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REA619
Property and Facilities Management

Lecture 4



Real Estate Management

Lecture 4

REA619

Property and Facilities Management

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Recap-Lecture3

Lease Life Cycle/ Lease Administration/

Landlord and Tenant Obligations

Financial Management of Leases

1) Market Analysis and Rent Determination

2) Revenue Management and Rent Collection

Market Analysis

The Concept

Lease Type Selection

Core Processes

Property Assessment

Essential Components of the Rent Collection Process

Rent Adjustment Provisions

Payment Methods

Delinquency Management Strategies

Accepting Partial Rent — Operational and Legal Framework

Performance Indicators (KPIs) for Rent Collection Effectiveness

Contents * Lease Administration Phase*

❖ Core Processes in the Financial Management of Leases

- ✓ (2) Revenue Management and Rent Collection
- ✓ (3) Operating Expense Management
- ✓ (4) Budgeting and Financial Forecasting
- ✓ (5) Accounting and Financial Reporting
- ✓ (6) Risk and Legal Management

Financial Management of Leases

❖ Core Processes in the Financial Management of Leases

**(1)
Market
Analysis and
Rent
Determination**

**(2) Revenue
Management
and Rent
Collection**

**(3)
Operating
Expense
Management**

**(4)
Budgeting
and
Financial
Forecasting**

**(5)
Accounting
and Financial
Reporting**

**(6)
Risk and Legal
Management**

Financial Management of Leases

➤ Revenue Management and Rent Collection

Accepting Partial Rent — Operational and Legal Framework

During economic recessions:

- Tenants (both residential and commercial) may suffer from reduced income.
- Landlords are affected due to delayed or missing rent payments.

Therefore, both parties may enter into a **Partial Payment Agreement** as a temporary solution.

Partial Payment Agreement

An agreement for receipt of partial rent, specifying the amount of deferred rent remaining unpaid and the date for its payment

Financial Management of Leases

➤ Revenue Management and Rent Collection

Accepting Partial Rent — Operational and Legal Framework

Both landlords and tenants generally prefer to maintain the lease relationship:

The **Landlord** seeks stable income.

The **Tenant** wants to avoid the cost and effort of moving.

Thus, a **Partial Payment Agreement** serves as a balanced tool during economic downturns, helping both sides minimize losses and maintain occupancy

Financial Management of Leases

➤ Revenue Management and Rent Collection

Components of a Partial Payment Agreement

Element	Description
Amount Received	The amount of rent received as a partial payment.
Deferred Rent	The remaining unpaid portion of rent.
Promise to Pay	The tenant's promise to pay the deferred balance by a certain date.
Due Date	The deadline for paying the remaining balance.
Consequences	The consequences of nonpayment (e.g., eviction).

A written agreement protects the landlord from claims that:

- The landlord **waived the right to evict**.
- The partial payment was treated as **full satisfaction of rent**.
- The lease was **permanently modified** to allow split payments

Financial Management of Leases

➤ Revenue Management and Rent Collection

Accepting Partial Rent — Operational and Legal Framework

A Three-Day Notice is a legal document issued by a landlord to a tenant who is delinquent in rent payment, demanding either full payment of rent or vacating the premises within three days

An Unlawful Detainer (UD) action is a legal proceeding filed by the landlord to evict a tenant after the expiration of the three-day notice period when the tenant has neither paid the rent due nor vacated the property.

Reservation of Rights Clause is a clause in the nonwaiver of rights provision in commercial rental and lease agreements stating acceptance of late rent does not waive the landlord's right to enforce remedies for any remaining breach of the lease agreement by the tenant.

Financial Management of Leases

➤ Revenue Management and Rent Collection

Difference Between Commercial and Residential Landlords in Partial Rent Situations

Comparison	Commercial Landlord	Residential Landlord
Accepting Partial Rent After Three-Day Notice	Allowed and does not invalidate the notice.	Invalidates the previous notice.
Need for a New Notice	No new notice required before filing UD.	A new notice must be issued with the remaining amount.
Filing UD Action	Can proceed without issuing a new notice if balance remains unpaid.	Cannot proceed until a new, accurate notice is served.
Nonwaiver of Rights Clause	Essential in the lease or agreement to preserve legal rights.	Not typically required; residential tenants have statutory protection.
Purpose of Partial Payment Agreement	To support the tenant while maintaining the right to evict if needed.	To help the tenant temporarily without losing rent rights.

Financial Management of Leases

➤ Revenue Management and Rent Collection

Difference Between Commercial and Residential Landlords in Partial Rent Situations

Aspect	Commercial	Residential
Accepting partial rent after three-day notice	Does not invalidate the notice	Invalidates the notice
Need for a new notice	Not required	Required
Filing UD after acceptance	Permitted immediately	Not allowed until a new notice is served
Nonwaiver of rights clause	Essential and enforceable	Not necessary
Tenant protection	Lower (greater contractual freedom)	Higher (consumer protection laws)

Financial Management of Leases

➤ Revenue Management and Rent Collection

Accepting Partial Rent — Operational and Legal Framework

- ☐ **The precise understanding of the laws** governing rental relationships is essential, as these laws differ significantly between the commercial and residential sectors.
- ☐ The use of written agreements and legal provisions, such as the “**Reservation of Rights**” clause, is fundamental to protecting the landlord’s interests.

Financial Management of Leases

➤ Operating Expense Management

Operating Expense Management is The process of identifying, tracking, controlling, and reducing both recurring and non-recurring expenses required to operate a property (e.g., maintenance, services, utilities, management fees, taxes, and insurance).

A property's operating costs are part of its signature, distinguishing it from other available properties

Operating expenses are a central determinant of **Net Operating Income** ($\text{NOI} = \text{Operating Income} - \text{Operating Expenses}$).

Data on a property's operating costs are gathered and set forth on the *Property Expense Profile* which is handed to prospective tenants.

Financial Management of Leases

➤ Operating Expense Management

Tenant's Property Expense Profile – RPI Form 562

A form used by the landlord or the leasing agent when preparing a marketing package for a residential or commercial property offered for lease. It aims to outline the expected **monthly operating expenses** and **deposits** that the tenant will likely incur when leasing the property.

TENANT'S PROPERTY EXPENSE PROFILE

Prepared by: Agent _____ Phone _____
Broker _____ Email _____

NOTE: This form is used by an owner and their leasing agent when preparing a marketing package for the lease of a residential property and disclosing the property's operating costs, to prepare a worksheet to be handed to prospective tenants for their review of the monthly property operating costs and deposits they will likely incur on taking possession of the property.

DATE: _____ 20____ at _____, California.

PROSPECTIVE TENANT

1. PROPERTY TYPE _____

1.1 Location _____

1.2 Expense figures are estimates reflecting:

a. current expenses of occupancy _____

b. forecast of anticipated expenses of occupancy _____

2. MONTHLY OPERATING EXPENSES:

2.1 Electricity \$ _____

2.2 Gas \$ _____

2.3 Water \$ _____

2.4 TV (cable/satellite) \$ _____

2.5 Phone \$ _____

2.6 Internet \$ _____

2.7 Trash \$ _____

2.8 Sewage \$ _____

2.9 General obligation bonds \$ _____

2.10 Lawn/Gardening \$ _____

2.11 Maid/Housekeeping \$ _____

2.12 Pool/Spa \$ _____

2.13 Homeowners' Association (HOA) \$ _____

2.14 Maintenance and repair \$ _____

2.15 Property management services \$ _____

2.16 Insurance \$ _____

2.17 Taxes \$ _____

2.18 Other \$ _____

2.19 Total Operating Expenses \$ 0.00

2.20 Monthly Lease Payment \$ _____

2.21 Total Monthly Expenses \$ 0.00

3. DEPOSITS:

3.1 Rental security deposit \$ _____

3.2 Electricity deposit \$ _____

3.3 Water deposit \$ _____

3.4 Sewage and rubbish deposit \$ _____

3.5 Gas service deposit \$ _____

3.6 Phone service deposit \$ _____

3.7 Other \$ _____

3.8 Total Deposits \$ 0.00

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- ☐ Electricity, Gas, Water, Telephone, Internet
- ☐ Trash & Sewage
- ☐ Landscape Maintenance, Cleaning, Swimming Pool, Security
- ☐ Homeowners Association (HOA) Fees
- ☐ Periodic Maintenance and Repairs
- ☐ Property Management Services
- ☐ Insurance and Taxes

Financial Management of Leases

➤ Operating Expense Management

The Property Expense Profiles are used by **leasing agents** to induce tenants to rent their landlord client's space rather than other comparable space.

Landlord's Broker Duty:

Responsible for disclosing property facts only, without providing advice or interpretation about how those facts may affect the tenant.

Tenant's Broker Duty:

Responsible for analyzing property information and offering recommendations to help the tenant make informed decisions that meet their goals.

Financial Management of Leases

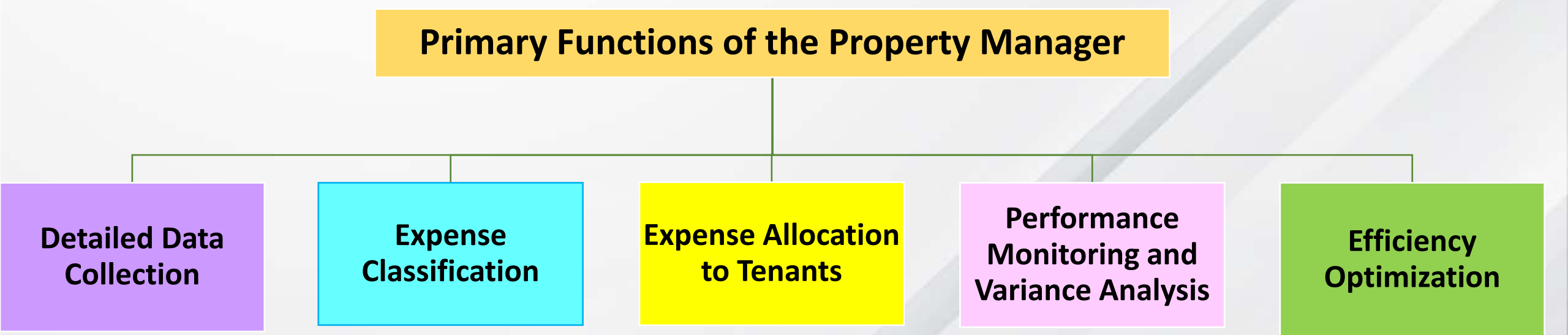
➤ Operating Expense Management

Point of Comparison	Landlord's Agent	Tenant's Agent
Primary Duty	Duty to disclose property facts that may negatively affect its value or usability, and to avoid any misleading statements.	Duty to protect the client's (tenant's) interests, which includes disclosure and advising on the possible consequences of those facts.
Focus	Successfully marketing and leasing the property.	Ensuring the tenant makes an informed decision that supports their business goals.
Level of Responsibility	Duty to Disclose: Must truthfully reveal known issues (e.g., poor security, permit problems, contamination).	Duty to Advise: Must analyze how such issues could impact the tenant's business and provide proper guidance.
Illustrative Example	If the building has a history of power outages, the landlord's agent must disclose this fact when asked.	The tenant's agent should warn their client: "This history of power outages could endanger your business that depends on continuous refrigeration and cause product losses. We should negotiate a compensation clause or look for another property."

Financial Management of Leases

➤ Operating Expense Management

Primary Functions of the Property Manager



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graph TD; A[Primary Functions of the Property Manager] --> B[Detailed Data Collection]; A --> C[Expense Classification]; A --> D[Expense Allocation to Tenants]; A --> E[Performance Monitoring and Variance Analysis]; A --> F[Efficiency Optimization]
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**Detailed Data
Collection**

**Expense
Classification**

**Expense Allocation
to Tenants**

**Performance
Monitoring and
Variance Analysis**

**Efficiency
Optimization**

Financial Management of Leases

➤ Operating Expense Management

Primary Functions of the Property Manager

Detailed Data Collection

Gathering invoices and records of all expenses such as utilities, maintenance, repairs, insurance, property taxes, management fees, payroll for on-site staff, janitorial services, landscaping, and security.

Expense Classification

Fixed Operating Expenses:

Costs that do not fluctuate with occupancy, such as property taxes, insurance, and some administrative costs

Variable Operating Expenses:

Expenses that fluctuate with usage, such as electricity, water, and heating.

Semi-variable (Mixed) Expenses:

Costs containing both fixed and variable components (e.g., maintenance contracts with minimum base fees plus usage adjustments).

Capital Expenditures:

Long-term investments such as roof replacement or HVAC system upgrades, which must be treated separately from regular operating costs.

Financial Management of Leases

➤ Operating Expense Management

Primary Functions of the Property Manager

Expense Allocation to Tenants

For “Triple Net” (NNN) or modified leases, the property manager allocates the proportionate share of operating costs to each tenant, usually based on rentable area or as stipulated in the lease.

Performance Monitoring and Variance Analysis

Comparing actual operating costs to budgeted figures to identify overruns or savings, analyzing causes (e.g., unexpected maintenance, energy price changes), and recommending corrective action

Efficiency Optimization

Implementing preventive maintenance, using smart energy systems, renegotiating service contracts, and adopting cost-saving technologies.

Financial Management of Leases

➤ Operating Expense Management

Analysis of Common Area Maintenance (CAM) Fees

CAMs (Common Area Maintenance fees) are costs paid by tenants in addition to base rent — such as maintenance of common areas, shared insurance, and similar expenses. However, these charges are sometimes used as a tool to disguise rent increase

In 42% of commercial leases (according to the 2022 study by the American Real Estate Institute), rent increases are shifted into CAM charges to make the base rent appear more competitive, while the actual total cost ends up being 15–25% higher than the advertised rent

Financial Management of Leases

➤ Operating Expense Management

Analysis of Common Area Maintenance (CAM) Fees

Common Problem	Impact on Tenant	Best Practice for the Agent
Charging CAMs as a fixed percentage of rent	- Increases total cost without clear disclosure. - Hides the true rent increase.	Charging CAMs as a fixed percentage of rent- Increases total cost without clear disclosure.- Hides the true rent increase. - Request a detailed monthly CAM breakdown (not a flat percentage).- Compare with previous tenant data (Form 552-3)
Inaccurate estimates	- Unexpected costs may reach up to 30% of base rent.	- Request supporting data sources (e.g., past utility or service bills). - Clearly label the figures as “estimates” in the document.
Adding fixed fees under CAMs	- Creates a non-transparent increase in total cost.	- Compare CAM charges with the local market average (sources: CBRE or JLL reports).
Hiding maintenance details	Hiding maintenance details	Verify the actual maintenance records with the property management or building inspectors

Financial Management of Leases

➤ Operating Expense Management

Comparative Cost Analysis

A property should never be judged based on rent alone. The tenant and their agent must conduct a comprehensive comparison among qualified properties, taking into account the rent as well as all operating expenses. This analysis becomes even more important during economic downturns, as high operating costs can be more detrimental than a slightly higher rent.

Base rent + CAMs (Common Area Maintenance) + Taxes + Insurance + Improvement Costs

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Budgeting and forecasting involve planning for expected revenues and expenses over a defined future period (usually one fiscal year), based on historical data, market trends, and operating assumptions.

These processes rely primarily on the following two forms as foundational financial tools:

**Annual Property
Operating Data
(APOD) (Form 352)**

**Profit & Loss
Statement (P&L)
(Form 209-2)**

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Annual Property Operating Data (APOD) (Form 352)

An annual financial report that summarizes the property's performance in terms of income, expenses, and net operating income.

Main Section	Abbreviation / Formula	Explanation (in English)
Potential Gross Income	PGI	The total rental income the property could generate if fully occupied with no vacancies.
Vacancy and Credit Loss	V&CL	The estimated income loss due to vacant units or tenants not paying rent.
Effective Gross Income	$EGI = PGI - V\&CL$	The actual expected income after accounting for vacancies and credit losses.
Operating Expenses	OE	The total annual costs required to operate and maintain the property (maintenance, insurance, management, etc.).

Financial Management of Leases

➤ Budgeting and Financial Forecasting

(APOD) (Form 352)

Main Section	Abbreviation / Formula	Explanation (in English)
Net Operating Income	$\text{NOI} = \text{EGI} - \text{OE}$	The income remaining after operating expenses , before financing and taxes.
Debt Service	DS	The total annual loan payments (principal and interest) on the property.
Cash Flow Before Taxes	$\text{CFBT} = \text{NOI} - \text{DS}$	The cash remaining after paying operating expenses and debt service, before taxes.
Capitalization Rate	$\text{Cap Rate} = \text{NOI} \div \text{Property Value}$	A rate used to estimate the property's return or value based on its income.
Property Value	$\text{PV} = \text{NOI} \div \text{Cap Rate}$	The estimated market value of the property based on its income and capitalization rate.

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Annual Property Operating Data (APOD) (Form 352)

Budgeting

APOD serves as **a baseline** for preparing the property's budget for the upcoming year, based on **current operating data**.

Financial Forecasting

APOD is used to evaluate **project future financial performance**, **analyze trends**, and **estimate potential profits or risks**.

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Profit & Loss Statement (P&L) (Form 209-2)

An accounting report that summarizes a property 's or organization's financial performance over a specific period, showing revenues, expenses, and net profit or loss.

Section	Description
1. Income / Revenue	All income generated from operations, such as property rentals, sales, or services.
2. Cost of Goods Sold (COGS)	If applicable — the cost of producing goods or services.
3. Gross Profit	Revenue minus the cost of goods sold.
4. Operating Expenses	Such as salaries, maintenance, utilities, insurance, marketing, etc.
5. Net Operating Income (NOI)	Profit after deducting operating expenses (similar to NOI in the APOD model).
6. Non-Operating Items	Such as loan interest or gains/losses from sales.
7. Net Profit	The amount remaining after all expenses are deducted — represents the final result.

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Profit & Loss Statement (P&L) (Form 209-2)

Budgeting

P&L provides **historical data** that serves as a **basis** for preparing an accurate budget for the upcoming year.

Financial Forecasting

P&L is used to evaluate **project future financial performance** and build **profitability and growth scenarios**.

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Form 352 (APOD) vs. Form 209-2 (P&L Statement)

Aspect	Form 352 (APOD)	Form 209-2 (P&L Statement)
Purpose	Presents the performance of the property only (real estate operations).	Presents the overall financial performance of the project or company.
Time Frame	One year (actual or projected operations).	A financial period (usually quarterly or annually).
Content	Rental income, operating expenses, and NOI.	All revenues and expenses leading to net profit.

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Steps in the Budgeting and Forecasting Process.

1) Collect Historical Data: Use 2–3 years of APOD and P&L statements to establish performance trends.

2) Define Key Assumptions: Projected occupancy or vacancy rate ,Inflation assumptions for operating costs , Expected rent escalations, Turnover and capital maintenance projections...etc.

3) Prepare a Base Budget: Forecast expected revenues and expenses using the above assumptions and distribute them monthly or quarterly.

4) Develop Alternative Scenarios: Create Best-Case, Worst-Case, and Stress-Test scenarios to anticipate market volatility or operational disruptions (e.g., energy cost spikes).

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Steps in the Budgeting and Forecasting Process.

5) Reforecast Periodically: Conduct quarterly or midyear reforecasts by comparing actual results with budget projections and updating forecasts accordingly.



6) Variance Analysis: Identify variances between actual and budgeted results, explain deviations, and determine corrective actions.



7) Owner Reporting: Present final budgets with explanatory notes, assumptions, and key performance indicators (KPIs) such as NOI margin and occupancy ratio.

Financial Management of Leases

➤ Budgeting and Financial Forecasting

Importance of Financial Forecasting

Enables proactive decision-making (e.g., deferring capital projects or reducing expenses if liquidity risk arises).

Provides documentation for investor and lender due diligence.

Supports cash flow management, helping managers anticipate liquidity gaps and plan short-term financing or reserve usage.

Financial Management of Leases

➤ Accounting and Financial Reporting

This process involves recording, organizing, and reconciling all financial transactions related to the property, as well as preparing financial reports for stakeholders such as the owner, investors, tax authorities, and auditors.

These processes rely primarily on the following two forms

**Annual Property
Operating Data
(APOD) (Form 352)**

**Profit & Loss
Statement (P&L)
(Form 209-2)**

Financial Management of Leases

➤ Accounting and Financial Reporting

Annual Property Operating Data (APOD) (Form 352)

- APOD serves in Accounting and Financial Reporting as an operational and analytical tool focused on the performance of a single property.
- APOD records rental income and operating expenses to calculate the Net Operating Income (NOI), supporting property performance evaluation and investment analysis.

APOD = Operational analysis for an individual property.

Profit & Loss Statement (P&L) (Form 209-2)

- P&L is a formal financial report that presents the overall financial results of the organization for a specific period, including all revenues and expenses to determine the net profit or loss.
- P&L is a key component of financial reporting and performance assessment at the corporate level.

P&L = Comprehensive financial analysis for the entire organization.

Financial Management of Leases

➤ Accounting and Financial Reporting

Tasks of Accounting and Financial Reporting

1) Establishing the Chart of Accounts:

Creating detailed account classifications (e.g., rental income, electricity expenses, maintenance salaries, interest, depreciation, etc.).

2) Recording Transactions (Journal Entries):

Documenting all invoices, receipts, payments, bank adjustments, provisions, depreciation, and other financial entries.

3) Bank Reconciliation:

Regularly matching the accounting ledger with bank statements (typically on a monthly basis) to ensure all transactions are accurately recorded.

4) Preparation of Financial Statements:(Profit & Loss Statement (P&L / Income Statement) , Operating Expense Summary (part of APOD), Supplementary Schedules / Footnotes)

Financial Management of Leases

➤ Accounting and Financial Reporting

Tasks of Accounting and Financial Reporting

5) Preparation of Periodic Reports (Monthly / Quarterly / Annual):

Used to evaluate financial performance periodically and compare it against the approved budget.

6) Reports to the Owner / Investors:

Include explanatory commentary, performance indicators (e.g., occupancy rate, expense-to-income ratio, .etc.)

7) Accounting and Tax Compliance:

Ensuring that records and reports comply with locally accepted accounting principles or applicable financial reporting standards, and providing necessary documentation for tax audits.



Financial Management of Leases

➤ Accounting and Financial Reporting

Tasks of Accounting and Financial Reporting

7) Accounting and Tax Compliance:

Ensuring that records and reports comply with locally accepted accounting principles or applicable financial reporting standards, and providing necessary documentation for tax audits.

8) Reserves Accounting Management:

Allocating and managing capital maintenance reserves within the accounts (reserve deposits for major repairs or replacements).

9) Internal Review or External Audit (if applicable):

Ensuring that accounting records are properly controlled and that reporting is transparent and verifiable.



Financial Management of Leases

➤ Risk and Legal Management

“Risk Management” in **property management** refers to anticipating potential risks that may affect profitability or property value and implementing measures to minimize their negative impact, whether financial or legal.

“Legal Affairs” involves ensuring that all contracts and operations comply with real estate, municipal, tax, and civil laws and regulations, as well as handling legal disputes and issues related to tenants, leasing, and evictions.

Financial Management of Leases

➤ Risk and Legal Management

Types of Risks to Be Managed

**Insurance /
Indemnity
Risks:**

Lease Risk:

**Legal
Compliance
Risk:**

**Eviction /
Litigation Risk:**

**Liquidity / Cash
Flow Risk:**

Market Risk:

Financial Management of Leases

➤ Risk and Legal Management

Types of Risks to Be Managed

Insurance / Indemnity Risks:

These include building damage, natural disasters, fires, theft, and issues related to civil liability toward visitors or tenants. Appropriate insurance policies (such as property insurance and liability insurance) should be maintained and updated regularly.

Lease Risk:

Lease agreement clauses may be ambiguous or impose unbalanced responsibilities between the landlord and the tenant. The lease should clearly define responsibilities related to maintenance, insurance, taxes, repairs, late payments, termination, eviction, indemnities, leasing guarantees, and procedures for litigation or arbitration.

Legal Compliance Risk:

Changes in laws or regulations—such as tax laws, environmental regulations, building safety codes, housing legislation, or tenant rights—may require the owner or manager to incur additional costs or modify lease terms.

Financial Management of Leases

➤ Risk and Legal Management

Types of Risks to Be Managed

Eviction / Litigation Risk:

Issues such as delayed payments, maintenance disputes, tenant complaints, or liability and compensation claims can lead to legal expenses or revenue loss during periods of vacancy or eviction.

Liquidity / Cash Flow Risk:

Cash flow gaps may arise due to unexpected expenses or a decline in income (for example, from reduced occupancy), resulting in difficulty covering expenses or obligations such as debt service or maintenance costs.

Market Risk:

Includes fluctuations in property demand, market competition, changes in rental rates, or shifts in tenant preferences, all of which can affect the expected return on investment.

Financial Management of Leases

➤ Risk and Legal Management

Legal and Preventive Risk Tools and Treatments

☐ **Drafting Clear and Robust Contracts:** Include explicit clauses regarding:

- ✓ **Responsibilities** of both parties (landlord/tenant).
- ✓ **Compensations** for damages or breaches.
- ✓ **Insurance requirements** (e.g., property, liability).
- ✓ **Eviction procedures** and notice periods.
- ✓ **Guarantees** (e.g., performance bonds).
- ✓ **Penalty clauses** (if applicable) for late payments or violations.

☐ **Periodic Contract Review and Compliance Assurance**

- ✓ **Monitor legal and regulatory changes** in the country/city (e.g., rent control laws, safety standards).
- ✓ **Update contracts** to ensure alignment with current laws and avoid liabilities.



Financial Management of Leases

➤ Risk and Legal Management

Legal and Preventive Risk Tools and Treatments

☐ **Appropriate Insurance Coverage**

- ✓ **Property insurance:** Covers damage to the building/units.
- ✓ **Public liability insurance:** Protects against third-party claims (e.g., injuries on the property).
- ✓ **Natural disaster insurance:** Covers risks like floods, fires, or earthquakes (if available locally).
- ✓ **Rent guarantee insurance:** Provides income protection if tenants default on payments (common in commercial leases).



Financial Management of Leases

➤ Risk and Legal Management

Legal and Preventive Risk Tools and Treatments

❑ Operational Risk Mitigation Procedures

- ✓ **Preventive maintenance:** Regular inspections of plumbing, electrical systems, and structural integrity.
- ✓ **Safety compliance:** Adherence to fire safety, emergency exits, and building codes.
- ✓ **Security systems:** Installation of alarms, CCTV, and access controls.
- ✓ **Periodic inspections:** Conduct tours to identify hazards (e.g., pest infestations, leaks).

❑ Maintaining Accurate Legal Records

- ✓ **Document storage:** Keep copies of:
 - ✓ Signed leases and amendments.
 - ✓ Eviction notices and legal correspondence.
 - ✓ Communication logs with tenants (e.g., repair requests, complaints).
 - ✓ Records supporting defense in disputes (e.g., maintenance receipts, inspection reports).

Financial Management of Leases

➤ Risk and Legal Management

Legal and Preventive Risk Tools and Treatments

☐ Procedures for Tracking Litigation or Claims

✓ Internal policy for complaints:

- Resolve issues through negotiation or mediation before escalating to court.
- Use arbitration clauses in leases where possible.

✓ Legal consultations: Engage specialized lawyers for high-risk cases.

✓ Claim documentation: Track all disputes, court dates, and outcomes for future reference.



Lecture Summary: Quick Review

Lease Life Cycle * Lease Administration *

Financial Management of Leases

2) Revenue Management and Rent Collection

Accepting Partial Rent — Operational and Legal Framework

Components of a Partial Payment Agreement

Difference Between Commercial and Residential Landlords in Partial Rent Situations

3) Operating Expense Management

Tenant's Property Expense Profile –
RPI Form 562

Primary Functions of the Property Manager

Analysis of Common Area Maintenance (CAM) Fees

Comparative Cost Analysis

Lecture Summary: Quick Review

Lease Life Cycle * Lease Administration *

Financial Management of Leases

Budgeting and Financial Forecasting

APOD

P&L

Steps in the Budgeting and Forecasting Process.

Importance of Financial Forecasting

Accounting and Financial Reporting

APOD

P&L

Tasks of Accounting and Financial Reporting

Risk and Legal Management

Types of Risks to Be Managed

Legal and Preventive Risk Tools and Treatments



Thank You