



## Property management is a piece of cake!

... you might think so if you have a passion for risks, and do not care about returns, tenants and buildings. To find out how complex this topic is, keep reading this pamphlet.

Managing a property professionally is no piece of cake; it requires much expertise, experience and the necessary aptitude. If you take into consideration just the laws of significance to real estate alone, then it becomes quite obvious how complex, multifaceted and challenging property management is. Among many things, a property manager needs to possess knowledge of

**the Swiss code of obligations, civil code, bankruptcy law, the Ordinance on the Lease and Usufructuary Lease of Residential and Business Premises (VMWG), tax law and – depending on complexity – knowledge of the value added tax (opting of the real estate).**

Add to this financial guidelines, regulations and the latest court rulings, and the spectrum broadens even further. Hence, one could easily lose sight of the overall picture, and cause mistakes that may lead to severe financial consequences. In the following discussion, we explain the various services involved in property management in greater detail, and show the benefits to the customer of professional management services.

### The three main areas of property management

#### 1. Technical management

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To vet contractors and their estimates properly, it takes time, experience and a basic knowledge of construction aspects. A large network is an advantage, so that bids can be reviewed and estimates assessed through bidding rounds. Property management companies typically engage selected contractors who have built up a proven track record over the years. To us, it is not so much the price that takes the highest priority as the price-to-performance ratio and the quality of work.

##### Property tours and status inspections

Like the rest of us, properties also go through the aging process and require periodic inspections and care. By

conducting property inspections and preparing property status reports with checklists, property owners get the transparency that they need about the condition of their real estate. These inspections and reports help detect damage and capital investment needs at an early stage.

##### Hiring and supervision of a caretaker

Property administration will see to the hiring of a building caretaker, and prepare a Property Maintenance Agreement that clearly delineates duties and responsibilities. The caretaker and his or her work at the property are monitored on a regular basis, and supervised by a specialist from

our Property Management department. The selection of a good caretaker is critical to the overall image of the property, and to keeping satisfied tenants. At the same time, issues related to safety – such as snow removal, fire department directives, insurance matters, and the like – are monitored on a regular basis and improved when possible.



## 2. Administrative management

### Leasing services

When leasing the property, it is best to present the property to the widest possible pool of potential tenants. It is getting increasingly difficult to find good tenants these days. Available properties are advertised primarily through online media (both online marketplaces and our own website). Print media continue to be an alternative, but their significance has declined over the last few years. Still, one should never underestimate the importance of a concise and properly composed advertisement.

### Selection and assessment of tenant applicants

The selection and screening of potential tenants deserves particular attention. The right choice of tenants may mean saving both time and money. If a dispute arises once the tenant is in the property, the costs could be substantial, in terms of time and money, just to terminate the lease relationship. And the wrong choice of tenants may cause problems at the property if the individual(s) is not a good fit within the current tenant structure.

### Review of market lease rates

A property management assignment also entails the consistent tracking of market lease rates, and adapting lease rates to current conditions – as permitted by law. When a unit is turned over, the market value of the lease rate is reviewed and adjusted to market where applicable, which may lead to higher revenues. Rents that are too high must be lowered, thereby diminishing the risk of vacancy. Today, there are targeted property management tools for tracking market lease rates. Brisk leasing activity in the market territory supports the identification of corrective market lease rates.

### Preparation of lease agreements

A lease agreement governs the relationship between tenant and owner, and defines the rights and responsibilities of both parties. The greatest risk of making a serious mistake exists in the preparation of the lease agreement. The flawed preparation of lease agreement may trigger legal and financial consequences for an owner that, in addition, could have a protracted effect. In addition, a properly prepared lease agreement is essential to the legitimate pass-through invoicing of heating and incidental costs to the tenant.

### Compliance with legal requirements and deadlines

Certain statutory regulations must be observed when one is enforcing a lease rate increase, a lease termination or other unilateral contract modification. Termination of a lease agreement without the proper official form may be null and void. In addition, certain legal deadlines exist that apply to the preferred date and activation of the changes. Another important factor is the correct and timely determination of lease rate changes, e.g. when the base



interest rate or CPI changes. If errors are made on the aforementioned points, then owners could lose a lot of time and money.

### **Maintaining contact with tenants and owners**

Impeccable tenant care and the handling of individual tenant needs could prove to be costly. This is where solid instincts – backed by experience – and the requisite administrative expertise are indispensable. It is an advan-

tage if you can access a vast wealth of experience in the real estate industry. Properly trained property administrators are used to handling outraged, demanding or difficult tenants. Ideally they have several years of experience and have proven their mettle under critical situations. Both owner and tenant gain a tremendous sense of reassurance if they know that their problems are being resolved fairly and professionally.

## **3. Accounting management**

### **Bookkeeping / collections**

The relevant computer accounting programs are the foundation for solid bookkeeping and collection practices. A reliable collection process not only improves the payment habits of the tenants, but can also assist in the early detection of tenant default. This in turn helps with upholding the legal deadlines. Only trained professionals (e.g., graduates in accounting or certified public accountants) who know the prevailing standards, guidelines and legal regulations should be in charge of the accounting department.

### **Collections / operations**

Property Administration regularly monitors tenants who are in arrears (or have been), and when necessary, takes the appropriate legal actions – up to lease termination or legal pursuit. If legal pursuit becomes necessary, then Property Administration handles its initiation and administration, as well as contact with local officials, authorities and collection agencies.

### **Preparation of heating and incidental cost accounting**

A legally valid and enforceable lease agreement is quintessential to the preparation of heating and incidental cost invoicing. The exact recording and accounting of the myriad of incidental costs over the year form the basis for a complete account statement/invoice. The eligible heating and incidental pass-through expenses can only be passed on to the tenant if they are tied to a properly prepared lease agreement.

### **Quarterly and annual financial statements**

Bookkeeping records all accounts payable and accounts receivable during the year. On a semi-annual basis (or quarterly if requested), and at the end of the year, it prepares a financial statement (balance sheet and income accounting) on all properties. These records serve as the basis for the tax declaration and filing. Thus, their accuracy is of paramount importance, both financially and legally.

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Ginesta Real Estate AG, [www.ginesta.ch](http://www.ginesta.ch)



## Professionally administered properties by Ginesta Immobilien AG: The advantages to you

If you are not a professional in the technical areas listed below, it pays for you to obtain professional support.

### Lease law / law of obligations

- Your property is managed professionally by expert staff who have thorough knowledge of the relevant legal bases and lease law in specific.
- The selection of tenants is geared toward the existing tenant structure, wherever possible.
- We seek to uphold all legal requirements so that costly disputes can be avoided.
- We administer professional assessments with property administrators who have nationally recognized Swiss certification.

### Optimization of net returns

- We lease open rental properties at market conditions. We work with the most modern tools from Wüst & Partners, and have the best knowledge of small-scale market lease rates.
- We have an ideal grasp of the prevailing market rents, thanks to our many initial leasing assignments and lease listings.
- We guarantee a fair distribution of heating and incidental costs, as well as the correct pass-through of these costs to the tenants.
- Upon request, we can determine net returns and show how equity returns can be optimized.

### Marketing / leasing

- Ginesta Immobilien can link numerous contacts through its customer database and its network, thereby avoiding external, expensive marketing services.
- We continuously maintain a computer-based customer database with hundreds of search profiles.
- We can reach a high number of interested parties, directly and at minor expense, thanks to our customer allocations from other lease properties, direct approach to interested tenants, collaboration with relocation companies and the periodic customer newsletters.
- We work with a highly professional brokerage tool, and can log all activities for the leasing process.
- We publish properties on our homepage in German and English, and have extensive experience with international tenants.

- We advertise highly exclusive properties on international marketplaces.
- We produce professional leasing brochures, customized for each property.
- We conduct personal property inspections with trained professional staff. Under no circumstance would a caretaker or existing tenant be dispatched to conduct a property tour. Thus, we get to know the potential tenants ourselves.
- We work with federally certified property administrators who have an express service mentality and solid knowledge of English. Solid English skills are a mandatory prerequisite for the administration of exclusive properties, because approximately 80% of the tenants are foreigners.

### Time savings / outsourcing

- In addition to broad know-how, we help you gain additional free time. You have the certainty that the tenants and your property are being well cared for.
- The costs to administer your properties are tax-deductible. Depending on the threshold tax rate, you pay only 60–70% of the administrative costs.

### Construction / renovations

- Based on several contract awards, we know the market conditions of the contractors. In addition, we compare proposals in order to determine the best possible offer.
- The completed contractor work is evaluated onsite by the administrator.
- We conduct periodic inspections of your property, and upon request, will also prepare a property status report and an estimate for maintenance / renovation work.

### Collections / accounting

- We monitor rental payment receipts continuously. For delinquent tenants, we take the appropriate legal actions.
- We pay your invoices and mortgages and handle all of your payables.
- You obtain semi-annual and annual accounting statements to use as a basis for your tax declarations and your private accounting.