



Frequently Asked Questions About Real Estate Management and Real Estate Managers

Q: How would you define professional real estate management?

A: Simply put, professional real estate management is the administrative operation and maintenance of properties to meet the objectives of their owners. It also involves planning for the future of the properties by proposing physical and fiscal programs that will enhance the value of the real estate.

Q: What are the primary responsibilities of real estate managers?

A: Their primary responsibilities are: (1) management of the physical site, (2) management of on-site and off-site personnel, (3) management of funds and accounts, and (4) management of leasing activities and tenant services. Increasingly, real estate managers are being called upon to take on asset management functions, shouldering an ever-growing degree of responsibility for financial and strategic tasks.

Q: What sparked the development of real estate management as a function within the real estate industry?

A: The function resulted from a number of factors, but a major trigger occurred in the 1930s after lenders foreclosed on thousands of mortgages and discovered that real estate management required specialized skills.

Q: Is real estate management growing as a profession?

A: Yes, it is growing steadily because of these three concurrent trends: (1) simultaneous growth of the population and its requirements for space has increased the total number of all types of buildings, (2) a larger percentage of real estate is considered investment property and (3) there is increasingly wide acceptance of the fact that real estate management requires special training and education.

Q: Generally speaking, what is the primary goal that property owners—and therefore their real estate managers—strive to achieve?

A: That goal is usually for the property to reach its highest and best use, meaning that it generates the highest net operating income (NOI) possible and is being used in the best possible way based on its location, size and design.



Q: How do real estate managers determine the direction they will take to achieve the owners' goals?

A: They typically start by developing a management plan – an analysis of the current physical, fiscal, competitive and operational conditions of a property expressed in relation to the owners' goals. If these conditions are not compatible with attaining those goals, real estate managers generally use the management plan to recommend and support physical, financial or operational changes. Management plans also may be developed to evaluate the feasibility or practicality of plans owners have for their property.

Q: What are the typical components of a management plan?

A: Because of the unique aspects of each property, each real estate manager's management style and each owner's expectations, there is no definitive form for a management plan. But the typical components of a plan, in the following sequence, are:

- Regional analysis
- Neighborhood analysis
- Property analysis
- Analysis of alternatives, e.g. operational changes, structural changes and changes in use
- Cost-benefit analysis
- Conclusion and recommendations

Q: Can you describe the management agreement that formalizes the relationship between real estate managers and property owners?

A: A management agreement is a binding contract that establishes the manager's legal authority over the operation of a given property. The manager usually is an agent for the owner, serving as the owner's fiduciary or trustee of the owner's funds and assets associated with the property. The agreement establishes the relationship between the owner and the manager for a fixed period, defines the manager's authority and compensation for services provided, outlines procedures, specifies limits of the manager's authority and actions, and states financial and other obligations of the property owner.

Q: What are the ramifications of the real estate manager's role as an agent of — and therefore fiduciary responsibility to—the property owner?

A: In the role of agent, the real estate manager must exercise a high standard of care in managing both money and property for the owner (fiduciary capacity). Being a fiduciary creates certain legal obligations. The manager must be loyal to the interests of the client and not engage in activities contrary to that loyalty. This means scrupulous attention to the handling of the owner's funds and not accepting any fee, commission, discount, gift, or other benefit that has not been disclosed to and approved by the owner-client.

Q: With ethical practices clearly an important part of professionalism in real estate management, how can owners be reasonably confident that their real estate managers will hold themselves to a high ethical standard?

A: Owners should be aware that real estate managers who have earned any one of the four professional credentials conferred by IREM® – the CERTIFIED PROPERTY MANAGER® (CPM®) designation, the ACCREDITED RESIDENTIAL MANAGER® (ARM®) certification, the ACCREDITED COMMERCIAL MANAGER (ACoM) certification and the ACCREDITED MANAGEMENT ORGANIZATION® (AMO®) accreditation – must abide by the strictly enforced IREM® Code of Professional Ethics. In addition to the fiduciary responsibility called for as the owner's agent, the IREM® Code of Professional Ethics requires managers to hold proprietary information in confidence, to maintain accurate financial and business records for the managed property and to protect the owner's funds. The Code also outlines duties to one's employer, to former clients and employers, and to tenants and others; sets forth requirements for contracting management and managing the client's property; and addresses relations with other members of the profession and compliance with laws and regulations.

Q: When owners and real estate management companies hire real estate managers, what types of questions should they ask?

A: When seeking a real estate manager, ask questions directed to learning about the real estate manager's professional integrity, communication skills, analytical problem solving ability, and experience and reputation. Look for managers who have demonstrated experience in the areas of human resources management; physical property management; financial, risk and administrative management; communications and tenant/resident relations; and marketing and leasing. Holding a professional credential from a recognized organization such as IREM is one way to qualify potential managers. For a more in-depth list of questions, visit www.irem.org and download "Choosing the Right Real Estate Manager or Real Estate Management Firm" from the Owners/Investors section.

Q: Do IREM-credentialed members have any special assets/competitive advantages to offer their employers and owner/clients?

A: Yes. Among them:

- They have earned their credentials by meeting strict requirements in the areas of education, experience and pledging to adhere to a code of professional ethics that is strictly enforced by the association.
- They have ready access, via their IREM® membership, to the latest news, information and resources in the real estate management industry, enabling them to easily stay on top of their profession and continually sharpen their skills.
- They can access networking opportunities available to them through IREM® Chapter activities and national programs to draw on and benefit from the experience of others who have met the Institute's professional standards of excellence.

Q: How can I find CPM®, ARM®, ACoM and AMO® Members in my area?

A: Visit the IREM® website—www.irem.org—to "Find a Member." The directories are easily accessed databases that can be searched by location, company, and property type. Or, call IREM at (800) 837-0706, Ext. 4650.

Q: How can I get additional information about the real estate management profession, IREM and the credentials it confers as well as what it takes to earn them?

A: Again, visit the informative IREM® website, which is continuously updated. Or contact IREM:

- By e-mail: custserv@irem.org
- By phone: (800) 837-0706, Ext. 4650
- By mail: 430 N. Michigan Ave., Chicago, IL 60611
- By fax: (312) 661-0217



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