

CURRENT TRENDS/ISSUES IN PROPERTY MANAGEMENT

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PROPERTY MANAGEMENT

THINGS ARE TOUGH ALL OVER

- ▶ **Seeing a trend in increasing tenant delinquencies**
- ▶ **National economic woes impacting tenant decisions.**
- ▶ **Unemployment at 9.5% in Washington State¹**
- ▶ **City and State Budget Woes**
- ▶ **Climate Change**
- ▶ **Elections**
- ▶ **Regulation / Legislation**

¹ Washington State Department of Employment Security, Employment Situation Report for December 2010.

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NATIONAL TRENDS IN PROPERTY MANAGEMENT

- ▶ **Property Manager vs. Asset Manager**
 - Blurring the lines of responsibility
 - People being asked to do more with less
- ▶ **Technology Changes**
 - Work order management, web vs. house accounting, contracted out services (vendor insurance, real estate taxes), facility management software

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National Trends (cont)

- ▶ **Large national companies still not penetrating NE Washington / Northern Idaho for third party management**
 - Relationship driven market (do see strategic alliances)
- ▶ **When markets decline and credit markets tighten, receivership business increases**

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MANAGEMENT IMPACT ON INCOME

▶ **Tenant Retention**

- Cheaper and easier to keep tenants than replace them
 - Good service levels – be responsive
 - Empathetic – face time

▶ **Rental Delinquency Management**

- Stay on Top of it
 - Rent deferral
 - Rent abeyance
 - “Blend and Extend”

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Impact (cont)

▶ **Creative Leases**

- Lease Term vs. Improvement Costs
- Free Rent vs. Tenant Improvements
- Longer terms with buyouts / repayments
- Good Marketing Plan
 - Know your competition

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▶ **What do Tenants Really Want?**

- Lowest possible rent vs. best value in rent?
- Building amenities vs. what they will pay for?
- Green Building Amenities

Manager or management team needs to be an active and supportive participant in the leasing process.

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IMPORTANT

- ▶ **Ask for financial statements and sales reports to prove out tenant financial difficulties**
- ▶ **Know the Market**
 - Tenants are not beyond using the media hype to bargain
- ▶ **Get repayment or modification agreements in writing** (lease modification, extension, repayment, notes, etc.)
- ▶ **Know a good real estate attorney**

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MANAGEMENT IMPACT ON EXPENSES

▶ **Service Contracts**

- Length of Term vs. Cost
 - Many vendors will consider reductions in cost in return for longer contract terms.
- Low Price vs. Best Value (elevator, janitorial, landscaping)
 - Don't let lowest price turn into a service problem for your tenants.

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IMPACT ON EXPENSES (CONT)

- Early Payment Discounts
(2% 10 days/ net 30)
- Volume Discounts
(elevator, janitorial supplies, etc)
- Vendors as Solution Providers

READ YOUR CONTRACTS!!!

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IMPACT ON EXPENSES (CONT)

▶ **Efficiency in Operations**

- Lighting
 - Timers, occupancy sensors, type of bulb (T8, compact fluorescents, LED's)
- Variable Speed Motors
 - HVAC and water pumping
- High Efficiency HVAC
 - Boilers, Solar, Energy Management System

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IMPACT ON EXPENSES (CONT)

- Building Re-Commissioning
- Good Maintenance Program in place

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Since December 1999, Kiemle & Hagood Company has partnered with Avista Utilities to install new lighting, controls, boilers, higher efficiency motors and many other improvements to our managed properties on behalf of our clients:

- * 44,658,271 kwh saved to date
- * \$3,018,580 in energy savings³

Get familiar with your Avista account representative and take advantage of their knowledge!



³ Based on data from Avista participating projects only, current kwh cost of .065 and therm cost of .486.