

# Your Guide to Property Management Agreements (WITH FREE TEMPLATE)

## Introduction

With a renewed focus on rental income as an investment trend, the popularity of property management is on the rise. Busy professionals and out-of-town real estate investors increasingly rely on property managers to handle the day-to-day operations of their rental properties.

When they come to you for the first time, one approach to establishing clear differentiation with respect to your competitors is through the clarity and

comprehensiveness of your property management agreement.

In today's guide we'll cover the essentials of a property management agreement that provides a foundation for transparency throughout this critical relationship, as well as peace of mind for the investors relying on you to manage their investment.

## A Step-by-Step Guide to Building Your Agreement

Crafting a solid property management agreement doesn't have to be daunting. Here's a breakdown of the key components:

### Parties Involved

#### ✔ Property owner:

Clearly identify the legal name and contact information of the property owner(s).

#### ✔ Property manager:

Do the same for the property management company or individual.

### Property Details

- **Address:** Include the full address of the property being managed.
- **Legal description (optional):** For added clarity, consider including the legal description, particularly for complex property ownership structures.
- **Property type:** Specify whether it's a single-family home, multi-unit building, or commercial property.
- **Unique features/limitations:** Mention any unique features (e.g., pool, historic designation) or limitations (e.g., zoning restrictions, HOA rules).

# A Step-by-Step Guide (cont.)

## Term and Termination

- **Effective date:** Define the start date of the agreement.
- **Termination clauses:** Outline the grounds for termination by either party (e.g., breach of contract, property sale).
- **Notice period:** Specify the required notice period for each party if they wish to terminate the agreement (e.g., 30 days, 60 days).
- **Termination mechanisms:** Explain how the date of termination should be communicated (written notice, specific format [e.g., certified mail]), along with any applicable indemnification measures.

## Manager Responsibilities

- **Resident screening:** Detail the process for resident screening, including applications, background checks, and credit checks.
- **Rent payments and security deposit collection:** Outline procedures for security deposit collection, rent collection, late fees, and eviction processes.
- **Maintenance oversight:** Specify the property manager duties and roles in overseeing maintenance requests, repairs, and independent contractor/vendor selection (approval thresholds, cost limitations).
- **Financial reporting:** Define the frequency and format of financial reports provided by the property manager (monthly statements, annual reports).
- **Communication protocols:** Establish communication protocols regarding occupant inquiries, maintenance emergencies, and routine updates.
- **Availability:** Consider outlining the property manager's availability for emergencies (24/7 hotline, designated contact person).

## Owner Responsibilities

- **Repairs:** Specify the owner's responsibility for major repairs beyond normal wear and tear.
- **Providing access:** Outline the owner's role in providing access to the property for maintenance or showings when residents are not present.
- **Major decisions:** Define how major decisions regarding the property (e.g., renovations, capital improvements) will be made (joint agreement, owner approval).
- **Property inspections:** Address expectations regarding the frequency and purpose of property inspections conducted by the owner.
- **Insurance coverage:** Clarify the owner's responsibility to maintain appropriate liability insurance policy coverage for the property.

## Fees and Compensation

- **Management fee:** Detail the structure of the property management fee (percentage of rent collected, flat fee).
- **Additional fees (optional):** Address any additional disbursements for specific services, such as resident placement or lease renewals.

## Dispute Resolution

- **Process:** Explain the process for resolving disagreements between the owner and the property manager (mediation, arbitration, legal action).
- **Governing laws:** Specify the governing laws that apply to the agreement in case of disputes.

## **Is a property management agreement legally required?**

While not always mandatory, a property management agreement is highly advisable. It protects both the owner and the manager by outlining expectations and responsibilities.

## **Can I use your template for any property management situation?**

The provided template is a basic framework. It's best to consult with a lawyer to customize it for your specific property type, location, and desired services.

## **Do I need a lawyer to draft the agreement?**

While not mandatory, legal guidance is highly recommended. An attorney can ensure the agreement is legally sound, protects your interests, and complies with local laws.

## **Can I use this template for agreements outside of property management, e.g., for lease agreements or rental agreements?**

No, this template is specific to property management agreements. For other types of agreements, consult with a lawyer or use appropriate templates designed for those purposes.

## **What should I do after finalizing the agreement?**

Once both parties have signed the agreement, keep a copy for your records and provide one to the property manager. Familiarize yourself with the terms and communicate openly to ensure a smooth and successful working relationship.

## **Conclusion**

A well-drafted property management agreement is the cornerstone of a successful relationship between owner and property manager.

By using the provided template as a foundation and consulting with a lawyer for customization, you can establish a clear and comprehensive agreement that provides full transparency and fosters a smooth rental property experience.

On top of your agreement, consider rolling out a resident benefits package (RBP). It's a powerful way for property managers to create a [Triple Win](#) – for residents, investors, and themselves.

An RBP like Second Nature's is designed to be simple to use and easy to implement. All the services included within it are managed externally by Second Nature, meaning there is no day-to-day upkeep required from the manager. You plug it in and Second Nature keeps it running. The value creation an RBP generates – with such little work required from the PM – is an incredibly easy way to grow your business and create great experiences that residents will pay and stay for.

Don't get left behind in the evolving world of resident experience. Learn more about our fully-managed [Resident Benefits Package](#) and how we can build ease for you, your investors, and your residents.

# Property Management Agreement

## WITNESSETH

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual covenants contained herein, the parties agree as follows:

### **1. Services**

Manager agrees to perform the following services for the Property (Services may be added or removed based on specific needs. Consult with a lawyer.):

### **4. Legal Proceedings**

In the event of a legal proceeding arising out of this Agreement or the management of the Property, the following provisions shall apply:

- **Costs and Reimbursement:** The Property Manager shall keep detailed records of all legal expenses and attorney's fees incurred. The Owner shall reimburse the Property Manager for all reasonable and documented legal expenditures associated with authorized proceedings.
- **Representation:** The Owner shall have the right to be represented by their own counsel in any legal proceeding. However, the Property Manager shall have the right to participate in the proceedings and may retain separate counsel at the Owner's expense if a conflict of interest arises.
- **Communication:** The parties agree to cooperate fully and share all relevant information in a timely manner throughout any legal proceedings.

## **6. Waivers**

The Owner acknowledges and waives any and all claims, demands, or causes of action against the Property Manager arising from the following, unless such claims arise from the Property Manager's gross negligence or intentional misconduct:

- Acts or omissions of any resident of the Property.
- Loss or Property damage caused by reasons outside the Property Manager's reasonable control, including natural disasters, acts of war, or civil unrest.
- Unexpected repairs or maintenance issues beyond the scope of normal wear and tear.

The Owner further agrees to indemnify and hold harmless the Property Manager from any and all claims, liabilities, damages, losses, or expenses (including attorney's fees) arising from the Owner's violation of this Agreement or any applicable laws or regulations.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.