



Best Practices: Real Estate Management Service

Management Company | Client Relations |
Management of the Property | Tenant/Resident Relations |

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Introduction

IREM® (Institute of Real Estate Management) has developed this set of best practices to serve as a practical tool for real estate management company executives in operating their businesses successfully and in a professional manner.

They have been developed with the goal of providing a reasonable framework for the professional delivery of real estate management services.

The concept behind these best practices is that there are certain proven solutions and recognized guidelines that are likely to result in greater efficiency, enhanced effectiveness, and ultimately a competitive advantage. These 62 best practice statements are explicitly not intended to be standards, but rather are guiding suggestions for those who provide real estate management services. **They are aligned around four organizing categories:**

1. The management company
2. Client relations
3. Management of the property
4. Tenant/resident relations

These best practices are focused on the management company or other business enterprise that is providing real estate management services to others – not on the individual real estate manager or on the property being managed. These best practices tend to be more aligned with the management of rental properties and investment

real estate, but they are equally applicable to and intended to be used for the management of all property types and properties of all sizes in all markets.

IREM's best practices can be used in several ways:

- As a **business development** tool. The best practices can be made part of proposals and presentations to showcase the scope and depth of a management company's operations and the solid business platform on which it is built.
- As a **client relations** and business retention tool. Incorporating the best practices into reports to clients demonstrates the controls a company has in place and how they benefit the client. Using the best practices as a type of report card will show clients the professional level of service they are receiving.
- As a checklist for **starting a new company**.
- As a model for **staff training and education**. The best practices can help with on-boarding new employees. They can serve as a tool for reviewing and updating job descriptions, doing internal performance assessments, and creating employee development plans.
- As input into establishing the company's **annual goals** or developing its longer-term strategic plan.
- As a tool for **auditing** a company's business practices and identifying gaps and areas for improvement.

Five new best practices have been added to this edition:

Best Practice 1.6 on data security

Best Practice 1.16 on systems efficiency

Best Practice 1.17 on news media response plans

Best Practice 3.10 on contracted vendors

Best Practice 4.7 on tenant/resident privacy

Any comments or questions about these best practices or suggestions for future best practices can be directed to:

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Definitions

The following definitions have been adopted for purposes of this Best Practices document. They do not necessarily represent legal terminology or definitions and should not be construed as such.

Client – The term “client” is used here to refer to the owner of the property or owner’s designated agent to whom management services are provided.

Client directive – The term “client directive” is a written instruction from the client, or confirmed in writing with the client, or contained within a contract or management agreement.

Landlord – The term “landlord” is used here to refer to the owner or owner’s designated agent of real estate that is rented or leased to an individual or business.

Management company – The term “management company” is used here to refer to an organization operating as a managing agent that provides real estate management services for a fee. This includes property management companies and property management departments within full-service real estate companies.

Owner – The term “owner” is used here to refer to the individual or entity with legal right of title to a property.

Tenant/Resident – The term “tenant/resident” is used here to refer to a person or entity that pays and/or exchanges something of value to occupy or gain possession of real estate. “Resident” reflects terminology used in residential real estate management, while “tenant” is used for other property types.

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Management Company

1.1 Company formation. The management company shall be established in compliance with all applicable laws and regulations.

Explanation of best practice 1.1. Whether the management company is formed as a sole proprietorship, partnership, corporation, or other legal entity, each of which has its own revenue and tax implications, all legal requirements should be followed in establishing it. Failure to properly and legally establish and operate the business could jeopardize the properties and other assets under its care.

1.2 Legal compliance. The management company and its employees shall conduct business activities with knowledge of and in compliance with all applicable laws and regulations.

Explanation of best practice 1.2. Numerous legal obligations are imposed on management companies. This includes laws and regulations that affect businesses in general, as well as those that affect real estate companies in particular. In many jurisdictions, a real estate license is required for third-party management companies that engage in the leasing or management of properties for others.

1.3 Management company insurance. The management company shall maintain insurance coverage that protects the management company, its employees when acting in an official capacity for the company, and the assets under its fiduciary care.

Explanation of best practice 1.3. The business environment