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REA619
Property and Facilities Management

Lecture 1



Real Estate Management

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Introduction to Property Management

Property management is the day-to-day operation and oversight of a real estate asset on behalf of the owner. It involves collecting rent, overseeing maintenance, handling tenant relations, and ensuring the property complies with regulations.

➤ Types of Property Managed:

Residential:
apartments, single-
family homes

Commercial:
offices, retail
spaces

Industrial :
warehouses,
factories

Others:
Mixed-use, HOA,
vacation rentals

Introduction to Property Management



➤ Real estate vs. Property:

Real estate : sometimes legally called **real property** or **realty**, consists of:

- the land;
- the improvements and fixtures attached to the land; and
- all rights incidental or belonging to the property.



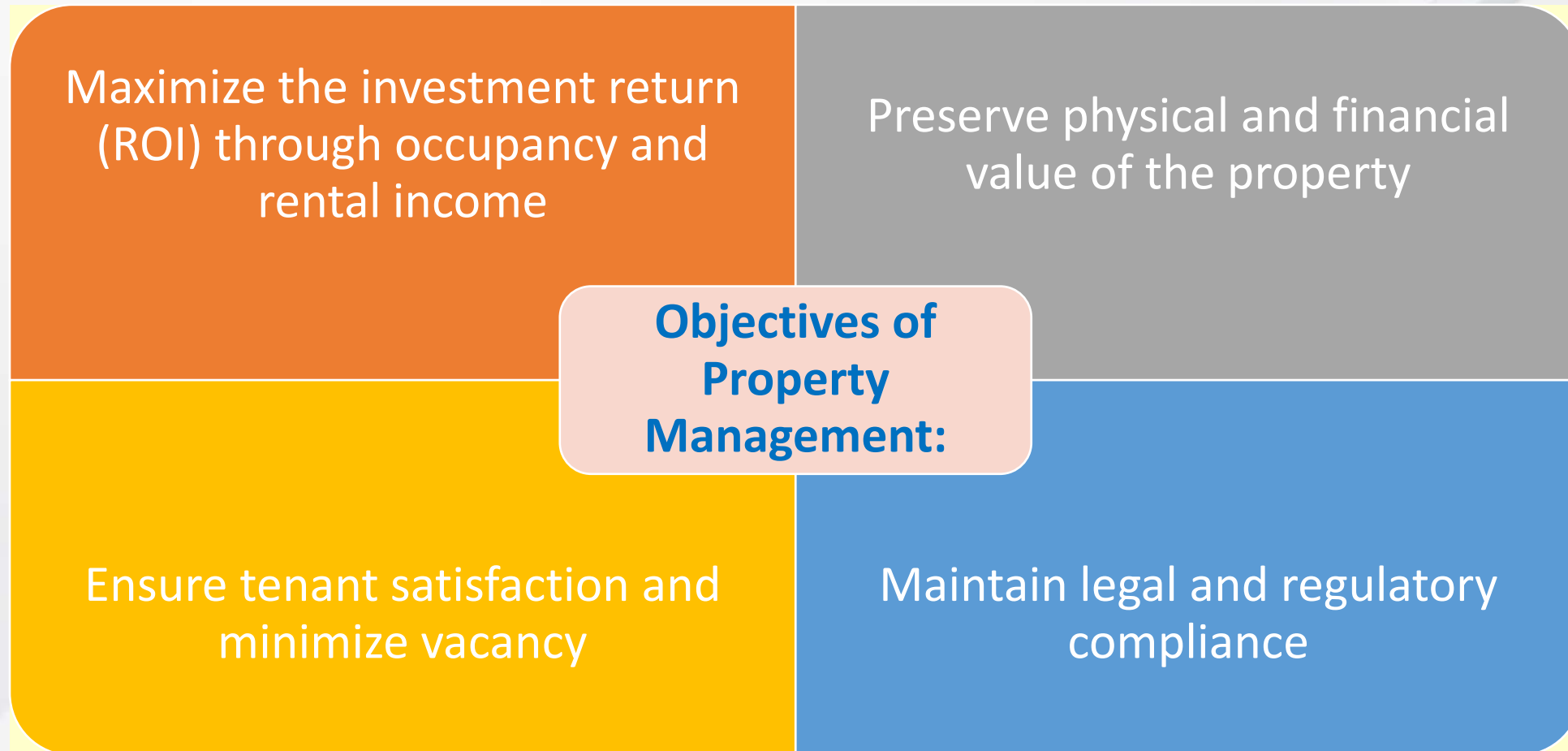
Property : Refers to the legal rights of ownership, use, and control over an asset.

It is broader, as it can include both tangible assets (like real estate) and intangible assets (like stocks or intellectual property).

In real estate, Property highlights the ownership and investment aspect of the asset.

Introduction to Property Management

➤ Objectives of Property Management:



Introduction to Property Management

➤ Responsibilities of Property Manager:

Property Manager serves as the essential link between the **passive investor (Owner)** and the **active consumer (Tenant)**. Professional managers adhere to codes of conduct, mitigating risk for the owner.



Introduction to Property Management

➤ Role of Property Manager vs. Owner:

Why Owners Outsource?

1. Expertise (Legal/Finance),
2. Time (Operational Burden),
3. Detachment (Handling difficult evictions/disputes professionally).

Function	Property Manager	Owner
Main Role	Manages ongoing operations (leasing, rent, maintenance)	Owens the property , strategic investment decisions
Involvement	Daily / High involvement (tenants, maintenance, rent)	Strategic / Limited (long-term decisions)
Income	Fee/percent of rent	ROI, appreciation

Introduction to Property Management

➤ Role of Property Manager vs. Real Estate Agent:

Function	Property Manager	Real Estate Agent
Main Role	Manages ongoing operations	Helps buy/sell or lease Transactional
Involvement	Long-term, ongoing	Short-term, one-time
Paid by	Owner, monthly/percent fee	Commission on deal

Property Manager is Ongoing Management stays after the deal
Real Estate Agent is Transaction Facilitation leaves after sign-off

Ownership vs. Leasehold

- **Estates:** The ownership interests a person may hold in real estate.



Ownership vs. Leasehold

Person who holds a fee estate interest in real estate is a fee owner (landlord).

Fee Simple

An **indefinite, exclusive and absolute** legal ownership interest in a parcel of real estate.

Life Estate

An interest in a parcel of real estate lasting the lifetime of the life tenant.

Ownership vs. Leasehold

Leases

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



Estates at will

are considered part of the leasehold estates category. Leasehold estates are controlled by landlord/tenant law.

Ownership vs. Leasehold

Estate in Land	Right of Ownership	Right of Possession
Fee Simple	Fee simple owner	Fee simple owner
Life Estate	Remainderman	Life Tenant
Leasehold Estate	Landlord	Tenant

Ownership vs. Leasehold

Fee Simple vs Leasehold



Fee Simple: You own the house and land



Leasehold: You just own the house

The lease holder owns the land

Criteria	Fee Simple	Leasehold
Duration	Unlimited	Temporary
Rights	Ownership	Possession
Income	Owner gains ROI	Tenant obligated rent

License vs Lease

- **License:** The personal, unassignable right held by an individual to the non-exclusive use of property owned by another. A License is revocable at any time by the licensor; it provides no estate in land.
- **Lease :** provides a tenant with an enforceable property interest.

License:	Lease :
Personal permission to use property	Legally binding contract
No exclusive possession	Grants exclusive possession
Revocable by owner at any time	Fixed term (months/years), enforceable
Minimal legal protection	Strong tenant protection under law
Example: kiosk, parking ticket, Coffee cart in a mall.	Example: apartment, office rental, store in a mall

License vs Lease

- ❖ A **license** is not a property right but a personal permission to use property.
- ❖ Unlike **leases or easements**, **licenses** do not run with the land and cannot bind future owners.
- ❖ **Rent** is usually tied to lease agreements, not licenses. **Licenses** may involve small fees or contributions, but often it's about access.
- ❖ It's possible for someone to be both a **tenant (lease)** and a **licensee (license)** simultaneously.
- ❖ When conditions of a license become detailed (maintenance, rent-like payments), law may recharacterize it as a lease.
- ❖ This distinction is crucial legally because of tenant rights **(lease)** vs. revocability **(license)**.

The Tenancies in Real Estate

Types of Tenancies

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graph TD; A[Types of Tenancies] --> B[Fixed-term tenancies<br/>(Lease /estate for years)]; A --> C[Periodic tenancies<br/>(rental)]; A --> D[Tenancies-at-will<br/>(estate at will)]; A --> E[Tenancies-at-sufferance<br/>(holdover tenancy)];
```

Fixed-term tenancies
(Lease /estate for years)

Periodic tenancies
(rental)

Tenancies-at-will
(estate at will)

Tenancies-at-sufferance
(holdover tenancy)

The Tenancies in Real Estate

Fixed-term tenancies (Lease /estate for years)

A leasehold interest which lasts for the specific lease period set forth in a lease agreement. A fixed-term tenancy automatically terminates at the end of the lease period.

Periodic tenancies (rental)

A leasehold interest which lasts for a specific length of time, such as month or year. the landlord and tenant agree to automatic equal, successive rental periods of time

The Tenancies in Real Estate

Tenancies-at-will (estate at will)

A leasehold interest granted to a tenant with the landlord's knowledge and consent, with no fixed duration or rent owed. It can be terminated at any time by an advance notice from either party.

Tenancies-at-sufferance (holdover tenancy)

A leasehold interest held by a tenant who retains possession of the rented premises after the termination of the tenancy without any contractual right to do so.

The Tenancies in Real Estate

Aspect	Fixed-Term Tenancy (<i>Estate for Years</i>)	Periodic Tenancy	Tenancy at Will	Tenancy at Sufferance (<i>Holdover</i>)
Definition	Lease for a specific start & end date	Automatically renews each period (e.g., month- to-month)	Informal; no set term; ends anytime by either party	Tenant remains after lease expiration without landlord's consent
Duration	Fixed (e.g., 1 year, 6 months)	Indefinite – continues until notice served	No defined duration	No legal term; unlawful occupation
Termination	Ends automatically at expiration date	Requires proper written notice (30–60 days typical)	Terminable anytime by landlord or tenant	Requires eviction notice & court action (UD)

The Tenancies in Real Estate

Aspect	Fixed-Term Tenancy (<i>Estate for Years</i>)	Periodic Tenancy	Tenancy at Will	Tenancy at Sufferance (<i>Holdover</i>)
Tenant Rights	Full rights for duration of lease	Full rights, but subject to notice	Minimal rights, fragile status	Very limited; tenant considered trespasser
Landlord's Role	Bound until lease expiry, cannot evict early (except breach)	Must give proper notice to terminate	Can end at any time	Must use legal eviction process
Example	1-year apartment lease	Month-to-month rental after initial lease	Friend allowed to stay without contract	Tenant overstaying after lease expiration

The Tenancies in Real Estate

➤ Changing Tenancy Type:

Tenancy type is not fixed forever — it can shift depending on actions.

Tenancy can change due to three main reasons:

1) Proper notice by landlord

2) Expiration of a lease

3) Conduct of parties

Example:

A one-year fixed lease expires → tenant stays and pays rent → landlord accepts → legally, this creates a new periodic tenancy, not another fixed term.

The Tenancies in Real Estate

➤ Proper Notice Periods

The **type of notice** required to terminate occupancy **depends on three** main factors:

1) Period of the tenancy or occupancy

2) Property Type

3) Location

Type of Tenancy / Property	Typical Notice Period
Residential (standard lease)	Usually 30 days (can be extended to 90 days in foreclosure cases)
Commercial / Industrial	Minimum 3 months (corporate procedures require longer time)
Mobile Home – Tenancy at Will	60-day written notice required
Rent-Controlled Tenancy	Termination heavily restricted by local ordinances; simple notice not sufficient
Agreed Period (Clause in Lease)	Can be shorter/longer if agreed, but never less than 7 days

The Tenancies in Real Estate

➤ Transient Occupancy

Transient occupancy is the occupancy of a vacation property, hotel, motel, inn, boarding house, lodging house, tourist home or similar sleeping accommodation for a period of 30 days or less.

This type of occupant is classified as a **guest**, also called a **transient occupant**. A transient occupant occupies property known as lodging, accommodation or unit, not space or premises.

The property is not called a rental. The term “rental” implies a landlord/tenant relationship exists.

Further, landlord/ tenant law does not control transient occupancy.

“Not every occupancy is a lease. Hotels, motels are not governed by landlord-tenant law; they’re transient accommodation governed by hospitality law.”

The Tenancies in Real Estate

➤ Tenant vs Guest (Lease vs Transient Occupancy):

Aspect	Tenant (Leasehold)	Guest (Transient Occupancy)
Legal Basis	Lease / Rental Agreement (creates legal estate & possession)	Reservation / Stay Agreement (no estate created)
Duration	Usually > 30 days (fixed-term or periodic)	≤ 30 days (short-term: hotel, motel, Airbnb)
Payment	Rent paid weekly / monthly	Daily or nightly “rate”
Possession	Exclusive possession of premises (tenant has rights to stay)	Temporary stay – occupancy only, no permanent possession
Legal Protection	Covered under landlord–tenant law (eviction rules apply)	Covered by hospitality/contract law, not tenancy law
Manager’s Rights	Landlord must give notice before entry	Hotel manager may enter at checkout time, even if guest stays
Exit	Vacate the premises	Check-out (end of stay)

Landlord's Right to Enter

The landlord must **balance management needs** against the tenant's "Covenant of Quiet Enjoyment."

Entry must be reasonable and necessary.

Landlord may enter a rented premises:

In an emergency

To make repairs or improvements

To complete a pre-expiration inspection

To show the unit to prospective buyers, tenants, lenders, repairmen or contractors

When the tenant has vacated the premises and their right to occupy has been terminated by surrender or abandonment

Under a court order allowing entry

Landlord's Right to Enter

➤ Notice of Entry

In most circumstances, **Prior Notice** of the entry is to be given to the tenant. Generally, **24 or 48 hours written notice** is required for **non-emergency access (repairs, showing)**.

Emergencies (fire, flood) are the **major exception**.

A landlord (or any other person) who enters the property without permission is guilty of **unlawful forcible entry**.

➤ Notice for Buyer Inspections

Any residential or commercial property occupied by a tenant is termed a **rental**.

Real estate brokers listing a **rental property for sale** must inform the owner (seller) about the legal rights and procedures for allowing prospective buyer inspections.

There are **Two Types of Notice Procedures** .

24-hour written notice

Similar to repair/inspection notices)

120-day "For Sale" notice

Landlord's Right to Enter

➤ Notice for Buyer Inspections

Aspect	24-hour Written Notice	120-day "For Sale" Notice
Purpose	For repair or buyer inspection (single entry)	For repeated buyer inspections during sale period
Notice Method	Written notice delivered or mailed 24 hours in advance	Personal delivery or regular mail to tenant
Validity Period	Applies to a specific visit/date only	Creates 120-day window for multiple entries
Timing of Entry	Entry allowed after 24-hour period has passed	Entry allowed during normal business hours for 120 days
Tenant Rights	Must respect tenant privacy, limit to purpose of entry	Privacy still respected, but landlord/agent may show unit multiple times
Best Practice	Confirm appointment with tenant	Coordinate times, offer consideration for cooperation

Landlord's Right to Enter

➤ Tenant Rights & Best Practices

- ❖ **The tenant** still retains privacy rights. **Privacy** still protected.
- ❖ **Landlord/agent** cannot abuse access by excessive or disruptive entries.
- ❖ Landlords and brokers must choose **the proper notice procedure** depending on whether inspections will be one-time or ongoing during a sales process. There are **many practices should be taken into account** such as :
 - ✓ Schedule showings in advance, not just “drop-in.”
 - ✓ Respect tenant’s work schedules, children, pets, etc.
 - ✓ Offer incentives for tenant cooperation (e.g., reduced rent during showing period).

Landlord's Right to Enter

➤ Potential Conflicts

Tenants sometimes resist showings regarding weekends/"normal business hours. (fearing sale = eviction).

Tie back to professional ethics:

balancing owner's right to sell vs tenant's right of quiet enjoyment.

Managers must handle communications sensitively and legally.

Rules for Terminating a Tenancy

Fixed-term expiry

- ❖ A fixed-term lease ends automatically upon expiration.

End of Periodic Tenancy by Notice

- ❖ A periodic tenancy can be terminated with a proper written notice as required by law (30 days typical; 60–90 days in special cases).
- ❖ Acceptance of rent from a holdover tenant creates a new periodic tenancy, requiring a notice to terminate.

Voluntary Surrender

- ❖ Lease may end earlier by mutual agreement (Voluntary Surrender).

Breach & Forfeiture notices

- ❖ For tenant's breach, landlord must serve a legal notice (e.g., 3-day notice to pay or quit) before termination.

If tenant remains after notice expires, they are in unlawful detainer status and landlord must file a UD action for eviction.

Rules for Terminating a Tenancy

Aspect / Method	Termination by Notice	Termination by Court Action	Voluntary Surrender
How it happens	Written notice to tenant (e.g., 30–90 days)	Court judgment after filing Unlawful Detainer action (UD)	Agreement between landlord & tenant
When used	Periodic tenancies, holdover tenants	When tenant refuses to vacate after notice / serious breach	When both parties agree to end lease early
Tenant's status	Lawful until notice expires	Unlawful Detainer once court rules	Ends tenancy instantly by mutual consent
Result	Lease obligations end after notice	Lease terminated + sheriff enforces eviction	Lease cancelled, tenant hands back keys
Advantages	Simple, low cost	Formal, enforceable, final resolution	Fast, amicable, less conflict
Risks/Limitations	Tenant may still refuse to leave	Time, cost, legal complexity	Requires tenant cooperation

Recovering Possession of Property

- ❖ Tenant's right of possession exists until **terminated** by proper legal process or **voluntary surrender**.
- ❖ A landlord can recover possession by:

Lease expiration

Valid notice to quit

Court-ordered eviction (Unlawful Detainer action – UD)

Recovering Possession of Property

➤ Self-help

A landlord's own method of recovering possession from tenant outside the legal eviction process.

- ✓ Entering while tenant is out & removing belongings.
- ✓ Unlocking doors/windows without consent.
- ✓ Pretending to "inspect" then retaking possession.
- ✓ Using threats, violence, or intimidation.

Self-help (taking possession without court) is illegal.

Courts protect tenants: default/breach does not = immediate landlord possession.

Any forceful re-entry = Forcible Entry and Detainer → landlord liable for damages.

Recovering Possession of Property

“If the lease ended but tenant refuses to leave → Lease Terminated  but Possession NOT Recovered .

Terminating lease ≠ Recovery of physical control.

Lease Expiration → Termination → Tenant Leaves → Recovery of Possession

Legal Methods of Recovering Possession

Tenant's right of possession continues until:

- ✓ Proper notice expires + tenant vacates,
- ✓ Voluntary Surrender
- ✓ Court eviction judgment executed.

Recovering Possession of Property

Termination vs Recovery of Possession

Aspect	Termination of Tenancy	Recovery of Possession
Meaning	Legal ending of the lease agreement	Landlord regains actual physical control of the property
Nature	Contractual – ends the legal relationship	Practical/Physical – deals with occupancy
How it Happens	- Expiration of fixed term - Proper notice served - Mutual agreement (surrender) - Forfeiture after breach notice	- Tenant vacates voluntarily - Court eviction (UD action, writ of possession) - Sheriff executes eviction order
Tenant's Status	Tenant's contractual rights/obligations end	Tenant may still occupy until legally removed
Key Point	Contract ends but possession might continue	Possession is returned only after tenant leaves or eviction enforced
Example	Lease ends Dec 31 – legally terminated	Tenant refuses to move until Jan 10 – landlord files UD to recover possession

Property Management Agreement (PMA)

Property Management Agreement (PMA) is An employment agreement setting the rights, responsibilities and expectations of both the property manager and the landlord.

The **Property Management Agreement** authorizes the **Property Manager** to:

- ✓ Locate tenants;
- ✓ Enter into rental and lease agreements, including leases for a term of over one year;
- ✓ Deliver possession of units or space;
- ✓ Collect rents;
- ✓ Incur operating expenses; and
- ✓ Disburse funds to pay expenses, mortgage payments and management fees.

Property Management Agreement (PMA)

➤ Rules for Property Management Agreement

- ❖ Agreements should be long-form, detailed, not short-form. Detailed agreements prevents conflicts & lawsuits and protect both landlord & manager.
- ❖ Maintenance issues and rejected advice must be documented.
- ❖ Trust funds must be strictly managed & reconciled monthly.
- ❖ Accounting statements should be clarified as minimum quarterly, ideal monthly.
- ❖ Written agreements are essential for fee collection & enforceability.

Compliance failures = legal liability & possible loss of license.

Property Management Agreement (PMA)

➤ Structuring management fees:

- ❖ Fees are negotiated and set between each individual property manager and landlord.
- ❖ Property managers structure management fee schedules in several different ways:

1) A percentage of the rents collected.

2) Fixed fee

3) Fixed fee per unit

4) A percentage of the first month's rent

Property Management Agreement (PMA)

➤ Structuring management fees:

1) A percentage of the rents collected

The property manager is entitled to charge a set percentage of the rents collected as a fee.

Customarily, the fee is typically 5% to 10% of the rents collected and is payable monthly. *A percentage fee is a proper method for establishing the amount of fees.*

2) Fixed fee

The property manager and landlord agree in advance to a set dollar amount – a fixed fee – to be charged monthly for management services.

The amount stays constant whether or not the units are rented. This method, while proper, *lacks the motivational incentive* to induce the property manager to generate maximum rental income.

Property Management Agreement (PMA)

➤ Structuring management fees:

3) Fixed fee per unit

Usually applied to [large apartment complexes or condominium associations](#), a set dollar amount is charged for each unit the property manager manages.

In addition to the basic fee, property managers often charge a one-time fee each time a unit is re-rented.

4) A percentage of the first month's rent

A [front-end fee](#) paid to the property manager is called a leasing or origination fee. If the landlord agrees, a fee can be charged when any tenant exercises an option to renew or extend, or when the premises is relet to an existing tenant.

Property Management Agreement (PMA)

➤ Structuring management fees:

Fee Structure	Description	Typical Rate / Example	Typical Usage	Advantages	Motivational Impact	Limitations / Risks
% of Rent Collected	A set percentage applied only to the rent actually collected.	5% to 10% of gross monthly rent.	Standard residential & commercial	Aligns manager's pay with rent performance	High Incentive: Directly motivates the PM to maximize collection and minimize vacancy.	Income drops if vacancy/high delinquency
Fixed Fee (Flat monthly)	A predetermined, set dollar amount charged monthly, regardless of occupancy level.	E.g., \$1,000 per month flat fee.	Single properties / small landlords	Predictable cost for landlord	Low Incentive: Manager earns the same whether the property is 100% or 50% occupied.	No incentive for maximizing rental income

Property Management Agreement (PMA)

➤ Structuring management fees:

Fee Structure	Description	Typical Rate / Example	Typical Usage	Advantages	Motivational Impact	Limitations / Risks
Fixed Fee per Unit	Common in large multi-family or association management. A base fee applied per managed door.	E.g., \$150 per unit, per month.	Large apartment complexes / HOAs	Scales well with large portfolios	Medium Incentive: Motivates unit filling, often paired with leasing fees.	May ignore differences in rent levels
% of First Month's Rent	A one-time fee charged for securing a new tenant, renewing a lease, or re-letting to an existing tenant.	Typically, 50 % to 100% of the first month's rent.	Leasing-heavy markets	Rewards effort in tenant sourcing/marketing	Transactional Incentive: Motivates securing occupancy quickly.	Risk of excessive tenant turnover (churn)



Thank You