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REA619
Property and Facility Management

Lecture 7



Real Estate Management

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Recap-Lecture 6

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Concept

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Recap-Lecture 6

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Property Management Licensing

Studying **Licensing in Property Management** is essential to understand the legal limits of professional practice.

Property Management Licensing clarifies which **activities require** a Department of Real Estate (DRE) broker license and **who is authorized to perform them**.

- This knowledge protects managers and firms from legal violations and liability.
- It ensures compliance with state regulations governing real estate activities.

1. Who Needs a DRE Real Estate Broker License?

General Rule

Any individual or entity that provides property management services **on behalf of others** and for **compensation** is required to obtain a Real Estate Broker License issued.

Property Management Licensing

Activities That Require a DRE License (✔ Yes)

Activity / Case	License Required?	Notes / Conditions
Managing property on behalf of another person for compensation	✔ Yes	Core real estate brokerage activity
Collecting rent on behalf of another owner	✔ Yes	Considered agency activity
Leasing or marketing units and finding tenants for third parties	✔ Yes	Includes advertising, marketing, and locating tenants
Signing property management agreements with owners	✔ Yes	Involves acting as an agent
Negotiating lease terms	✔ Yes	Negotiation activities require licensing
Selecting new tenants or negotiating with them	✔ Yes	Includes negotiations and commissions
Receiving bonuses or a percentage of income	✔ Yes	Considered contingent compensation
Communicating with owners regarding management of their property	✔ Yes	Goes beyond basic administrative support

Property Management Licensing

Activities That Do Not Require a DRE License (✗ No)

Activity / Case	License Required?	Notes / Conditions
An owner managing their own property	✗ No	Acting on their own behalf
Resident managers	✗ No	Must live on-site
Attorneys providing legal services	✗ No	Within the scope of legal representation
Court-appointed roles (Receiver, Trustee)	✗ No	Management under court authority
Individuals acting under Power of Attorney	✗ Temporarily No	For temporary purposes only such as illness or travel, with no ongoing compensation. However, it does not substitute for a license if the property management is continuous, long-term, and compensated.

Property Management Licensing

Activities That Do Not Require a DRE License (✗ No)

Activity / Case	License Required?	Notes / Conditions
Unlicensed employees under the supervision of a licensed broker	✗ No	Non-discretionary tasks only, Must be directly supervised

- ✓ Showing units to prospective tenants.
- ✓ Providing information to tenants.
- ✓ Receiving application forms and fees.
- ✓ Collecting rent and security deposits.
- ✓ Signing lease or rental agreements prepared by the broker.

- ✗ Signing property management agreements.
- ✗ Negotiating on behalf of the owner.
- ✗ Professional marketing of the units.
- ✗ Accounting and financial management.

Property Management Licensing

Employee or partner in a company that owns the property	 No (with conditions)	Fixed salary only; no commissions
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Role	License Required?	Notes
Employee/partner of a property-owning entity	 No	Only if receiving fixed wages, not commission-based
Employee receiving incentive-based or performance-linked compensation	 Yes	Viewed as engaging in licensed brokerage activity
Property manager hired by the owning entity	 Yes	Entity must hold a corporate broker license

Property Management Licensing

Official Licenses and Optional Certifications

Certification	Mandatory?	Issuing Body	Notes
Real Estate Broker License (Broker License)	 Yes	DRE (Department of Real Estate)	Required to legally practice property management
Certified CID Manager	 No	CACM (California Association of Community Managers)	Has formal educational standards under the Davis–Stirling Act but is not legally required
CPM (Certified Property Manager)	 No	IREM (Institute of Real Estate Management)	Professional credential from a private organization; widely recognized but not legally required
CAM (Certified Apartment Manager)	 No	NAA (National Apartment Association)	Focused on apartment management
ARM (Accredited Resident Manager)	 No	IREM	For residential buildings
RAM (Registered Apartment Manager)	 No	National Center for Housing	For apartment and residential management
CAPS (Certified Apartment Supervisor)	 No	NAA(National Apartment Association)	Supervisory role in property management

Tenant Estoppel Certificate (TEC)

When an owner of a tenant-occupied property wants **to sell it or obtain financing (a mortgage)**, the buyer or lender needs **to verify the accuracy of information related to rents, expenses, contractual obligations, and security deposits.**

The real estate agent prepares a form called an **APOD (Annual Property Operating Data Sheet)**, but it is not sufficient on its own. Therefore, it becomes necessary to obtain a document called a **Tenant Estoppel Certificate (TEC)** from each tenant.

(APOD)

An annual financial report (worksheet) used to gather and summarize **the income and expenses of an income-producing property** in order to analyze its performance in terms of **revenues, operating costs, and net operating income, and to evaluate its suitability as an investment** [RPI Form 352]

(TEC)

A written statement that summarizes **the monetary and possessory terms of a lease agreement**—such as rent, security deposits, and renewal rights—**and confirms whether both the landlord and the tenant have fully performed their obligations.** [RPI Form 598]

Tenant Estoppel Certificate (TEC)

The TEC discloses and confirms the current status of the following:

Rent Schedules: The current rent amount and any agreed-upon future increases.

Security Deposits: The exact amount of the security deposit held by the landlord.

Possessory and Purchase Rights: Any rights held by the tenant, such as:

- Option to extend or renew the lease.
- Right of first refusal to purchase the property.
- Option to lease additional space.
- Right to cancel the lease upon payment of a fee

Maintenance Responsibilities: Specifies the party responsible for maintenance and operating costs.

Tenant Estoppel Certificate (TEC)

APOD vs. TEC

Item	APOD (Annual Property Operating Data)	TEC (Tenant Estoppel Certificate)
Definition	An annual summary of a property's operating income and expenses used for financial analysis.	A written and signed statement by the tenant that verifies and summarizes the monetary and possessory terms of the lease.
Who Prepares and Signs It	Prepared by the owner or real estate agent; not signed by the tenant.	Prepared by the owner and signed by the tenant (or considered accepted if the tenant does not object).
Purpose	Provides an initial financial overview of the property's performance for evaluation and marketing.	Confirms the accuracy of financial and contractual information for legal reliance in a sale or financing transaction.
Level of Accuracy	May contain errors or estimates, as it relies solely on the owner's information.	Highly accurate and legally binding, as it is issued directly by the tenant.

Tenant Estoppel Certificate (TEC)

APOD vs. TEC

Item	APOD (Annual Property Operating Data)	TEC (Tenant Estoppel Certificate)
Legal Strength / Reliance	Not a legally binding document and may be revised or corrected.	A legally enforceable document that can be used against the tenant under the principle of estoppel.
Content	Aggregate financial figures: gross income, expenses, and net operating income (NOI).	Tenant-specific details: rent amount, security deposit, lease term, renewal options, and maintenance obligations.
Role in Decision-Making	Used as a starting point for feasibility analysis but insufficient for final decisions.	Used as a definitive legal basis for verification before closing a sale or securing financing.
Relationship to the Tenant	Does not impose any direct obligation on the tenant.	Binds the tenant to the facts they have acknowledged, preventing them from later contradicting the information (estoppel).
Risk if Relied Upon Alone	Risk of discrepancies between the owner's data and actual lease terms or occupancy conditions.	Lower risk, since the information is provided or affirmed by the tenant.

Tenant Estoppel Certificate (TEC)

Importance of TEC in Sale and Financing

In the Sale Process:

Confirms to the buyer the accuracy of the rent information presented in the APOD.

Prevents the tenant from claiming rights or rent reductions not stated in the TEC.

Confirms the amount of security deposits to ensure the buyer is not disadvantaged.

In Financing (Mortgage):

Enables the lender to know the tenant's actual obligations under the lease.

Prevents unauthorized rent increases after financing.

Protects the lender when ownership transfers in the event of foreclosure.

Tenant Estoppel Certificate (TEC)

Comparison of Roles of the Parties Involved with TEC

Party	Role and Responsibilities Related to TEC
Seller / Landlord	❖ Prepare the TEC based on the lease agreement. ❖ Send it to the tenant for signature. ❖ Ensure that a "TEC Clause" exists in the lease agreements to avoid liability. ❖ Provide the signed (or unsigned with explanation) certificates to the buyer.
Buyer / Lender	❖ Require TECs as a condition for completing the sale or financing. ❖ Review the TECs to verify consistency with information provided by the seller (APOD) and the lease agreements. ❖ Rely on the TECs to assess risks and determine the true value of the property.
Tenant	❖ Review the TEC to confirm the accuracy of the information. ❖ Sign and return the TEC if the information is correct. ❖ If obligated under the lease, failure to return the TEC may be considered implicit agreement to its contents.

Tenant Estoppel Certificate (TEC)

Legal Cases of the Tenant Regarding the TEC

TEC Clause in Lease Agreement?	Tenant's Position on the TEC	Legal Outcome / Effect on Buyer / Lender	Responsibility for Errors in the TEC
Yes	Signs and returns within the specified period	Bound by its content and cannot dispute it later; full reliance can be placed on the information (Estoppel)	The seller is generally not liable if they conveyed what the tenant acknowledged
Yes	Does not sign or respond	Considered silent and deemed to have waived objections; information may be treated as correct	The tenant bears the consequences of their silence if a dispute arises later
No	Signs voluntarily	Reliance can be placed on what the tenant signed (Estoppel)	The seller is only responsible for the accuracy of what was communicated to the tenant if fraud or misrepresentation is proven
No	Refuses to sign	No Estoppel arises from the TEC against the tenant; the lease must be referred to directly	If the seller provided incorrect figures relied upon by the buyer, the seller is liable for the difference

Real Estate Portfolio Management

“**Real estate portfolio management** is the process of planning, operating, and monitoring **a group of properties** as **one integrated investment system**, with the aim of maximizing returns, reducing risks, and achieving the optimal use of assets through strategic decisions that include acquisition, disposition, financing, maintenance, and leasing.

Real estate portfolio management relies on evaluating the overall performance of the portfolio rather than assessing each property individually.

Real Estate Portfolio Management

Objectives of Real Estate Portfolio Management

Maximizing rental returns and enhancing asset value.

Reducing risk through diversification (property type and geographic location).

Achieving long-term income stability.

Improving portfolio performance relative to the market.

Making investment decisions based on accurate, data-driven analysis.

Real Estate Portfolio Management

Ownership and Possession

These concepts are essential in **real estate portfolio management**, as the type of ownership or tenancy directly influences asset management, including risk exposure, maintenance obligations, and income potential.

Rights of Entry

In portfolio management, managing this concept is important because landlord entry for maintenance or inspections affects tenant satisfaction and operating costs.

Real Estate Portfolio Management

Improvements by Tenants

This is significant for asset valuation within a **portfolio**: Do the improvements enhance the asset's value? Should the owner retain or remove them?

Options and Right of First Refusal

These provisions influence the portfolio's exit strategy, as they determine who has priority to purchase the asset and affect the predictability of disposition decisions.

Real Estate Portfolio Management

Property Management Licensing

In **portfolio management**, employing a licensed manager reduces legal risk and enhances the credibility and compliance of management operations.

Property Management Agreement

This is critical in **portfolio management** because the contractual relationship determines who controls operational decision-making and how performance is reported and monitored.

Real Estate Portfolio Management

Financial Management

For a **real estate portfolio**, financial management is the core function, involving analysis of cash flows for each property, aggregate performance assessment, and identifying assets that require capital investment or divestment.

Marketing and Tenant Relations

In **portfolio management**, maintaining high-quality tenants and minimizing vacancy rates is essential to maximize returns and reduce risk.

Real Estate Portfolio Management

Maintenance and Physical Management

In **portfolio management**, it requires balancing maintenance costs against investment returns and determining when upgrades or renovations are necessary across the portfolio.

Legal and Risk Management

Legal risk management is a major component of **portfolio management**, including risks related to tenant default, legal disputes, and regulatory changes that may affect property performance.

Real Estate Portfolio Management

Property Management as the Primary Source of Portfolio Data

Property management serves as the main source of **operational data for the real estate portfolio**. Portfolio management relies on the information provided by property management to make investment decisions, including:

- ☐ Net Operating Income (NOI)
- ☐ Occupancy rates
- ☐ Tenant turnover rates.
- ☐ Projected revenues
- ☐ Operating expenses
- ☐ Legal issues related to tenants

This data is essential for evaluating the performance of each asset within the portfolio.

Real Estate Portfolio Management

The Effectiveness of Property Management Directly Impacts Portfolio Performance

The quality of property management immediately affects:

- ☐ Property value
- ☐ Investment feasibility
- ☐ Net income
- ☐ Operational risks
- ☐ Asset attractiveness to investors

Therefore, weak property management leads to the deterioration of portfolio performance, regardless of how strong the portfolio's strategies may be.

Real Estate Portfolio Management

Property Management as an Operational Component of Portfolio Strategy

Property management is considered an operational function within the framework of the portfolio.

A real estate portfolio cannot be accurately evaluated without analyzing the performance of property management.

Decisions such as disposition, redevelopment, or refinancing are based on property management reports.

Real Estate Portfolio Management

The Portfolio Sets the Policies, and Property Management Implements Them

Examples include:

- ✓ Leasing policies
- ✓ Contract terms
- ✓ Spending limits
- ✓ Property renovation plans
- ✓ Tenant service levels

Portfolio management sets the strategic policies, while property management applies them to each asset individually.

Facility Management

Facility management is an integrated organizational function aimed at aligning people, place, and processes within the built environment to enhance user quality of life and improve the productivity of an organization's core business activities.

Key characteristics of Facility management include:

- ☐ Reliance on **multiple interrelated disciplines** to support organizational objectives.
- ☐ A user-centered focus that emphasizes **quality and experience** rather than merely the physical assets.
- ☐ Achieving **Best Value** from operational services and available resources.
- ☐ Encompassing a **wide range of domains**, such as real estate management, financial management, human resources, health, safety, security, and environmental management, contract administration, facility services, and business support functions.

Facility Management

➤ Objectives of Facility Management:

Supporting Core Business Functions:

Creating an environment conducive to performing the organization's primary activities effectively.

Enhancing User Satisfaction:

Improving the experience of occupants and users of the facility and its services.

Objectives of Facility Management:

Maximizing Asset Value:

Ensuring buildings and Facility are utilized in the most cost-effective and efficient manner

Risks and Opportunities:

Identifying threats and operational risks, addressing them proactively, and leveraging opportunities to enhance overall performance.

Facility Management

Asset Management vs. Property Management vs. Facility Management vs. Real Estate Portfolio Management

Criterion	Asset Management	Property Management	Facility Management	Real Estate Portfolio Management
Objective	Maximizing the financial value of assets	Protecting, operating, and managing real estate properties	Supporting people and processes while enhancing productivity	Achieving the highest strategic return from a diversified group of properties
Focus	The assets themselves	Built properties	Users, services, and the built environment	The entire portfolio as a single integrated system
Core Functions	Acquisition, disposition, and development of assets	Leasing, contracts, property operations, and maintenance	Maintenance, security, cleaning, energy, and administrative services	Investment allocation, risk balancing, and overall performance evaluation
Scope of Execution	Physical and financial assets	Buildings and real estate units	The overall built environment (buildings + services + users)	A diversified group of properties (commercial, residential, industrial, etc.)
End User	Not the primary focus	Limited focus	Central focus	Indirect focus (primarily investors and returns)
Example	Deciding to develop or sell a building to optimize its value	Managing a residential building or commercial complex and dealing with tenants	Managing the Facility of an airport, university, factory, or office tower	Managing a portfolio of 10 diverse properties to balance return and risk

Facility Management

Owner vs. Operator vs. Property Manager vs. Facility Manager



OWNER

- Legal ownership of the property
- Major decisions and investments



OPERATOR

- Daily operations
- Safety, maintenance, efficiency, and costs



PROPERTY MANAGER

- Rental management
- Contracts and maintenance



FACILITY MANAGER

- Facilities management
- Building services and operations

Facility Management

Owner vs. Operator vs. Property Manager vs. Facility Manager

Element	Owner	Operator	Property Manager	Facility Manager
Primary Role	Legally owns the asset	Manages the day-to-day operation of the facility	Manages the property from a leasing and legal perspective	Manages facility services to support people and organizational processes
Main Focus	Investment and major strategic decisions	Operational efficiency, safety, and cost control	Lease administration, contracts, and preserving property value	Service quality, user satisfaction, and operational efficiency
Core Tasks	Acquisition/disposition of the asset, development, budgeting	Maintenance, operations, security, energy management	Leasing, contracts, rent collection, basic maintenance	Advanced maintenance, security, cleaning, services, performance management
Relationship with Users	Mostly indirect	Direct (operations affect users daily)	Limited (landlord–tenant relationship)	Highly direct (users are the core of service delivery)

Facility Management

Owner vs. Operator vs. Property Manager vs. Facility Manager

Element	Owner	Operator	Property Manager	Facility Manager
Scope of Responsibility	The asset as a long-term investment	Daily operational performance of the facility	The property as a rentable unit	The built environment + all supporting operational services
Decision-Making	Long-term strategic decisions	Daily operational decisions	Procedural and administrative decisions	Operational decisions + strategic improvement initiatives
Practical Example	Owner of a commercial building or a government entity	Building operations company or an internal operations department	Real estate firm or a property management office	Facility management in a university, hospital, airport, or large corporation

Facility Planning

Facility Planning is the process through which an organization's current and future needs for space and services are identified, and then translated into design and operational requirements that ensure the facility—once constructed or upgraded—will support the organization's activities efficiently and effectively throughout its life cycle.

Facility planning represents the first phase in the facility life cycle and is based on the following principles:

- ☐ Analyzing organizational needs (operations, users, and future growth).

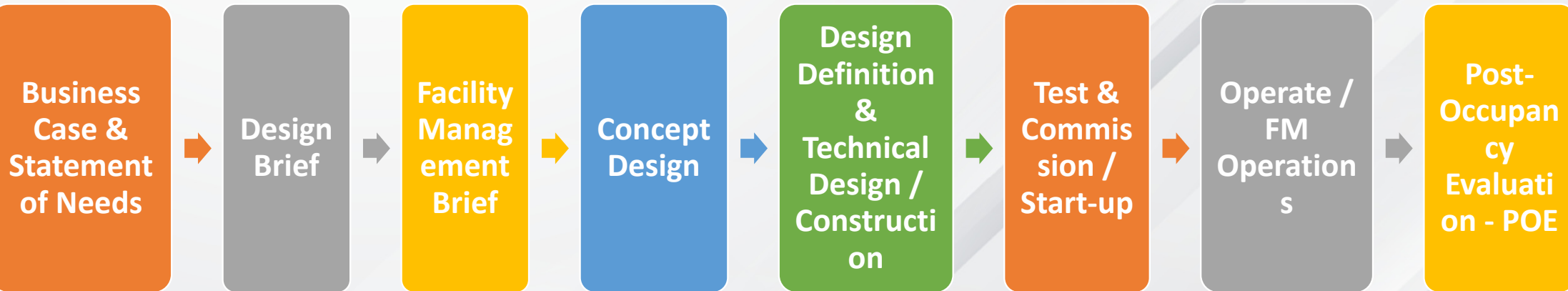
- ☐ Translating needs into functional and design requirements.

- ☐ Ensuring alignment between planning and the organization's strategic objectives.

- ☐ Relying on current operational information, as the outputs of facility management become inputs for the planning process.

- ☐ Adopting a life-cycle perspective, in which operational and maintenance costs are considered from the outset—not only design and construction costs.

Facility Management Life cycle



Facility Management Life cycle

1. Needs Identification and Business Case & Statement of Needs

Purpose

To assess the feasibility of the project and define its operational and strategic objectives before the design phase begins.

Definitions

- **Business Case:** A document that outlines the rationale for the project, expected benefits, budget, returns, risks, and HSSE and social responsibility policies.
- **Statement of Needs:** A document that specifies core functions, required spaces, stakeholder priorities, and success criteria.

Importance

This stage enables facility management to define **operational and maintenance requirements** from the outset, ensuring the project meets future operational needs while reducing long-term operational risks and costs.

Outputs

A comprehensive document detailing operational needs, project objectives, success criteria, and expected costs.

Facility Management Life cycle

2. Development of the Design Brief

Purpose

To translate needs and objectives into a clear design document that guides the design team.

Definitions

- **Design Brief:** A document outlining scope of work, functions, performance criteria, and stakeholder requirements, without specifying technical details.

Importance

Ensures that all operational and maintenance requirements are integrated into the design from the beginning, facilitating future management and enabling highly efficient facility performance.

Outputs

A Design Brief that defines the scope of work and key operational requirements, serving as a reference for both the design team and facility management.

Facility Management Life cycle

3. Facility Management Brief

Purpose

To link design with the operational phase and ensure efficient post-handover facility management.

Definitions

➤ **Facility Management Brief:** A document outlining operational strategies, performance requirements, and initial maintenance plans.

Importance

Ensures that the final design supports effective operation and continuous maintenance, forming the foundation for monitoring operational performance and reducing future operational costs.

Outputs

A document defining how the facility will be managed, operational requirements, KPIs, and an initial maintenance strategy.

Facility Management Life cycle

4. Concept Design

Purpose

To provide an initial conceptual vision of the facility that reflects organizational goals and user needs.

Definitions

➤ **Concept Design:** A preliminary design describing the general layout, space distribution, functions, and sustainability strategies.

Importance

Enables early evaluation by facility management of operational feasibility and maintainability, ensuring the design can practically and efficiently support facility management needs before moving to detailed design.

Outputs

A conceptual design illustrating the overall layout, functional arrangements, and sustainability strategies.

Facility Management Life cycle

5. Detailed Design and Construction (Design Definition & Technical Design / Construction)

Purpose

To fully develop the design and prepare the facility for construction and execution.

Definitions

- **Technical Design:** A detailed design that includes engineering drawings and technical specifications required for construction.

Importance

Facility management serves as the link between design and construction, ensuring operational and maintenance requirements are integrated to guarantee facility sustainability and avoid costly modifications later.

Outputs

A fully detailed design ready for construction with a clear implementation plan.

Facility Management Life cycle

6. Testing, Commissioning, and Start-up

Purpose

To ensure that all facility systems are ready for actual operation in accordance with defined standards.

Definitions

➤ **Commissioning:** A process of testing and verifying that all systems operate efficiently and meet operational requirements.

Importance

Enables facility management to confirm system readiness and properly train responsible teams, reducing operational errors and ensuring a smooth transition from construction to operation.

Outputs

A fully operational facility with documented testing results and operational procedures.

Facility Management Life cycle

7. Operation and Facility Management (FM Operations)

Purpose

To ensure efficient and sustainable facility operation throughout the entire life cycle.

Definitions

➤ **FM Operations:** Management of the facility, including maintenance, energy, support services, security, and continuous performance improvement.

Importance

Facility management plays a central role in maintaining sustainability, improving operational efficiency, reducing costs, and ensuring long-term user satisfaction.

Outputs

A facility operating efficiently and sustainably, with performance indicators monitored and continuous improvements implemented.

Facility Management Life cycle

8. Post-Occupancy Evaluation (POE)

Purpose

To measure how well the facility fulfills its operational and design objectives after actual use.

Definitions

➤ **POE:** An assessment of design outcomes from the perspective of users and operational performance after the facility has been occupied.

Importance

Provides facility management with accurate data to enhance operational efficiency, resource management, and future facility planning.

Outputs

A POE report containing user satisfaction results, performance efficiency metrics, and recommendations for future improvements.

Lecture Summary: Quick Review

Property Management Licensing

Concept

Activities That Require a DRE License (✓ Yes)

Activities That Do Not Require a DRE License
(✗ No)

Official Licenses and Optional Certifications

Tenant Estoppel Certificate (TEC)

Concept

APOD vs. TEC

Importance of TEC in Sale and Financing

Comparison of Roles of the Parties
Involved with TEC

Legal Cases of the Tenant Regarding the
TEC

Lecture Summary: Quick Review

Real Estate Portfolio Management

Concept

Objectives of Real Estate Portfolio Management

Key Components of Real Estate Portfolio Management

Property Management vs. Portfolio Management

Facility Management

Concept

Key characteristics of Facility management

Objectives of Facility Management

Asset Management vs. Property Management vs. Facility Management vs. Real Estate Portfolio Management

Owner vs. Operator vs. Property Manager vs. Facility Manager

Facility Planning

Facility Management Life cycle



Thank You