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REA619
Property and Facilities Management

Lecture 2



Real Estate Management

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Recap-Lecture1



Introduction to Property Management

Ownership vs. Leasehold

License vs. Lease

The Tenancies in Real Estate

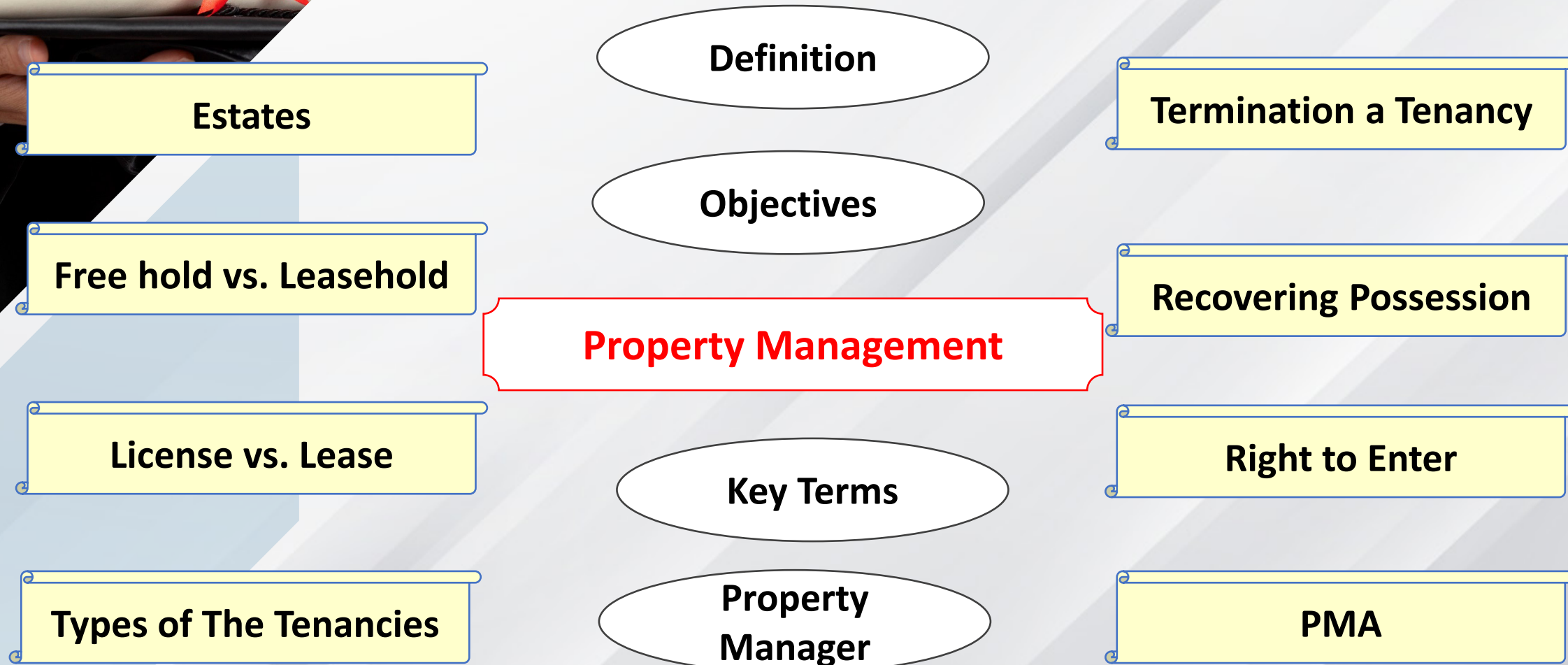
Landlord's Right to Enter

Rules for Terminating a Tenancy

Recovering Possession of Property

Property Management Agreement (PMA)

Recap-Lecture1



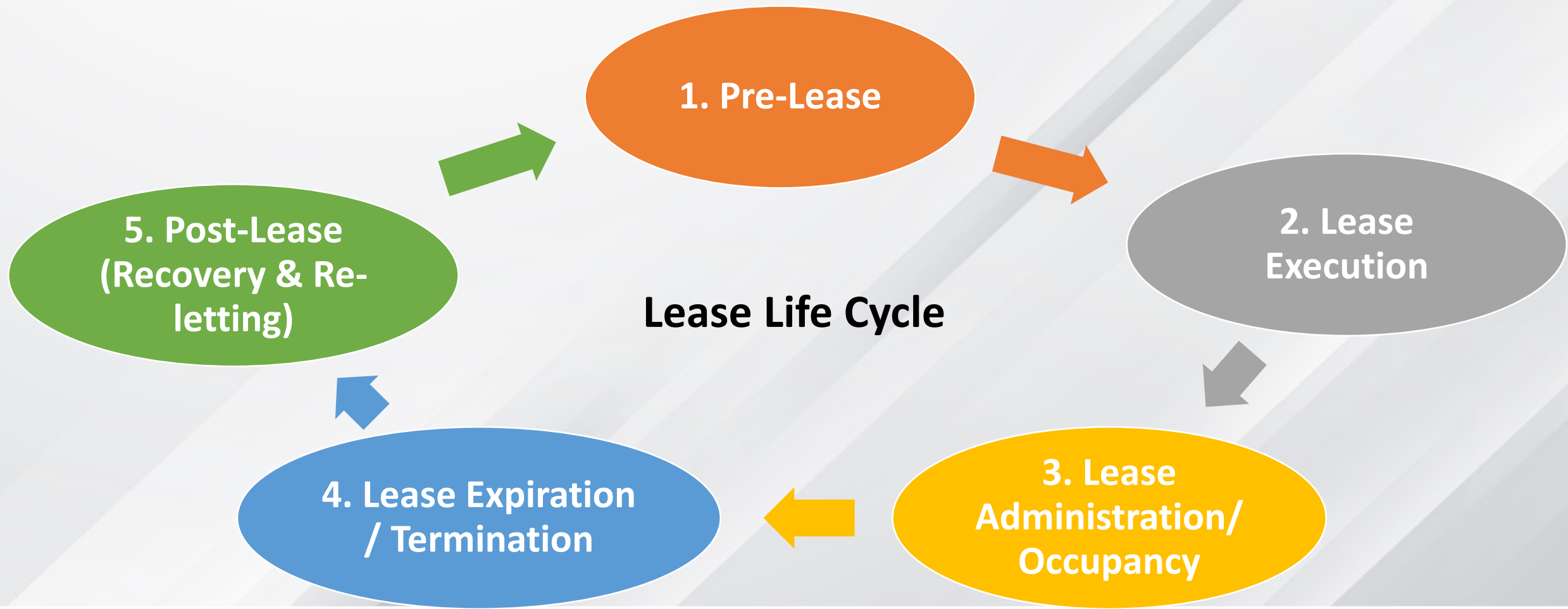
Contents *Lease Life Cycle*

- **Pre-Lease Phase**
 - ❖ Marketing the Property
 - ❖ Tenant Screening
 - ❖ Negotiation of Lease Terms
- **Lease Execution**
 - ❖ Signing the Lease Agreement
 - ❖ Paying the Security Deposit
 - ❖ Delivery of Possession
- **Lease Administration/ Occupancy**
- **Lease Expiration / Termination**
- **Post-Lease (Recovery & Re-letting)**

Lease Life Cycle

Leases

sometimes called estates for years ,The right to possess a parcel of real estate, conveyed by a fee owner (landlord) to a tenant.



Lease Life Cycle

1. Pre-Lease Phase

- ☐ Marketing the Property (Listings, Advertising)
- ☐ Tenant Screening (financial, credit checks, rental history).
- ☐ Negotiation of Lease Terms (rent, duration, responsibilities).

Lease Life Cycle

1. Pre-Lease Phase

❑ Marketing the Property (Listings, Advertising)

I. Listings

is the process of formally recording the property's characteristics (physical, legal, and financial) into a database or real estate platform (such as MLS, Zillow, or Apartments.com) in order to make it searchable and available for viewing by prospective tenants.

II. Advertising

is a paid, non-personal promotional process aimed at informing the public about the availability of a property for lease, highlighting its features and benefits, and motivating potential tenants to inquire or schedule a visit.

Lease Life Cycle

❖ Marketing the Property

Listings vs. Advertising

Dimension	Listing	Advertising
Primary Objective	To formally document and present the property in an organized and accurate manner for market availability.	To attract attention, stimulate demand, and motivate potential tenants to initiate contact or visits.
Legal / Contractual Validity	Requires formal authorization from the property owner or a property management agreement; serves as the legal basis for offering the property.	Must rely on an authorized and valid listing to avoid promoting unauthorized or unavailable properties.
Content Control	Determined by the property owner or property manager, including official and verifiable details such as description, rental terms, price, and photographs.	Based on the listing content, but enriched with persuasive language, visuals, and promotional features to maximize market appeal.
Measurement & Evaluation	Measured by the number, accuracy, and market reach of active listings.	Measured through marketing performance indicators such as impressions, clicks, inquiries, and conversion rates.

Lease Life Cycle

Listings vs. Advertising

Dimension	Listing	Advertising
Channels	• Multiple Listing Service (MLS): A collaborative professional database. • Specialized rental platforms: e.g., Apartments.com, Rent.com. • Brokerage / agency websites: Property portfolios maintained by real estate brokers or management companies. • Social media marketplaces: e.g., Facebook Marketplace.	• Digital advertising: Google Ads, targeted social media ads (Facebook, Instagram, LinkedIn, TikTok). • Traditional advertising: Newspapers, magazines, billboards—less targeted but broader reach. • Content marketing: Blogs, videos, virtual tours—providing added value and building trust. • Social media campaigns: Paid ads on Instagram, LinkedIn, TikTok, etc.
Risks / Constraints	Outdated or inaccurate listings may mislead the market and frustrate potential tenants.	Risk of misleading or exaggerated promotion if advertisements contain inaccuracies or unverified claims.
Responsible Party	<i>Property Manager or an authorized Leasing Agency</i>	<i>Marketing Department, Advertising Agencies, or the Property Management Team</i> in collaboration with the owner.

Lease Life Cycle

1. Pre-Lease Phase

❑ Marketing the Property (Advertising, Listings)

Leasing Agent

A broker who markets the availability of space to rent and locates and negotiates the terms of a lease with suitable tenants.

- ✓ Market the space and locate prospective tenants
- ✓ Publish the terms under which a tenant can lease and occupy the space
- ✓ Share fees with brokers representing the tenants
- ✓ conduct negotiations with tenants or their brokers
- ✓ Accept deposits with offers to lease the space.

Lease Life Cycle

❖ Marketing the Property

Exclusive authorization to Lease

A written agreement between a broker and client employing the broker to render services in exchange for a fee on the leasing the property to a tenant located by anyone. Also known as a listing.

Open Listing

An employment entered into by a broker to render real estate services on a best-efforts basis under which a fee is due to the broker if they achieve the client's objective of the employment before the client or another broker separately first meet the objective, such as the sale or locating of a property

Lease Life Cycle

❖ Marketing the Property

Exclusive Authorization to Lease vs. Open Listing

Point of Comparison	Open Listing	Exclusive Authorization
Exclusivity	<i>Non-Exclusive:</i> Client may work with any number of brokers.	<i>Absolute Exclusivity:</i> Only one broker, even if the owner finds a tenant themselves.
Broker's Duty	<i>Best Efforts Only:</i> Limited incentive; minimal investment in marketing.	<i>Fiduciary Duty:</i> Continuous marketing, disclosure of all offers, protection of owner's interests.
Owner's Risk	Risk of paying multiple commissions or losing good offers due to competitive bidding.	Risk of paying an unwarranted commission, but with assurance of service quality.
Broker's Risk	No guarantee of commission if not the first; limited legal protection.	Guaranteed commission, but with high legal responsibility.
Practical Context	Suitable for smaller/residential properties, or in fast-moving markets to test the market.	Suitable for larger/commercial properties, or when needing to ensure service quality.

❖ **Marketing the Property**



Lease Life Cycle

❖ Marketing the Property

Real Estate Agent vs. Leasing Agent vs. Property Manager

Aspect	Real Estate Agent	Leasing Agent	Property Manager
Primary Focus	Purchase & Sale; Serving client interests.	Specializing in rental properties & locating tenants.	Managing properties for the owner.
Core Activity	(Sale/Purchase/Lease) & not operational management.	Building relationships with tenants (tenant relations, reports) & lease execution.	Ongoing property management (long-term).
Time frame	Transactional – duration ends with closing.	Short-term – ends after lease signing.	Ongoing – continuous throughout the tenancy.
Key Responsibilities	Representing buyer/seller – marketing the property, preparing reports, market analysis.	Advertising the property – showing properties – negotiating terms – LOI.	Daily property management – rent collection – complaint handling – maintenance oversight – financial reporting.

Lease Life Cycle

❖ Marketing the Property

Real Estate Agent vs. Leasing Agent vs. Property Manager

Aspect	Real Estate Agent	Leasing Agent	Property Manager
Compensation	Commission (6-8% typically).	(5-10%) commission or fixed monthly management fee.	Percentage of rental income (typically 8-12%) or a fixed monthly fee.
Legal Duty	Agent to buyer/seller under Listing/Buyer Agreement.	Agent to landlord & tenant (depending on representation agreement); Fiduciary duty to the owner.	Fiduciary duty to the owner (under PMA).

- **"Fiduciary Duty"**: The highest standard of care, requiring loyalty, obedience, and diligence to the client (owner).
- **"Transactional"**: Refers to a limited-duration engagement focused on completing a specific transaction (e.g., sale, lease).
- **"LOI"**: Letter of Intent – a non-binding document outlining the key terms of a potential lease.
- **"PMA"**: Property Management Agreement – the contract outlining the responsibilities and compensation of the property manager.
- **"Tenant Relations"**: Managing communication, addressing concerns, and ensuring tenant satisfaction

Lease Life Cycle

1. Pre-Lease Phase

☐ Tenant Screening (Financial, Credit Checks, Rental History)

Tenant Screening

Is the process of **evaluating and analyzing** the **background of prospective tenants** to determine their financial, legal, and behavioral suitability for leasing a property.

This process typically includes reviewing the **applicant's credit history, criminal record, rental history, income level, and employment stability**, in addition to verifying references (both personal and from previous landlords).

Lease Life Cycle

❖ Tenant Screening

Who Performs Tenant Screening ??

Property Manager

Directly responsible for implementing the screening criteria on behalf of the property owner

Leasing Agent

When leasing activities are handled through real estate agencies

Professional Tenant Screening Companies

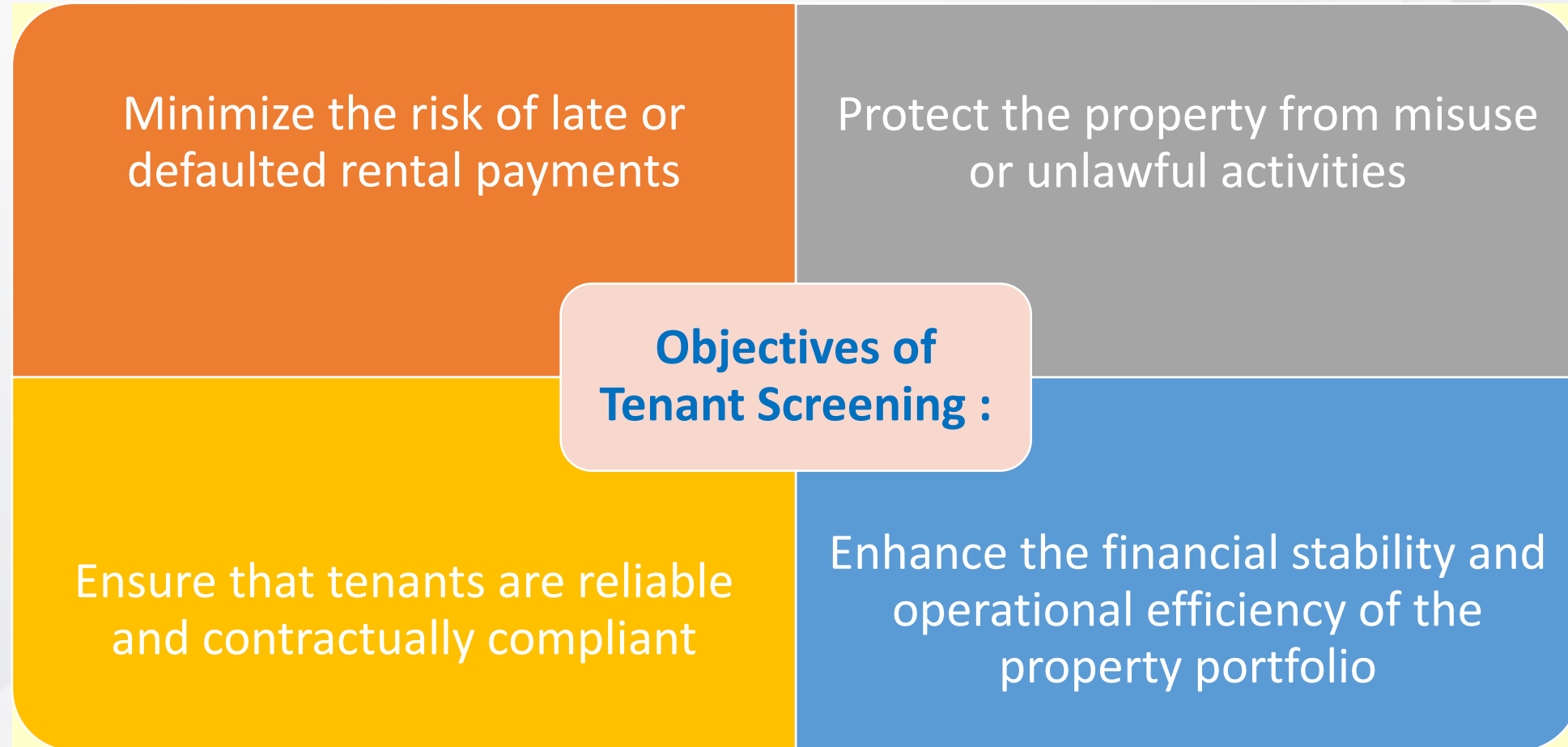
Specialized firms that provide comprehensive background and credit reports

Landlord

In smaller or individually managed properties, the landlord may conduct screening personally

Lease Life Cycle

❖ Tenant Screening



Lease Life Cycle

❖ Tenant Screening

Core Dimensions of Tenant Screening

**1) Creditworthiness
Assessment**

**2) Financial Status
Evaluation**

**3) Business Track
Record and
Operational Plan
Assessment**

**4) Managerial
Competence and
Compatibility
Assessment**

**5) Property
Maintenance and
Value Preservation
Assessment**

Lease Life Cycle

❖ Core Dimensions of Tenant Screening

1) Creditworthiness Assessment

Creditworthiness functions as a primary indicator of a tenant's ability to make timely payments. It includes:

✓ **Credit Report Analysis:**

A review of credit bureau reports (e.g., from Equifax or TransUnion) to identify patterns of timely payments, delinquencies, bankruptcies, or liens.

✓ **Credit Check Verification:**

Conducted through credit agencies to confirm the accuracy of financial data (e.g., outstanding debts, payment histories).

Lease Life Cycle

❖ Core Dimensions of Tenant Screening

2) Financial Status Evaluation

This dimension focuses on the tenant's financial capacity to sustain lease payments and maintain the property. It entails:

✓ Financial Statement Review:

- **Profit and Loss (P&L) Statement:** Details the tenant's business income, expenses and **Net Operating Income (NOI)**

(NOI) a key metric for assessing cash flow availability for rent (calculated as revenue minus operating expenses)

- **Balance Sheet:** Provides a snapshot of the tenant's assets (e.g., cash, equipment), liabilities (e.g., loans, accounts payable), and net worth (assets minus liabilities), reflecting overall financial stability.

✓ Financial Ratio Analysis:

- **Debt-to-Income Ratio (DTI):** Compares the tenant's monthly income to the monthly rent. A common benchmark is that income should be at least three times the rent.
- **Cash Flow to Debt Service Ratio:** Compares the tenant's monthly cash flow to their debt service obligations. A preferred standard is a ratio of 1.2 or higher.

Lease Life Cycle

❖ Core Dimensions of Tenant Screening

3) Business Track Record and Operational Plan Assessment

This focuses on the tenant's operational competence and alignment with the property's long - term objectives:

✓ **Business Track Record:**

A review of the tenant's industry experience, past performance (e.g., revenue growth, tenant retention in prior leases), and market reputation.

✓ **Proposed Operational Plans:**

- **Expansion/Contraction Plans:** Whether the tenant plans to expand (e.g., open a new location) or downsize (e.g., close a division) and how these plans align with the property's capacity.
- **Use Compatibility:** Whether the tenant's intended use (e.g., retail, office, industrial) complies with local zoning laws and complements the property's target market (e.g., a tech startup may be well - suited for a modern office complex).

Lease Life Cycle

❖ Core Dimensions of Tenant Screening

4) Managerial Competence and Compatibility Assessment

focuses on the tenant's ability to manage the business effectively and maintain compatibility with other tenants or the property's target clientele:

✓ Managerial Skills

Experience in team management, budget administration, or operating similar businesses.

✓ Compatibility:

- Does the tenant's business activity align with the property's target market (e.g., a tech firm in a technology hub)?
- Could the tenant potentially create conflicts (e.g., noise, pollution) that negatively impact other tenants?

Lease Life Cycle

❖ Core Dimensions of Tenant Screening

5) Property Maintenance and Value Preservation Assessment

Focuses on the tenant's ability to preserve the property and prevent damage or deterioration

✓ Maintenance History:

Has the tenant demonstrated a record of maintaining leased properties in good condition in the past?

✓ Future Plans:

Does the tenant intend to undertake modifications or expansions that could affect the property's long-term value

Lease Life Cycle

❖ Special Considerations for Commercial Entities (Companies/LLCs)

When dealing with commercial entities (rather than individual owners), additional requirements apply:

- ✓ **Verification of Legal Standing:** Confirm whether the entity is registered and in good standing with the relevant legal authority.
- ✓ **Verification of Authorized Signatories:** Identify the individual(s) authorized to sign the lease agreement on behalf of the entity..
- ✓ **Personal Guarantee:** Determine if the owner requires a personal guarantee from the entity's owners (e.g., shareholders of a corporation) to secure the lease.

Lease Life Cycle

1. Pre-Lease Phase

☐ Negotiation of Lease Terms (rent, duration, responsibilities).

Once a **leasing agent** locates **suitable premises** for a **prospective tenant**, the **agent** brings the **landlord** and **tenant** together through **negotiations** to develop the terms of a lease acceptable to all.

Lease Life Cycle

❖ Negotiation of Lease Terms

Leasing Agent (Broker)'s Role

When Representing the Tenant

- ✓ Identifies space needs and budget.
- ✓ Uses a Tenant Lease Worksheet to gather information.

Prepares the
Offer to Lease to
initiate
Negotiations

When Representing the Landlord

- ✓ Defines rental terms
- ✓ Define leasing conditions the landlord desires for the space
- ✓ Conducts due diligence review of the space for rent (*this data is set out in the exclusive authorization to lease property.*)

Lease Life Cycle

❖ Negotiation of Lease Terms

Letter of Intent (LOI)

A non-binding **proposal** signed and submitted to a property owner to start negotiations to rent or buy a property.

Offer to Lease

A document which sets forth all crucial elements typically negotiated to bring the landlord and tenant together in final leasing arrangements.

Lease Life Cycle

❖ Negotiation of Lease Terms

Letter of Intent vs. Offer to Lease

Item	Letter of Intent (LOI)	Offer to Lease	Practical Example
Concept	A preliminary proposal or statement of intentions regarding basic terms.	A formal offer specifying defined lease terms.	A restaurant chain submits an LOI to a shopping center landlord expressing interest in leasing.
Legal Nature	Not legally binding.	Legally binding upon acceptance without modification.	If the landlord accepts the written offer as is, a binding lease agreement is created.
Purpose	To explore intent and open negotiations.	To conclude an agreement that establishes a contractual relationship.	LOI for preliminary negotiation vs. Offer to close the deal.
Stage	Initial stage prior to formal negotiations.	Part of formal negotiations and may constitute the contract.	LOI before details are finalized; Offer after key terms are agreed upon.

Lease Life Cycle

❖ Negotiation of Lease Terms

Letter of Intent vs. Offer to Lease

Item	Letter of Intent (LOI)	Offer to Lease	Practical Example
Outcome	Creates no financial or legal obligations.	Upon acceptance, creates a binding lease agreement.	LOI does not require a deposit; Offer may involve security deposit or advance rent.
Negotiation Tool	Used as a preliminary tool to outline intentions and general terms.	May lead to a counteroffer until final agreement is reached.	LOI = “Let’s discuss,” Offer = “These are my formal terms.”
Prepared by	Typically prepared by the tenant or their broker to express interest.	Often prepared by the landlord or their broker to establish formal commitment.	Tenant: LOI shows interest; Landlord: Offer defines commitment.

Lease Life Cycle

❖ Negotiation of Lease Terms

Core Components of an Offer to Lease

1. Identification of the Parties and Premises (often with a floor plan attached).
2. Rental Payment Schedule & Occupancy Period.
3. Maintenance Responsibilities & Terms of Possession (Use).
4. Signatures of the Parties.

Lease Life Cycle

❖ Negotiation of Lease Terms

Additional Lease Provisions in the Offer

- ✓ **Good faith deposit amount.**
- ✓ Rent adjustment clauses (inflation, appreciation).
- ✓ Utility payment responsibilities.
- ✓ Insurance and property tax obligations.
- ✓ **Security deposit requirements.**
- ✓ Options to renew, extend, or purchase.
- ✓ Tenant improvements and alterations.
- ✓ Brokerage fees and commissions.

Lease Life Cycle

❖ Negotiation of Lease Terms

Good Faith Deposit vs. Security Deposit

Item	Good Faith Deposit	Security Deposit
Purpose	To demonstrate the tenant's seriousness and commitment during negotiations before signing the lease.	To secure the tenant's compliance with lease terms, such as paying rent and maintaining the property.
Timing	Paid when submitting an offer to lease or purchase.	Paid at or just before signing the lease agreement.
Held By	Typically held in a trust account managed by the broker or agent.	Typically held by the landlord or in a trust account depending on local laws.
Refundable	Refunded if the transaction does not close or negotiations fail.	Refunded at the end of the lease, provided the tenant meets obligations and the property is maintained.
Applied Upon Lease Signing	Often applied toward the security deposit or first month's rent.	Remains as a guarantee during the lease term to cover any damages or unpaid obligations.

Lease Life Cycle

❖ Negotiation of Lease Terms

Additional Lease Provisions in the Offer

- ✓ **Good faith deposit amount.**
- ✓ Rent adjustment clauses (inflation, appreciation).
- ✓ Utility payment responsibilities.
- ✓ Insurance and property tax obligations.
- ✓ **Security deposit requirements.**
- ✓ Options to renew, extend, or purchase.
- ✓ Tenant improvements and alterations.
- ✓ Brokerage fees and commissions.

Lease Life Cycle

❖ Negotiation of Lease Terms

Counteroffers

is a new offer made by either party (landlord or tenant) in response to a previous offer, containing modified or additional terms different from the original offer.

If an offer **is not acceptable**, a **Counteroffer Form** is used

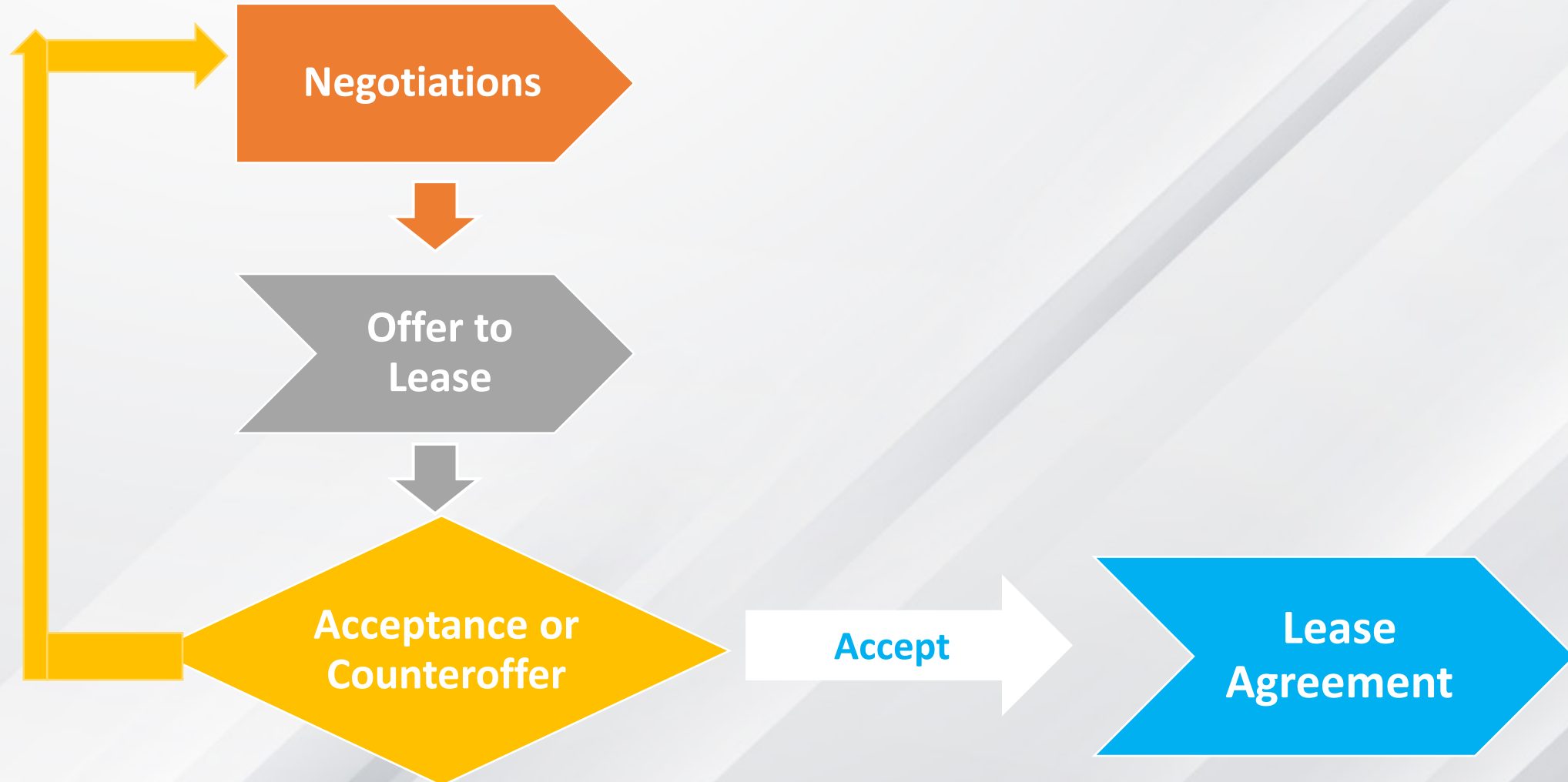
Full, unqualified acceptance = **binding lease agreement**.

Modifications or conditions = **rejection** of the original offer + creation

Negotiations proceed through **counteroffers** or **LOIs** until all terms are finalized.

Lease Life Cycle

❖ Negotiation of Lease Terms



Lease Life Cycle

2. Lease Execution

- ☐ Signing the **Lease Agreement**.
- ☐ Tenant pays the **Security Deposit**.
- ☐ Delivery of **Possession** (tenant receives keys and access).

Lease Life Cycle

2. Lease Execution

☐ Signing the Lease Agreement

Definition:

A legally binding document outlining the rights and obligations of the landlord and tenant.

Importance:

- ✓ **Legal Binding:** Enforces compliance with agreed terms.
- ✓ **Clarifies Terms:** Ensures all conditions (rent, maintenance, eviction) are clear.
- ✓ **Legal Protection:** Provides legal recourse in disputes.

Required Documents:

- ✓ Lease Agreement.
- ✓ Security Deposit Receipt.
- ✓ ID Documents.

Lease Life Cycle

2. Lease Execution

☐ Tenant pays the **Security Deposit**

Definition:

A financial guarantee paid by the tenant to cover potential damages.

Importance:

- ✓ **Landlord Protection:** Covers damages caused by the tenant.
- ✓ **Tenant Commitment:** Demonstrates serious intent.
- ✓ **Refundability:** Must be returned if no damages occur.

Lease Life Cycle

2. Lease Execution

☐ **Delivery of Possession** (tenant receives keys and access).

Definition:

The transfer of property use rights from landlord to tenant.

Importance:

- ✓ **Lease Commencement:** Marks the start of the lease term.
- ✓ **Property Condition Check:** Ensures no pre-existing damages.
- ✓ **Landlord Obligation:** Must deliver the property in a habitable condition..

Lease Life Cycle

❖ Lease Execution

Summary of Responsibilities

Stage	Executing Party	Supervising Party
Signing the Lease Agreement	Leasing Agency (preparation), Parties (signing)	Leasing Agency (coordination)
2) Paying the Security Deposit	Tenant (payment)	Leasing Agency (receiving deposit), Landlord/Property Manager (managing deposit)
3) Delivery of Possession	Landlord/Property Manager (delivery)	Leasing Agency (coordination), Parties (signing acknowledgment)

Lease Life Cycle

3. Lease Administration/ Occupancy

- ☐ Ongoing management: rent collection, compliance monitoring.
- ☐ Amendments or renewals as needed.
- ☐ Disclosure of operating costs (esp. for commercial leases).

Lease Life Cycle

4. Lease Expiration / Termination

- ☐ Natural expiration at the end date.
- ☐ Early termination by notice or voluntary surrender.
- ☐ Forfeiture due to tenant breach (e.g., non-payment).

Lease Life Cycle

5. Post-Lease (Recovery & Re- letting)

- ☐ Recovery of possession: tenant vacates or by UD action (eviction).
- ☐ Pre-expiration inspection & return (or deduction from) security deposits.
- ☐ Re-letting the premises → starting ****a new lease cycle****.

Lecture Summary: Quick Review

Marketing the Property

Listings
vs. Advertising

Leasing Agent

Exclusive authorization to Lease
vs. Open Listing

Real Estate Agent vs. Leasing Agent vs. Property Manager

Lease Life Cycle *(1)Pre-Lease Phase*

Leasing Agent (Broker)'s Role

LOT vs. Offer to Lease

Core Components & additional of an Offer to Lease

Good Faith Deposit vs. Security Deposit

Counteroffers

Tenant Screening

Definition, objectives,

Core Dimensions of Tenant

Special Considerations

Negotiation of Lease Terms

Lecture Summary: Quick Review

Lease Life Cycle * (2) Lease Execution*

Signing the Lease Agreement

Tenant pays the Security Deposit

Delivery of Possession

**Summary of
Responsibilities**



Thank You