on the orientation of the community, e.g., retirement or recreational, employees such as recreation or activities coordinators may be part of the property manager's responsibilities.
- Maintenance and repair activities should be designed and scheduled to minimize inconvenience to the residents.



- Mobile home parks are residential facilities and often attract families. Common recreational facilities like pools should be properly supervised for safety.

Phrases

- “Be sure when you have to place a new unit you try to ensure maximum privacy for the surrounding units as well as the new one.” (to staff manager)
- “Utilities are individually metered, so you’ll have to contact the gas and electric company to start your service on the day you move in.” (to a new tenant)
- “Let’s make sure there’s at least one major activity and a few small activities scheduled every week; after all, this is supposed to be a recreational retirement community.” (to recreation/activities coordinator)
- “The road repaving project will begin (date/day). You may have to walk to your unit for a day or two. Please contact the office if you will need assistance. We apologize for the inconvenience.” (to tenants)
- “Children under (age) will not be permitted in the pool area without an adult.”

Medical Buildings

The Property Manager's Mindset

- Buildings specializing in leasing space to medical practitioners have special requirements with respect to such things as tenant mix, rental rates, special equipment and utility requirements, and waste removal. Expertise in this area is required to provide successful management services.
- In offering a building for leasing exclusively to medical practitioners, special consideration should be given to location. Downtown locations as well as locations near hospitals are often the most preferable.
- Hospitals that either own off-campus office space or that wish to lease off-campus space should be approached for property management and leasing opportunities. Investment groups that may specialize in medical office buildings may also be good sources of property management business.
- Medical buildings do not necessarily follow the economic pattern of conventional office buildings. Vacancy rates may be lower for medical buildings than for general type office buildings because of specialized demand.
- Because many leasing agents do not have experience with leasing medical buildings, frequent contacts with the broker community is necessary to keep agents aware of the availability of the space and enlist their aid in leasing. Incentives such as higher commissions might also be considered to encourage agents.



- Tenant mix in the building may include offering exclusive leasing rights to a particular specialty. A laboratory, for example, may not wish to have competition in the same building and may require an exclusivity clause prohibiting the leasing of other space to another lab. Although this may be a valid request, particularly if the tenant is spending a large sum of money to customize the space, the property manager should not limit his or her options for future rentals beyond what is necessary to secure the appropriate tenant mix.
- Property managers should be able to provide design services that specialize in medical office buildings.
- Since improvements to medical buildings are often expensive and the tenant may be required to pay a substantial sum toward the improvement, the property manager should establish relationships with a number of lenders who can provide the necessary loan funds to the tenant.
- Managing medical buildings is often only a part of the overall business of a property management company. It may be wise to assign one or two individuals to develop expertise in this area and concentrate their management practice on these types of buildings.
- Some medical practices are very small, with only one or two physicians owning the practice. This may pose certain issues with respect to the lease; for example, a cancellation clause in the event of the tenant's illness or death. Similarly, they may wish to include an assignment clause in the lease, so that the lease may be assigned to another tenant should they decide to retire.



- Be conscious of the time requirements of the property manager with respect to leasing activities. Property managers generally don't have the time to handle the leasing requirements of a large amount of vacant space. This is often true of any large building, but may be especially true of medical buildings with their unique requirements. Connections with the larger broker community, association with brokers or investment managers who specialize in medical professionals, or assignment of a leasing agent to concentrate on leasing the building are all ways in which leasing activity may be addressed.

Phrases

- "I want to form a special division to handle medical office buildings and I'm looking for two people on the staff who would be interested in doing this."
- "I want to branch out into managing medical buildings and I'd like to put you in charge of that area."
- "Please learn everything you can in the next few weeks about managing medical buildings since I'm going to assign our first one to you."
- "You probably want to research all of our loan contacts and develop a list that specializes in lending money for doctors' offices."
- "I want it made clear to the other brokers that their commissions will be protected if they register someone with us and follow our other procedures."
- "Do you think we would get more interest from the other brokers if we raised the commission a little?"



- "I'm sorry, but we already have a pharmacy (or other specialty) in the building and they have an exclusive occupancy agreement. But we may have another building that will suit you."
- "We have our quota of internists (or other specialty), but we'll stay in touch if something develops."
- "We're trying for a good mix in the building so you can refer to each other and handle a majority of your patients' needs within the building."
- "I can recommend three or four interior designers who specialize in medical offices."
- "Contact the sanitation people who serve the area and see if they handle medical waste. If not, find someone who does."
- "I'd be happy to include the exclusivity clause in your lease, but only for the (first year, first 2 years, etc.) to give you a chance to get established, but I really can't tie up the rest of the space like that beyond that time frame."
- "We'd like to introduce ourselves as the new managers and leasing agents of (property address). We'd like to meet with you to discuss how we might help you with your off-campus space needs." (to local hospital)
- "We've just taken over management of (building address), and would like to hire you as our leasing agent for the building since I know you have expertise in leasing medical facilities."
- "I can agree to a cancellation clause under those circumstances, but only after (period of time, e.g., 1 year, 2 years, etc.)."

Self-Storage Facilities (miniwarehouses, mini storage)

The Property Manager's Mindset

- Management of these facilities may include actively managing the storage business itself.
- Fire protection and security against theft are important issues.
- Buildings must be properly maintained to protect against water damage.
- Common areas must be kept clean and clear of snow. Tenants must have access to their storage units during posted business hours.
- Units must be kept as free of rodents as possible.
- Temperature-controlled units must be carefully monitored to avoid damage to stored goods and consequent insurance claims.

Phrases

- "Gates will be open (time). Access at other times will be by key card only." (notice given to tenants and prominently posted)
- "I suggest we hire a security service to regularly patrol the area." (to owner of the facility)
- "Tenants are responsible for leaving their storage area broom clean at the end of their lease."
- "Flammables, explosives, and other volatile materials are not permitted in storage units." (typical provision that can be expanded as needed)



- “We’ll be taking over the new self-storage facility, which means hiring some people to actually run the operation on a day-to-day basis.” (to staff managers)

Age-Oriented Housing

The Property Manager's Mindset

- The property manager must be aware of and sensitive to the changing demands and requirements of senior citizens who choose to remain in their housing units and age in place.
- Physical changes to the building may be necessary to accommodate the changing physical needs of aging tenants/owners.
- Safety should remain a primary concern in accommodating the changing physical needs of aging tenants/owners.
- Except for minor physical improvements, changes to apartments or condominium units should be the responsibility of the owner unless otherwise noted in the original prospectus. Permission should be liberally granted, depending on the extent of the improvement and whether or not the unit is a cooperative or rental apartment. Laws regarding accommodations for the handicapped may be applicable.
- Management of age-oriented housing may require the property manager to become involved in transportation issues, recreational programs, food service, and physical and mental health issues.
- Property managers of age-oriented communities must be aware of their knowledge and skill limitations and should hire appropriate professional and service people to handle the specialized requirements of this type of housing.



- As the so-called Baby Boomers age, management of existing housing with tenants/owners aging in place and age-oriented communities may become an increasingly large segment of the property management business, and therefore an opportunity for increased business revenue.
- Property managers should become familiar with off-site services and facilities that may accommodate some of the needs of aging tenants/owners.
- Property managers should be aware of different forms of communication with which aging tenants/owners may be comfortable. Web sites and e-mail, although becoming more familiar to all segments of the population, are still not the primary means of communication with which the elderly are comfortable. Written communication, signs posted in large print, and taking steps to be sure important notices are read and understood should be part of the manager's communications with aging tenants/owners.

Phrases

- "I'll have the ramp completed by (day/week)."
- "We'll be able to do that for you, but anything more than that I'm afraid you'll have to pay for yourself."
- "I want to make sure that the tenants in (apartment numbers of elderly tenants) really understand this. So visit them personally to explain it." (to staff managers regarding a new policy or procedure for the building)
- "I'd like you to start a monthly newsletter with all of the activities listed for each month."



- “Let’s get a list of all the services in the area that might be of use to our residents. You know, things like hair stylists.”
- “Make sure you get a list of the activities at the local senior citizen center and a copy of the bus schedule.”
- “I think we should look into hiring a part-time recreation coordinator who specializes in senior citizen activities.”
- “I want you to personally walk around the property and check every step and path for possible hazards. Remember that these folks don’t lift their feet as high as you and I do, so a little uneven concrete could cause a fall.”
- “Put some kind of shade on the windows at the end of the hallways. That light will be pretty glaring.”
- “Ask around and see if there’s any interest in having some kind of regular religious service in the clubhouse.”
- “I think we’re going to have more senior citizens in our buildings, so I’d like you to get familiar with some of the things with which we’re going to have to deal.”
- “I’d like us to get a piece of the age-oriented community market, so do some research to see what kind of training or materials are available.”
- “As soon as you feel comfortable, which I hope will be sooner than later, we’ll go after some new business in the age-oriented community market.”
- “How is the planning going for that (open house, Christmas party, etc.) for the residents and their families?”

Chapter 11

Tenant Relations

Issues of tenant relations are common to all types of properties and all management situations. The professional property manager as well as the owner/manager (landlord) must be equally aware of tenant relations. In some ways every action the manager takes may have an impact on tenant relations. For example, a manager who decides to defer maintenance on the tenant parking lot runs the risk of everything from injury to a tenant to general tenant dissatisfaction with the level of maintenance. Making sure the property is in compliance with all safety and building codes, providing adequate preventive maintenance and timely corrective maintenance, keeping all common areas clean, and fulfilling all commitments made to the tenant will go a long way toward maintaining good tenant relations.

However, it is virtually inevitable that the expectations of every tenant will not be fulfilled. It may be that the expectations are unreasonable. Sometimes it will be impossible to take corrective action on a problem in a timely enough manner to satisfy the tenant being affected. Circumstances may occur that create the appearance of building neglect. And there are tenants who may never be satisfied with the management of the building.

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Expectations differ among building types. Previous chapters in this book have dealt with some of these expectations. Apartment renters want a safe, quiet, clean place to live. Office building tenants want a place that is conducive to their business. Retail mall tenants want an atmosphere that will make people want to come to the mall and shop. Senior citizens want to enjoy their “golden years” in safety and comfort. A manager or landlord who can empathize with the tenants’ expectations and do what he or she can to fulfill them in the way the property is managed will have minimal cause for difficult tenant relations.

Situations where there are problems and complaints can be addressed in two ways. If the complaints are legitimate, immediate action should be taken. The problem may have to be dealt with through a change in procedure or policy. If the problem or the request is unreasonable, inappropriate, or impossible to solve, then the tenant must be dealt with in some way that still acknowledges the right to complain.

At other times issues of tenant relations involve legal issues. These can include situations in which the tenant may not be abiding by the terms of the lease; a tenant breaking the law; or a problem tenant may simply be a problem for the other tenants.

Although not all tenants’ expectations can be met, a satisfied tenant remains one of the best advertisements for the property. Residential tenants recommend the building to their friends, and business tenants may comment to each other about the quality of the property. And, even better, word will get around the brokerage community that few complaints are ever heard from the tenants of your building.

Managing the Properties

This chapter presents information on several aspects of tenant relations.

One of the keys to good tenant relations is communications. This may be communications on a property-wide or individual basis.

The so-called 80/20 rule is quoted in many situations. With respect to tenant relations, arguably, you may spend 80% of your time on 20% of your tenants. A variety of mindsets will be presented with some phrases to use with the problem tenant; those few tenants who will take up a disproportionate amount of your time.

Last, legal issues are discussed with phrases that could be used in situations that may ultimately result in legal action. It should be noted that nothing in this chapter, or this book, should be construed as legal advice. Any legal action or activity that may result in legal action should be undertaken only with the advice of a knowledgeable attorney.

Communications

The Property Manager's Mindset

- Most properties will benefit from having a Web site accessible by all tenants.
- E-mail communications can be very effective, especially for time-sensitive issues. All tenants should be requested to provide an e-mail address when providing tenant information.
- Written communications, including registered letters, may be useful when a record of the communication is necessary.
- Tenants appreciate all information about the property. It is up to them to discard or delete it if they do not find it of specific use to them.
- Although tenants appreciate all information, they must have any information that may have an impact on their business, if a commercial tenant, or their use of the building, if a residential tenant.
- The property manager should be aware of critical time frames for communication of information that may adversely affect the tenant or cause inconvenience to the tenant.
- The physical presence of the property manager, particularly in commercial properties, is a form of communication in itself. It conveys the message that the manager is interested in what's happening in the property. It also gives tenants a chance to discuss issues they may have. It is a good way to informally gather information about the quality of such things as building cleaning services and building personnel.



- Property managers should orient themselves toward their tenants' expectations so as to be aware of what information is important to communicate.
- In general, oral communications are the most informal. E-mail tends to be a bit more formal. A conventionally mailed letter tends to be still more formal. A registered letter or request for a return receipt is the most formal of all.
- In cases in which receipt of the communication is critical, two forms, for example oral and written, should be used.
- Too much communication is better than not enough.
- Follow up important communications as needed in a timely manner.

Phrases

- "The building Web site address is (URL). You'll find up-to-date information on the building and the neighborhood." (written notice to tenants)
- "Please complete and return the enclosed form. We are requesting your e-mail address so that we may be better able to communicate important information about the building to you in a timely manner."
- "The elevator will be down for repairs on (date/day). Any tenant requiring assistance should contact the management (or doorman or building superintendent as appropriate)."
- "Please save this list of important building phone numbers for future reference."
- "We're notifying each tenant in person and we'll follow up with a letter."



- "I want every tenant to sign for the letter either in person or by return receipt if you have to mail it to them."
- "The common areas of the building will be updated over the next few weeks. We apologize for any inconvenience."
- "We will be undertaking a major rehabilitation and upgrading project of the common areas of the mall as well as the food courts. The work will be scheduled so that there will be no interruption in your business activities."
- "The following services are available to tenants in this building."
- "The following is a list of restaurants in the neighborhood that will deliver to this building."
- "Hello. We haven't met. I'm the property manager. Here is my card. How is everything going? Is there anything you need us to do for you?"
- "My goal as a property manager is to help you be successful. So please let me know if there's anything I can do for you." (written or oral notice to retail tenants)
- "I want you to spend some time around the mall. Get to know the tenants and their businesses." (to staff managers)
- "I want you to know this property better than you know your own home." (to staff managers)
- "I want you to send out three notices. The first now, the second about 4 weeks before the start date, and the third notice the week before the event." (to staff managers regarding some event about which it is important that all tenants be notified)

The Problem Tenant

The Property Manager's Mindset

- A problem tenant is one who causes problems for you and/or the other tenants or causes damage or potential damage to the property.
- A tenant is not a problem if his or her lifestyle differs from yours or the accepted norm, provided he or she is not disturbing to other tenants and what is being done is not illegal.
- It may be easier to correct a problem tenant than to replace the tenant.
- Tenants who fall behind in their rent or are consistent late payers are problem tenants by definition.
- Normal wear and tear on an apartment or rental house does not constitute a problem tenant. Families have children. Children are often hard on rental housing.
- Within the limits of privacy laws, tenants should be thoroughly checked out to minimize problems later on.
- A good long-term tenant may be worth some consideration with respect to rent. The new owner/landlord of a small apartment building should especially note why some tenants may be paying a lower than normal rent. It may be that these are tenants worth keeping.
- Building rules must be consistently and immediately enforced. Tenants must be allowed to use their space as the lease permits, but no tenant must appear to be getting away with some violation of the rules.



- Most people do not like confrontational situations. Do not permit that reluctance to allow a problem tenant situation to continue. These situations must be dealt with immediately before the problem affects other tenants.
- Problems should be dealt with initially with a meeting in the manager's office if possible.
- Do not enter a tenant's apartment to discuss a problem unless you are accompanied by one of your staff.
- Remember that your goal is to eliminate the problem, not necessarily to get rid of the tenant, unless that becomes the only way to solve the problem.
- Problems are opportunities for solutions, including problems with your own staff. They are not meant to show everyone that you're the boss.

Chapter 12

The Management Plan

The management plan is normally undertaken when a property is taken over by a management company. Certain studies leading to a budgetary and physical plan for the property are commonly done as part of a management company's contract for managing a property. The analyses that are done can be as simple or as complex as the property being managed. A management plan for a small apartment building would most likely be much simpler than a plan for a regional shopping mall.

The purpose of the management plan is to position the property in the most economically advantageous way within its region and neighborhood with consideration given to the physical and financial conditions of the property. Ultimately the management plan should look toward determining and implementing the highest and best use to which the property can be put. The highest and best use is that use which will generate the highest value that is physically, legally, and economically possible and feasible.

The phrases in this section include the property management company's owner advising his or her staff managers on what needs to be accomplished with respect to the management plan. Other included phrases help explain the purpose and details of the management plan to the owner of the property.

Perfect Phrases for Landlords and Property Managers

Although a management plan is typically part of a professional manager's duties it would be worthwhile for a landlord/manager to undertake some, if not all of the elements of a management plan. Clearly a landlord's plan need not be as formal as that done by a professional property manager. The landlord who manages his or her own property can benefit from understanding what is happening in the region and neighborhood with respect to similar properties. The landlord should especially plan for budgetary and physical needs. The landlord/manager's goals for the property are generally the same as those of a professional property manager: to maximize the overall revenue from the property while maintaining or increasing the property's long-term value. In the case of a landlord/manager who wishes to accomplish a management plan, it may be necessary to hire experts to perform the necessary analysis.

Phrases included in this section may be used by the landlord/manager to engage a professional property manager or other expert to provide elements of a management plan.

Regional Analysis

The Property Manager's Mindset

- Different types and sizes of properties will define different geographical regions for themselves. The region to be studied for a one million square foot enclosed retail mall is likely to be different from the region defined by a 30,000 square foot strip mall.
- Regional boundaries may not be easily defined. Competition from other similar properties is one element that defines the geography of the region. Transportation systems that connect areas far away from the property may enlarge the region to be analyzed.
- It is important to know the property's economic position within the region. Vacancy rates, lease terms, and prevailing rents are important elements of a regional analysis.
- Non-property-related information is a major component of the regional analysis. The analysis of the region's demographics is the key component of the regional analysis. This includes study of wage and employment levels, income information, family size, ages of the regional population, and other descriptive information about the region's population, including common languages spoken.
- The regional analysis should also examine the infrastructure of the region, including transportation networks, availability of utilities, and other public improvements.
- Elements of the social support structure of the region, such as the education system, recreation and tourist



opportunities, health care facilities, libraries, and institutions of higher learning, should also be considered in the analysis.

- Staff managers should be knowledgeable of the sources of regional data.
- Staff managers should be able to gather and interpret regional analysis data.
- Staff managers may require training to undertake a regional analysis and interpret its findings.
- For a complex region it may be necessary or economically feasible for a property management firm or owner/landlord to hire outside expertise to conduct the analysis.
- The regional analysis element of the management plan seeks to provide information that will be useful in understanding the property's economic position in the region. This understanding will lead to management decisions that will make the property as economically successful as possible within its regional context.
- The data should be examined for any trends in the region that may affect the property being managed.
- A new regional analysis for a property recently put under management may provide updated information that may help in the management of another property in the same region.
- The owner/client should be made aware of the various analyses that will be done as part of the management plan.

Phrases

- "I've brought a consultant trainer in to explain how to go about doing a regional analysis."



- “See if you can find out where the majority of employees are commuting from. We may have to extend the region for analysis beyond what we originally thought.”
- “Find out the median family income.”
- “Are there large segments of the population for whom English is a second language? If so, find out what their first languages are and what size groups we’re talking about.”
- “Let’s put a map together showing our competition within the region.”
- “I don’t think the region for this property extends that far out, but I could be wrong. Get some more data for us to look at.”
- “See if you can track where people are coming from and see if you think they’d prefer shopping at our property instead.”
- “Where’s the nearest hospital (or other important facility, such as a school or park)?”
- “Check to see if there are any firm plans to extend the highway (or the water lines, sewers, or other utilities).”
- “I’ve hired a consultant to do this regional analysis and I’ve asked her or him to include you (staff property manager) in the work as much as possible. It will be good training for you, and you’ll be able to interpret the data better if you’re involved from the beginning.”
- “Don’t overlook any sources of information when you do the regional analysis.”
- “We need the regional analysis done by (day/date) so we can finish the management plan on time.”
- “How do the vacancy rate and rent compare with similar buildings in the region?”



- “As you look at the regional data, make sure you’re always thinking of how our property fits into the picture and how we can better position the property.”
- “Do you see any trends in the region that will either help or hurt us with respect to managing that property?”
- “You did a great job with that regional analysis.”
- “The data look great. But the real question is what does it tell us about what’s going on in the region and how will it affect the property we just took over?”
- “I don’t want this report to sit on the shelf. How can we use the data you got to increase the property’s income?”
- “I know we didn’t do this regional analysis for (property name), but I think there are elements in it that we might use to re-analyze what to do with that property.”
- “As part of our management plan we’ll be doing a complete market analysis of the property, including region, neighborhood, and property studies.”

Neighborhood Analysis

The Property Manager's Mindset

- The neighborhood analysis is more narrowly focused in geographic area than is the regional analysis.
- Neighborhood boundaries must be established in order to perform the neighborhood analysis.
- Neighborhood boundaries may be set by man-made features, such as roads, train tracks, or changes in land use. Boundaries may also be defined by natural features, such as rivers or parks.
- The neighborhood analysis studies the property's competition very carefully.
- This analysis looks at various demographic factors of the neighborhood, such as age, education, income, language, family units, employment, and education.
- The physical condition of the neighborhood, such as overall appearance and curb appeal of other properties, will be noted.
- Amenities such as parks and libraries should be noted.
- Safety features and crime statistics for the neighborhood should be analyzed.
- Amenities and services in the neighborhood, particularly ones that support the building being managed, should be carefully noted.
- Other land uses that may or may not be compatible should be noted.
- The neighborhood analysis should be examined in light of the regional analysis. The economic and social trends of the neighborhood should be examined with a view



toward whether or not they are compatible with or different from regional trends. Further analysis must be done when neighborhood trends seem to differ from regional trends.

- Careful study of the neighborhood will examine whether overall the neighborhood is supportive of the use of the property being managed.
- The neighborhood analysis should be conducted with a view toward positioning the building to its best economic advantage with respect to its competition.
- Vacancy rates of all types of buildings in the neighborhood should be examined. Special attention should be given to the vacancy rates of competing buildings.
- The data should be analyzed to discern any economic or demographic or social trends that may be occurring that may affect the building under management.
- A thorough physical inspection of the neighborhood is necessary as part of the neighborhood analysis.

Phrases

- "First identify the neighborhood boundaries."
- "Let's drive around the neighborhood and see if we can get an idea of the area we should study."
- "I'd check with the local planning (building, tax, police) department and see if they can give you an idea of how they define the neighborhood."
- "Take some photos of our competition so we can all see how they look from the street."



- “Are there any restaurants or sandwich shops in the neighborhood?” (This is particularly important in office building neighborhoods.)
- “Can our tenants walk to the grocery store?”
- “How far is the elementary school?”
- “Is there enough parking within walking distance of the building?”
- “How far is the train station/bus stop?”
- “Are we going to get complaints from the neighbors?” (This question refers to a situation of two incompatible land uses, such as a bar and small residential building.)
- “Check with the police department and see if they have any crime statistics for the whole neighborhood and see if they have anything on the immediate area around the building.”
- “Find out the vacancy rate and rent of our competitors.”
- “In a word, how would you describe this neighborhood; improving, stable, or declining?”
- “Have you walked the neighborhood yet? You can drive around the outer edges, but nothing beats a nice slow walk around the area.”
- “Will they have a place to eat lunch and buy a newspaper?”
- “Are there any plans to install surveillance cameras on the street?”

Property Physical Analysis

The Property Manager's Mindset

- The purpose of the property physical analysis is to determine the physical condition of the property with a view toward maintaining and increasing its value. This is done through proper long- and short-term maintenance, as well as noting if the property is up to date and utilizing its space to maximum economic benefit.
- In order to move forward, a baseline analysis of the physical condition of the property is needed.
- The physical analysis should begin with a detailed description of the property, including size, space and/or unit description, occupancy characteristics, and common areas. Examination of the spaces and units includes a detailed review of the interior of tenant spaces.
- An assessment of the property's physical condition examines immediate needs, i.e., deferred maintenance.
- Long-term maintenance and repair needs should be noted in the physical analysis.
- The physical analysis includes a complete analysis of the relationship of the building to the land area it occupies.
- The curb appeal of the building is noted as part of the physical analysis.
- Possible building, safety, and health code violations are noted.
- Structural, mechanical, electrical and heating, and ventilation and air-conditioning (HVAC) components of the building are examined. Outside expertise is brought



in as needed to provide detailed condition reports and estimates for repairs and maintenance.

- Staffing, particularly on-site maintenance staff, are also analyzed as part of the property physical analysis.
- A checklist is helpful to properly conduct the property's physical analysis.

Phrases

- "Get a detailed plan of the building and key each unit to the report. I want to know who's occupying what space."
- "Take a look at the plot plan and do some calculations. I'd like to know the floor area ratio."
- "Do a scale drawing of the parking lot. We'll take a look to see if we can get more cars in there."
- "When will you be finished with the property physical analysis?"
- "We'll need the property physical analysis by next week so we can write the management plan."
- "Check with the building department and planning commission and see if we might be able to use that space around the building for storage (or other possible use controlled by local codes or ordinances)."
- "Don't forget to check the building department files to make sure there are no violations against the building. I don't mind taking the owner's word for it, but double-check anyway."
- "Did you get the report from the HVAC people yet?"
- "Bring in our usual engineer to take a look at the building."
- "Make sure you use the property physical analysis checklist so you don't miss anything."



- "Take plenty of pictures."
- "Take some pictures of the buildings in the neighborhood. I want to see how our curb appeal stacks up with theirs."
- "I want you to do your own safety inspection of the building."
- "Get a list of the building staff and a detailed list of their duties."
- "Reassure the staff when you speak to them. I don't want anybody thinking they're going to get fired."
- "Make sure you go with the engineer and the other people we bring to look at the building."
- "This is going to be your building to manage. I want you to know it inside out. So I want you personally to do the property physical analysis."
- "This building was neglected for a long time. Make sure you catch all of the deferred maintenance."
- "I've already contacted the tenants to let them know there's new management. I've told them that we'll be coming around to inspect their spaces as a way to get to know the building. I don't want them thinking we're checking up on them."
- "Just tell them (the tenants) the truth; that this is a routine inspection of the entire building so that the new management team can find out what's what."
- "The meeting to review the property physical analysis will be (time/day/date/place)."

Income Stream Analysis

The Property Manager's Mindset

- The analysis of the income stream of the property, another term for which is fiscal analysis, is important to determine the financial position of the property currently as well as to create a projection of the future fiscal condition of the property.
- The income stream analysis focuses on income rather than expenses.
- The primary information required for an income stream analysis is the leases for current tenants.
- It is helpful to have information on the payment history of each tenant and the length of time they have been tenants in the building.
- Background information on the tenants' businesses, particularly newer tenants, is useful in the income stream analysis.
- The income stream analysis is focused on the amount of income and its durability, i.e., how likely is the income stream to continue.
- In conducting the income stream analysis, information on market rents should also be gathered for later comparison.
- Information on any rent regulations, controls, or stabilizations that will have an impact on future rents should be gathered as part of the income stream analysis.



Phrases

- "Read all the leases and make sure the general terms and conditions are the same."
- "Do a spread sheet showing tenant, space/unit rented, rent each month, original term of lease, and time remaining until the lease expires."
- "Use the spread sheet to create a suspense file for lease expirations." (referring to the overall spread sheet)
- "Take a look at the payment history of each tenant to see if we have any problems."
- "Let's keep an eye on the more volatile businesses in the building."
- "Create a list for me of the units that are under rent regulations and which regulations cover which units."
- "See if you can trace back why that tenant is paying so much below market rent."
- "What do you think the likelihood is that they will stay?"
- "Do you think they'll be here next year?" (asked about a tenant whose company may be in financial trouble)
- "Do comparisons for each lease comparing market rent with lease rent. We'll need them later for the management plan."
- "You're going to have to learn how to do spread sheets for lots of things, but especially income analysis."
- "Find out all you can about what increase the rent board (commission, etc.) may adopt for next year."
- "Give me some monthly and yearly totals."
- "Tie the rents in with the condition of the space/unit. Let's see if there's some connection."



- “Don’t forget to check each lease to see who did the build out work for the space.”
- “Start to make some judgments based on lease expirations and quality of the companies and see what you think we’ll be dealing with next year.”
- “It’s close enough in time, so just ask him if he’s staying.”
(Will the tenant renew the lease?)

Operating Budget

The Property Manager's Mindset

- An investment property is purchased for the income it will generate either immediately or in the long run, and often both. Creating the budget is the crucial step. The budget itself is the key item assuring the achievement of that goal and measuring how well that goal is achieved.
- The operating budget is both a planning and an historical tool for managing the property.
- The operating budget accounts for all income and regular annual expense for operating the property.
- The operating budget should be calculated on an annual basis. The annual budget allows for overall planning of income and expenses and is a typical way to view the property's fiscal operation.
- The operating budget may also be calculated on a monthly basis, particularly if significant variation in expenses or income is projected from month to month.
- If a monthly operating budget is used, variation in projected income and when bills will be paid should be noted.
- Budgets may be created based on historical data, i.e., previous budgets. Operating budgets are future projections, and therefore must account for changes in income and expenses that may occur.
- Operating budgets may also be created from pure projections based on the property manager's experience and data from other similar buildings.



- A combination of the historical budget and the purely projected budget arguably provides the best combination of reviewing historical data and projecting it forward based on data from other buildings and the manager's experience.
- The operating budget must provide an amount to be held in reserve for unforeseen expenses as well as monthly/seasonal variations.
- The operating budget should show cash flow.
- The property manager and the owner should agree on the operating budget before it is implemented.
- A quarterly review and update of the operating budget may be done. Such updates will provide more accurate projections since they will reflect recent budgetary events. Quarterly updates may also serve to account for seasonal variations in certain budgetary items.

Phrases

- "Get a hold of the last 3 years' operating budgets if you can."
- "Do the annual budget first, and then we'll break it down month by month."
- "Now let's do a budget based on current income and typical expenses for this kind of building, and then we'll compare that with the budget we did based on the building history."
- "I'd like the budget updated quarterly and the updates sent to the owner."
- "Do you think the reserve is high enough?"



- “Great job. I think we’ve got a good budget here. Set up a meeting with the owner and we’ll go over it together.”
- “Make sure you break out the cash flow projection month by month in case the owner wants to see that.”
- “The biggest difference I see from the history of the building’s expenses is the management fee since the owner has been managing it personally. It would probably be a good idea to put that expense first.”
- “There are three ways to project expenses: round out the last year’s number, trend upward, or average.”
- “Remember to bring along enough data to explain your expense projection to the owner, if he should ask.”
- “Can you explain why you’re projecting that expense to be so much higher than last year?”
- “We’ve been a bit generous with some of our projections on utilities, but with prices being what they are I can only hope we don’t spend those amounts.” (to the owner)
- “We’ll implement this budget as agreed.” (to the owner)
- “We’ll be updating the budget quarterly just to keep ahead of things. We’ll send you the updates within a few days of the end of each quarter.” (to the owner)
- “If you’ll agree, I’d like to keep most of the cash flow in the reserve account until we bring it back up to where it should be for a property like this.” (to the owner)
- “Since the building runs a negative cash flow, we should discuss how the account will be maintained.” (to the owner)
- “Do you want to take care of the negative cash flow by paying some of the bills directly?” (to the owner)

Capital Budget

The Property Manager's Mindset

- The capital budget is a projection of expenses that do not occur on a regular monthly or annual basis.
- Generally, capital budgets concern themselves with items that last for a substantial period of time but not as long as the life of the building. It can also cover nonphysical occasional expenses such as leasing commissions.
- Capital budgets are generally considered as part of the reserve funds; however, a separate capital budget can be established to keep these funds separate since reserve funds are used for variations in monthly expenses.
- Typical capital budget items include appliances for apartments, HVAC equipment, and roofs, among other things.
- The cost of the item, interest earned on funds in the capital budget account, and inflation, which may change the eventual cost of the item, are all taken into account when projecting capital budget item costs.
- A key issue in calculating the annual amount to be set aside for a specific capital expense item is the amount of time remaining until the capital item must be replaced.
- The capital budget should be discussed with and approved by the owner of the property.
- If the owner chooses to personally fund any or all capital expenses, this fact should be noted in writing in the overall budget.
- A capital budget may include items related to major renovations to the building. Depending on the scope and



purpose of the renovations, for example, a complete reconfiguring of the building's space or a wall-to-wall remodeling, this type of capital expense may be considered separately from the normal capital budget. This type of project may also consider financing proposals to use equity from the property to finance the renovation.

- Renovation, rehabilitation, and modernization projects should be examined with a view toward recouping costs through increased rents.
- In properties that are subject to some type of government rent regulation, the property manager should research those projects that may permit rent increases.
- The property manager should be conscious of energy efficiency when planning the capital budget. Projects that help raise the energy efficiency of the building may have a payback period that may pay for the cost of the improvement over time. Some tenants will also like to be associated with energy-efficient buildings.

Phrases

- "You may want to check recent inflation figures for building materials when you make that capital cost estimate."
- "I think we should keep the capital account and the monthly reserve funds separate."
- "Whether we're the managers or not, in 10 years this building is going to need a new roof, so let's include it in the capital budget."
- "Don't forget to include an annual amount for leasing commissions in the capital budget."



- "I know all the individual items in the capital budget fund will be lumped together, but make sure you keep good records of what goes in and what comes out of that fund."
- "Get two or three opinions on how long the roof will last and the replacement cost before you do the annual capital set aside amount."
- "I like to stay conservative on the estimated life of capital items. It avoids unpleasant surprises."
- "I'll sit in on the meeting with the owner to get approval of the capital budget. Set it up."
- "I'll make a note then that you will pay for the roof (or other capital items(s)) out of funds separate from the property's income." (to the owner)
- "Check out the rent regulations and see if there are any projects we can do that will allow us to increase rents."
- "I'd like you to do a payback analysis for each of those projects to see how long it will take to recoup our costs and start turning a profit."
- "Analyze the payback period of each project separately so we can prioritize which project we might want to do first."
- "Set up an energy audit for the building."
- "Conservation is in. If we can save some money and position ourselves as an energy-efficient building, we win all around."
- "That's too long a payback period to do the project now, but let's keep that energy-efficient item (furnace, HVAC equipment, windows, etc.) in mind when it comes due for replacement."

Beyond the Management Plan

The Property Manager's Mindset

- The regional, neighborhood, and property analysis, often collectively referred to as the market analysis, may suggest courses of action for the owner beyond the current uses of the building.
- The marketability of the property being analyzed, the particular supply and demand issues for that type of space, the quality of the space itself and changing conditions in the neighborhood may all suggest a reconfiguring of the building to some other use.
- Although the property manager does not want to lose the property management assignment, managing the building into a declining economic situation serves neither the owner's interests, nor the property manager's reputation.
- Recommendations for major reconfiguration, renovation, or rehabilitation of the building should be presented to the owner with information relative to the reasoning behind the recommendations as well as cost benefit estimates.
- Owners have hired you to manage their building in the first place because they lack the time, desire, or ability to deal with the details and/or expertise requirements of property management. Keep this in mind when making recommendations. Reports should be complete and detailed, but should always include summaries and executive reports of a page or two. Although the report should be able to stand on its own, personal



meetings to discuss the reports are essential for good client relations.

- Property managers should be guided by the owner's style with respect to presenting reports with major building reconfiguration recommendations. Owners may wish to read the report first, then discuss it or have the report presented to them in a meeting and then take the time to read it themselves or consult with their advisors.
- The property manager should present recommendations for complete reconfiguration of the building as a possible alternative to managing the building as it is. Recommendations should not be presented as necessarily either/or. Such large-scale projects often require more study of the market trends as well as careful examination by the owner. The property manager does not usually wish to talk him- or herself out of a job.
- Recommendations should include the various roles that the property management company might play. For example, the management firm could help relocate the tenants, hire architects, conduct the project bidding process, supervise the renovation, lease the new space, and manage the building.
- Ethics demands that the project management firm not exceed its ability to deliver on its commitments. Where necessary, particularly when it might be the first time a management firm is undertaking a specific task, the company may want to associate itself with another company or individual with expertise in that specific area.



- Research should be done into local land use and building regulations that may affect the recommendations.

Phrases

- "If this property were vacant today, what would we build on it?"
- "I'd like you to come up with some alternatives as to how we can correct the problem."
- "Take a close look at what's happening in the neighborhood and see if we should be doing something else with this building."
- "The market for this kind of space is drying up. See if you can think of some alternative uses for the space as it is."
- "I want to give the owner a few alternatives."
- "I want to give the owner a range of options, so make sure you include marketing the space as it is to a different type of tenant as well as the impact of completely renovating the building."
- "Cost out each alternative, and then do some rent and occupancy projections based on the current market."
- "Put a one- or two-page executive summary up front, and then you can provide the details in the report."
- "Make sure you include the disclaimer that our projections are based on current market conditions and are subject to change based on unknown future economic conditions."
- "I'm sending you our report by overnight mail. Take a look at it and I'll call you in few days to set up a meeting to go over it in detail." (to the owner)



- “We can make a full presentation of our report anytime you’d like.” (to the owner)
- “We can take the project right through to leasing and managing.”
- “No, we haven’t managed a construction project of this scope before, but our partner for this project has dozens of projects like this as well as larger ones.”
- “I might be talking myself out of a job here, but I think it’s important that you look at the long-term marketability of the property in its current condition and with what’s going on in the market.”
- “With what’s going on in the area I think we can get the approvals we need. In fact, I suspect they’ll be happy someone is proposing an alternative use for these types of properties.”

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Chapter 13

Landlord (Owner) Management Issues

Despite the chapter's title, professional property managers should not ignore it. Understanding the mindset of the landlord may help in marketing professional property management services to the small property owner and providing outstanding service should the small property landlord decide professional management is needed. Also, many of the phrases contained in this section can be used under some circumstances by the professional property manager.

The owner/manager of one or a few buildings faces some unique issues. This owner/manager, let's refer to this person as the landlord, may have chosen to manage his or own buildings by choice. Or maybe, as is often the case with small properties, the income generated by the property isn't sufficient to pay for the cost of professional management. Whatever the reason, the owner who chooses to self-manage the property may have little experience in managing property, and may be approaching it as a part-time job, balancing it against other work obligations.

The decision to self-manage an investment property is really made at the time an individual buys an investment property in the first place. The decision to buy a property that cannot financially sustain a professional property manager is in fact

Perfect Phrases for Landlords and Property Managers

the decision to become a landlord. And although the decision to become a real estate investor may be attractive, the obligations of being a landlord may not be.

The phrases contained in this chapter focus primarily on the landlord, that is, the investment property manager who chooses to self-manage the property. The sections deal with the resident and nonresident landlord although many of the phrases are interchangeable. Also, since many landlords invest in residential buildings rather than offices or retail properties, for the most part the phrases are oriented toward residential ownership.

Nonresident Landlord

The Landlord's Mindset

- The decision to self-manage an investment property is part of the decision to buy the property in the first place. The allure of owning investment properties is not the same as the obligations and responsibilities of self-managing those properties.
- Managing an investment property is a business and must be treated that way. This includes writing a business plan.
- Research into professional property management techniques and issues are a part of adequately managing the property.
- Owning a single-family home is not the same as managing a multifamily building.
- Managing a multifamily building is significantly different from managing a nonresidential building.
- Keeping track of the time spent managing the property is important toward calculating the actual profitability of the property.
- Frequent personal visits to the property are essential to proper management.
- Knowing what is not known is more important than knowing what is known. Professional expertise should be sought when needed, especially in the areas of accounting and law.
- The difference between someone getting hurt as a result of an accident or the violation of law may be the difference between a civil suit and a criminal charge.



- Putting oneself into the tenant's shoes once in a while will make for a better landlord.
- The best, fairest tenant in the world would like to live in his or her apartment for free. The best landlord in the world would like the tenant to pay the rent and live somewhere else. Reality is in the middle.
- The landlord must be familiar with all laws governing the use and rental of his or her building, especially those rules regarding rent control and regulations.
- Landlords must be realistic about the time they can and are willing to spend managing the property.
- Selecting and keeping good tenants is ultimately easier than evicting bad ones. So it is worth the time and effort to do the former, in order to avoid the latter.
- If a landlord owns the building long enough, he or she will eventually have to evict someone.

Phrases

- "I'd be willing to offer you a reduction in your rent to take over some of the day-to-day responsibilities of the building and keep an eye on it for me. Do you think you might be interested?" (to a tenant)
- "I only live a short distance away, so here are my phone numbers. Call me in the event of an emergency." (to the tenants.)
- "I usually pass by the building at least once each day." (to the tenants)
- "Your lease is up soon, so we should sit down and talk about a new lease if you're planning on staying."
- "Do you plan on renewing your lease?"



- “You’ve been a good tenant. I hope you’re staying.”
- “Is there anything that I can do to get you to stay?”
- “I want to continue to manage the building myself, but there are a couple of things I could use help with. I was wondering if you provide something less than full management services.” (to a property management firm)
- “Just make sure we’re in compliance at all times with the building and safety codes.” (to a resident superintendent or on-site maintenance person)
- “I thought I’d be able to stop by before work to take care of the snow, but I can’t. I wonder if I can pay you to take care of the sidewalks for me.” (to a tenant)
- “All you have to do is call the plumber, furnace company, or whoever if there’s an emergency and arrange to be here if someone needs access to the building. In return I’ll reduce your rent by (dollar amount).” (to a tenant)
- “I’ll be by on the first of each month to pick up the rent. I don’t want you to feel as if I’m checking up on you, but it gives me a chance to see what’s going on in the neighborhood.” (to tenant in a one- or two-family house rental)
- “I’ll take care of that right away.”
- “I’ve looked into that and there’s nothing I can do.”
- “We’re due to (service such as painting, exterminating, etc.) get that done in (number of days or weeks).”
- “We’ve received some complaints about the noise. I’d appreciate it if you could keep it down after 11:00 p.m.” (The time for “quiet” in many jurisdictions; however, this may vary by location.)



- “Of course, you’re free to have overnight guests, but it’s come to my attention that there is another family (or some other too large a number of people) living in the apartment.”

Resident Landlord

The Resident Landlord's Mindset

- The tenant is not only a tenant, but also a neighbor.
- The resident landlord will be on call every minute he or she is in the building.
- Tenants realize that there's very little they do that escapes the landlord's attention.
- The resident landlord, while being protective of his or her building, must remember that tenants have an expectation of being treated no differently than as if they lived in a nonresident landlord building.
- Becoming socially friendly with tenants beyond common courtesies will make it difficult to enforce rules.
- All tenants must be treated equally and fairly. Obvious favoritism for one or another tenant will be viewed as unfair treatment by the other tenants. In certain instances this could be perceived as illegal discrimination.
- A two-family house, also called a two-flat or duplex in some markets, is often purchased because of the financial inability of the landlord to purchase a one-family house in which to live. In extreme cases the landlord actually resents having to have a tenant. Get over it.
- It is the landlord's property. The landlord will and should have privileges and access that are not available to the tenant such as use of yards, garages, and driveways and basement space.



- Landlords should avail themselves of owners' special privileges sparingly. Tenants will resent late-night parties and other noisy activities at inappropriate hours. If occurring too frequently, tenants may come to feel they have the same privileges.
- A privilege granted is difficult to take back.
- The tenant is an adult, not a child, and certainly not your child, regardless of the age difference between you. Tenants should be treated accordingly.
- Very little is ever gained by losing your temper or shouting.
- If you must resort to using an attorney to gain compliance of some rule by a tenant, it is doubtful that this is someone you would want as a neighbor.
- It is sometimes easier to sell a small residential property such as a two-family house if one or both apartments are vacant. This will vary with market conditions depending on whether there is demand for a small investment or a place to live. If the landlord is contemplating a sale and an apartment becomes vacant he or she should consult local real estate agents before jumping to rent the apartment.
- Building rules should be clearly stated when the tenant moves in. Anything left unresolved will usually be anticipated by both parties as being resolved later in their favor.
- Resident landlords should steer a middle course between treating the property as strictly a business and strictly their home, because in fact it is both.
- Advice regarding unusual property use by the landlord that may disturb the tenant is best delivered before the lease is signed so the tenant may back out of the deal.



- When the landlord is away for an extended period of time, he or she must make arrangements with someone to take care of routine building operation issues that he or she normally takes care of themselves. This can be a tenant. The same is true for emergencies that require contacting the landlord.

Phrases

- "Welcome to the building. I hope you'll be very happy here."
- "I realize that I'm the landlord, but we're also going to be neighbors."
- "If it's an emergency please don't hesitate to call me or knock on the door."
- "I just wanted you to know that the city will be (turning off the water, blocking the street for repairs, or some other notice that the landlord received) on (day/date/time)."
- "I do car repair work on the side in my garage, so things can get noisy early Saturday and Sunday mornings."
- "I don't mind you ringing my bell to get in if you forget your key, but please don't make a habit of it."
- "It will be a little noisy around here on Saturday. We're having a big family party. I didn't want you to be surprised. We'll try not to disturb you too much, but it will probably run late."
- "I know this is only a three-family house (or otherwise small-size building), but I want to make sure I don't forget to tell a new tenant anything, so here's a copy of the building rules."



- “The apartment does not come with yard, garage, or basement privileges.”
- “OK. Thanks for letting me know you’ll be having late company Saturday.”
- “I’m sorry, but I have to turn you down. If I let you use the yard, then I have to let everyone, and I’m not prepared to do that.”
- “The noise after 11 p.m. has to stop. This is the (second, third, fourth, etc.) time I’ve asked. If it happens again I’m going to have to ask you to leave.”
- “I’m going to give you my cell phone and office number. If anything happens during the day and you need to reach me, try either one or both of these numbers.”
- “We’re going away for a week. Here’s my (friend’s, cousin’s, brother’s, sister’s, etc.) phone numbers in case of an emergency. They’ll know what to do and how to reach me.”
- “I’ve arranged for someone to plow the snow if we get a storm while we’re away.”
- “Yes, you can build in those bookcases (or other semipermanent improvement), but you’ll have to remove them and restore the walls and floor when you move. I’ll send you a copy of the note I’ll put in your lease file that we talked about this.”
- “I’m sorry to see you go. You’ve been a good tenant and good neighbor. Good luck in your new home.”

Chapter 14

Issues Common to All Properties

There can be a great deal of overlap in managing various kinds of properties. Phrases useful for managing a commercial property, with some adaptation, may prove useful in a situation involving a residential building. Nonetheless, for ease in using this book, I've tried to separate issues and phrases by building type and particular issues the property manager or landlord must face, such as creating a management plan. There are, however, several issues that are common to managing all types of building. There may be slight differences in application to residential versus commercial buildings, but these issues are common enough to all types of buildings, and therefore have been grouped together in a single chapter.

Since these issues are unrelated to each other, there is a separate introduction to each section before presenting the property manager's mindset and phrases.

Maintenance

Maintenance of the premises is the responsibility of landlords and property managers. Maintenance as discussed here includes corrective and preventive maintenance, as well as cleaning or

Perfect Phrases for Landlords and Property Managers

custodial maintenance. Landlords and property managers are generally responsible for maintenance and cleaning of all common areas, hallways, lobbies, elevators, stairwells, laundry areas, common rooms, and the like. Maintenance of the actual rented space is usually not the responsibility of the landlord or property manager, but may be negotiated with the tenant. Maintenance of apartments is limited to corrective and preventive maintenance (e.g., repair of toilets and kitchen facilities). The exception to this is cleaning of apartments in extended-stay hotels. Maintenance and cleaning services may be contracted out, provided by the property manager's or landlord's own employees, or some combination of the two. For example, a property management firm may have its own cleaning/janitorial service division, but hire out for preventive and corrective maintenance, such as periodically maintaining the air-conditioning equipment.

Proper preventive corrective maintenance of the building extends the life of mechanical and structural components. Prompt corrective maintenance limits long-term damage. Tenants in all buildings expect common areas to be well kept. Tenants in commercial buildings expect their premises to be cleaned and adequately maintained so as to avoid any downtime in the use of the space and provide workers and customers with a pleasant, sanitary, and clean place to conduct business.

The Landlord and Property Manager's Mindset

- Make sure the staff property manager knows the difference between preventive and corrective maintenance.



- Provide for reasonable and appropriate schedules for preventive maintenance.
- Secure adequate resources for corrective maintenance and repairs.
- Meet all reasonable tenant expectations for cleanliness.
- Respond promptly to tenant complaints about maintenance.
- Advise tenants regarding maintenance efforts and issues.
- Provide clear expectations to maintenance crews, janitorial staff, and staff property managers.
- Address security issues as needed.
- Communicate with tenants about cleaning and maintenance schedules.
- Use written as well as oral communication with tenants.
- Provide clear expectations to staff managers with stated consequences regarding illegal activities.

Phrases

- “Remember, timely preventive maintenance will keep things running smoothly and minimize any surprises.”
- “As the staff person in charge of this building, you’ll be responsible to schedule all preventive maintenance activities.”
- “Make sure you have at least two or three names of people to handle routine corrective maintenance and repairs.”
- “I always want to keep the tenants up to date on any special maintenance jobs that are happening, so make sure you let everybody know that we’ll be spraying for insects next (day of the week).”



- “Can you be more specific about your complaint with the cleaning service?”
- “The other tenants have been very happy with the cleaning service, so hopefully this is an isolated incident.”
- “I can’t say whether or not the cleaning people were responsible, but I think you should report the theft of that equipment to the police right away.”
- “After that incident in the lobby the other day, we’ll be adding a security guard during business hours.”
- “Since this is a fully secure building, you’ll have to make special arrangements with our security people if you want access to the building on the weekends for any of your workers.”
- “Offices will be cleaned each evening; carpets will be shampooed once a month.”
- “I’m sorry, but it will be impossible for our cleaning staff to do the dishes in the sink of your office kitchen.”
- “We’ve had some reports of vermin and insects in the building, so I wonder if you could remind your employees about not keeping food in their desks.”
- “I expect you to be able to produce proper immigration documentation for all your workers.”
- “If I find that any of you have been accepting kickbacks from any of our contractors or suppliers, I not only will fire you, but I’ll see that you never work as property managers again.”
- “I expect this building to be in first-class condition at all times.”
- “I’ll inspect the building after your cleaning crew has had a few nights to get the building in shape.”



- “We’re in the process of replacing the cleaning contractor, so please be patient a little longer.”
- “I’ll have someone up to fix the leaking toilet by tomorrow afternoon.”
- “I’ve already called someone to fix the sink, but for right now do me a favor and just put a pan underneath to catch the water.”

Nondiscrimination

In real estate practice discrimination, on any basis other than financial ability is morally and ethically wrong. The legal reality, however, is that some forms of discrimination beyond financial considerations are legal. Exceptions to nondiscrimination laws are made to allow for discriminatory activity with respect to real estate transactions under certain very limited circumstances.

The primary distinction made in these exceptions is that if they are available at all, they are not available to the real estate agent/professional property manager. They may be available if the proper conditions are met, to the landlord owner who self-manages and generally lives in the building. One of the conflicts that may arise for the professional property manager is the pressure by the owner to manage the building in a discriminatory fashion, particularly if the owner believes that the discrimination is legal.

A further complication for professional managers and landlords is the layering of nondiscrimination statutes and the properties to which they apply. For example, there are federal fair housing laws. Most states and many local jurisdictions



such as cities have supplemented the federal laws with additional statutes. In some cases exceptions that are permitted under federal law are eliminated under local laws. In some cases, groups called protected class, which are not covered by the federal law, have been added at the local level. In addition, federal fair housing laws do not generally cover commercial properties. Commercial properties, however, may be covered by state or local nondiscrimination laws.

I believe all forms of discrimination in real estate transactions are to be avoided as morally and ethically unacceptable and it obviously is important for the property manager and landlord to have a thorough knowledge and understanding of all of the nondiscrimination laws that may affect the particular property in their municipality.

The phrases in this section are presented to deal with the overall issue of discrimination laws as they may affect managing a property. Because of the overlapping statutes and jurisdiction specific laws, exceptions and their application cannot be discussed.

The Landlord and Property Manager's Mindset

- The only form of “discrimination” that is ethically and morally acceptable is financial.
- Discrimination in real estate transactions, based on criteria other than financial ability, is wrong. Such activity is also most likely illegal.
- Property managers and landlords must have a thorough knowledge of prohibited discriminatory behavior, as well as the protected classes in the community in which the property is located.



- There may be different rules for residential and nonresidential property in the community in which the property is located.
- Nondiscrimination laws exist at the federal level. Supplemental and additional laws may exist at the state, county, town, city, and village levels of government. In general, the stricter laws apply. These are usually found at the local level.
- Nondiscrimination laws are often enhanced by adding protected classes at the local level that are not covered at the federal or state level.
- Discriminatory behavior that may be legal for a landlord/owner is usually not legal for a property manager. Real estate agents are held to a higher standard of behavior than nonlicensed individuals.
- Property managers and landlords should avoid behavior that appears discriminatory even if no discrimination was intended.
- An order by an owner to discriminate in managing a building is considered an illegal order for purposes of the fiduciary duty of obedience. Therefore, it need not and must not be obeyed.
- Nondiscrimination laws do not supersede local occupancy, building code, or health code laws.
- Managing a building for an owner who wishes to practice discrimination is legally risky and should be avoided.
- A single discriminatory act can be sufficient to cause legal consequences. Previous compliant behavior is no defense for a discrimination charge.



- Discrimination can be practiced or perceived in the questions that are asked of prospective tenants. Discriminatory-sounding questions and comments should be avoided.
- No amount of data or anecdotal evidence can justify discrimination.
- A handicapped tenant must be permitted to make reasonable modification to the unit to accommodate their needs. They are required to return the unit to its original condition when they leave.

Phrases

- “The only form of discrimination that is acceptable in this firm with respect to the buildings we manage is financial.”
- “Good credit, ability to pay, and hopefully the staying power to be with us a long time; these are the criteria you’ll use in selecting a tenant.”
- “This is the first building we’re managing in this area. I want you to check out all of the nondiscrimination laws that apply.”
- “Check out the local building and health codes and make a note of the occupancy standards that apply to this building.”
- “Find out if the nondiscrimination laws apply to commercial buildings. I don’t intend to discriminate, but I want to make sure we don’t accidentally violate some law.”
- “What you’re asking us to do is discriminatory and illegal. We can’t manage the building that way.”
- “I always screen prospective tenants very carefully as to their credit history, ability to pay the rent, and their ongoing business prospects.”



- “If by ‘our kind of people’ you mean tenants who can pay the rent, then we’re in agreement. If you mean something else, I think you need to be more specific before we can move forward with the management contract.”
- “That unit is too small for the number of people who’ll occupy it, but I’d be happy to show you another apartment.”
- “We don’t have anything at the moment of the size you need, but I’ll be happy to put you on our list for one of the larger units.”
- “We strictly follow local occupancy standards, so that unit will be too small for you.”
- “I want the occupancy standards strictly adhered to in all new rentals. One exception and we could open ourselves up to a discrimination charge.”
- “Now that your family is getting larger, I’d like to offer you a bigger unit in the building. We do try to stay within the local occupancy standards.”
- “Yes, you might be able to do that if you managed the building yourself, but we can’t.”
- “What size unit are you looking for?”
- “How many people will be occupying the unit?”
- “What kind of business do you have?” (to a commercial tenant)

Risk Management

Risk is always present when one person takes responsibility for providing a service to another, such as the service a property manager provides to a property owner, and in turn the service a property manager or the landlord provides to tenants. Risk is



inherent when someone assumes the responsibility of proving a safe, clean environment where someone may live or work.

Risk management is a complex field and goes well beyond simply purchasing the correct type of insurance. In fact, even purchasing the correct type of insurance in the correct amount is a decision best made upon the advice of experts. Further, there are risks that may be eliminated or minimized in some other way.

Risk management includes an assessment of the risks a property management firm takes as a business. It also should include a risk assessment of each building under management, whether by a property management firm or a landlord/owner. The risk assessment should result in a risk management plan.

This section can only touch on some very basic risk management issues and helpful phrases to deal with them. One of the primary issues is engaging the appropriate professionals to obtain the advice necessary to make good risk management decisions. This section in no way seeks to provide that type of expertise or advice. It is designed to provide an overview of the subject and offer a few useful phrases as the property manager and landlord owner deal with their risk management issues.

It deals both with the risk management issues associated with providing property management services to a client as well as risk management issues that occur as a result of managing the property itself.

The Property Manager's Mindset

- A risk assessment of the property management business is important to do as part of establishing the business. As



liability laws may change and court decisions and awards become known, a periodic review of the risk of the management firm should be undertaken.

- A risk assessment should be completed for every building as it comes under management. A risk management plan should be developed based on that risk assessment. The risk assessment and risk management plan should be updated periodically.
- Unless the expertise exists with the property management company, competent professionals should be contracted to conduct risk assessments.
- Generally, risk may be transferred to another through insurance; retained through self-insurance or simply acknowledged as an acceptable risk; avoided by not engaging in the risky behavior or service; or controlled by taking steps to minimize the danger causing the risk.
- The more complex the property, the more likely that various kinds of insurance are available to cover specific risks.
- Property managers will attempt to shift as much liability as possible to the owner. The owner will do the same with respect to the property manager.

Phrases

- "I'd like to meet with you to set up a complete review of the firm's insurance policies."
- "Make sure we get that hold harmless clause in the agreement."
- "Get at least two people in to take a look at the insurance coverage for that building we just took over."



- “Make a list of all the potential risk factors in the building.”
- “I want all the potential risk factors in the building dealt with and minimized to the extent possible within (appropriate time frame).”
- “I’d like your recommendations within the week (or other time frame) on any risks that are unacceptable and that we should try to eliminate.”
- “The insurance coverage we have is enough to cover the liability.” (to the owner)
- “I had our insurance consultant take a look at the building. I’ll send over the recommendations today.” (to the owner)
- “I want a list of every risk factor in the building, and then a note next to it as to whether we should transfer it, retain it, avoid it, or control it.”
- “Remember there are a lot more things we can insure in this building than in the smaller properties.” (to a staff manager)
- “I’ll have the complete risk analysis with recommendations for you in (time frame).” (to the owner)
- “What’s the savings if we increase the deductible?”
- “The tenants expect (some service or facility, such as a swimming pool). I think we’re just going to have to accept the risk and try to minimize our liability.”
- “We have to live with a certain amount of risk, but I don’t ever want us to be liable because we didn’t comply with the law.” (to the staff manager)
- “Can we insure against that?”



- “What’s our exposure if we don’t insure against that?”
- “How can we minimize our risk from that?”
- “I’d like some recommendations on how we can control and minimize the risks we’re going to keep.”
- “Property management is a high-risk business. All we can do is try to minimize our exposure.”
- “I’ll include our standard hold harmless provision.” (to the owner)
- “Make sure all the tenants are aware of fire and safety procedures and make sure evacuation procedures and instructions are properly posted where they’re supposed to be.”

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Chapter 15

Marketing the Property

This chapter on property marketing is presented on its own because marketing is a common task in all properties that are purchased for investment purposes. Marketing a property, that is, securing tenants, is part of the job of every landlord/owner. The landlord may outsource this task to a local real estate firm or undertake it personally.

Marketing may or may not be part of the contracted duties of a property manager. The owner has the option of securing tenants, making it part of the property management contract, or hiring a real estate brokerage firm to secure tenants.

The mindsets and phrases in this section deal with the issue of marketing in general. In a few cases phrases are offered that can be used in a marketing campaign. This chapter discusses marketing strategies and the tasks involved in creating and implementing a marketing program.

This section contains phrases that may be useful to anyone engaged in property marketing, including the real estate broker specifically hired to perform only that task.

The Marketing Plan

The Property Manager's Mindset

- Marketing should be undertaken in the context of a plan. Marketing, particularly of complex properties, should involve more than just advertising.
- A comprehensive marketing plan should include all venues for bringing attention, and therefore tenants, to the property.
- A marketing plan will target the tenants you wish to get into the building and will target the areas from where they will come.
- The marketing plan may have to be approved by the owner, especially if the owner will be paying some or all of the costs either directly or through the property's income.
- A marketing plan presented to an owner may include projections for leasing and occupancy expectation as a result of the marketing plan.
- The marketing plan should include some method of tracking the results of various marketing strategies and venues. Future marketing plans should take the relative success of different strategies into account.

Phrases

- "Please have the marketing plan on my desk by (time frame)."
- "I'll send the proposed marketing plan over to you today and we can make an appointment to discuss it next week." (to the owner)



- “Make sure you include every possible way to get the information about the property out there. I’d rather consider everything initially and then eliminate things that don’t make sense.”
- “Build in some type of tracking system so we can tell what’s working and what isn’t.”
- “Provide separate costs for each of the parts of the marketing plan.”
- “If you can tie in the exposure we’ll get from each of the marketing strategies with their costs, we can do a cost benefit analysis of what the most cost-effective strategies are.”
- “I understand we won’t know what’s really working and what isn’t until the marketing program is under way, so we have to stay flexible in our approach.”
- “Once we get the owner’s approval, how fast can we get this plan under way?”
- “The marketing plan shows the various strategies we’ll use and the costs associated with each.” (to the owner)
- “I’d like to see more use of the Internet.”
- “This is a great marketing plan. Get it going as soon as possible.”
- “The owner thought the marketing plan was great.”
- “Since the owner is paying for this, he or she wants to go slow and spend as little as possible.”
- “The owner has given us a marketing budget of (dollar amount). Pick out the top activities that you think will generate the most bang for the buck.”
- “We just can’t get approval to spend any more than that. You’ll just have to do the best you can within that budget.”

Advertising

The Property Manager's Mindset

- Advertising should be targeted to the type of tenant, the location of the building, as well as from where the tenants may be coming.
- All laws regarding advertising in your jurisdiction must be obeyed. For example, most places prohibit blind ads.
- Types of advertising usually should reflect the type, quality, and expense of the building being advertised. For example, a luxury apartment building would most likely not advertise in the local free paper available at the supermarket.
- If no one knows about the building, no one will come. Advertising means getting the information to the public that will make them want to at least come and see the space.
- People seldom rent residential or commercial space without seeing it. The job of advertising is to provide enough information so that they will want to see the space.
- Free advertising may be worth what you pay for it. On the other hand, especially in the age of the Internet, free advertising may well be worth a great deal.
- With respect to advertising, too much is generally never too much. The exception is not to make a property look stale or desperate by overkill on the advertising.
- Use any excuse for something new happening to advertise the property.



- Always make sure an advertisement for the property is also an advertisement for your property management firm.
- Curb appeal matters, so pictures can be important, but prospective tenants want the details of the space you're renting.
- Make sure you are in compliance with all signage laws when posting "for rent" signs on or around the building.
- Be sure that all advertising complies with fair housing advertising laws and guidelines.
- Luxury properties may warrant a brochure with a full description of the property, building amenities, and neighborhood services.
- New or newly renovated buildings can benefit from press releases announcing the building's availability.

Phrases

- "Target the advertising for the type of building it is."
- "Make sure we have a presence on all the free Internet sites."
- "Get some costs for the various pay Internet sites that we can use for this building and we'll decide if they're worth it."
- "Check the market in the area and see where the tenants are coming from. That will help us target our newspaper advertising."
- "This is a luxury building. We're going to have to do some 'luxury' advertising."
- "Let's forgo the picture and add a few more lines describing the area amenities."
- "Make sure that the 'for rent' sign is visible from the highway."



- “The town just announced the development of that new shopping mall. Let’s use that as an advertising hook. Maybe something like, ‘If you lived at (building name) you’d be five minutes (or other distance) from the new mall.’”
- “Change the wording ‘walk to train station’ to ‘near train station.’ Not everyone can walk, you know.”
- “I’d like to see a mock-up of the brochure by (time frame).”
- “How do you like the brochure we prepared?” (to the owner)
- “Write a press release for me to review announcing that the building has just been fully renovated and we’re ready to start leasing space.”
- “When you write the advertisement, be sure to mention how close the building is to the highway exit.”
- “Remember, we just want to get them in the door. Once they see the space it will either work for them or it won’t.”
- “Let’s try to stretch the advertising budget and do an ad every 2 weeks instead of every week.” (or other appropriate timing)
- “Don’t forget to mention the free gym membership (or other amenity) that comes with the apartment.”

Describing the Property

The Property Manager's Mindset

- The property must be accurately described in any advertising, written, or printed material.
- The property should be accurately described in any conversations with prospective tenants.
- Be aware of the difference between puffing, a mild exaggeration of the property's beneficial characteristics, and fraud or lying.
- An obvious exaggeration will quickly be caught when the prospective tenant sees the building. Such exaggeration will not engender trust.
- Never make any commitments about future activities or occurrences unless you have complete control over the event.
- Everyone's time is valuable and no one wants their time to be wasted looking at unsuitable space. This is especially true of commercial property tenants.
- Describing the property accurately in all advertising material and brochures is important so that prospective tenants can accurately evaluate whether or not it is worth their time to look at the space.
- Not everyone has the same understanding of space measurements or the different ways building space can be measured. Be sure the prospective tenant is getting a true picture of the space being rented or, in the case of a cooperative apartment, sold.
- When describing nearby amenities do not exaggerate how close they are.



- Emphasize the positive features of the property.
- Be aware of and avoid any subtleties of language or descriptions that may inadvertently violate local fair housing laws.
- An overexaggeration once made is not easily corrected
- Specific future plans for the area, for example, new highways or train stations, should only be described if they have been verifiably approved by the authorities involved. If they are still in the planning or discussion stage, that should be clearly stated.
- Every residential property is in “a good neighborhood” and every commercial property is in a “convenient or highly trafficked neighborhood.” Be specific with positive details about the area and the property, and don’t waste advertising dollars with meaningless phrases.
- Be honest with prospective tenants about delays. Be careful of the legal liability and tenant relations issues of delays for moving in and renovation after the space is occupied.

Phrases

- “Make sure they understand the size of the actual useable space they’re getting.”
- “The city is discussing building a train station (or other amenity) at that location, but there is nothing definite yet.”
- “You can check on things like school quality with the state board of education.”
- “We can provide some objective information about the schools from a service we use.”



- “My understanding is that the new shopping center plans have been approved.”
- “I know we said beautiful professional landscaping around the building, but frankly we’ve had some delays in getting the landscape contractor here, but believe me it will be beautiful when it’s finished.”
- “Your unit should be ready by (date).”
- “Tie in the lifestyle aspects of moving to the property with renting the apartment itself.”
- “I’d be happy to show you the property, but tell me a little about what your space needs are. This may be perfect for you, but if it’s not I might have something in one of our other buildings.”
- “Words and pictures can’t do the property justice. I think the only way for you to determine if the property suits your needs is to come and see it. Can we make an appointment?”
- “The train station (or other amenity) is X miles away.”
- “The property is in an historic district, which means that no one can change the outside of any of the buildings without special permission.” (assuming this is the case)
- “Make sure you note in the ad and in the brochure that the sketch of the floor plan is not to scale.”
- “Let’s put in a photo of the view from the apartment rather than a picture of the building.”
- “Make sure the prospective tenants know that the new highway interchange has been approved.”

Promotional Activities

The Property Manager's Mindset

- Promotional activities are designed to draw attention to the property
- Promotional activities for marketing the space can be directed toward possible tenants and/or other real estate professionals.
- Promotional activities should be tasteful, imaginative, and in keeping with the type of property being promoted.
- While not directly geared toward marketing the space, activities to promote the opening of a store and targeting customers, such as in a retail mall, can also be an effective indirect marketing tool.
- Event planning is as much a specialized skill as property management. Use of the appropriate professionals will enhance the chances of a successful promotional activity.
- Some people have short memories for details and space. A promotional event should have sufficient brochures or other take-aways available. Follow-up contact with those who attend is essential.
- Promotional activities should be about the space, not about the food or door prizes. The latter is the means to draw attention to the former.
- Promotional events are an opportunity to obtain reactions and comments about the property from the public and/or other real estate agents.



Phrases

- "I want to schedule an open house to celebrate the opening of the building."
- "Let's schedule an invitation only property viewing for the local real estate agents."
- "Make sure you take plenty of pictures to include with the press release that we'll do after the grand opening event."
- "Get the names of a few event planners and make some appointments to talk with them."
- "I want to have a grand opening event open to everyone to promote the new mall."
- "Let's do something really special in keeping with the elegance of this building."
- "Give me a few ideas for door prizes that we can give away at the open house."
- "The only thing new about this building is us (the property manager); so think about what we can use as a hook to schedule some kind of on-site promotional event."
- "Let's plan two events; one for the local real estate people and another for prospective tenants."
- "Do you have enough brochures to hand out at the event?"
- "Let's have enough staff there so that we can run continual tours of the building."
- "Pick up a nice sign-in book and make sure everyone signs in and picks up a name badge."
- "Please send out a hand-signed follow-up letter to everyone attending the event. I'd like them to go out within a week."



- "Give each of the other agents who came a call to see what they thought of the property."
- "Since this event is open to the public make sure we do at least two or three press releases in plenty of time to advertise the event."
- "Let's meet at (time, the day after the event) and debrief."
- "How do you think it went yesterday?"
- "I thought the event was a great success and I want to thank all of you for your efforts."
- "What feedback did you get about the building?"
- "This was great. Now how do we make the next one even better?"

Networking

The Property Manager's Mindset

- No one can rent space in a building they don't know about.
- Word-of-mouth communication from one person to another is still an effective means of spreading information. The technology may have changed to enhance this type of communication, but it still takes the form of one person talking to one or a few other people.
- People talk. Even if someone is not in a position to give an official endorsement of property, she or he might still discuss it in some way.
- Satisfied tenants are a good form of network marketing.
- You can predict neither who will be interested in the space you have for rent, nor how they will hear about the building.
- A phone call is better than a letter. An in-person meeting is better than a phone call. All three provide the best chance of being remembered.
- Do not violate do-not-call protocols in networking.
- Networking can be as much about selling yourself as it is about promoting the building.
- Promoting the property through networking should be done in as organized a manner as any other promotional activity. Taking advantage of chance encounters is important, but networking should include a plan, a list of networking contacts, and a schedule for periodic follow-up.
- Chambers of commerce, economic development agencies, and planning commissions are often



contacted, especially by people looking for commercial space to rent.

Phrases

- "I understand that you can't endorse or recommend any particular property, but I know people contact you from time to time as a source of information as to what space might be available."
- "Thanks for taking my call. I'm just following up from the letter I sent you. I wonder if we could schedule an appointment for me to drop off some information about a building that just came under our management?"
- "We'd love to come in and make a 10-minute presentation to your board about this new building."
- "Be sure to put a brochure in every client report this month. I want them to know about the new property we just put under management. You never know who might know someone who needs space."
- "Send a letter and brochure out to every agent in the area."
- "Don't forget to send a thank-you note to (whomever) for taking the time to see us."
- "Send an announcement to all our current tenants about the new property."
- "I'd like you to make the full presentation to us at the staff meeting to give us a chance to fine tune it."
- "Make sure the presentation doesn't go over 10 minutes (or other time frame)."
- "The presentation was great. You might want to (suggested change)."



- “Great job! Now just get it down to 10 minutes (or other time frame) and we’re ready to go.”
- “Contact all the public agencies that anyone might contact for property information.”

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Resources

A search of any bookstore in the real estate or business section will yield a number of books on property management. A further online search of major book sellers will result in even more resources.

Arguably the most comprehensive and extensive information on property management can be obtained from The Institute of Real Estate Management (IREM). This organization is an affiliate of the National Association of Realtors. IREM offers a variety of books and courses to professional property managers and those who would join this part of the real estate profession. This organization also offers the Certified Property Manager Designation (CPM). This designation is considered by some property management companies a desirable and sometimes mandatory qualification to manage property.

Another resource is the Building Owners and Managers Association International. This organization provides resources and information to the property manager. Property managers and landlords should also seek out local and state associations in their area that may exist to aid the property manager with information, courses, and reports. Searches will also reveal associations focused on managing specific types of property, for example, shopping centers.

For those managers who wish to obtain information about managing condominiums and cooperatives, the Community

Perfect Phrases for Landlords and Property Managers

Associations Institute focuses its attention on management aspects of these types of properties.

I encourage the new and the experienced property manager as well as the landlord manager to investigate these resources and others that might be found in online searches.

About the Author

John Yoegel, President of John Yoegel Seminars, is an instructor, educational consultant, and author. He holds several designations including the Distinguished Real Estate Educator designation awarded by the Real Estate Educators Association of which he is also a member of the board of directors. This designation has been awarded to only about 100 real estate instructors nationwide. John has taught and written numerous real estate courses. This is his fourth real estate book.

John is a licensed real estate broker and is the former Director of Real Estate for Westchester County (NY). He holds a Masters and PhD in urban planning and public administration and has taught both subjects at the university level. John is also a graduate of The New Seminary and is an ordained Inter-faith Minister.

When John is not writing, teaching, or performing weddings, he and his wife, Marina, are award-winning home winemakers.

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