

Commercial-Industrial Property Management Outline

A Brief Snapshot of the Costs & Process

Please note this is an attempt to cover the initial snapshot of how the Property Management Process works. Please note that from time to time things change concerning a property so some reasonable flexibility is required as our relationship grows with respect to how do we handle situations of your property.

The Rental Market for your property is as follows:

(These values are based on the current rental market)

| Property address: | Minimal | Maximum |
|---------------------------------------|--------------|--------------|
| Overall Market Condition for Property | Rental Price | Rental Price |

| | | |
|--|--------------------|-------------------|
| 2027 E. Anywhere Drive Tempe, AZ 85228 Unit 105 - | \$1,200,000 | \$1,900.00 |
|--|--------------------|-------------------|

For Same Sized Unit – 144,470 +/- SF

Rents are very – Market in Flux – Growth trend ahead - very stable for area. Potential for rent is reasonable.

Property Management Set Up:

R.L. Wood & Company agrees to take on your property as a Managed Property.

Initial Reserve Requirements are established for your property:

- Typically a Property Reserve required for a property of this type is \$6,000 Base Reserve.
- This reserve could be greater depending on the property condition.
- Additional Property reserves may be a requirements based on allowing for Taxes & Insurance or a Capital Improvement program if needed.
- We have an Initial Set-up fee and there is a terminate fee in order to meet State Requirements upon termination. This is determined on an individual property basis.
- Reserves are replenished from Cash Flow generated by the property back to the Base Reserve amount (sometime when possible this can be accomplished over several months as necessary).

Best Efforts to Rent the Property:

R.L. Wood & Company will make its best efforts to lease/rent the property as soon as reasonable possible to the best-qualified tenant, using all reasonable marketing sources as reasonable possible.

How the Accounting Works:

This is only an example of how it works.

Actual Rents may or will be different and thereby the costs and net values will be different than depicted herein. *This is an example.*

Say:

- Minimum Rental Rate \$15,000.00 Per Month or \$180,000.00 Annually
- Maximum Rental Rate \$20,000.00 Per Month or \$240,000.00 Annually
- All rents are plus applicable Sales Tax. (We go and get your license where necessary and report monthly as required.) Unless otherwise directed.
- Example of how it works:
- From the first month's Rent & Deposits:

A leasing fee is paid. This fee is for listing the property, marketing, showing, preparing the lease for execution and general processing. This fee is paid from the first months rent and our fee is 6% of the Annual Lease Amount or in this case \$20,400 x 5 Years or \$102,000 Gross Rents x 6% Lease Fee = \$6,120.00. This fee may be split or shared with other brokers or agents who bring us an acceptable tenant that executes an acceptable lease.
- The Property Management fee is paid as well. Monthly Rent \$20,000 x 10% = \$2,000.00 Per Month.
- Seller Nets approximately \$18,000 – Operating expenses including management and any other costs that may need to be paid.
- **A Typical Month (EXAMPLE):**
 - Rental Income \$20,000.00.
 - Less PM Fee 10% \$ 2,000.00.
 - Seller Nets \$18,000.00. Prior to Debt Service Payment, HOA, Utilities, Maintenance, RE Taxes & Insurance and something to reserves to cover such things as Renewal of Property Warranty, payment of repairs not covered by warranty.
 - For the monthly property management fee, we collect the rents, account for all money monthly, pay all expenses as required, establish a reserve for the property, handle all calls for repairs and property issues and deal with accordingly, and provide an annual EOY Statement for Tax Purposes. Additionally because we do managed property we obtain the appropriate Sales Tax Licenses for the owner and the property along with do all processing of the applications obtaining credit reports and verifying the applicants information prior to making a decision on who to rent to. There are other things that we do as a property management company that we will discuss when we meet at your property and tour the property.

Mortgage Payments:

- Under Arizona Law (ARS) we must advise the Tenant of any delinquency and pending foreclosure on a property.

- It is Strongly Recommended that we as Property Management Agent make the mortgage payments for you as the Owner on the property. This provides all information necessary for the annual accounting in one easy location for annual accounting when the time comes.

Monthly Accounting of All Funds:

- We provide a complete Monthly (Year to Date) accounting of all funds related to your account. Account Statements are due to you by the end of the following month after the business occurs. We make every effort to get these out by the end of the month the business occurs but occasional additional time is required and the time allowed is per ARS.

Consulting Pertaining to the Following

- Annual review of Real Estate Taxes for the property.
- Annual review of Insurance for the property.

Other Fees:

- Initial Set-up Fee: \$800.00 (Letters & Meetings with tenants, vendors, and any others)
- Termination Fee: \$800.00 (Upon termination of the management contract that are certain communications and process of winding down the management that must be accomplished that requires substantial time and efforts to meet the appropriate requirements to owner, tenants and vendors.)
- Supervision Fees for Work performed on the property when and where applicable. Ten (10%) Percent of expenditures up to \$5,000.00, plus Five (5%) Percent of expenditures above \$5,001.00.
- Supervision of Insurance Claim damage on the property when and where applicable. Typically 10% of the total claim.
- FOR PAYMENT OF TAXES: \$45.00 for each installment, if not included in other payments, (if necessary).
- FOR REFINANCING: Assistance to be determined as needed.
- FOR SALE OR EXCHANGE: Owner acknowledges that this is a Sole and Exclusive Right to; rent, lease, manage, operate, sell or exchange Agreement; and that the attached Listing Form which is commonly used by the Arizona Regional Multiple Listing Service (“ARMLS”) is hereby made a part of this contract and shall remain in full force and effect for the term of this contract for Property Management. Owner acknowledges and agree that in the event of a Sale or Exchange of the subject property herein, that the Company shall be recognized as the Broker of the Owner in the transaction, and that the Broker will be paid a commission of Six (6%) Percent of the total



transaction (sale or exchange) price of the property, and that said commission shall be payable through the escrow for the transaction upon the close of escrow.

- FOR FIRE RESTORATION: Assistance to be determined as needed.
- OTHER: Assistance to be determined, as needed.

The forgoing information is to provide you with a Brief Description of the Property Management Basics when considering management of your property.

Please call me with any questions of any kind and to set a time to meet. Where possible I would like to meet you at the property and take a look at and discuss the overall condition and market with you as necessary.

Thanks, I am look forward to meeting with you as soon as we can arrange the time.

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Thanks,

Richard Wood, GRI, ALC, CCIM, RECS, e-PRO
Arizona Property Tax Agent # 940099
Designated Broker

R.L. Wood & Company, L.L.C.

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