

Property Management Terminology

Abandonment: The surrender or relinquishment of a real estate property, including a piece of land or a housing unit, before the end date of a lease.

Amortization: The equalization of the regular mortgage payment over the life of the loan by lowering the interest payments and raising the principal payments. The repayment of loan principal over time.

Affordable housing: Housing governed by a federal or state agency with an aim to help people and control their rent when they meet certain criteria.

Agent: Individuals who have a legal basis to act on behalf of another person.

Amenities: Material and immaterial features of a given property that increase its value or make it more desirable.

Apartment: A residential unit inside a structure built for housing. Sometimes defined as a rented living space, effectively excluding condominiums and analogous residential units.

Broker: A professional in the real estate sector who buys and sells property on behalf of others while receiving a commission in the process. Brokers need a license and proper eligibility to practice in their state of residence.

Break Clause: A lease provision that usually allows either landlord or tenant to end the tenancy earlier than the original fixed term. The clause is added to the fixed term agreement and can be used after a date defined in the agreement.

CAP Rate: The capitalization rate (CAP rate) expresses the anticipated rate of return from a real estate investment property with an aim to assess the investment's potential and profitability.

Comparables (Comps): A part of an evaluation technique that determines the value of a current asset by using a recently sold (or rented) asset similar enough for indicating the expected sale (or rental) price.

Condo/Condominium: A building with multiple units that can be owned by the people living inside. The common areas and amenities are equally owned by all the dwellers within the condominium.

Conventional Housing: A type of housing that stays within the area's housing standards or the market rate limits.

Co-Signer: A secondary signer on a lease or mortgage who verifies the principal signer's identity and/or provides additional assurance to the lender or landlord. Also known as a Guarantor.

Contractors: Individuals or companies who are tasked by the landlord or managing agent to undertake to provide works or services to leasehold properties. Tradespeople, such as window cleaners, plumbers and gardeners are common examples.

Covenant: This is a clause in a lease that will require the tenant to either 'do' or 'not do' a particular action or activity relating to the property.

Curb Appeal: A concept expressing the attractiveness of the house's visual look as viewed from the street level.

Deficit: An amount of overspend at the end of an accounting year due to the cost of managing the property exceeding the funds collected.

Depreciation: Loss of value resulting from the loss of functionality, economic obsolescence, or physical wear.

Duplex (House): A house built to include two separate individuals or families within the same structure. For example, when one family lives on the upper floor and the other one downstairs, then it's a duplex.

Easements: This is a term given to the rights a person may enjoy over another property, such as drainage rights, or the ability to gain access to a

garden or parking.

Equal Housing Opportunity: All residents can have the opportunity to live in different housing communities regardless of their age, disability, gender, familial status, nationality, race, or sexual orientation.

Equity: A difference between the home's market value and the monetary amount owed to the lender who holds the mortgage. Equity is the amount the owner of the property would receive after paying back the mortgage.

Escrow / Trust Account: An account opened by the broker for holding the real estate transaction funds until a successful completion or cancellation. Using this account ensures that the buyer has enough money for finalizing the transaction after the approval.

Ethics / Professionalism: A system of applied moral ideas that guide professional behavior and decisions on a daily basis.

Eviction: A legal process for the removal of a person from their current home. The reasons include, but are not limited to, lease agreement violations and unpaid rent or mortgage.

Eviction Notice: A legal notice from the landlord that describes the tenant's default connected to the lease terms. Eviction notices aim to inform tenants of a pending eviction suit against them.

Fair Housing Act: A federal law that aims to ensure there's no discrimination in the housing market based on age, color, disability, familial status, gender, nationality, race, and religion.

Fair Market Value (FMV): An agreed-upon price that well-informed buyers and sellers reach after negotiations driven by the current market conditions.

Fixed Expense: An expense item that's independent of the rental income, yet still part of the property's operating budget (e.g. Regardless of whether you have a tenant or not you will still have to pay the property taxes every year).

Flat Fee: A monthly or yearly property management fee in a dollar amount.

Forfeiture: The process of the landlord attempting to recover possession of a leasehold property typically due to a severe breach of the lease, often non-payment.

Homeowners Association (HOA): An organization consisting of homeowners residing in a specific condominium complex, planned community, or a subdivision with an aim to create and enforce guidelines and rules in the building.

Holding Deposit: This is an amount of money that a tenant will be required to pay when applying for a tenancy of a property. If the tenancy does not

proceed by fault of the tenant, then the landlord or the agent may retain a reasonable sum to cover their costs. Assuming the tenancy proceeds, the amount is normally deducted from the first month's rent.

Housing Assistance Payments (HAP) Contracts: HAP contracts allow private landlords to receive rental housing assistance on behalf of a low-income household.

Housing and Urban Development (HUD): HUD is the U.S. Department of Housing and Urban Development. The department focuses mainly on increasing the rate of homeownership and access to affordable housing.

HVAC: A combined technology of heating, ventilation, and air conditioning with an aim to create comfortable conditions indoors.

Income Levels: Income levels set by the government serve statistical and decision-making purposes. For example, these are used for determining the tax credit limits.

Interest: A percentage of the principal that's charged by the lender from a borrower for the use of particular assets. In real estate, interest usually refers to mortgage interest rates that depend on the Federal Reserve Discount interest rate, credit report and score, and lender's business decisions.

Interim Rent: The rent payable during a holding period while a new lease is negotiated or completed

Investment Property: A property that is purchased by the owner to generate profit through renting the property out to tenants.

Joint and Several Liability: Where there is more than one person defined as the tenant, they will be 'jointly and severally' responsible. This means each person will be responsible for complying with the obligations under the tenancy agreement, both individually and together

Landlord: An owner of a property who receives payments from tenants taking residency in the owned rental unit.

Landlord Insurance: An insurance policy that covers the landlord from financial losses associated with their rental property, such as theft and fire. Usually, the policy lists a host of optional coverage items; for example, rent guarantee insurance and legal protection.

Landlord-Tenant Law: A part of the Common Law that outlines the rights and duties of both landlords and tenants, including the duty to preserve the premises on the tenant's part and duty to deliver possession on the landlord's side.

Lead-Based Paint Disclosure: Under this regulation, individuals and families need to be aware of homes harboring lead-based paint. It became effective in 1996.

Lease: A contract outlining the terms and conditions between a landlord and tenant under which the tenant gets an exclusive right to use the home for a fixed term. In turn, the landlord receives payments for the duration of the contract.

Lease Extension: A legally binding agreement to extend the length of a long-lease by a defined number of years.

Lease Option: An agreement that provides the tenant with an option to buy the property during or at the end of their tenancy. This agreement prevents the owner from selling the property to any third parties until the lease expires.

Lease Renewal: The continuing of the lease after its initial expiration.

Lease Term: The time restriction regulating a tenant's right for the home's exclusive possession.

Leasing Agent: A person, namely a licensed agent, who leases real estate properties and signs them on behalf of the lessor.

Lessee: A tenant who rents the property from the landlord.

Lessor: A landlord who grants the lease to the tenant.

Long-Term Rental: A long-term lease is often defined as anything that is agreed-upon for one year or more.

Low-Income Tax Credit (LITC) Properties: The properties eligible for tax credits in return for signing a lease agreement with eligible tenants. The eligibility criteria are based on requirements by the IRS, HUD, and the Justice Department.

Maintenance: An umbrella term for regular activities that keep the property in good condition.

Market Rate: The price for a real estate transaction that depends on the seller's expected price and the buyer's inclination to pay.

Mortgage: A debt instrument outlined by a legal agreement that obliges the borrower to pay the loan back as instructed, whereas the lender has a conditional right of ownership on the mortgagor's property as loan security.

Net Operating Income (NOI): A before-tax figure showing all property revenue after subtracting essential operating expenses while not including amortization, capital expenditures, and depreciation.

Notice period: The amount of notice that the landlord must give the tenant or the tenant give to the landlord to end the tenancy.

Operating Budget: A financial plan predicting the property's income that is balanced by various expenses over a period of one year.

Overage: Overage is the term used when a buyer is required to pay extra in the event of future changes to a property, such as planning permissions granted to change or improve the property or the completion of development work. Overage can also be referred to as clawback or uplift.

Percentage Fee: An agreed-upon percentage from the property's gross collectible income for a property management fee.

Persons With Disabilities Act: An act that ensures equal opportunities for people with disabilities, including the opportunity for housing without facing any discrimination.

Pet Screening: A process of collecting information and validating Assistance Animal requests by the landlord or a specialized company in order to discover fraud and assess potential risks attached to each particular pet.

Pre-Qualification: A primary stage of the bidding process that establishes the maximum amount of loan for the applicant.

Principal: A person who appoints another individual as an agent representing him or her.

Property: A real estate asset that includes land and any accompanying permanent structures, such as houses or other buildings.

Property Inspection: A visual inspection of a building that has to be carried out by a qualified professional in a non-invasive manner.

Property Management Agreement (PMA): An agreement clarifying the service, responsibilities, and payments that will be signed by the landlord and a property management company.

Property Manager: A person managing a real estate property that belongs to someone else. Property managers get compensated for dealing with accounting, maintenance, and rent collection among other duties.

Property Showing: A scheduled appointment that allows prospective tenants to make a walk-through tour in the property.

Property Taxes: A tax based on the property's value that is paid by the property owner to the local government.

Profit and Loss Statement: A financial report generated on an annual basis that shows the real net profit before any taxes.

Proration: Rent calculated proportionately. Meaning, if tenants do not begin their lease on the first of the month, the rent due is calculated by day based

on the monthly rental rate. Additionally, the same principle applies when a tenant moves out before the last day of the month.

Real estate: A portion of land that may or may not have attached permanent structures, such as buildings.

Real Estate Agent: A qualified agent who leases and sells real estate properties.

Real Estate Cycle: A process reflecting the cycles of the real estate market, including the recovery, expansion, hyper supply, and recession. The real estate market cycle could mirror the broader economic cycles but not necessarily.

Realtor: A professional real estate agent who must belong to the National Association of Realtors.

Rent Guarantee Insurance (Rent Default Insurance): An insurance that covers the landlord in case a renter runs into financial difficulties and defaults on his or her rental payments.

Rent Collection: An activity that is undertaken by the landlord or a property management company to collect the money from each of the tenants under the terms stated in the lease agreement.

Rent Schedule: A written document listing the rental rates that could be created by the owner, property manager, or both of them.

Rent Roll: A register of rents usually showing the tenants' names, the amount due, and total rental income received.

Rent to Own: A lease agreement that provides the purchasing possibility to the tenant.

Rental Discount: A discount given by the landlord to the tenant when certain previously agreed criteria are met. For example, the discount could apply on automatic lease renewal.

Renter Insurance: An insurance policy that mainly covers a tenant's personal belongings and liabilities, whereas some insurance providers offer more extensive coverage.

Rental Property: A property occupied by tenants who pay the owner in return for utilizing the living space and any permanent or temporary attached fixtures. Also, according to the IRS, a permanent rental property is a house, duplex, or apartment complex occupied by tenants and not serving as living quarters for the owner or any dependents he adds to his federal tax return forms.

Rental Property Advertising (Marketing): A set of activities with an aim to fill rental property vacancies and minimize the vacancy rate by communicating with potential tenants across a variety of platforms.

Rental Rate: An amount of money the tenants have to pay to landlords over a fixed time period for renting a property.

Reserve Funds: Many leases provide for the landlord to collect sums in advance to create a reserve or 'sinking' fund to ensure that sufficient money is available for future scheduled major works, such as external decorations or lift replacement.

Repairs: An action to fix broken or obsolete pieces of the property, including any fixtures inside the living space.

Return on Investment (ROI): A metric that shows how much profit an investor makes on the investment property as a percentage of the investment cost.

Sales Agent / Salesperson: A person conducting real estate activities together with a licensed real estate broker.

Section 8: A program allowing private landlords to rent properties at equitable market rates for qualified tenants with a low-income background. The voucher

program rests on rental subsidies funded by the U.S. Department of Housing and Urban Development.

Security Deposit: A payment collected from the tenant by the landlord to secure funds for covering any property damage.

Service Charge: Service charges are payments by the leaseholder to the landlord for all the services the landlord provides. These will include maintenance and repairs, insurance of the building and, in some cases, provision of lifts, estate staff, lighting and cleaning of common areas and so on.

Single Family House (SFH): A residence built for one family.

Subletting: Renting a property by a tenant to a third-party tenant for a specified segment of the tenant's lease agreement.

Subsidy / subsidized: A governmental financial assistance designated to a defined group or person, such as funds for accessing the housing market.

Tenant: A person occupying or temporarily possessing a land, building, or a specified unit under an agreement with the landlord for a fixed period.

Tenant Application: An application that has to be filled out by a potential renter in case of interest for a particular rental property.

Tenant Damages: Any damage occurring during the lease term that isn't considered as normal wear and tear.

Tenant Screening: A process carried out by the landlord or a property management company to verify the background of a potential tenant. The process may include a credit check, interviews, and background check.

Term: In this context the term refers to the period of time the lease has to run, or the lifetime of the original lease.

Three-Day Notice: A type of eviction notice used in some states that demands the payment of delinquent rent within a three-day period or vacating the property as the only alternative.

Townhouse: A house of usually two or three stories that connects to matching houses by a shared wall.

Turnkey Property: A residential real estate property that requires no urgent investments by the buyer and can immediately be rented out after purchase.

Utilities: The services provided for people residing in a property, including electricity, garbage, gas, sewer, and water.

Vacant Property: The formal and legal term describing a property as being in an empty state, and handed back to the landlord.

Vacancy Rate: The ratio of vacant rental units to the total number of owned rental units in the building, city, or in another operating category.

Vacation Rental: A rental property that is fully furnished and rented out to guests for short-term periods (e.g. two-week vacation).

Walk-Through Inspection: An inspection carried out by the landlord during the move-in and move-out procedures to document any damage, missing items, and other issues in the rental property.

Writ of Restitution / Writ of Possession: A court order requested by the landlord when a tenant remains in the property after the grace period has passed. The writ allows a forced eviction by a law enforcement officer.