



RICS professional guidance, Europe

# **Real estate fund, asset and property management: investment services**

1st edition, January 2016



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# RICS professional and ethical standards

Behaving ethically is at the heart of what it means to be a professional. It is what distinguishes professionals from others in the marketplace. Having a clear set of professional and ethical standards to guide behaviour gives all those we deal with confidence in the way we do things.

It is also a changing landscape. What is acceptable behaviour now may not be in the future. So it is sensible for all professions to review, from time to time, the kinds of behaviour expected of members. This is particularly true for RICS members given the global nature of RICS membership.

This information paper is drawn up in line with the five current RICS ethical standards. For the purpose of this document, they apply to any firm, regardless of whether or not they are RICS regulated and registered. For more information, please see [www.rics.org/ethics](http://www.rics.org/ethics)

## **Act with integrity**

Be honest and straightforward in all that you do.

## **Always provide a high standard of service**

Always ensure your client, or others to whom you have a professional responsibility, receive the best possible advice, support or performance of the terms of engagement you have agreed to.

## **Act in a way that promotes trust in the profession and those who work for them.**

Act in a manner, both in your professional life and private life, to promote you, your firm or the organisation you work for in a professional and positive way.

## **Treat others with respect**

Treat everyone with courtesy, politeness and respect and consider cultural sensitivities and business practices.

## **Take responsibility**

Be accountable for all your actions – don't blame others if things go wrong, and if you suspect something isn't right, be prepared to take action.



# RICS professional guidance

## International standards

RICS is at the forefront of developing international standards, working in coalitions with organisations around the globe, acting in the public interest to raise standards and increase transparency within markets. International Property Measurement Standards (IPMS – [ipmsc.org](http://ipmsc.org)), International Construction Measurement Standards (ICMS), International Ethics Standards (IES) and others will be published and will be mandatory for RICS members. This information paper links directly to and underpins these standards and RICS members are advised to make themselves aware of the international standards (see [www.rics.org](http://www.rics.org)) and the overarching principles with which this information paper applies. Members of RICS are uniquely placed in the market by being trained, qualified and regulated by working to international standards and complying with this information paper.

## RICS information papers

This is an information paper. Information papers are intended to provide information and explanation to RICS members on specific topics of relevance to the profession.

The function of this paper is not to recommend or advise on professional procedure to be followed by members. It is, however, relevant to professional competence to the extent that members should be up-to-date and have knowledge of information papers within a reasonable time of their coming into effect.

Members should note that, when an allegation of professional negligence is made against a surveyor, a court or tribunal may take account of any relevant information papers published by RICS in deciding whether or not the member has acted with reasonable competence.

In some cases there may be existing national standards which may take precedent over this information paper. National standards can be defined as professional standards that are either prescribed in law or federal/local legislation, or developed in collaboration with other relevant bodies.

This information paper is believed to reflect case law and legislation applicable at its date of publication. It is the member's responsibility to establish if any changes in case law or legislation after the publication date have an impact on the information in this document.

## Document status defined

RICS produces a range of professional standards, guidance and information documents. These have been defined in the table below. This document is an information paper.

Type of document	Definition	Status
<b>Standard</b>		
International standard	An international high-level principle-based standard developed in collaboration with other relevant bodies.	Mandatory. RICS has adopted these and they apply to the profession.
<b>Professional statement</b>		
RICS professional statement	A document that provides the profession with mandatory requirements in the form of technical requirements or conduct rules that members and firms are expected to adhere to. An RICS professional statement sets out the expectations of the profession. RICS-qualified professionals must comply with the professional statement applicable to their area of practice or be able to explain any departure from it. The relevant professional statement will be used by RICS and other legal and regulatory authorities in judging complaints and claims against RICS-qualified professionals. This category may include documents approved by RICS but created by another professional body/stakeholder, such as industry codes of practice.	Mandatory on the basis of 'comply or explain'. Professional statements set out how the profession is expected to meet the requirements of the international standards.
<b>Guidance and information</b>		
RICS guidance note [GN]	Document that provides users with recommendations or approaches for accepted good practice as followed by competent and conscientious practitioners.	Recommended best practice but not deemed by RICS to be in the category of 'mandatory' for all practitioners.
RICS protocol	Information and best practice framework, which stakeholders may sign up to and comply with, to assist the operation of the market in the public interest.	Information and/or recommended best practice.
RICS information paper [IP]	Practice-based information that provides users with the latest technical information, knowledge or common findings from regulatory reviews.	Information only.
RICS insights	Issues-based input that provides users with the latest information. This term encompasses Thought Leadership papers, market updates, topical items of interest, reports and news alerts.	Information only.
RICS economic/market reports	A document usually based on a survey of members, or a document highlighting economic trends.	Information only.
RICS consumer guides	A document designed solely for use by consumers, providing some limited technical advice.	Information only
Research	An independent peer-reviewed arm's-length research document designed to inform members, market professionals, end users and other stakeholders.	Information only.



# 1 Introduction

## 1.1 Scope

The terms ‘fund’, ‘asset’ and ‘property management’ are frequently used within the real estate industry and particularly the investment sector as the asset category becomes increasingly important to both capital and debt markets.

With the evolution of closed and open-ended vehicles, club deals between partner investors, joint ventures and merger and acquisition activities, the terms used to describe property investment related activities can often give rise to misunderstanding and misinterpretation. It should also be noted that across Europe functions are sometimes different and terms are used in different contexts.

This RICS information paper aims to define more closely the duties and responsibilities of real estate professionals operating in these markets and offer descriptions to ensure transparency, fluidity and accountability to those involved.

While every care has been given to its production, this paper is not intended to provide a rigid set of rules as to how operators structure their businesses or investments. It is also clear that variations arise across borders, within real estate practitioners, and of course between different jurisdictions.

## 1.2 Professional objectives, reporting and key performance indicators (KPIs)

This paper describes the responsibilities of the fund manager, asset manager and property manager, all of which have the common objectives of ensuring that:

- property assets are operated to the highest professional standards, in accordance with best practices and prevailing legislation
- income and capital values are protected throughout the property investment process, from property level through to that of third party investors in real estate
- development and renovation schemes are undertaken in an optimum manner
- the interests of clients and other stakeholders, in respect of the properties and their investment vehicles, are maximally protected
- sales and acquisitions can be undertaken professionally
- the role of real estate in capital markets is enhanced and liquidity is maximised
- risk management is undertaken at all levels to protect all stakeholders’ interests and to comply with applicable legislation and principles of good practice
- key performance indicators (KPIs) are applied at all levels to ensure performance measurement and monitoring of the fund ensuring that investment and business objectives are attained; and
- reporting lines between the various roles remain clear and that all reports provide comprehensive information on the fund’s regular performance while maintaining regular communication and full transparency to stakeholders and investors.

Fund, asset and property managers seek to fulfil these obligations but have distinct and different roles determined by various circumstances, such as local practice, building and fund profile and specific legislation. As such the responsibilities of each role may vary, but the following provides information about and definitions of generally accepted terminology.

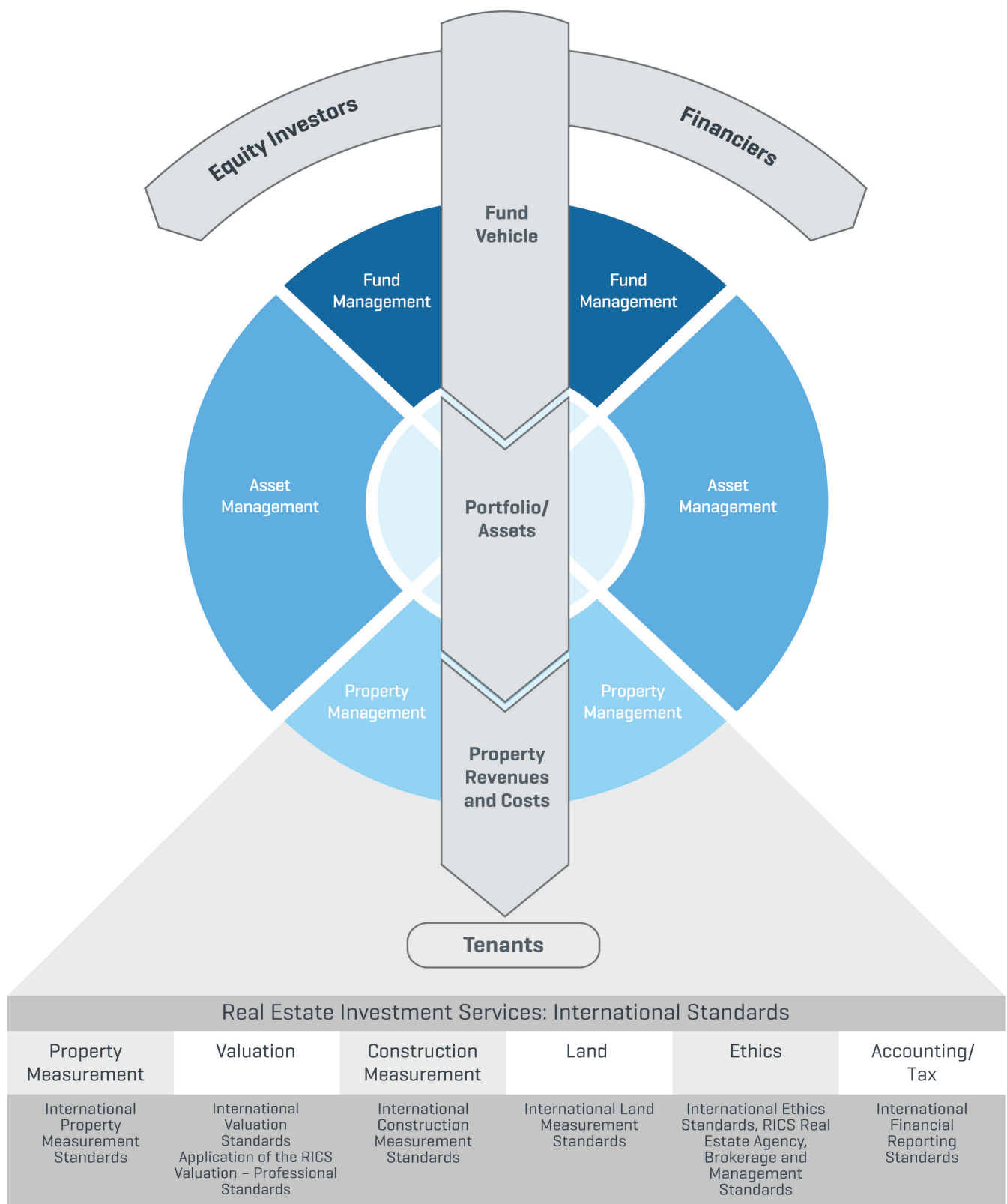
## 1.3 Designation of responsibilities – the list of services

This list contains essential management services that companies offering real estate fund, asset and property management services should be able to offer and provide, in a qualified manner, to third parties. This may include essential services reflecting regular practice within real estate funds and listed commercial property companies investing directly in real estate.

This list of services does not claim to be complete or binding since specific contractual services and individual solutions may be insufficiently presented or not presented at all. Furthermore, clients, investors and tenants may well provide individual services within their own companies. Various services may also be outsourced.

The type and scope of the services to be provided will generally be adjusted to address the specific instruction, e.g. in the case whereby services are provided to group companies or affiliated companies, dependent on the fund structure.

**Figure 1: Investment management diagram – property fund structure**



## **1.4 Interaction and overlapping of services and specialist advice**

The grouping of services under fund, asset and property management attempts to reflect regular practice and division of responsibilities between the specialisms defined. These may vary between the groupings in accordance with local practice and service level agreements.

Additionally, certain services may be considered as special services, e.g. technical studies, environmental assessments, schedules of condition, company management, but where these are delegated, such assignment remains the responsibility of the contracting party.

## **1.5 Fundamental requirements**

Real estate professionals are required to have recognised qualifications and in-depth expertise, as well as experience in the field of real estate generally and fund, asset or property management specifically, all of which allow them to meet their challenging responsibilities in compliance with commercial principles.

The organisational structure of the providers of these services should be transparent and service-related, and include risk management and compliance protocols. Additionally, all parties must provide professional IT solutions in the context of comprehensive data and document management systems suitable for storing and processing investor, client and property-related data in a secure manner.

## **1.6 Further information**

For the sake of clarity, we would like to emphasise that the term ‘advice’ as used here is not associated with primary advisory services for which a permit, authorisation, license or approval is required in the context of the local legislation, Markets in Financial Instruments Directive (MiFID), stock exchange rules or other.

The classification of services in the list is not binding and shall merely serve as a guideline. The decision as to whether individual services represent basic services or special services is taken by the contractual parties in the context of service level agreements.

## 2 Fund management

*Fund management is the executive role in property investment. The fund manager is ultimately responsible to investors for the creation, operation, strategy, extension or closure of the fund. Delegation is made to asset managers and, in turn, property managers.*

The fund manager is responsible for the following processes:

### 2.1 Fund creation, strategy and review

The fund manager is responsible for the creation and establishment of new funds. The fund manager remains responsible for monitoring the original fund strategy and business plan and its application during the investment period, continuation going forward and variation as may become advisable.

Fund strategy defines the operational and investment policy of the fund. As such it will include all aspects of the risk/return relationship as agreed with the investors. This in turn means asset allocation by geographic area, sector, lot size and which category of tenants and lease terms are acceptable as well as debt/equity ratios, currency management, financing parameters and the projected life of the fund. Funds may be created for the long term by investing in non-speculative assets, through to short term ventures aimed at higher risk acceptance and consequently, higher returns.

The fund manager informs and advises the investors on the continued suitability of declared strategy in light of changing market conditions and agreed risk/return parameters in the context of regular fund reporting.

### 2.2 Fund level business plan

The fund manager is responsible for the preparation of a business plan for the fund(s). The purpose of the business plan is, at the creation of the fund, to outline the fund strategy primarily in context of:

- the required financial performance
- investment and divestment strategy, i.e. location, timing, size of properties, category of properties, single or multiple tenant strategy
- risk management structures/tools, with reference to the Alternative Investment Fund Managers Directive (AIFMD) in the context of fund/risk management
- tax, currency and financing strategies.

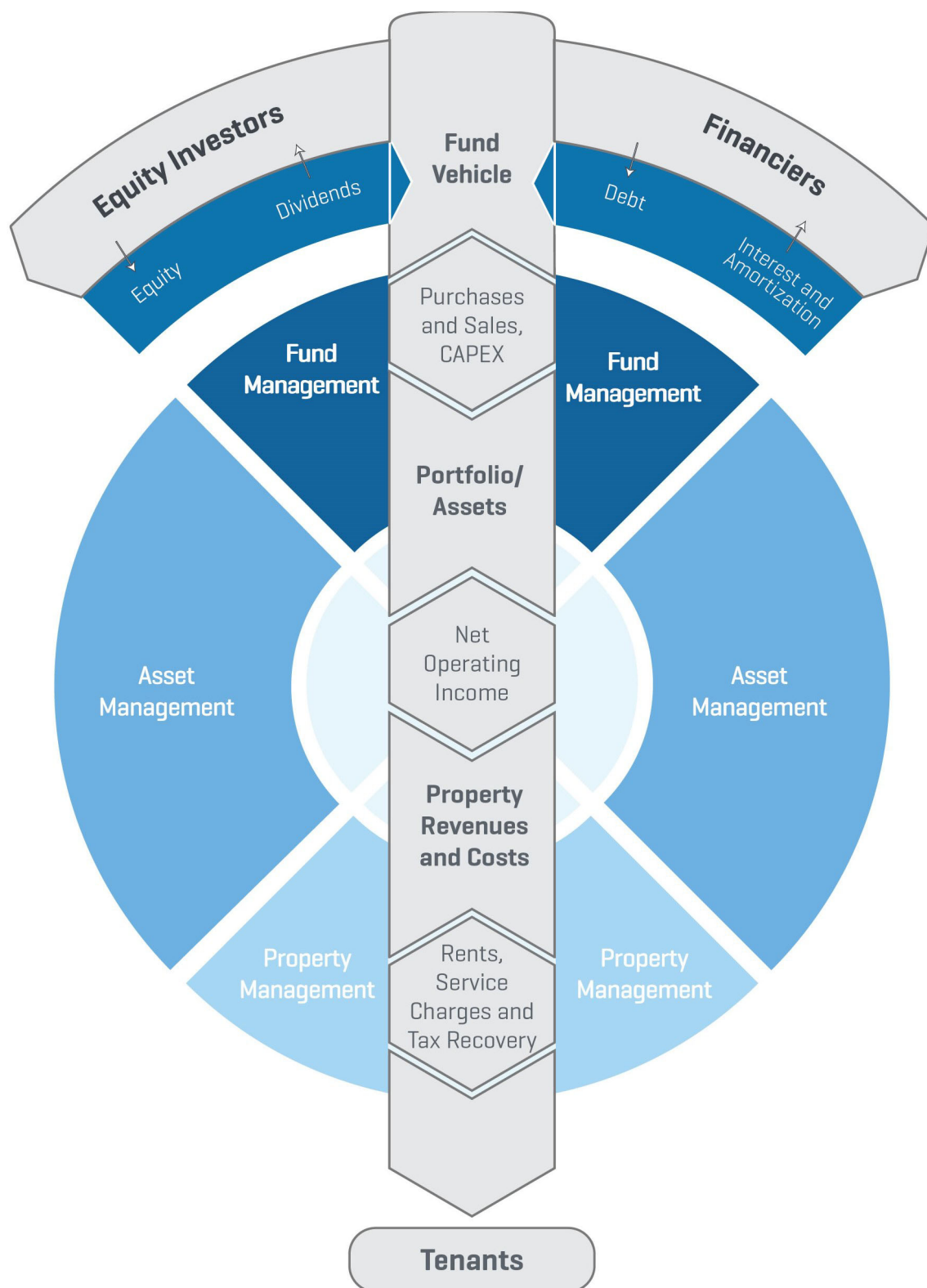
During the life of the fund the business plan should regularly review the above strategies in light of the real time markets and performance of the property assets. Where necessary, improvements and or changes would be proposed to the investors.

As part of the business plan the budgets, results and performance against agreed key performance indicators (KPIs) will be reviewed. This information will be gathered from the asset level business plan and collated, analysed and detailed in the fund level business plan.

Present and future risks should also be highlighted with recommendations on the appropriate steps. For example, the risk that the rollover schedule of the collective leases in the fund may create a cash flow issue.

The business plan has an important part in summarising the progress and performance to date, setting out the budgets for the coming year, proposing strategic changes and outlining any risk management measures necessary for the fund.

**Figure 2: Cash flows**



## 2.3 Fund valuation

The fund Net Asset Value (NAV) is an assessment which takes account of underlying property values, as well as other balance sheet elements, principally debt levels, cash at hand, tax liabilities – both actual and postponed, derivatives on interest rates and currency exchange levels, and any other considerations which may impact on NAV.

## 2.4 Shareholder relations

The fund manager is solely responsible for relations with and reporting to the investors involved, either with publically quoted funds, closed or open funds or special ventures, such as club deals, partnerships, etc.

This will be via regular investor updates, organisation of Annual or Extraordinary General Meetings, investor group visits and committees.

Regular reviews should be held with investors to provide them with information on current market conditions and the regulatory environment related to their portfolio, asset management initiatives and major transactions within the portfolio.

Dependant on the fund – discretionary or non-discretionary – acquisition and disposal proposals may be discussed, as well as major issues such as capital expenditure (CAPEX) budget projections, key performance indicators (KPIs) reporting and financial reporting related to debt and debt covenants, valuations, stock exchange performance in relation to peer groups, etc.

## 2.5 Financing

The fund manager will negotiate the conclusion, renewal or restructuring of all categories of debt (including shareholders' loans), and provide regular reports on covenant tests such as loan-to-value ratio (LTV), interest coverage ratio (ICR) and special event clauses.

Financing comprises such services as are required to guarantee secure and reliable financing of the investment (at the property and company level) on the best terms available given the funds profile, in consideration of the client's requirements regarding capital, financing and, where applicable, fund structure.

This applies throughout the investment period as well as the expected holding period of individual properties or portfolios. In addition to overall processing, financing also includes ongoing monitoring and control in the context of loan and credit agreements.

## 2.6 Structuring

Structuring refers to the adoption and adaptation of a corporate structure ensuring accountability, optimum shareholder returns and minimum risk exposure, as well as tax structuring to enhance investor level returns while remaining tax compliant.

It also involves the establishment of statutes ensuring that all operations are in accordance with agreed guidelines.

The structure should be capable of minimising failures in one part of the portfolio with minimum collateral damage to other parts of the fund and its equity holders, with particular respect where applicable to cross-collateralisation of debt on fund assets, as may be required and negotiated by financiers.

## 2.7 Corporate governance and legal compliance

In a general sense the fund manager will ensure that the operation of the fund is in accordance with established principles of corporate governance, listing requirements in the case of quoted funds, as well as being compliant with the statutes, as may be amended at shareholder meetings.

The fund manager has first instance responsibility for ensuring compliance with legal, capital market regulations, including anti-money laundering measures. The responsibility also includes the adoption of specific internal risk management procedures. This is to protect, as fully as possible, the investors and those involved with the operation from any losses or damages that may be incurred – through, e.g. reputation and non-compliance – setting out a clear risk profile.

## 2.8 Board composition and meetings

Fund directors, to whom the fund manager reports, may be members of the board or they may occupy other functions within a larger investment group. In the case of independent funds, they may be appointed directly, in which case they are usually proposed by the fund manager to the shareholders. Directors may also be co-opted by the existing board.

The selection proposal and selection of a board of directors, who may be executive or non-executive (in which case they rely on the advice of the fund manager), will require board members to have sufficient knowledge as well as a mix of specialisms to undertake the management of the fund, undertake performance reviews and act on the best interests of the shareholders.



Selection is to be compliant with all relevant jurisdictions, both fund and building related.

The board may resolve to create smaller committees for functions such as audit, remuneration and valuation and the fund manager may be called upon to advise accordingly.

The fund manager is responsible for the preparation of board meetings, as well as the Annual General Meetings (AGMs) or Extraordinary General Meetings (EGMs). This may be outsourced to a corporate manager.

## 2.9 Audit

The tendering and appointment of auditors, subject to Annual General Meetings (AGMs) approval as may be necessary. The fund manager should ensure that all documentation is available to both internal and external auditors and that a fair and true position is provided to them. This includes a review of audit findings and diligence, inspection and communication of final audit report.

## 2.10 Leadership

It is important to establish leadership to the entire investment process and assign responsibilities to those involved in the operation and administration of both the fund and the property portfolio.

The fund manager will endeavour to create an effective fund team ensuring clear communication of objectives, limitations, responsibilities and authority to team members.

## 2.11 Research

The fund manager is responsible for the provision of research documentation which identifies trends, risks and opportunities. The research should be presented to the Board or Investment Committee, allowing them to fully appreciate the terms under which the fund is operating, and adapt the investment strategy as necessary.

The research will include property market trends where data is often supplied by the asset manager as well as fiscal, corporate, environmental and planning changes where specialist advice is often sought. Advice on debt structuring and trends as well as the suitability of entering into derivative contracts for interest rates and currency exchange risks is often supplied by specialised corporate finance teams.

Depending on the funds, research may be sourced at local asset management level with appropriate advice.

## 3 Asset management

*Asset management refers to the strategic and operational management of all measures affecting risk and return at the property and portfolio level in relation to the entire life cycle of the property/properties.*

*Where a number of properties are under the control of an asset manager the term portfolio manager is sometimes used.*

Individual services may be rendered at both the property and the company levels.

### 3.1 Strategy

The asset management strategy comprises the formulation and regular review of the main guidelines of the asset plan and consultation regarding the defined investment policy and business plan with the fund manager. The planning, preparation and implementation is carried out both at the portfolio and the property level, depending on the nature of the assignment.

### 3.2 Capital transactions

These are services that are provided in relation to the sale and purchase of properties, either as direct or indirect transactions, in order to successfully complete on the basis of defined investment criteria.

Capital transactions also include services associated with the structured sale of properties and/or portfolios from the real estate under management in coordination with the client.

The primary responsibilities of the sales/purchase services are the preparation, support and control of the disposal process in the context of the selected marketing strategy and objectives (e.g. multi-tier tendering procedure). This includes the selection and instruction of external agents and service providers. This service includes all monitoring and control up until the point when the sale and purchase agreement is concluded and as necessary until any post-transaction obligations are fulfilled.

The service typically includes the organisation and implementation of systematic due diligence by means of a data room and the negotiation and responsibility up to the closing of the transaction by a purchase agreement, as well as the management of post-transaction obligations defined under the sale and purchase agreement.

### 3.3 Asset plan and budget control

The asset manager should prepare a detailed economic presentation of all relevant liquidity and performance projections, together with the derivation and approval of budgets, taking into account the applicable property portfolio strategies.

Aside from drawing up the asset plan and the accompanying budget plan, this service focuses on ongoing control and analysis, especially in compliance with the applicable economic parameters and requirements.

### 3.4 Reporting

The asset manager is responsible for providing detailed written processing, analysis and reporting of the financial position and ongoing developments in respect to the period under review as agreed with the client (report).

The descriptive presentation and analysis of the financial performance applies to both property and portfolio levels. Reporting can be broken down according to groups of addressees (internal/external, authorities, etc.) and may focus on different areas dependent on the client, such as specific key performance indicators (KPIs) or covenants.

Reporting will include a comparison of past performance against previous asset plans and explanation of variations arising.

The asset manager will report on the competitive position of properties and portfolios within their relevant markets and opportunities and threats arising from changing circumstances based on market research. It will include changes in fiscal, planning and environmental, construction and health and safety standards which may impact on the asset plan.

### 3.5 Data management and security

This relates to the services required to ensure expert and transparent recording, availability, processing, storage and archiving of relevant property-related data.

It includes the diligent treatment and protection of such data in compliance with the client requirements, applicable statutory provisions and other regulations. Data are

typically recorded and processed with the help of standardised software systems made by suitable suppliers.

Where necessary due to specific client requirements, specific software may be used and external software service providers engaged. Dependent on the nature of an assignment the asset manager may host the data or, where, for example, data is hosted by the property manager, corporate manager or other parties, ensure that the above requirements are met.

### 3.6 Tendering and monitoring services

The asset manager is responsible for the selection, commissioning, monitoring and control of external service providers whose complementary services are required to ensure comprehensive management of the properties.

Such services typically relate to property management, facility management and project management as well as services associated with tax and legal advice, letting and marketing services, architectural and engineering services, and promotion and communication services.

In the case of new developments the asset manager is responsible for the instruction of professional parties involved in the commissioning of the building.

### 3.7 Building and tenant supervision

Separate from administrative tasks, the asset manager is required to undertake regular on-site inspections of the properties and to ensure regular contact with the commissioned service providers and key tenants. The aim is to identify potentials or risks for its value as well as for existing tenancy agreements.

The asset manager is also responsible for initiating any appropriate meeting related to the sustainability of the building, to negotiate any tenant demand arising during the lease period and to ensure that any appropriate data is provided by the tenant. If the tenant is authorised to do some works to modify the building, the asset manager is responsible for the provision of the documentation.

The asset manager is responsible for commissioning any reports which may secure or improve the value of the property such as tax, environmental, planning, technical operation or measurement surveys.

The asset manager is also in charge of analysis at fund performance level and to identify any value added by the modification of lease terms, easements, party wall arrangements, third party agreements including public authorities and other aspects relating to the ownership interest.

It should be noted that this service explicitly does not refer to general property management services.

### 3.8 Liquidity and cash management

The asset manager is required to monitor long-term solvency throughout the entire planning period at the property and, dependent on the nature of the assignment, the owning company.

Aside from liquidity planning, ongoing recording, control of incoming/outgoing funds and liquidity management, this task also includes analysis and reporting.

Part of the asset manager's responsibilities in this matter is the monitoring of appropriate Powers of Attorney and bank transfer authority for the parties involved and any approval thresholds. The asset manager shall also ensure that reported cash flows are in line with physical changes on bank accounts.

### 3.9 Bookkeeping services

These services include creating and maintaining the accounting procedures and systems in accordance with the principles of proper accounting and the applicable statutory provisions. This includes the presentation of ongoing payment transactions and groundwork for/support in the preparation of individual and consolidated financial statements pursuant to domestic and International Financial Reporting Standards (IFRS).

Bookkeeping services tasks comprise activities that are typically performed by financial accountants.

### 3.10 Construction and renovation management, and project development

Construction management relates to ongoing renovation, adaptation and extension as well as new build projects. It aims to ensure planning, implementation and control of construction measures in compliance with contractual deadlines, costs and quality requirements in order to guarantee best use and delivery on time, to agreed budgets.

Aside from commercial considerations these services shall be provided pursuant to the client's and regulator's requirements in relation to aesthetic, energy, environmental and social considerations.

Services can be broken down according to the following key contents: preparation of market analyses, initiation of measures relating to project implementation and the

coordination and monitoring of contract and performance-consistent project implementation.

### 3.11 Letting strategy and services

These are services required to achieve the optimum letting position for a property taking account of the underlying space utilisation plan, tenant mix and quality of covenants.

Aside from the preparation of marketing concepts and the selection and instruction of suitable letting agents and letting coordination, key services include the organisation of site inspections, preparation of offers, conduct of negotiations through to conclusion of leases and monitoring of post-transactions obligations, including transfer of the rented space, and documentation.

### 3.12 Property valuation

The asset manager will support individual property or portfolio valuations for accounting, tax, loan covenant or other purposes including regulatory or contractual issues or envisaged investment, capital expenditure (CAPEX) and disposal decisions.

Key services relate to the preparation, monitoring and control of valuations. Valuations are generally performed by external experts, at least in respect to the properties under management.

It should be noted that in cases where valuation is carried out by the asset manager this fact needs to be made transparent to the ownership and potential conflicts of interest need to be closely observed.

### 3.13 Insurance coverage

The asset manager will oversee the periodic review of the insurance coverage on the property to ensure that coverage is at all times appropriate, economic and in conformity with fund rules, client requirements and that all claims are fully recovered through the managing agent.

Insurance coverage also accounts for specific tenant activities and if these give rise to additional coverage requirements, ensures that the additional premiums are recovered.

### 3.14 Claim management

This relates to the administration of claims arising against or by the property including construction guarantees, insurance policies, claims arising under the leases or other third party claims generally.

### 3.15 Compliance

The asset manager has a duty to ensure that the property is at all times owned, operated and occupied in line with defined standards of conformity, whether these are defined by the client, regulatory and legal authorities or other stakeholders. Any necessary permits or practice statements are to be fully respected and any deviations from this position indicated with proposals for their resolution.

## 4 Property management

*'A property manager operates a real estate property for a fee often on behalf of a landlord. The property manager will commonly assist with services which include: meeting an owner's investment objectives, maintaining detailed tenancy records, ensuring lease terms are complied with, including rent and operating expenses collection, service charges annual rendering, tenant liaison on a day-to-day basis, meeting statutory obligations, maintaining a proper building condition and operating property on a sustainable basis'.*

Reference: *Commercial property management in England and Wales*, RICS guidance note, 2nd edition (2011)

A property manager could assist the asset manager for lease renewals and management of works on the building.

### 4.1 Management of leases

Management of leases comprises the following:

- collection of rents, taxes and service charges due under the lease agreements, supervision and enforcement of all obligations of the tenants under the lease agreements and commencement of litigation against tenants
- responsibility for the daily routine work in connection with tenants requests including all types of tenant issues, solving tenants' problems and dealing with any complaints
- maintaining regular contact with tenants, conducting regular talks with the tenants and providing minutes of meetings
- updating of (electronic) files regarding tenants which will include corporate name and address, the premises leased and occupied, dates of the entry into force and expiry of the lease, annual rents, security deposits and any special conditions of the lease agreement.

### 4.2 Service charge administration

The property manager is responsible for the administration of service charges (note: in some countries this includes service charge prepayments, including annual service charge reconciliation) in accordance with the lease agreements and statutory provisions, ensuring that all recoverable sums are duly paid.

Service charge administration also involves monitoring of service charge budgets to ensure that monthly costs are in

line with the asset plan, the periodic tendering of contracts relating to the buildings operation to ensure best value operation of the building, and the maintenance of full records to provide both owners and tenants with all necessary documentation, accounting for VAT on service charges to allow tenants to recover as appropriate.

### 4.3 Discharge and recovery of property and property related taxes

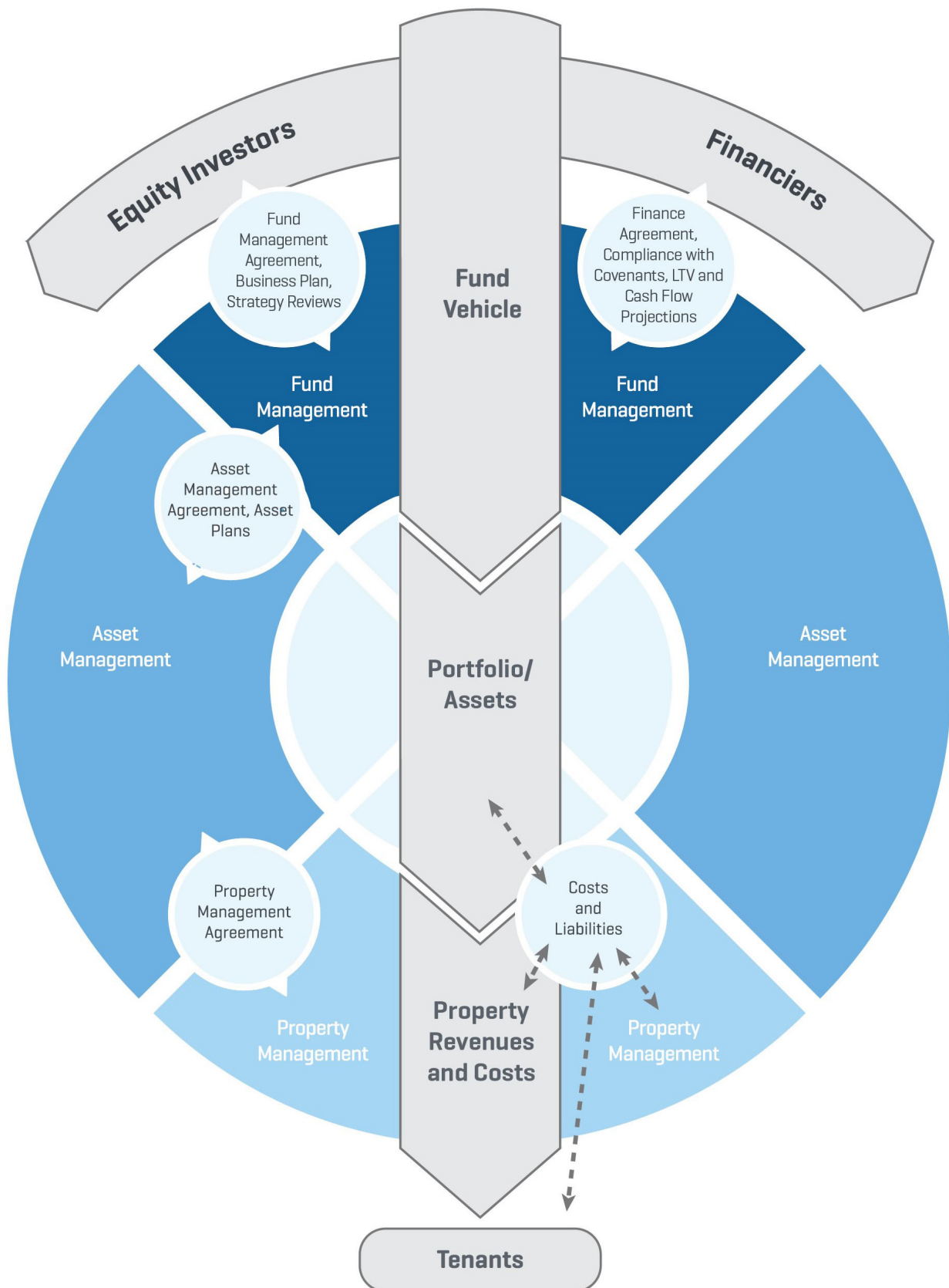
The property manager should ensure receipt and approval for payment of all property related taxes and recovery from tenants in accordance with the lease agreements and statutory provisions.

### 4.4 Programmed maintenance

The property manager is responsible for ensuring that all regular maintenance checks prescribed by law or other public regulation or lease agreements are carried out by approved service companies. This includes:

- supervision of the technical operation of the building and handling of operational issues in the building
- regular reviewing of the condition of the building and its technical facilities, coordination and supervision of inspections
- monitoring the performance of tenants regarding cleaning, sanitation and other operational engineering services under the lease agreement
- supervision of the common areas of the building, as well as access to private areas in accordance with lease and statutory regulations and the maintenance of common areas, where applicable
- mandating and supervising emergency repairs in cases of eminent danger and reporting to the asset manager
- maintaining documentation of the building's energy and water consumption and proposals to optimise usage where necessary, as well as obeying public energy efficiency demands, where applicable.

**Figure 3: Operational relationship**





## **4.5 Introduction and settlement of insurance claims and repairs as necessary**

The introduction and administration of insurance claims for damage occurring to the property and recovery of sums insured through loss adjusters and third party insurance claims.

Management of tenants' insurance coverage responsibilities under the terms of the leases to ensure that tenants' insurance policies are compliant with the lease requirements and to ensure appropriate tenants' insurance claims management.

Periodic reviews of reinstatement valuations to ensure the appropriateness of properties' insurance cover.

In some countries construction and technical warranties are covered by insurance policies against defects, in addition to guarantees given under the construction contracts and legislation. In these cases the property manager would generally ensure that defects are highlighted and any claims are fully pursued.

## **4.6 Compliance with health and safety regulations including fire regulations**

Dependent on local legislation and regulations, the property manager should obtain all fire and working regulations permits ensuring the implementation as prescribed, as well as performing statutory inspections.

## **4.7 Lease renewals, renegotiations, surrender and renewals, extensions**

The property manager is responsible for bringing to the client's attention all matters relating to the letting position of the building and key lease dates, including those defined by landlord and tenant legislation, by maintaining regular ongoing contact with the occupiers. A list of key contacts is to be compiled for communication to the client.

Depending on the nature of the instruction, the category and size of property managed and local practice, the property manager may be responsible for undertaking lease renewals, renegotiations, surrenders and area extensions or variations in the best interest of the client and in accordance with instructions and authority granted. This is normally authorised, instructed and controlled by the asset manager.

In cases where tenant negotiations are undertaken by the asset manager or other party, the property manager shall provide all support and advice to ensure that both income and value are fully protected.

The property manager will immediately inform the client of any conflictual issues arising in respect of the instruction and any other operations.

Organisational structures of service providers, along with local practice, may have impacts on the division of tasks.

## **4.8 Marketing support**

The property manager may provide specialised marketing, promotional and event management services in liaison with the owner, tenant association and the other stakeholders. This applies mainly in situations where the building has a high level of contact with the general public, in particular retail and the leisure assets.

A separate marketing budget may be established.

## **4.9 Schedules of condition and alterations to be carried out by the tenant**

The property manager is responsible for undertaking or arranging ingoing and outgoing schedules of condition in accordance with the lease and assessment of dilapidations on departure.

This includes:

- documentation and supervision of all works and alterations carried out by the tenant as allowed under the lease contract, assessment of works and modifications proposed by the tenants
- consultation with technical engineers and fire authorities as appropriate and approval or otherwise, including conditions, of all works proposed prior to their being undertaken, with engineering drawings and specifications, supervision of works and alterations in compliance with the lease agreements, verification that the works do not cause any inconvenience or distress to other occupiers and third parties in the building and the compatibility with the building technical systems
- obtaining from the tenant all documentation relating to the works, e.g. as-built drawings, health, safety, security and environmental (HSSE) documents.

## 4.10 Maintenance of all tenants guarantees

It is important for the property manager to undertake regular reviews of all guarantees provided by tenants, bank, parent company or other, to ensure that obligations under the lease are guaranteed in accordance with its terms. Where required, tenant deposits must be kept in separate bank accounts.

## 4.11 Construction documentation

The property manager's role includes the maintenance of all technical plans and documents relating to the building as part of the data room, updating as changes are made.

The manager shall ensure that existing building warranties provided by construction companies are enforced and that claims are properly and efficiently managed.

## 4.12 Approval of all invoices payable by the client

The property manager should have in place a process for the review and approval of all invoices payable by the client and confirmation as to their treatment as non-recoverable, insurance claim, service charge issue or otherwise excluding direct owner's cost such as letting fees or law fees. Depending on the nature of the instruction, the property manager should arrange either direct payment of invoices or forward them to the asset manager or another party for approval and/or payment.

## 4.13 Preparation of data for net operating income (NOI) projections

Only property level outgoings, including annual budget, are prepared for net operating income (NOI) projections by the property manager. Income is taken on a case by case

basis under the responsibility of the asset manager. However, the property manager may prepare appropriate data for rental and service charge income based on in place lease agreements.

Depending on the nature of the instruction origination of cash flow projections relating to the property including income flow, unrecoverable cost, maintenance and capital expenditure (CAPEX) schedule, etc. will be submitted to the asset manager or another party undertaking the financial planning for the owner.

## 4.14 Management of the security of the building

This includes security personnel, closed-circuit television (CCTV) systems and lock systems, as well as initiation and review of all security systems and companies employed to provide such services in liaison with tenant requirements and insurance provisions.

## 4.15 Data room

Depending on the nature of the instruction, the property manager will be responsible for the preparation and uploading of documents into a permanent data room, accessible by the asset manager or another party on behalf of the owner.

The data room should contain all relevant details, principally legal, technical and accounting documents relating to the asset.





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