

Property Management Summit: 1/21/20

RECAP BY RAY HANKAMER

Managing the Property Management Business

Moderator: Rob Bridges, Avison Young; Greg Jones, Cushman & Wakefield; Connie O'Murray, JLL; Brett Williams, Transwestern



Rob Bridges, Avison Young



Greg Jones, Cushman & Wakefield



Connie O'Murray, JLL



Brett Williams, Transwestern

- More sophisticated management services are being requested by tenants; more tech, more advisory, even fundamentals are being pushed to a higher level
- Management services must become more sophisticated as tenants' businesses become more specialized
- Management employees are changing as Gen X and Millennials replace retiring Boomers; Boomers have been harder-working, while young employees are interested in more work-life balance; younger workers are more comfortable with tech; 60% of boomer managers are nearing retirement
- If tenants and landlords request more robust and varied services, how are management companies to price that? Sometimes it pays off to give more without increasing the fees to retain loyalty to your property management group, but customers are usually willing to pay more if they see they are getting more
- Property management services are in danger of becoming a 'commodity', so how to differentiate your company from competition? Should fees be lowered or quality and quantity of services be increased? Don't just get cheap on your fee-quality delivery of service matters the most
- Your customer needs to be profitable and he needs to realize you do too. Manager controls value of the property so his goals are aligned with owner's. Low fees and low service can lead to lower eventual rents or sales price for the real estate asset
- Management companies need to have excellent people and sell that to the owner; it is worth the investment to 'have a better mouse trap'
- Management needs to always be aware of what and how its competitors are managing competing buildings; also aware of capital markets and get input from brokers who are familiar with all the other buildings in the market. Property manager input should be comprehensive, including budget recommendations, tenant mix, capital management, i.e. input on everything that has impact on the value of the property
- There is a bigger picture than what goes on at the property premises; manager should be a 'big picture' advisor to his owner
- Big challenge for management companies is to find and recruit top new talent, train the talent, and then retain the talent; this is a human process and cannot be replaced by 'tech'; too much tech is impersonal and sterile; the personal approach attracts the best people; poaching your competitors' people is hand to hand combat, and it is always going on; where to look for potential employees...? Some are looking at hotel industry trained managers, who have similar skill sets to real estate managers
- The top people are constantly being hit on by multiple employers, so once you have a good employee it is paramount to retain him/her; many in young work force are not willing to work as hard as those they are replacing; we can't always cave in to younger associates' demands and sometimes a non-collaborative new employee cannot stay on the team; your younger management people can often communicate better with young recruits, and older employees need to work to stay relevant in this fast-moving game
- Existing employees need to learn mentorship to the new ones, and learn how best to impart knowledge to the younger generations; many young new employees think they 'should start at the top' and don't want to work their way up over time; management firms need to have their corporate cultures in shape or else they will bleed good employees over time; often an employee does not leave a firm but leaves the employees in a firm
- Veterans can make good employees, since they know discipline
- The good property manager collaborates with the other in-house groups: brokers, investment sales, etc., to be aware of the big picture; a manager needs to be in the larger community to be successful; join industry groups and work on committees; learn to be a team player; collaborate with your fellow professionals even though they may work for a competitor-use each other as information and problem-solving sources when you have a problem

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Best Practices in Marketing, Leasing, Maintenance & Operations

Moderator: Joel Bracewell, Colliers; Paula Bruns, Colvill Office Properties; Sarah Sutton, Hines; Kelly Wheeler, Transwestern



Joel Bracewell, Colliers



Paula Bruns, Colvill Office Properties



Sarah Sutton, Hines



Kelly Wheeler, Transwestern

- Strengthen your relationships between your landlords and tenant reps; older buildings have 'personalities' and disclosures to prospective tenants are often necessary; however, older buildings often have details that tenants like, so don't be afraid to show them off; work with tenant reps and brokers to learn what they and their tenants are looking for in a building; let your owner know what other buildings are offering as amenities; learn what your colleagues are doing, even in markets in other states; there is always something to be learned; attend trade shows and meet out of town managers
- Realize and cater to the needs of all tenants, small, medium, and large; evaluate the deals you lose and why you lost them; learn from lost deals; educate your landlord on cost-effective changes he might make to better attract tenants; maintain relationships with all your vendors and service companies, from HVAC to TI buildout contractors; make sure your brokers and their tenants understand your building's operating expenses, historical and future; understand fully your building; learn about your leasing prospect in advance so you can gear the showing to his specific needs
- Show off special amenities to out of town tenants such as downtown tunnel system, commuting/transit opportunities, etc.; consider spec buildout in low-occupancy buildings for tenants looking for a quick move-in....this works best is smaller spaces from 2,000-3,500 SF; spec buildouts attract more prospective tenant tours
- Preventative maintenance extends the life of your building systems; keep tenants happy all through lease term, not just before renewal time-consider early renewals before tenant thinks to start shopping around for a move
- Respond daily to the little things that go wrong in a building; the onsite manager needs to always stay connected to the tenant

Why Good Management Is Important Once Again

Moderator: Janet Shipley, CBRE; Cindy Magouirk, Granite Properties; Kaci Hancock, REIS Associates



Janet Shipley, CBRE



Cindy Magouirk, Granite Properties



Kaci Hancock, REIS Associates

- A good manager listens, is pro-active, is a good communicator with ALL levels of people day to day, from janitor to owner; he/she cares about people, is resourceful when confronted with diverse daily challenges, and knows where to go for solutions by knowing a wide variety of specialized sources
- A manager must be on his/her toes at all times, always learning, even through failures; be knowledgeable about the portfolio of buildings and how it fits in with the competition and the market; a property manager is an asset manager and is the landlord for the landlord
- A manager must work closely with brokers and leasing agents to know what is expected from the buildings under management, what the tenants want; a manager must manage as if he/she was owner of property
- A manager must be a good leader and good coach, and empower those who report and treat errors by underlings as a teaching moment; the tenants will evaluate your professionalism as well as your boss and your owner; manager must show integrity to earn respect from all the spectrum of surrounding professionals, and not expect rank and file employees to do something the manager would not do him/herself; a manager must respond immediately, and constantly re-prioritize the daily focus; treat every client as if it is the 'only' client; the manager must know the owner's objective: increased ROI through ongoing operations or through prospective sale?

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- A manager must understand the budget and what are the allocations and why, and to understand that the budget is 'the playbook'; the property condition must be re-examined ongoing in light of competition and owner's goals, as well as in light of tenant needs
- Professional societies such as BOMA, CCIM, and IREM are valuable assets to your industry, and the successful manager participates and uses what they have to offer to set him/herself apart from fellow professionals; a manager learns to lift others up as he/she has been lifted up
- A successful manager is active in the community; a successful manager mixes with the generations and shows all a high level of commitment to the industry; a successful manager knows how to control costs, manage bidding by service providers, and balance between quality, service, & price, especially when considering repositioning of a building; a manager is on call 24/7 and informs tenants in advance of anything which may be adverse to their smooth business operations, such as severe weather events
- A successful manager maintains emergency response vendors and keeps them on call at all times; several restoration companies need to be available to you when a hurricane or other extreme event strikes your property; files must be in duplicate, electronic and paper, and not kept in the basement where it may flood!
- The good manager trains staff in advance on how to react in an emergency; embrace technology but don't let it de-personalize your life or your relationships with your clients or tenants; always poll your tenants before adding a new tech process-they may not want to use it

Tenant Improvements & Building Upgrades

Moderator: John O'Donnell, WaterLogic; Shane Cawood, Hartman Income REIT; Brad Kovach, Moody Rambin



John O'Donnell, WaterLogic



Shane Cawood, Hartman Income REIT



Brad Kovach, Moody Rambin

- Return on investment (ROI) always needs to be taken into account before any expenditure; but what to include in ROI evaluation: man hours spent, level of new cost efficiency achieved; other? A thorough ROI investigation always turns up important information; every time you spend a dollar consider ROI on it; what is the payback? 3-5 years is ideal, longer, not good; consider spending on items which increase tenant satisfaction but which have a reasonably short payback to owner, such as temperature management systems that tell a tenant 'this building owner cares about me'; but how will the dollar spent on amenities increase occupancy, revenue, & profit?
- Savings in operating expenses increases cash flow and, at the same time, increases the value of the building when sold; ask yourself: will a given expenditure add value to the bottom line?
- Often adding amenities is not an expensive proposition, such as adding natural light to lobby or elevator lobbies by putting in glass; also natural light can often be accessed to reception areas of built-out lease spaces, adding freshness and openness to the space; one amenity is adding co-working space, with small huddle rooms, and conference rooms available to all building tenants, which saves them the money of adding a little used conference space to their own lease space; make common areas light and airy; make sure you build out your building so your prospective tenants will think it represents them well; consider adding outdoor spaces; landlords used to budget 3% to this type of common area amenity and now the allocation is up in the 12% range, to attract today's tenant; wi-fi throughout building's public spaces is much appreciated in today's market; other shared amenities can include coffee bars and copiers
- In tenant buildout, be careful in promising move-in dates, since permitting is taking longer; consider recycling your old building materials; LEED compliance is important to large institutional tenants, but not so much to smaller tenants; be very detail conscious in all tenant buildout and involve your building engineer, who may be aware of issues missed by your contractor and/or architect; be sure to be aware of all potential surprises which could set back your delivery date to the tenant and delays which could interrupt his work flow; be sure to have a good TI contract which protects all parties upon move-in, and after; be sure you match your TI contractor with the size and quality level of the particular space buildout; make sure tenant has full buy-in on new space and all details to avoid disputes later; if a problem arises, try to find a reasonable solution; tenants are hard to come by these days; always include contingencies in your construction contracts
- Track historical buildout costs so you can better evaluate contractor bids and tenant requests; if a tenant wants to supply its own TI contractor, be sure to anticipate all possible areas of conflict and address them up front through negotiation-the landlord does not need to give up control here; don't forget soft costs that may be left out of contractor agreement, such as locksmiths, signage, etc.
- Consider improving the areas which give prospective tenants first impressions of your building, such as elevator lobbies, common areas, etc.... you want to create an environment in and around your building which is comfortable and attractive; tenant turnover can indicate outmoded common areas; consult your brokers about what other buildings are offering in their common areas, and match or better them ■