

Professional Property Management TREC 4507

ANSWER KEY FOR FINAL EXAMINATION

(With rationale followed by chapter and page references)

Example: (1:3 means the answer can be found in **Chapter 1** on **Page 3**).

1. Two principal categories of commercial real estate are office property and
 - a.) industrial property.
 - b.) retail property.
 - c.) special-purpose property.
 - d.) warehouse property.

1. (b) Commercial property is considered to be a "public accommodation" consisting of office property from which occupants provide services and retail property, from which goods are sold. (1:6)

2. A major contributing factor to the decline of centralized commercial districts was the
 - a.) fewer demands for office buildings due to increased internet usage.
 - b.) declining construction costs.
 - c.) renewal programs in central cities.
 - d.) development of suburban areas.

2. (d) With the increase in automobile ownership, suburban shopping centers were built outside the city to meet the needs of suburban home owners, thus contributing to the decline of urban centralized commercial districts. (1:3)

3. Housing prices have greatly increased in some parts of the country. What are the consequences if people cannot afford to buy their housing?
 - a.) Turn to multi-family ownership
 - b.) Increases the demand for owning duplexes and triplexes
 - c.) Greater demand for rental properties
 - d.) Less demand for rental properties

3. (c) If people cannot afford to buy a house, there is greater demand for rental housing. (2:27)

4. In a marketing analysis, the specific goal of a property manager is to identify major economic trends and the
 - a.) effect on the region where the property is located.
 - b.) influence in the neighborhood where the property is located.
 - c.) effect on the value of the specific property at the manager's particular market level.
 - d.) effect upon rental rates for various types of properties found in the market

4. (c) The specific goal of a property manager in the market analysis is to identify the economic trends and the effect on the value of the specific property at the manager's particular market level. (2:29)

5. The property manager has just taken over a new property. What is the point of reading all of the leases?

- a.) Identify the race and religion of tenants in order to better plan holiday gatherings
- b.) Identify the amount and durability of the rental income
- c.) Find out who the long term tenants are
- d.) Decide who might be interested in lead-based paint issues

5. (b) When taking over a new property, the manager should first read all of the leases to identify the amount and durability of rental income. (2:35)

6. The fact that a property manager must put the owner's interest above his or her own and act without self-interest is best expressed in which of the following fiduciary duties?

- a.) Accountability
- b.) Obedience
- c.) Care
- d.) Loyalty

6. (d) The duty of loyalty means that the property manager must always put the property owner's interest first, above his or her own interests. (3:52)

7. Generally, state laws require which of the following individuals to obtain a real estate license?

- a.) A person appointed by the court to lease or rent property.
- b.) A person leasing a neighbor's house for no compensation.
- c.) An agent of a company managing property for several owners.
- d.) An employee of a company managing only his or her own property.

7. (c) Generally, state laws require that the agent of a property management company managing properties for several owners must first obtain a real estate license. (3:53)

8. An estate owned by the tenant that continues for a specified period of time is called

- a.) estate from period to period.
- b.) tenancy at sufferance.
- c.) estate for years.
- d.) tenancy at will.

8. (c) An estate for years has a definite beginning and a definite end which can be as little as a week or as long as 99 years, or even longer. (5:97)

- 9.** A tenant is required to pay additional amounts to the landlord only if and when the business volume justifies an increase. This tenant most likely has a
- a.) percentage lease.
 - b.) gross lease.
 - c.) escalator lease.
 - d.) net lease.

9. (a) The percentage lease is commonly used for retail property, obligating the tenant to pay additional amounts only when the business volume justifies an increase. (5:99)

- 10.** When renting residential property, a manager
- a.) may want to obtain individual credit reports.
 - b.) cannot refuse to rent to a person of a minority race based only on a poor credit record.
 - c.) should make all alterations requested by the prospective tenant
 - d.) should not waste time checking references because landlords are reluctant to say anything detrimental about a previous tenant

10. (a) It is in the owner's best interest to verify financial references, since a prospective tenant with a history of erratic and delinquent payments may be a poor choice. (6:127)

- 11.** One of the most important considerations in selecting commercial tenants is
- a.) their compatibility with the other tenants.
 - b.) the gender of the tenants.
 - c.) the racial and ethnic background of the tenants.
 - d.) the church attended by the tenants.

11. (a) Tenant compatibility is vitally important in commercial real estate, particularly in retail. (6:123)

- 12.** If conditions indicate a rental increase, the wise manager should
- a.) decrease services to save money.
 - b.) wait until the very last minute to inform affected tenants.
 - c.) maintain or increase the current level of services.
 - d.) verify that other properties are also raising rental rates.

12. (c) If the rental rates must be increased, the wise manager will maintain or increase the current level of services to assist the tenants in recognizing the owner's good intentions. (7:154)

13. A property manager initiated a program of regularly scheduled maintenance activities where both the interior and exterior of the premises including all the equipment and grounds are regularly inspected. Such a program is called
- a.) corrective maintenance.
 - b.) preventive maintenance.
 - c.) routine maintenance.
 - d.) ultimate maintenance.

13. (b) A preventative maintenance program employs routinely scheduled inspections to disclose structural and mechanical problems before major repairs become necessary. (8:168)

14. Maintenance tasks performed by outside laborers on a regular basis for a specified fee are
- a.) contract services.
 - b.) systems maintenance supervision.
 - c.) fast track services.
 - d.) prime contraction.

14. (a) Contract services are performed by outside persons on a regular basis for a specified fee, enabling the owners to be billed only for services performed on their buildings. (8:170)

15. When a property manager acts as the prime or general contractor, he or she
- a.) needs only one set of plans and specifications.
 - b.) must possess some knowledge of construction to supervise different trades.
 - c.) hires a contractor to supervise the different trades.
 - d.) has the contractor submit a bid to complete the job.

15. (b) If the property manager is going to act as the prime or general contractor, he or she must possess some knowledge of construction to supervise different trades. (8:180)

16. Which of the following should be consulted FIRST before making any investment into new technology?
- a.) Computer
 - b.) Printer
 - c.) Internet access
 - d.) Software program

16. (d) The manager should first determine what he or she wants to do with the new technology by examining the software first. It will indicate the hardware requirements. (9:195)

- 17.** A property manager may deny a lease to someone because she
- a.) is on public assistance.
 - b.) is a widow .
 - c.) is too old.
 - d.) has insufficient income.**

17. (d) A property manager may deny a lease to someone because she has insufficient income. (10:243)

- 18.** Managers must make a lead-based paint disclosure when the property they manage was built before
- a.) 1968
 - b.) 1978**
 - c.) 1989
 - d.) 1993

18. (b) Managers must make a lead-based paint disclosure when the residential property they manage was built before 1978. (10:249)

- 19.** Single-family homes professionally managed are called
- a.) time-share rentals.
 - b.) cooperatives.
 - c.) scattered site housing.**
 - d.) condominium communities.

19. (c) Special Note: Even with skillful and well-organized management, the financial return on managing many small homes, duplexes, and triplexes is marginal at best. (11:262)

- 20.** An owner purchases a unit in a building and receives fee simple ownership of it, as well as undivided interest in the common elements. This person owns a
- a.) townhouse.
 - b.) cooperative.
 - c.) condominium.**
 - d.) garden apartment

20. (c) The condominium owner receives a deed to real property, even if the unit appears to be an apartment. (12:298)

- 21.** If the owner of a condominium does not make mortgage payments, the
- a.) financing for the entire property would not be endangered.**
 - b.) condominium association would have to make the payments.
 - c.) association would have the fight to evict the tenants.
 - d.) remaining owners will have to pick up the mortgage payments.

21. (a) If the condominium owner does not make the mortgage payments, the resulting foreclosure is against only that owner, not against the other owners. (12:298)

- 22.** Normally, the rent for office buildings is calculated and quoted
- a.) per square foot per month.
 - b.) per square yard per month or quarter.
 - c.) according to the New York method, based on usable square feet
 - d.) per square foot per year.

22. (a) Rent for office buildings is generally calculated and quoted as the dollar amount per square foot per month. (13: 322)

- 23.** Rentable area of a floor is computed by measuring to the
- a.) outside finished surface of permanent outer building walls.
 - b.) finished surface of the office side of the corridor and other permanent walls.
 - c.) outside walls and deducting closets, storage areas and restrooms.
 - d.) inside finished surface of the dominant portion of the permanent outer building walls.

23. (d) Rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls. (13:322)

- 24.** When qualifying a prospective tenant of an industrial property, the most important inquiry the property manager should make is
- a.) the tenants credit history.
 - b.) the number of employees required.
 - c.) exact zoning status required by the prospect
 - d.) architectural style of the property the prospect prefers.

24. (c) One of the most important inquiries of a prospect is the exact zoning status required by an industrial prospect. (15:394)

- 25.** The tenant's remodeling or renovation plans should be viewed by the building's management in order to
- a.) ensure that they meet current life safety, fire and security provisions.
 - b.) ensure that they are properly identified for tax purposes.
 - c.) increase the overall cost, especially if management collects a fee based on a percentage of the cost of the improvement
 - d.) insist on the materials meeting the other tenants' interior decorating plans..

25. (a) Plans for renovation or remodeling should be reviewed by the building's management, even the fire department to ensure that they meet current life safety, fire and security provisions. (17:452)