

## **IREM® Guide to Choosing the Right Real Estate Manager or Real Estate Management Firm**

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*As with any business relationship, asking the right questions at the outset will increase the chances of a successful partnership. This guide is designed to provide you with some suggestions when seeking to hire a real estate manager or contracting with a real estate management firm. Use the IREM online membership directory at [www.irem.org](http://www.irem.org) to find a real estate management firm or real estate manager who has earned an IREM credential.*

### **Choosing a Real Estate Manager**

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When seeking a real estate manager, look for honesty and professional integrity, communication skills, analytical problem solving ability, and experience and reputation.

- How long have you been a manager? What is the value of the assets you manage? What is the total number of residential units/commercial square footage in your management portfolio? Do you hold a real estate license?
- What professional designations do you hold? What are your educational credentials? Can you provide professional references?
- What level of experience do you have in this particular market and with this type of property? Can you provide some examples of how you've improved the value of some of the properties you've managed? What is your experience with, or give me an example of a situation where you were involved with:
  - a major redevelopment of a property
  - a substantial re-marketing or re-tenanting of a property
  - a significant emergency or disaster involving one of your properties
  - a strategic re-direction or change of use for a property.

In qualifying candidates for its CERTIFIED PROPERTY MANAGER® (CPM®) designation, IREM defines the activities performed by real estate managers according to 35 functions. You can use these functions to ask questions about a manager's experience in each area or to give you examples of situations where the manager needed to use these skills.

#### **Human resources management**

- Hiring, managing and evaluating site personnel and/or off-site management staff or contracted management firms, directly or through others.
- Identifying staffing requirements and developing, or approving, job descriptions and/or developing and monitoring, or approving, human resource policies and training and development plans.

#### **Physical property management**

- Identifying, implementing and monitoring, or approving, energy use/conservation programs for the property.
- Determining which items or services are to be purchased for the property, preparing specifications, soliciting and evaluating bids for contract services, negotiating or approving contracts, and monitoring contracts.

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- Overseeing operation of building systems, supervising employees or monitoring contractors who perform routine maintenance and repair work, and/or overseeing planning and construction of tenant improvements and interior design.
- Designing, implementing and monitoring, or approving, preventive maintenance programs for the property.
- Establishing or maintaining and enforcing the property's operating policies and procedures and occupancy/usage guidelines.
- Identifying, analyzing and implementing, or approving, capital improvement or replacement programs, including but not limited to maintenance or remodeling programs and resident/tenant improvements.
- Performing regular property inspections and taking appropriate action in accordance with established policies and procedures.

### **Financial, risk and administrative management**

- Establishing, maintaining and monitoring adherence to, or approving, the property's record keeping system.
- Designing, implementing or approving life-safety and emergency preparedness programs for the property.
- Developing, implementing or approving a risk management program for the property and/or identifying the property's insurable risks and recommending, securing and monitoring insurance coverages.
- Ensuring the property's compliance with government and environmental regulations.
- Processing and/or monitoring, or approving, property payables.
- Supervising property collections, including the handling of property receipts, journal entries, records of account, bank deposits, and delinquent accounts.
- Preparing, presenting and implementing annual property budgets, including capital expenditure budgets, or reviewing, authorizing and monitoring such budgets prepared by others.
- Preparing, analyzing or approving the property's financial and operating statements and variance reports.
- Approving major deviations from the budget, exclusive of emergencies.
- Identifying and analyzing the property's financial requirements and financing options, and/or replacement reserve requirements, and recommending funding sources to the owner.
- Estimating and monitoring the market value of the property and assessing the implications that estimates of value have on the owner; determining the reasonableness of assessed value and insurable value.
- Identifying, analyzing and proposing alternate uses of the property and implementing or approving a plan to change the property's use (e.g., converting a residential building to commercial use).
- Reading and interpreting loan document requirements.
- Establishing or maintaining management controls and analyzing the property's performance.
- Identifying and recommending, or approving, real estate assets for acquisition or disposition.
- Determining the goals and objectives of the property owner.
- Evaluating real estate tax assessments and recommending an appeal strategy to the owner when appropriate.

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- Preparing a management plan for the property.
- Identifying and recommending, or approving, alternate sources of income for the property and implementing programs accordingly.

### **Communications and resident/tenant relations**

- Designing and implementing, or approving, resident/tenant retention, orientation and property familiarization programs.
- Routinely communicating with occupants of the property concerning level of service and other management matters and/or investigate and resolving resident/tenant complaints.

### **Marketing and leasing**

- Administering the leasing and lease renewal process and/or negotiating or approving leases.
- Preparing, marketing and showing leasable space.
- Preparing, approving or executing a marketing plan for the property.
- Analyzing market conditions and recommending, or approving, the property's rental rates.
- Recommending and/or initiating legal actions for violations of leases, contracts or governing documents, including but not limited to evictions and filing of liens.

## **Choosing a Real Estate Management Firm**

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When seeking a real estate management firm, look for management expertise, industry experience, local market knowledge, financial responsibility, business stability and integrity and ethics. The following questions can help you in your search.

### **Management Expertise and Industry Experience**

- What types of properties does your firm manage? What is the value of the assets under management with your firm? What is the total number of residential units/commercial square footage your firm manages? How many clients do you currently have? How long have you been in business?
- Can you provide examples of how you've improved the value of some of the properties your firm has managed?
- What services does your firm provide? Do you (or how do you):
  - Collect rents and assessments
  - Hire, supervise, dismiss employees at the property
  - Communicate with tenants and owners in regard to complaints
  - Purchase minor operating supplies and repairs (what defines minor?)
  - Purchase major repairs or supplies (What defines major?)
  - Prepare specifications for major expenditures
  - Provide consultation on major replacements, additions or remodeling
  - Negotiate leases
  - Order and supervise tenant decorating
  - Obtain competitive bids on major repairs and alterations

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- Prepare payroll
- Prepare income tax returns
- Recommend rental rates
- Prepare operating budget
- Obtain & administer insurance coverage and claims prevention or handling
- Administer property tax valuation review, analysis and appeals
- Obtain favorable financing
- Provide in-house development/redevelopment services
- Provide in-house architectural and construction project management
- Provide in-house legal services

### **Local Market Knowledge**

- What are some of the trends in the local market? What is the legislative environment? How can you place my properties in the best light in a competitive market?

### **Business Stability**

- What type of insurance does your company hold to protect my investment?
- Have you operated under other names? Has the firm or its parent company ever filed for Chapter 11 or other financial reorganization for the benefit of creditors? Has the firm ever been involved in either civil or criminal legal proceedings as a defendant in which there were allegations of fraud, misrepresentation, misappropriation of funds or property?
- How is your organization structured? Who are the owners? Who would be working on my properties? From how many locations do you operate? Where are they located?

### **Financial Responsibility**

- What is your management fee and how is it calculated? May I see a sample management agreement?

### **Integrity and Ethics**

- What safeguards do you have in place to protect the funds in your control?
- What professional credentials does your company hold? What are the professional and educational credentials of your firm's top management? What are the professional and educational credentials of the management team working on my portfolio?

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- What is your reputation in the business community? Can you provide business references?

### **What a Real Estate Manager or Real Estate Management Firm May Ask You**

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Your prospective real estate management firm or real estate manager is just as interested as you are in developing a successful partnership. You can expect to be asked questions about:

- Your goals and objectives for the property or portfolio; measurement of those goals
- Vacancy rates, current tenants/residents, rent roll, leases
- Operating and capital expenditures, building maintenance, ongoing construction, property inspections, collection issues, ADA or other code compliance issues
- Current staffing
- Marketing and leasing plans and tactics
- Insurance, risk management, emergency procedures
- Reporting requirement – frequency, content and format
- Property financing status
- Financial capacity and liquidity of the owners



### **IREM Institute of Real Estate Management**

IREM Headquarters	Phone	(800) 837-0706
430 North Michigan Avenue		(312) 329-6000
Chicago, IL 60611-4090	Fax	(800) 338-4736
<a href="http://www.irem.org">www.irem.org</a>	E-mail	<a href="mailto:custserv@irem.org">custserv@irem.org</a>