

Property managers know—now is their time to shine

BY MATT BAKER



Shawn Harvey,



Hunter Lane



Robert Tyler



The pandemic shut down nearly all sectors of the economy but now, Texas has started to open back up. But it's not like flipping a switch—there are countless property management considerations before, during and after the return of commercial tenants to their spaces.

REDnews recently hosted a webinar addressing this very topic, bringing together three strong Houston CRE voices. Participating in the webinar were

Shawn Harvey, managing director of integrated services at Lee & Associates; Hunter Lane, vice president of Lane Property Tax Advocates and Robert Tyler, CPM, senior general manager at JLL.

The panelists dove right in discussing the early conversations they are having with clients who are unsure of how to proceed. Their initial concerns surrounded the health of the people coming to the building. After that,

unsurprisingly, is the current and future impacts to rental income.

“Early on we had a few tenants come in saying they were going to have difficulty paying rent,” said Harvey. “Once you start asking more in-depth questions, a lot of them backed off.”

Health experts have recommended a number of tactics to limit the spread of COVID-19, such as wearing masks, maintaining six-foot distances, washing hands and using sanitizer. But according to Tyler, it’s been a challenge to put building policies in place based on government guidelines.

“The county issued a requirement to wear masks but then the governor comes out and says it’s not required,” Tyler said. “We’re trying to figure out what kind of regulations we have to start policing in our buildings and every day it seems that it could change.”

This can be especially daunting in multi-tenant buildings. Putting up signage directing tenants on how to safely enter and use the building can be a challenge without unambiguous and invariable government mandates or guidelines. The frustration only trickles down, with tenants upset by a lack of solid information from their property manager.

The panelists discussed the important subject of sanitizing common areas and high-touch surfaces. Most janitorial companies are keeping an eye on CDC guidelines and they have access to foggers and sprays that claim to maintain disinfection for up to 90 days—though Harvey errs on the side of caution and repeats the process every 45 to 60 days.

“We are literally writing the book on how to deal with a pandemic right now,” Tyler said. If you don’t know the answer to a question, the best suggestion I can give is work with your team, reach out to your local BOMA and read CDC guidelines online.”

Some healthcare facilities have temperature checks at the entrances to prevent infected individuals from entering, but the panelists agreed that broadening that tactic to all commercial properties opens up owners and managers to too much liability. A better approach is to provide tenants with access to equipment and have them control their own spaces if they wish.

As we get deeper into the pandemic, property managers’ income statements deviate more and more away from the norm as revenue from rent decreases and operating expenses increase. Lane recommends keeping detailed logs of additional losses and expenses, to better appeal rising property taxes.

“I personally have been asking a lot of property owners to give us a detailed income statement of the first four months,” Lane said. “Compared to 2019, I can show local appraisal districts how a property is hurting.”

There have been attempts to provide relief to property owners—especially retail and hospitality facilities—by way of tax exemptions.

Virtually every project, from re-striping a parking lot to installing a new HVAC system, has been deferred until such time as rents are coming in at more reliable levels.

The state instituted similar legislation in the wake of Hurricane Harvey; however, Lane said that his discussions with the Attorney General’s office suggest that the economic, rather than physical, damage that these properties are suffering will likely not qualify for similar relief.

As for capital expenditures, everyone on the webinar seemed to agree that any projects that can be put on ice have been. Virtually every project, from re-striping a parking lot to installing a new HVAC system, has been deferred until such time as rents are coming in at more reliable levels.

“We’re trying to control the controllable expenses,” said Tyler. “That said, the engineers are still going in and maintaining the building. Pipes only seem to burst when no one is there.”

Many property managers are coordinating with leasing teams to ramp up usage of virtual leasing tools. This technology has evolved over recent

years but as the pandemic curtails site visits, it has grown in importance.

Similar to a Google street view, the technology allows a potential tenant to virtually walk through a space in 360 degrees. It even comes with digital measuring tools to see if existing furnishings will fit, for example. The camera and the software subscription aren’t cheap, but they can help put a property on a short list when companies are making a final decision about a relocation.

Harvey compared this emergency with past crises, pointing to the positive outcomes despite early pessimism. The 2008 housing crash brought with it declining oil prices; Hurricane Harvey

caused \$125 billion in damage and dozens of deaths. In both cases, he contended, Texas came through stronger and he expects the same to occur after the pandemic.

There very likely will be a (hopefully small) recession as a result of COVID-19. However, just as during past downturns, this instance provides an opportunity for property managers to shine.

“This is when owners look for property managers to save money on the expense side. I’ve expressed to my team that this is the time when we come out looking great,” Harvey said. “This is a time where owners and asset managers look to property managers and go, ‘wow, you guys really pulled us through this time.’ So, take advantage of the situation to make you and your team look good.” ■

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