

# Foundations of Real Estate Management™

## Module 1: Real Estate Administration

### Session 1: A Day in the Life of a Real Estate Manager (60 minutes)

#### Objectives:

- Describe and discuss the principal forms of real estate ownership, the basic ownership strategies, and the main types of ownership interests.
- Describe and discuss the role and responsibilities of a property manager.
- Define fiduciary duty, and explain how this duty pertains to the property manager's relationship with the owner of the building.
- Describe and discuss the various members of the property management team and their property management responsibilities.

#### Mayor of Your Own City

- Choosing a career in real estate
- Typical day of a PM

#### PM Works for the Owner

- Management agreement
  - Fiduciary duty
- Understanding the owner's strategy
  - Long-term hold
  - Short-term hold
  - Cash flow
  - Terminal value
  - Disposition
- Ownership types
  - Publicly traded firms
  - Privately held firms
  - Real Estate Investment Trusts (REITs)
- The role of the asset manager
  - Private investors
  - Institutional investors
- Property management companies
  - Third party
  - Owner-managed
  - Corporate

#### Property Manager as a Team Member and Leader

- Members of the team
- On site v. off site

#### The Property Manager of Tomorrow...Today

- Professional development/education
  - Professional designation programs
  - Professional memberships

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### Session 2: Asset Management and Valuation (60 minutes)

#### Objectives:

- Describe how value is created on an income-producing property, and identify at least five ways a property manager can add value to a real estate investment.
- Describe the concept of equity as it relates to owning a piece of investment real estate, and explain how an owner can use leverage to increase the value of his real estate holdings.
- Describe what happens to the value of a real estate investment when the capitalization rate is increased or decreased.

#### Cash Flow

- Cash flow equation
- Components
  - Income
  - Operating expenses
  - Net operating income
  - Capital expenses
  - Debt service
    - Non-operating expenses
    - Net cash flow
  - Increasing income v. decreasing expenses
    - Deferred maintenance

#### Adding Value

- Preserve value
- Improve value
- Appreciation

#### Asset Manager's Job

- Owner/asset manager's strategy
  - Strategy phases
    - Acquisition phase
    - Value enhancement phase
    - Disposition phase
  - Strategies
    - Add value
    - Hold
      - Short
      - Intermediate
      - Long
    - Sell and reload
    - Sell and not reload
    - Maximize cash flow
    - Provide for annual return

- Risk tiers
  - Core
  - Core +
  - Value add
  - Opportunistic
- Care and feeding of your asset manager
  - Best practices

## **Value**

- Market value v. market price
  - Sales comparison approach
  - Cost approach
  - Income approach
    - Net operating income
    - Capitalization rate/calculation

## **Equity and Leverage**

- Mortgage
  - Principal
  - Interest
  - Interest-only loans
- Equity
  - Loan-to-value equity
- Leverage

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**Session 3: Tenant Relations and Tenant Retention (60 minutes)**

**Objectives:**

- Demonstrate why retaining tenants benefits a building owner more than replacing tenants.
- Describe at least five tactics to improve tenant satisfaction in the building.

**Tenant Satisfaction**

- Tenant satisfaction v. “raving tenants”
  - Characteristics of raving tenants
- Listening to your tenants
  - Surveys
  - Meetings
  - Tenant Council
    - Discussions
    - Decisions
    - Best practices
- Improving tenant service levels
  - Best practices

**Tenant Retention**

- Advantages to owner
- Advantages to tenant
- Calculating value of renewal v. replacement

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### Session 4: Contracting for Goods and Services (45 minutes)

#### Objectives:

- Identify the components of a competitive bid process, ranging from the Request for Information through the Bid Award.
- Describe at least five criteria that a property manager uses to evaluate bids from multiple vendors.
- Describe at least ten considerations a property manager must keep in mind when crafting and signing a service agreement.
- Define OFAC compliance and discuss the steps a firm must take to comply with the regulations.
- Identify the main components of the process to terminate a vendor.

#### Liability

- Company, PM, owner
- Management agreement
- Policies and procedures manual

#### The Bid Process

- Bid list
- Request for Information (RFI)
- Request for Proposal (RFP)
- Pre-bid meetings
- Evaluating the bid

#### Service Agreements

- Standard agreements
- Legal requirements
- Signature policies
- Office of Foreign Assets Control (OFAC) Compliance
  - Responsibilities
  - Penalties

#### Termination

- Notice
- Cause/Default
- Cure

#### Ethics

- Kickbacks, gifts, etc.
- Personal v. business relationships

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### Session 5: Leasing and Marketing (75 minutes)

#### Objectives:

- Identify the following characteristics as they relate to commercial properties: product type; market; submarket; class; ENERGY STAR®, LEED®.
- Explain the value of optimizing energy and environmental performance, and describe the benefits that an ENERGY STAR®, LEED®, or other certification delivers to a building owner.
- Define and relate the following terms to one another: Gross Building Area; Gross Measured Area; Rentable Area; Usable Area; and Common Area.

#### The Brokerage Firm

- Responsibilities of a broker
- Leasing transactions
  - Landlord representative
  - Tenant representative
  - Dual agency
- Compensation
  - Commission only
  - Salary plus commission
  - Salary
  - Equity

#### Real Estate Markets

- Markets
- Submarkets

#### Supply and Demand

- Relationship to rental rates
- Absorption
  - Calculating absorption
- Vacancy
- Elasticity
- New construction

#### Product Type

- Office buildings
- Retail
- Industrial
- Residential
- Mixed use

## Classes

- Factors that determine class
- Bases
  - Metropolitan
    - Class A, characteristics
    - Class B, characteristics
    - Class C, characteristics
    - Trophy
  - International
    - Investment grade
    - Institutional grade
    - Speculative grade

## Sustainability Measures

- ENERGY STAR®
  - Portfolio Manager
- BOMA Energy Efficiency Program (BEEP®)
- Leadership in Energy and Environmental Design (LEED®)
- BOMA's 7-Point Challenge

## BOMA *Experience Exchange Report (EER)*

- Building demographics
- Income and expense data

## Measurement Standards

- BOMA's *Standard Method for Measuring Floor Area in Office Buildings*
  - Tenant spaces v. common spaces
    - Gross Building Area (GBA)
    - Gross Measured Area (GMA)
    - Usable Area (UA)
    - Rentable Area (RA)
    - Building Common Area
    - Floor Common Area

## Components of a Lease

- Letter of intent (LOI)
- Lease agreement
- Space plans
- Tenant improvement (TI)
- Construction drawings
- Rental rate
  - Gross lease
  - Net lease
  - Percentage rent
  - Ground rent
- Other common negotiation points

## Property Manager's Role on the Leasing Team

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### Session 6: Insurance and Risk Management (45 minutes)

#### Objectives:

- Explain how the property manager also serves as a risk manager.
- Compare and contrast “claims made” and “occurrence” insurance policies.
- List at least five types of commercial insurance.
- Define and know how to locate the critical information contained on a certificate of insurance.

#### Risk Management

- Acting as a risk manager
  - Risk management techniques

#### Insurance

- Claims made policy
- Occurrence policy
- Premium
- Deductible
  - Self-insured
- Limits
- Indemnification
- Types of commercial coverage
  - Commercial general liability
  - Business automobile
  - Garage
  - Worker’s compensation
  - Property insurance
  - Excess liability/umbrella
  - Boiler and machinery
  - Builder’s risk
  - Business interruption
  - Content/renters insurance
  - Terrorism insurance
- Primary insurance coverage
  - Subrogation

#### Certificates of Insurance

- What’s included
- Additional insured v. named insured

#### Incident Reporting

- Claim
  - First party
  - Third party
- Negligence



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**Session 7T: Property Tour (Optional)**

**Objective:**

- Visit a property management office

**Tour Highlights**

- Property management office