

Property Management Glossary

Abandonment – The act of voluntarily surrendering or relinquishing possession of real property without vesting this interest in any other person

Absentee Owner – A property owner who does not reside on the property and who often relies on a property manager to manage the investment

ADA – The Americans with Disability Act

Agent – An individual who is legally empowered to act on behalf of another.

Assessment – A monthly fee paid by cooperative and condominium owners to cover maintenance costs for the property. A special real estate tax levied by the government to finance improvements in the area

Assignment – Transfer of a tenant's remaining rental right in a property to a third party

*Amenities - Characteristics of a property which increase its value or appears beneficial to prospective tenants

Automatic Extension Clause – A lease covenant providing that a lease will be renewed indefinitely until one of the parties gives notice of the intent to terminate at the end of the lease term

Blockbusting – The practice of persuading homeowners to sell quickly and usually at a loss by appealing to the fear that minority groups will move into the neighborhood, resulting in a decline in property values

Break-Even Point – Occupancy level at which gross income for a property equals the total fixed and variable operating costs

*Bilateral Lease - a contract in which both parties exchange promises to perform. One party's promise serves as consideration for the promise of the other. As a result, each party is an obligor on that party's own promise and an obligee on the other's promise

*Break Clause - Allows either the landlord or tenant to end the tenancy earlier than the fixed term.

Business Cycle – A wavelike movement of increasing and decreasing economic prosperity consisting of four phases: expansion, recession, contraction, and revival

Cancellation Option – A lease clause granting the tenant the option to cancel at the end of a predetermined term

*Cap Rate - used to determine the return on investment for certain investment properties

Default – Nonperformance of a duty or failure to meet an obligation when due

Deferred Maintenance – Physical depreciation or loss in value of a building resulting from postponed maintenance to the building

Depreciation – Loss of value due to physical deterioration, functional obsolescence or economic obsolescence
Direct Management Costs – Expenses that can be attributed directly to the operation of a management firm or department

Economic Oversupply – A market condition in which available rental space is priced beyond the financial capabilities of potential tenants

Equity – An owner's interest in a property over and above any liens or financial encumbrances against it

Escalation Clause – A lease clause providing that the rental rate will increase or decrease according to a selected index of economic conditions, such as the consumer price index

Eviction Notice – A landlord's legal notice to a tenant explaining the tenant's default under the terms of the lease and informing him or her of a pending eviction suit

*Expenses - Monies paid out to third parties for expenses, such as property maintenance.

FFHA - Federal Fair Housing Act

Fidelity Bond – A type of surety bond designed to protect a business owner or hiring party from damage or mismanagement by an employee

Fiduciary Relationship - a person who holds a legal or ethical relationship of trust with one or more other parties. Typically, a fiduciary prudently takes care of money or other assets for another person.

Fixed Expense – An expense item in a property's operating budget that does not fluctuate with rental income

Flat Fee – A property management fee expressed as a dollar amount per year or per month

Gross Effective Income – Gross income from a property minus vacancy and other types of rent loss, also called gross adjusted income

*GPI – Gross Potential Income, the maximum amount of rental income that can be obtained within a time window, assuming all properties are occupied and rental amounts are billed in full

Gross Lease – A common residential lease under which the tenant pays a fixed rental and the landlord pays all operating expenses for the property

*Ground Lease - As a legal term, ground rent specifically refers to regular payments made by a holder of a leasehold property to the freeholder or a superior leaseholder, as required under a lease

*HUD – Housing and Urban Development

Income and Expense Report – A monthly financial report showing the income from the property, operating expenses, and the amount remitted to the owner

*Interest - A percentage charged by the lender from a borrower for using particular assets. Shown as 'expenses' in the budget, this typically refers to mortgage interest rates in property management.

Lease Assumption – A transaction whereby a property owner agrees to take over the balance of payments on a prospective tenant's current lease if he or she rents space in the owner's property

Leasehold Estate – A tenant's right to occupy real estate for a specified period of time in exchange for some form of compensation

***Lease Elements** – Identify the parties, property description, lease terms, rent and pay terms, security deposit, maintenance provisions, entry and access provisions, rules and regulations, utility and services, termination and renewal, legal provisions, signature and date.

Lessee – A person who rents or leases property, known as the tenant

Lessor – One who owns leased or rented property, known as the landlord

***Liabilities** - What the property owes, such as security deposits to residents or mortgage payments.

Management Agreement – A contract between the owner of income-producing property and the individual or firm who will manage that property

Management Plan – The financial and operational strategy for the ongoing management of a property, it is based on market analyses, a property analysis, and the owner's goals, consisting of an operating budget, a five year forecast, and sometimes a comparative analysis

Net Lease – A common industrial lease form requiring the tenant to pay rent plus certain costs incurred in the operation of the property. Generally, straight net leases require the tenant to pay rent, utilities, real estate taxes and assessments. Net-net leases require the tenant to pay rent, utilities, real estate taxes, assessments and insurance premiums. Net-net-net or triple net leases may require the tenants to pay all of the above expenses plus agreed-on items of maintenance and repair

***Net Operating Income** - Before-tax figure, which highlights property revenue following the subtraction of operating expenses.

Operating Budget – A projection of income and expense for the operation of a property over a one year period

Partial Evictions – A situation in which the landlord's negligence renders all or part of the premises unusable to the tenant for the purposes intended in the lease

Percentage Fee – A property management fee expressed as a percentage of the gross collectible income from a property

Percentage Lease – A common retail lease requiring the tenant to pay a percentage of its gross income as rental consideration

Periodic Tenancy – A tenancy that continues for successive periods until the tenant gives the landlord notification that he wants to end the tenancy.

Principal – An individual who designates another as his or her agent

Profit and Loss Statement – An annual financial report of a property's actual net profit before taxes

Property Management – A branch of the real estate profession that seeks to preserve or increase the value of an investment property while generating income for its owners

Real Estate Cycle – A specific cycle that occurs in the real estate segment of the general business economy, phases of the cycle are influenced by but are not identical to those of the business cycle

Real Property – The earth's surface extending downward to the center and upward into space, including all things permanently attached thereto, by nature or by human hands

Redlining – To refuse home mortgages or insurance to areas or neighborhoods deemed poor financial risk

Steering – The illegal practice of channeling home seekers interested in equivalent properties to particular areas, either to maintain the homogeneity of an area or to change the character of an area in order to create a speculative situation

Step-Up Clause – A lease clause providing for rental rate increases of a definite amount at specific times over the term of the lease

Subletting – Partial transfer of a tenant's right in a rental property to a third party

Surety Bond – Legal document created between a principal and obligee guaranteeing the completion of a contract

Tenancy – An estate that gives the tenant the right of possession for an indefinite period, until the state is terminated by either party

Tenancy at Will - The tenant is occupying the property with permission from the owner but without a lease. Often used to describe a tenant who continues to occupy a property after the lease has expired and the owner continues to accept the rent payments.

The Four Main Types of Leasehold Estate:

1: Estate for Years

2: Estate by Sufferance

3: Estate at Will

4: Estate from Period to Period

Estate/ Tenancy for Years – a lease for a fixed period of time. The lease includes a specific ending date and can be for an extended period of time.

Estate/ Tenancy) by Sufferance – a type of leasehold estate in which a tenant stays in possession of a property after the lease has expired or been legally terminated without the consent of the owner/landlord.

Estate/ Tenancy at Will – a property tenure, without a lease or written agreement, that can be terminated at any time by either the tenant or the owner (landlord). It exists without any contract or lease and usually does not specify length of a tenant's duration or the exchange of payment.

Estate/ Tenancy from Period to Period (See: Periodic Tenancy) – a tenancy which continues for periods of time, typically year-to-year, month-to-month, or week-to-week, as designated by landlord and tenant in their agreement. The most common periodic tenancy is the month-to-month tenancy