

# PROPERTY MANAGEMENT DETAILS



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# Property Management

## Definition, Roles, Types, and Duties

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### Property Management?

Property management is the daily oversight of residential, commercial, or industrial real estate by a third-party contractor. Generally, [property managers](#) take responsibility for day-to-day repairs and ongoing maintenance, security, and upkeep of properties. They usually work for the owners of investment properties such as apartment and condominium complexes, private home communities, shopping centers, and industrial parks.

Their main roles are to manage routine tasks delegated to them by the owners and to preserve the value of the properties that they manage while generating [income](#).

### Key Takeaways

- Property management is the oversight of real estate by a third party.
- Property managers can manage various types of property: residential, commercial, industrial, and property for special purposes.
- Property managers are generally responsible for the day-to-day operations of the real estate, from screening tenants to arranging for repairs and maintenance.
- Owners pay property managers a fee or a percentage of the rent generated by the property.
- Every state has its own laws regulating the activities of property managers.

### Understanding Property Management

Property developers generally want to move on to the next project as soon as each one is completed. Even if they continue to hold [title](#) to the property, they prefer to delegate the day-to-day operations to an outside company.

The responsibilities of a property manager generally involve the following:

- Screening potential tenants
- Drafting, signing, and renewing [leases](#) on behalf of property owners

- Collecting [rent](#)
- Maintenance of properties, including landscaping and snow removal
- Arranging for necessary repairs to properties
- Setting up and adhering to budgets for property maintenance
- Understanding state and national landlord-tenant laws and regulations
- Marketing properties
- Supervising other employees
- Handling taxes

The companies must comply with any state and local landlord-tenant laws and regulations.

Owners pay property managers a [fee](#) or a percentage of the rent generated by a property while it is under their management.

## **Types of Property Management**

Just as property comes in many types, so do property managers. Some firms are specialized in providing management for a particular type of property, while others offer management services over a range of property types. A huge range of property types can be managed.

### **Residential Property Management**

Residential property managers are typically hired for rental properties, and they manage the rental process. They can be hired to manage:

- Single-family homes
- Vacation rentals
- Multifamily homes
- Town houses
- Condominiums
- Apartments
- Manufactured homes
- [Real estate-owned \(REO\) properties](#)

### **Commercial Property Management**

Commercial property owners have different needs from those who own residential property. Commercial property management can apply to:

- Public accommodations like hotels
- Retail properties like malls, restaurants, and gas stations
- Office properties like real estate brokerages or doctors' offices
- Co-working spaces where professionals rent work space by the day or the hour

### **Industrial Property Management**

Industrial properties that can benefit from management include:

- Heavy manufacturing facilities such as automotive plants and steel mills
- Light manufacturing factories such as food packaging
- Warehouses
- Distribution facilities

## **Special-Purpose Property Management**

There are also numerous types of property that don't fit neatly into the categories above, but that require management nonetheless. These include:

- Theaters
- Sports arenas
- Resorts
- Senior care facilities
- Schools and universities
- Places of worship

## **Who Needs a Property Manager?**

Several types of property owners can benefit from the services that property managers offer.

Landlords, for example, hire property management firms for a variety of reasons. Some may have multiple rental properties in their portfolios and lack the time or expertise to maintain the properties and deal with individual tenants. Some owners only have an interest in owning rental properties and earning profits from them. When this is the case, they hire professional property managers. [Absentee landlords](#) also make use of property management services. Some property management companies cater to individual landlords who rent out a single property such as a vacation home.

Property owners who participate in [affordable housing](#) programs tend to use property management services because their rental properties are subject to complex federal guidelines that require specialized expertise. Certain [real estate](#) brokers also operate as property managers. For example, a [broker](#) in a resort town may provide buyer and seller agent services as well as property management services. When this is the case, the real estate broker lists, shows, leases, and maintains vacation rentals for a number of property owners.

Property managers are different from community managers, who deal with common areas rather than individual units and don't necessarily deal directly with landlords.

## **Special Property Management Considerations**

Property management licensing requirements vary by state.<sup>1</sup> Most states require property management companies to be licensed by the local real estate board, so property owners need to make sure that the firms they hire are properly licensed.

For instance, property managers in Florida are required to have [real estate broker's licenses](#) to operate in the state.<sup>2</sup> That's because some of their responsibilities are deemed real estate activity. Holding a real estate broker's license allows property managers to list rental properties in the [multiple listing service \(MLS\)](#) and to market the properties by standard real estate marketing methods. Holding a real estate broker's license also allows the property management company to place a real estate board lockbox on a property's door so that other licensed agents can show the property.

Florida also requires property managers to hold a broker's license if they deal with rentals or leases and receive a [commission](#) for their services. However, property managers who manage the properties that they own in the state don't need a license to do so.<sup>2</sup>

Managers in Massachusetts don't require a broker's license.<sup>3</sup> That's because certain duties considered to be real estate activities, such as listing and leasing properties, may be secondary to the main duties performed by the property manager.

## **Is a property manager worth it?**

It depends. Managing property can be costly and take a lot of time. If the cost of a property manager is less than the [opportunity cost](#) of managing properties yourself, it's probably a good investment. However, this is an equation that every investor will have to work through for themselves.

## **Who benefits from hiring a property manager?**

Any property manager who doesn't want to deal with the day-to-day management of property can potentially benefit from property management. This can include a residential property owner who doesn't want the headaches of dealing with tenants, or commercial property owners who prefer others to source and manage tenants, leases, and maintenance.

## **Are property managers regulated?**

Yes. Property management licensing requirements vary by state, but most states require property management companies to be licensed by the local real estate board. Property owners should make sure that the firms they hire are properly licensed.

## **The Bottom Line**

Property management is the oversight of real estate by a third party, normally a professional property manager or property management company. Property managers can manage many different types of property: residential, commercial, industrial, and property for special purposes.

Property managers are generally responsible for the day-to-day operations of the real estate, from screening tenants to arranging for repairs and maintenance, and are paid via a fee or a percentage of the rent generated by the property. Every state has its own laws regulating the activities of property managers, so it's important for property owners to check that potential property managers are properly licensed for their state.

#### Related Terms

##### [Absentee Landlord: What It Is, How It Works, Pros And Cons](#)

An absentee landlord, most often found in commercial real estate ownership, rents the property but is not located on or near the property.

[more](#)

##### [Property Manager: Definition, Job, Pros & Cons of Hiring One](#)

A property manager oversees and manages the daily operations of a real estate property.

[more](#)

##### [Commercial Real Estate Definition and Types](#)

Commercial real estate is property used for business purposes rather than as a living space. It includes offices, industrial units, rentals, and retail.

[more](#)

##### [What Is a Condominium? How Condos Work Compared to Apartments](#)

Condominiums are housing units in a large property complex that are sold to buyers. While apartments are generally rented, condos are owned. Learn more.

[more](#)

##### [Triple Net Lease \(NNN\) Meaning, Uses, and Benefits for Investors](#)

A triple net lease (NNN) assigns sole responsibility to the tenant for all costs relating to the asset being leased, in addition to rent.

[more](#)

##### [Landlord: Duties, Responsibilities, and Rights](#)

A landlord is a person or entity who owns real estate for rent or lease to a tenant. Learn how landlords make money and what they can and cannot do.

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