

Property Management Basics

People who are new to real estate or new to real estate property management may encounter an unfamiliar environment. This handout provides an introduction and overview of that area of the real estate business.

Managers and Agents

Property Managers are agents of the owner. Their duties and responsibilities may vary based upon the type of property managed and the type of contract with the owner. HRS 467 permits a licensee to act as a rental property manager or rental agent. The role of a rental property manager should be distinguished from that of a rental agent as the scope of work for each may differ greatly. In either case, agents are cautioned that property management of any sort should only be done with the prior approval of the licensee's Principal Broker or Broker in Charge. Property management is an area of practice which requires specialized expertise and knowledge.

- ❖ Residential Rental Manager (long term)
 - Rent and manage single family residential units and condominium units
 - In Condominiums Owners (or their agents) are responsible for tenant compliance with rules and regulations
 - Duties include:
 - Tenant recruitment and selection
 - Lease agreement
 - Collect and retain security deposit
 - Check-in/check-out
 - Return of security deposit
 - Tenant relations
 - Owner relations and reporting
 - Unit or building operations, repair and maintenance
- ❖ Association Manager
 - Represent the Owners Association or the Condominium Association.
 - Duties may be:
 - Fiscal (financial)
 - Financial Statements
 - Budgets

- Maintenance fees
- Minutes
- Physical (common area and units when they affect common area)
 - Daily operation
 - House Rules
- Other
- Reports to the Board of Directors
- Some properties may have multiple levels of Association Management
- Resident Manager
 - Reports to Association Management
 - May or may not live on site
- ❖ Vacation Rental Manager
 - Condominium
 - Single Family residence
 - Generally runs property like a hotel or guest accommodation
- ❖ Commercial Property Manager
 - Many focus on types of commercial property
 - Office Buildings
 - Retail and Commercial
 - Shopping Centers
 - Warehouse
 - Light Industrial
 - Heavy Industrial
 - Duties and responsibilities vary significantly by type of property

Tenant Rights and Obligations

Tenant rights and obligations vary depending upon type of property and type of lease agreement.

- ❖ Residential Tenants
 - Subject to Landlord/Tenant Code (HRS- 521)
 - Rights may vary depending upon type of lease
 - Fixed Lease
 - Month to month

- Week to week
- Sale of property may be subject to terms of lease.
- Notice to enter or show property not less than forty-eight hours (by law)
 - Must be during reasonable hours
 - No access without tenant approval
 - Tenant not required to give out key to salesperson or others
 - Tenant not obligated to allow a lockbox
 - Tenant not obligated to allow open houses
 - Listing Agent should gain cooperation of tenant for access and showings and all access should be consistent with HRS 521 requirements
 - Tenant agreement to shorter notice does not waive tenant rights
 - If tenant refuses access, recourse is court order or notice to vacate
- Notice to vacate depends upon type of lease
 - Up to forty-five days
 - Time starts at delivery of notice to tenant
 - Not required with fixed lease
- Copies of Landlord/Tenant code (HRS 521) and Landlord/Tenant Handbook are available from DCCA
 - These documents identify many more rights and responsibilities of both Tenants and Landlords
 - Go to: http://www.hawaii.gov/dcca/areas/ocp/landlord_tenant/ to view these documents
- ❖ Short Term Rentals and Vacation Rentals
 - May not be subject to Landlord/Tenant code provisions
 - Hotel operations and Condominium Hotel Operations are specifically excluded.
- ❖ Commercial Landlord/Tenant relations
 - Controlled by lease terms and common law

Successful relationships

To help market the property with a minimum of personal conflicts and to assure future good relationships, the listing agent should do the following with the:

- ❖ Resident Manager
 - Read, learn and comply with operating rules and guidelines in documents.
 - Posting Signs

- Parking
- Access to locked lobbies
- Owners may be fined for agent violations
- ❖ Rental Property Manager
 - Listing Sales Agents work for same client (Owner)
 - Keep manager informed of activities
 - Violation of Landlord/Tenant code by sales agent may create liability for manager
 - Use manager for access to Tenant
 - Manager may give permission to access tenant directly
 - Do not make deals or give notices to tenant
 - This is responsibility of Manager
 - Keep manager informed when property is for sale or under contract
 - All time frames in sales contracts must comply with those required by law
 - Manager may require additional time for preparation and delivery or posting
 - Managers duties may change once property is in escrow
 - Payment of Owner's expenses
 - ◆ Maintenance fees
 - ◆ Mortgage payments
 - Advise Manager in advance of closing to arrange for
 - Walk through
 - Delivery of keys
 - Cancellation of utilities
 - Delivery of tenant deposits
- ❖ The Tenant
 - You are selling the tenant's home
 - This can be an emotional issue
 - Be sensitive to the Tenant's needs and concerns
 - Tenants have rights under the Landlord/Tenant code
 - Follow rules and requirements for access and showing and do not violate them
 - Be respectful
 - Make and keep appointments
 - Show up on time

- Do not overstay your welcome or cause inconvenience
- Under no circumstance should you enter unit without Tenant permission and Manager's knowledge
- Keep tenant informed
- Do not make promises you cannot keep

Words of Caution

- ❖ Advertising must follow HRS 467 requirements and include such things as name of brokerage and if agents name it must be full licensed name etc.
- ❖ Be aware of all requirements of HRS 521 and follow them whenever dealing with a managed rental property
- ❖ Keep everyone informed
- ❖ When preparing an offer be sure to allow for sufficient time for manager and landlord/tenant requirements

This handout is a basic explanation of some State of Hawaii laws and property management practices and requirements. The information provided should only be used to familiarize individuals with some of the terms and requirements of these laws and should not replace the advice and counsel of a licensed tax advisor or attorney or the guidance of a Principal Broker or Broker-in-Charge who is responsible for the engagement.