

TRADING IN REAL ESTATE – PROPERTY MANAGEMENT

Purpose: This bulletin clarifies the activities an individual can perform who holds a licence for property management.

This bulletin applies to all real estate professionals.

As a real estate professional who holds a licence to provide property management services, you need to understand the activities you can perform.

Alberta's licensing model for real estate industry professionals allows new real estate professionals to complete the practice education courses for the areas of real estate in which they plan to work. Real estate professionals may receive a real estate licence that is restricted to specific areas of practice for which they complete the practice education courses, in this case, property management.

What is property management?

The *Real Estate Act* Rules define property management. "Property management" includes:

- i) leasing, negotiating, approving or offering to lease, negotiate or approve a lease or rental of real estate;
- ii) collecting or offering or attempting to collect money payable for the use of real estate;
- iii) holding money received in connection with a lease or rental of real estate; and
- iv) advertising, negotiating or any other act, directly or indirectly for the purpose of furthering an activity described in sub-clauses (i) to (iii).

What can I do with a licence to perform property management activities?

Property management professionals hold a licence to work with landlords (property owners) and/or tenants (potential tenants) in the leasing of real estate. This includes negotiating, approving and offering to lease, collecting and attempting to collect rental money, holding money in connection with a lease or rental of real estate, and advertising and negotiating to further property management activities.

A licence to provide property management services allows an individual to do so for all types of properties: commercial, residential and rural real estate.

Examples:

These examples are not intended to cover every possible situation or scenario, but will provide property management professionals with some practical guidelines.

- 1) A residential property owner enters into a written service agreement with a residential real estate professional to sell the property. The owner moves out of town prior to the home selling. He asks his residential real estate professional to find a tenant. The residential real estate professional can lease the property on the owner's behalf, but can't manage the property unless he is authorized in property management and his brokerage allows property management activities.
- 2) Leasing under contract: You have a property (strip mall) under contract, as a property management brokerage, and you advertise for clients to lease a bay in the strip mall. You get a call from a potential tenant. The potential tenant says the bay that is available isn't quite what he wants and he says he saw one across the street in a different building. Unless you have a property management contract with the owner of the property across the street, you can't help the potential tenant. The potential tenant needs a commercial real estate professional. You can only do the leasing for the properties under which you have a property management contract.
- 3) Asset management: You're working for a property management brokerage as a property manager and an individual comes to you and tells you they own a number of commercial properties, but they are now in distress. They want your advice on what they should do with those properties (sell, lease, etc.). As a property manager you are limited in what you can do with respect to those properties. For example, you can't conduct market evaluations for the properties as that would require a licence for commercial real estate.
- 4) Licensed to trade in all areas: Some individuals are licensed to trade in all areas of real estate practice, including property management, but their brokerage does not allow property management activities. In those cases, those individuals cannot provide property management activities because doing so would be trading in real estate outside of the brokerage with which you're registered. If you're licensed in an area of practice but your brokerage doesn't allow those activities, you cannot provide those services or trade in those areas. You can only provide services as a licensed real estate professional on behalf of one brokerage.

If RECA receives a complaint about a real estate professional acting outside of the scope of their licence, RECA will review their conduct.

You must hold a licence to trade in the practice areas you are trading. If you trade in an area of practice that you do not hold a licence, your actions may be conduct deserving of sanction and be subject to disciplinary action.

RECA would also like to remind real estate professionals that even with a licence to trade in a specific area of practice, you need to ensure you are competent before assisting in any transaction. For example, if you hold a licence for property management and have always done property management for residential properties, you may not be competent to assist a landlord or a potential tenant in commercial property management situation. You should refer that buyer or seller to a qualified and competent property management professional. For more information about competence, review the Information Bulletin: Competent Service.

Related Information

Legislation

- *Real Estate Act* Rules – sections 1(1)(g.01)(w)(bb.1) and (bb.2)

Information Bulletins

- Competent Service
- Trading in Real Estate – Commercial Real Estate
- Trading in Real Estate – Residential Real Estate
- Trading in Real Estate – Rural Real Estate