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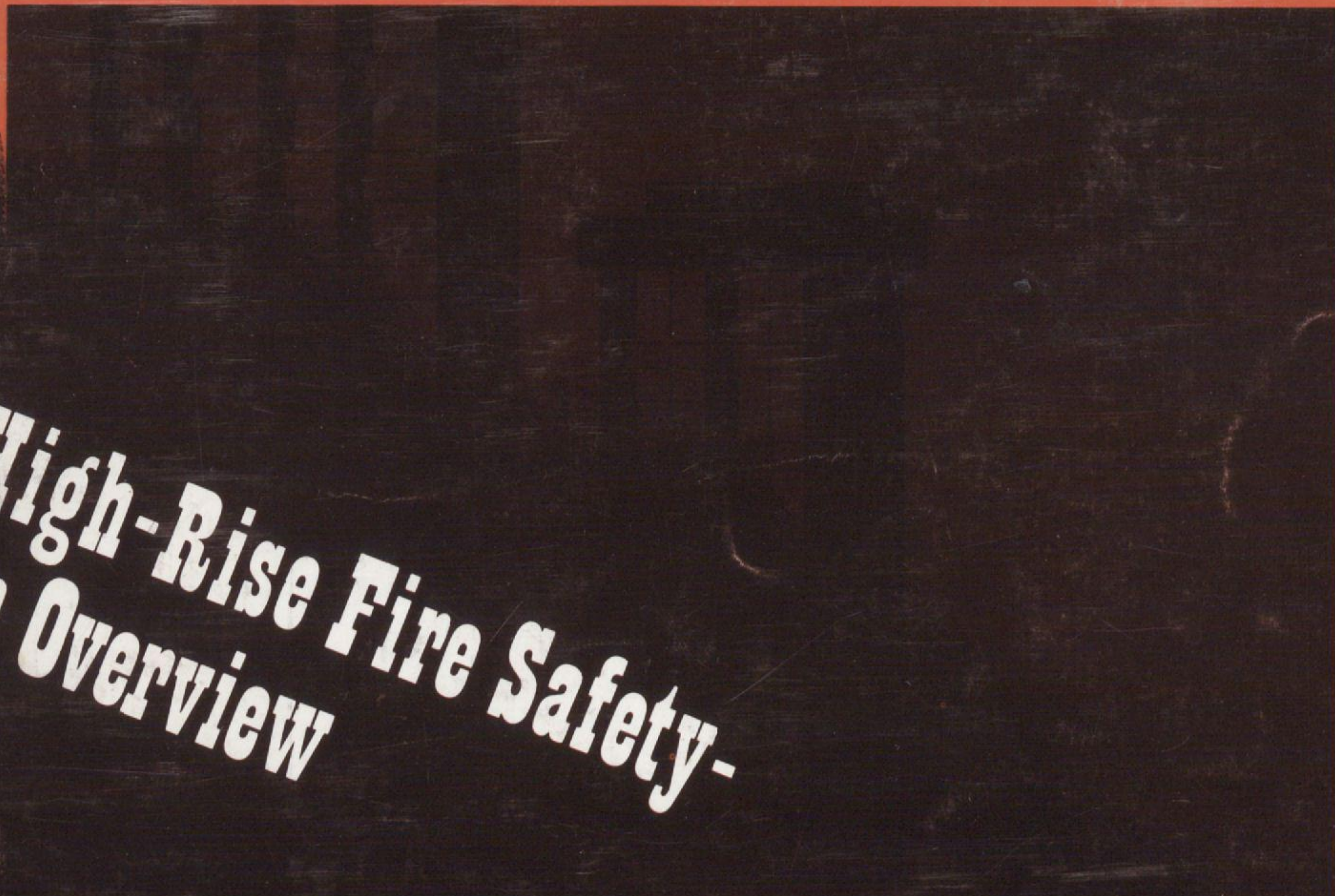

High-Rise Fire Safety-
An Overview

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The authors show, in a study undertaken by the Urban Institute, that "management is the most important determinant of tenant satisfaction, more important than neighborhood services, neighboring, project cleanliness, security or the physical unit." The study involved an analysis of 20 federally subsidized multi-family housing projects in the Pittsburgh area.

In this case study, certain guidelines were established for selecting a property for conversion to condominium ownership. Mr. Eisen discusses fully the various analytical approaches that were needed to successfully complete this project.

For the total success of a condominium conversion, Mr. Frey advises the property manager to concentrate on marketing approaches that create the acceptance and sales of converted units.

The housing industry during the past three years has had its ups and downs, according to Mr. Glassman, who forecasts what we have to look forward to in the next few years. In particular, he calls for more professionalism and more awareness of the impact of general economic trends on the housing market.

A professional property manager, asserts Mr. Hanford, may see many things that the untrained eye simply overlooks. Such items as maintaining low operating expense levels and good landlord-tenant relations require concentrated study which is derived from expert training and experience.

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Vance C. Miller, CPM

Fire Safety

THE PRESIDENT'S LETTER

It is difficult to predict exactly what combination of fire safety measures are better than another for a particular office or apartment building. One property manager may utilize a system consisting of a communication system, smoke detectors and smoke shafts and another property manager may only utilize sprinklers and elevator emergency services. All are good approaches but which deals with fire safety best?

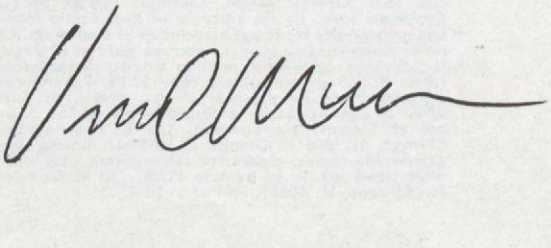
Non-uniform fire codes and legislation are in varied abundance from state to state but the level of deaths from fire catastrophies continues to rise each year. What is needed are research programs that will give us a complete systems approach on how best to prevent, contain and extinguish fires.

The Institute of Real Estate Management, celebrating its 40th anniversary this year, has long been concerned about life safety and property protection and has developed through its own research programs various approaches to fire safety. Course IV, "Office Building Development Leasing and Management," points out in detail the fire systems and evacuation procedures which best work in unison to assure optimum life safety and minimum property damage from fire and smoke.

For small buildings, the Institute recommends an alarm warning system, smoke detection or heat detection devices which tie into the fire department in unattended buildings, an elevator "homing" system and published or posted evacuation procedures. National figures indicate that of the well over 100,000 fire related deaths in the last ten years, substantially less than 50 occurred in tall buildings—hence the need for corrective action in small buildings.

At the very least, high-rise buildings require the following: an alarm fire system whereby smoke or heat sensors are activated, an alarm indicator, automatic return of elevators to the lobby for manual use by the fire fighting crew and, of necessity, comprehensive evacuation procedures.

All in all, the approach to better fire safety is not more codes, but a complete systems approach that will do the required job and still stay within the budget. □



Vance C. Miller, CPM, 1974 President of IREM, is President of the Henry S. Miller Co., Dallas, Texas, the largest full-service Realtor in the Southwest. Mr. Miller also holds membership in the International Council of Shopping Centers, Building Owners and Managers Association and holds the CCIM designation of the National Institute of Real Estate Brokers. He is a lecturer at Southern Methodist University and the Texas Real Estate Institute.

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High-Rise Fire Safety

An Overview

by Raymond R. Neal, CPM

Fire safety in high-rise buildings is undergoing close scrutiny in many areas of our country. Recommended code revisions are being considered or have been adopted in Chicago, New York and numerous other cities.

Why all the hue and cry about high-rise fire safety?

1. Such fires are spectacular, particularly on color TV.
2. News media over dramatize them.
3. Fire deaths since 1970 have risen in high-rise buildings, although as a class high-rise office buildings still remain the safest class of building.

The history of why so few high-rise buildings have good fire protection systems is rather thought-provoking. The National Fire Protection Association Standards for Sprinklers, NFPA-13, have been established and maintained by the members of the Pipe, Sprinkler Controls, Sprinkler Valves and Sprinkler Manufacturers industry. Resistance to change was legendary. Basically, the same standards were in existence for 60-70 years, with few significant changes.

Many advances have been made in the past thirty years in pipe, pumps, controls, valves and sprinkler manufacturing. However, until 1973, few, if any, changes were allowed in NFPA systems, due to the tight control over the committee structure by manufacturers representatives.

Designers, builders and developers had little choice; install NFPA 13 approved systems, or no insurance credits would be allowed.

Costs of NFPA approved systems were prohibitive both in direct costs and in structural design, to accommodate the systems. The results; no sprinklers or very few sprinklers, were installed and dependence upon fire stairs, vent shafts, fire doors, space divisions, etc., was forced by code requirements.

Raymond R. Neal, CPM, is the manager of the Property Management Department of the Tucson Realty & Trust Co., Tuscon, Arizona. A member of the Tuscon Board of Directors of the Tuscon Trade Bureau, Mr. Neal is also a member of the Equal Opportunity in Housing Committee of the Tuscon Board of Directors.

THE PROBLEM

Lets examine a typical wastebasket fire in an occupied office in a high-rise building. Someone throws a lighted cigarette, or hot ashes into a wastebasket where it smoulders and ultimately bursts into flames. The wastebasket is near a wall, a desk or other furniture. During the first couple of minutes, almost anything that will cover the top of the container would snuff out the flames, or one glass full of water might even put it out. No one covers the container, but someone runs for the fire extinguisher they have seen in the hallway. Totally unfamilar with this type of extinguisher, our would-be fire fighter turns it over too soon and wastes half of the 50-seconds of discharge time before he gets the stream onto the fire. If he is lucky, there still may be enough to extinguish the fire, if the stream is properly directed. (If the extinguisher turned out a spray instead of a stream, it would be far more effective for most fires.) Chances are less than one quarter of the 2½ gallons (or less than two-thirds of a gallon) will ever reach the now wall burning fire. Even this small amount will dampen the fire down and our would-be firefighter now thinks he has it whipped. Then the stream stops coming out of the exhausted container. Surprise and disbelief overcome the firefighter and valuable seconds, even minutes are lost before he recovers. The fire however, is no longer restrained and burns on larger and larger. Had our firefighter brought the firehose in from the hall and had the presence of mind to have someone turn it on for him, the fire might have been contained with water damage being greater than that of the fire.

In most cases, a second fire extinguisher is also available nearby, but no one would remember to get it. This second extinguisher (properly used) would still probably contain the fire if not over a couple of minutes have passed.

Fire needs heat, oxygen and fuel to burn. Eliminate any one of these and the fire stops. Covering the container would eliminate the oxygen supply. Water on the fire would cool it down and eliminate heat. Removal of the fuel would not be possible with this wastebasket fire, until the fire was extinguished.

Our fire has now burned for several minutes and finally someone thinks to call the fire department, but chances are no one calls the building office to report it. The first indication of trouble to the building staff is when the fire department arrives at the building, if then.

Desk, walls, and the carpet are soon in flames and smoke starts to drive the office occupants out into the halls in a near panic state.

More minutes pass and the fire department arrives. The engine crew lays hose to the closest hydrant and connects their pumper to the dry standpipe system. Now the firemen put on their Scott air packs, grab a couple of hoses and hurry to the fire floor. Their effectiveness will largely depend upon how soon they are able to get an elevator to the fire floor.

Smoke, meanwhile has spread through the return air duct system and has driven all of the occupants on the fire floors into the halls and, hopefully, into the fire exit stairs before smoke or toxic gases can overcome them. Fire exit stairs usually have the required door closers on their doors to prevent smoke and flame from entering. (What happens if someone has propped one of these doors open?) Fusible links on the return air grilles finally melt, but smoke and toxic gases (the major killers in fires) have long since reached all of the floor and are filtering into the floors above. Heated air rises and expands up to three (3) times its volume forcing its way into any possible openings. Few buildings have true floor to floor intregrity that would deny smoke passage after the heat pressurizes it.

When the firemen finally reach the fire floor, they have three problems: (1) Staying alive in the smoke and toxic gas atmosphere, (2) Rescue of personnel and (3) Putting out the fire. By the use of self contained breathing apparatus (Scott air packs)

An electronic security and fire detection system will be used in the new, 18-story Pacific Indemnity Building in Los Angeles. The system will allow one guard in the lobby of the building to monitor 160 zones as well as automatically alarming, locking and unlocking all of the stairwell doors.

they can, for limited periods at least, have air to breathe. If they can get their hoses connected and water on the fire they can usually extinguish the flames. Usually, firemen approach from the floor below the fire floor. This enables them to afix hoses and go in through the fire exit stairs ready to go to work on the fire.

Protection of life is the first duty and concern of firemen. If they are satisfied and assured that all of the occupants have left the floor, the job becomes one of extinguishing the fire. If not, they must concern themselves with sometimes tedious and risky rescue efforts first.

Unless a fire has burned for twenty to thirty minutes before the firemen are able to attack it, chances are the water damage to floors below will exceed the fire damage.

How can we, as property managers, reduce the likelihood of fire and minimize the damage if one starts?

EDUCATION PROGRAMS

First, educate tenants to (1) assist in the elimination of fire hazards, (2) call the fire department, and the building office at the first sign of a fire or suspected fire and (3) evacuate the fire floor. Secondly, educate building employees in the proper use of the building fire protection devices.

Each of these education programs should be carefully thought out and then publicized using actual fire drills to improve building reaction procedures. Appoint several persons on each floor to see that personnel in each office know what to do to protect themselves in case of fire. (1) Sound the alarm to fire department and building office and (2) get everyone evacuated down at least one floor. Your building personnel should be trained in the use of fire hoses and portable extinguishers. They too should alert the fire department and the building office if they discover a fire, before they make any attempt to extinguish the fire.

If you and/or your building personnel have never handled a 1½" to 2" fire hose with pressure on it, perhaps you should practice. Our building personnel are instructed (1) Never to go to the scene of a fire alone. You need someone to turn the water on the hose for you and may need someone to rescue you if smoke is a problem. (2) Use the fire hose instead of the portable extinguisher, since it is more reliable and has more sustained extinguishing capability. (3) If you use a portable extinguisher, be certain it is a dry chemical or carbon dioxide for an electrical fire situation. Water alone, (unless it is a high pressure fog), can spread the fire in petroleum products or cause electrocution unless the circuit is off in electrical fires. (4) The muzak paging system will be overridden by the building office to summon building personnel, or to order evacuation of a fire floor. (5) Approach a fire floor from the fire exit stairs either one floor above or below depending on your position in the building at time of the call. Make no attempt to ride the elevator to the fire floor.

Each year we re-emphasize the fire problem and procedures in letters hand delivered to each of our tenants. We ask that they know what to do to protect themselves, and to help us protect their property.

WHAT ARE THE NEW ALTERNATIVES?

1. The National Fire Protection Association NFPA 13 now has a light hazard classification into which high-rise offices seem to fit.

2. The Copper Development Association in cooperation with other interested groups has developed a Life Safety System.

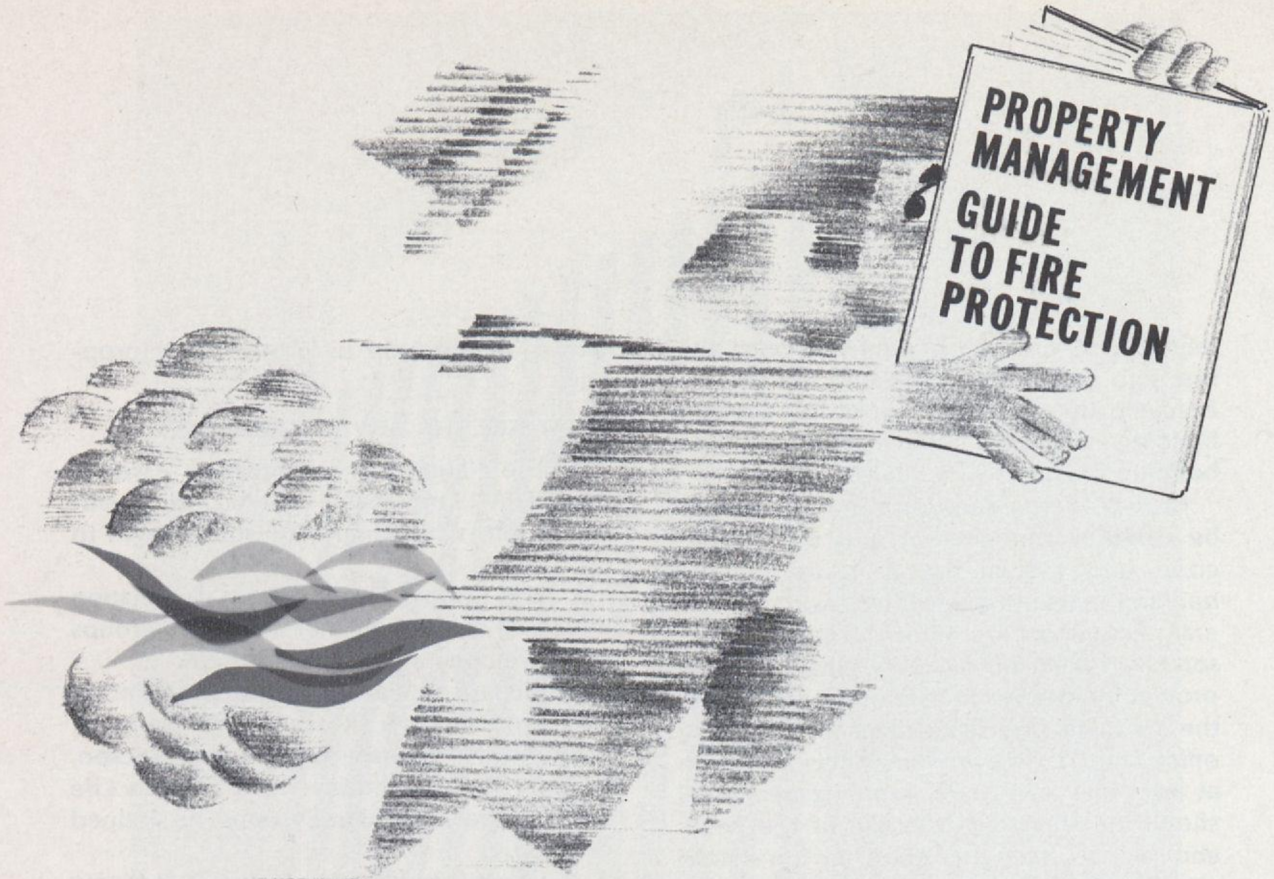
3. Richard M. Patton, President of Patton Fire Protection & Research, formerly of Freehold, New Jersey and now of Tucson, Arizona has installed several of the New Life System Fire Sprinkler Systems he helped develop.

4. Several major manufacturers are now producing smoke detectors, product of combustion detectors and allied equipment to support such a system.

The thrust of all of these are protection of human life instead of NFPA's traditional protection of property approach to the problem.

The costs of Life Protection systems are remarkably low compared to the cost of NFPA 13 systems. On new work, when using trade offs which are frequently available from building codes, savings are almost always possible. In an existing building the cost of a Life Safety System is close to half of the traditional NFPA 13 system. The installation of the traditional NFPA 13 system may not always be possible due to lack of space for large piping, or structural modifications that may be required to support the loads.

The professional property manager will do well to inquire into the many alternatives available in the design of a new building, or the renovation/remodeling of older office buildings. Protection of lives through a functional Life Protection system certainly is coming within the range of the possible at long last. □



by O. Ellsworth Stevens, CPM

The loss of life and property, due to fire, continues to rise each year. Fire not only causes deaths and property destruction, but serious fires in commercial establishments often cause companies to go out of business. Insurance does not cover all costs of the replacement of buildings, contents, as well as loss of income during the period of reconstruction. The cash flow problems after a serious fire can become an impossible barrier for a manufacturing firm or a commercial establishment during the long period of negotiations for the insurance settlement, reconstruction and other complications.

No one questions the seriousness of a fire. How then can property managers help prevent them from happening in the first place, or after a fire has started, what action should be taken.

Batallion Chief, George A. Powell of the Fire Prevention Bureau, Baltimore City Fire Department, has prepared a list of causes which are most often responsible for fires in high-rise office buildings and apartment buildings.

O. Ellsworth Stevens, CPM, is vice president of Mullan Enterprises, Inc., Baltimore, Maryland, heading its real estate and investment property division.

IN HIGH-RISE OFFICE BUILDINGS:

1. Trash Room
2. Electrical Equipment Rooms
3. Defective Heating Equipment
4. Trash Cans (Putting Cigarettes in Cans)
5. Storage Rooms

IN HIGH-RISE APARTMENT BUILDINGS:

1. Smoking and Matches
2. Heating and Cooking Equipment
3. Electrical (Wiring and Appliances)
4. Incendiary Suspicious
5. Rubbish Ignitions Unknown)

COMMON HAZARDS OF BOTH APARTMENT AND OFFICE BUILDINGS

1. Sloppy Housekeeping
2. Lighting
3. Floor Cleaning Compounds
4. Packing Materials

PRECAUTIONARY STEPS

The property manager should carefully study the aforementioned list to insure these hazards are at a minimum in his building. He then should warn his residents of the dangers of careless use of cigarettes, matches, electrical equipment and trash.

Residents should be instructed as to how to evacuate the building in the event of an alarm. A layout of the floor plan and location of exits should be posted on each floor level in at least two places where they are easily visible. When a new resident moves in, he should be instructed what to do if there is a fire in his own apartment or if there is a fire elsewhere in the building.

Although fire drills are not now required by law in office or residential buildings in the Baltimore locale unless they are institutional buildings, every building should run through a fire drill periodically. Certainly no one likes these drills; however, they pay off and save lives and property. They are also an excellent opportunity to train building personnel so that they will become an effective fire protection force. Both residents and employees should be instructed in the use of fire extinguishers.

It cannot be overly emphasized the importance of promptly reporting a fire. *Do Not* try to put it out first but advise the manager to take these steps:

1. Notify the Fire Department. *Do Not* assume someone else has already notified them.
2. Alert the people in the building.
3. Evacuate the building—employees should be trained into a building fire brigade.

Remember—the first five minutes are the most important in a fire.

In older buildings, the stairways should be enclosed and doors should be kept closed, otherwise, they act as a funnel to draw fire and smoke through the building. The lack of a second stairway is very serious. Outside fire escapes on high-rise buildings are not effective because the caution with which people descend them makes evacuation extremely slow.

What can the professional property manager do to assure protection to his residents and to protect the owner against the dangers of a serious fire?

He should install an alarm system—the simplest and lowest cost is the manual system, with pull stations on each floor, but not more than 200 feet travel distance.

It is also recommended that automatic detection systems be installed. When a building has an automatic system, heat and smoke detectors can invariably be connected with the alarm system. Fire Departments favor smoke detectors because: 1) smoke usually precedes the flames and; 2) it is a known fact that, by far, most deaths from a fire are caused by smoke. Even when bodies have been burned, the death usually has been contributed to smoke inhalation.

The advantage of an automatic system is:

1. It is always there.
2. When the fire occurs, it always gives the alarm.
3. It will give the alarm in spite of gases, smoke or flame.

It is advisable to connect the alarm system into the municipal fire fighters system whenever possible. Since employees and residents assume, in most cases, that the Fire Department has been notified when a building alarm sounds, it is recommended that a property manager become completely familiar with his alarm system so that he *knows* if this is the case or if the Fire Department must be notified by Street Alarm Box or Telephone.

There are two solutions to fire suppression:

1. Prevent It.
2. Put It Out.

There are two ways to put out a fire:

1. Built In Equipment (Sprinklers).
2. Manpower.

The Baltimore Fire Department has found sprinklers to be 97 percent efficient. In constructing a new building, it may be wise to check with the building code authorities and local Fire Department to see if it is possible to trade-off some of the lesser important fire-code requirements (such as excessively expensive fire doors) in order to save enough money to install a well engineered sprinkler system.

Each property manager should study his property carefully to avoid the "It can't happen here" syndrome. The Fire Prevention Chief of the Local Fire Fighting Department will appreciate any manager's interest in fire control and will gladly be available for consultation. It is to the property manager's advantage to learn local regulations and building code requirements from him and other sources. □

Fire Safety Guidelines for Use of Rigid Urethane Foam Insulation in Building Construction

URETHANE FOAM AND COMBUSTIBILITY

Rigid urethane foam is an exceptionally effective insulation material for the construction industry. Its unusually high thermal resistance makes it an efficient energy conserver. It is light in weight, versatile, structurally strong and easily installed by properly trained and equipped craftsmen.

Depending on formulation, combustibility characteristics of urethane foams vary widely, as do those of other organic materials. At the present stage of development, all organic foams, whether fire retarded or not, should be considered combustible and handled accordingly. Experience demonstrates that certain precautions must be taken to minimize the fire hazard in handling, storage and use.

How urethane is used in a building system ultimately determines its fire safety. Exposed urethane foam must be protected from accidental ignition by completely covering it with a flame barrier as soon as possible after installation, preferably the same day. Sprinkler protection may be desirable.

Rigid urethane foam insulation can be formulated on site from liquid chemicals which are foamed in place by pouring or spraying. It also is available as a rigid boardstock which can be cut and fitted into place, or as preformed panels, some of which are laminated with fire resistive materials.

SAFETY DURING CONSTRUCTION

Fire is a serious concern during construction. Good practices suggest the following safety precautions:

1. Foamed-on-site urethane should be mixed and applied only by applicators trained in its proper use and familiar with its limitations. It should be foamed in accordance with the supplier's recommendation.
2. Prohibit open flames, cutting and welding torches, electric heaters, high intensity lamps, and smoking materials such as pipes, cigars and cigarettes, from foam storage and installation areas. If hot work must be done near exposed urethane, shield the foam from heat and sparks by a thermal barrier such as ½-inch cement asbestos board. A fire watch is desirable. Do not weld or cut metal which is in contact with urethane.
3. Provide fire extinguishing equipment at both storage and installation sites. Water in a fine spray usually is an effective method of extinguishing plastic foam fires.
4. Store foam boardstock in limited quantities, in a location free from any ignition hazard and preferably protected by a sprinkler system. Do not stack more than 8 feet high. Provide adequate aisle space for access between stacks.
5. Store and open liquid foam materials out of direct sunlight at temperatures not exceeding 85°F in a well-ventilated location. Do not mix liquid waste components together for disposal because spontaneous combustion could occur. Decontaminate empty drums by filling with water out of doors and allowing to stand 48 hours uncapped.
6. Waste foam should be disposed of daily in a designated location with due regard for its combustible characteristics.

Published by Urethane Safety Group, The Society of the Plastics Industry, New York, New York.

SAFETY IN DESIGN

Each formulation of urethane foam has its own maximum service temperature which should be observed. Consult your local supplier for this information.

The most important consideration is to make sure that a suitable flame barrier covers all surfaces of urethane foam insulation. Certain applications may require additional sprinkler protection.

Following are some fire safety design guides for the architect and contractor. Local building code and fire code officials, insurers, and manufacturers' specifications and installation instructions should be checked in each specific instance.

For Interior Use

1. Urethane foam used in all interior and/ or ceiling construction should not be left exposed but should be covered with at least ½ inch of cement plaster or fire-rated gypsum wallboard or an equivalent barrier providing a finish fire rating of 15 minutes or more.

2. Exposed foam installed above a suspended ceiling, such as in a refrigerated building, requires protection by a thermal barrier above the foam, i.e., between the top side of the foam and the underside of the floor above. The result should be a thermal barrier on both sides of the foam.

3. Metal-faced urethane foam panels covered with aluminum (0.032 inch or greater) or steel (26 gauge or greater) used in wall construction should be protected by automatic sprinklers unless the panels have been fire tested and approved for the intended end use for non-sprinklered applications by a qualified agency such as Underwriters Laboratories or Factory Mutual Corp.

4. The high insulating value of urethane foam on a ceiling or roof can result in rapid heat buildup under the high points of the structure if a fire should occur beneath this surface. When temperatures reach 600°F to 800°F, the foam may ignite, causing release of dense smoke, carbon monoxide and flammable gases which can create a flash fire traveling under the ceiling. Automatic heat vents at high points of ceilings are helpful in releasing heat and vapors before dangerous buildup occurs.

5. Fire stops should be provided for large warehouse ceiling areas, between floors in multi-story buildings and at penetrations into pipe chases and venilation shafts.

6. Urethane foam should not be used in contact with chimneys, heater vents, steam pipes (unless specifically formulated for this application) or other areas which could be subject to service temperatures exceeding ratings recommended by supplier.

7. When urethane foam is used to fill cavities within masonry walls or in floors under concrete, no additional protection is needed.

NOTE: In all construction, new total system concepts to provide effective fire safety for buildings—incorporating automatic early detection, alarm and suppression devices—are recommended.

For Exterior Use

1. Over concrete, poured gypsum, tongue-and-groove wood or other properly prepared roof decks, urethane foam insulation with a suitable protective covering normally does not add to the fire hazard of a class A, B or C roof covering. Foam and coating systems should pass the ASTM E108 (UL 790) fire tests of roof covering.

2. Over bare metal decks, a fire-rated underlay of perlite, gypsum board or other approved thermal barrier materials should

be applied between the foam and the deck to provide protection from fire inside the building.

3. When used as an exterior insulating material on such structures as tanks or chemical processing equipment, urethane foam requires protection from the weather and ultra-violet rays of the sun and may require an ignition barrier, depending on the circumstances. Consult your materials manufacturer, insurer and fire officials.

COMBUSTIBILITY TESTS AND RATINGS

Numerous federal regulations and regional, state and local building codes make reference to combustibility tests and standards such as ASTM D-1692, and ASTM E-84 (or UL723) Steiner Tunnel test. While these tests, and numerical flame spread ratings derived from these tests, are the most common means available today to compare the various combustibility characteristics of plastics and other materials, and to communicate these characteristics to knowledgable consumers, they are valid only as measurements of the performance of the materials under specific, controlled test conditions and are not considered indicators of their behavior under actual fire conditions. More than one test, and possibly a full-scale room or corner test, may be necessary to qualify a material for intended or proposed use.

The Urethane Safety Group, in conjunction with the Society of The Plastics Industry, Inc., is engaged in research to evaluate present tests and to develop new tests that will more accurately predict performance of tested materials in actual fire conditions.

Further information on the safe application of rigid urethane foam may be obtained from your materials supplier and:

The Society of the Plastics Industry, Urethane Safety Group, 250 Park Avenue, New York, New York 10017.

National Fire Protection Association, 470 Atlantic Avenue, Boston, Massachusetts 02210.

Factory Mutual Research Corporation, P.O. Box 688, Norwood, Massachusetts 02062.

National Bureau of Standards, U.S. Department of Commerce, Washington, D.C. 20234.

Controlling Property Performance Through Human Resources Management

by Joseph R. Nevotti, Ph.D.

The performance of the properties you manage may be viewed as the outcome of two sets of variables, one of which is fixed or uncontrollable while the other is directly under your control. The major uncontrollable variables are debt service, insurance and taxes, and the physical characteristics of your properties. These factors are the "givens" you must contend with while you pursue the goals established for the properties you manage.

Controllable property variables include occupancy rate, tenant turnover, operating expenses, property personnel, and support personnel. These variables are under your direct control and are directly related to your managerial expertise. Figure 1 illustrates the two sets of variables that influence property performance.

Effective property management depends on your ability to manage the controllable variables that influence the performance of your properties. The more effective property manager accomplishes this by relying on sophisticated management tools and abandoning "brushfire management." Brushfire managers spend most of their days putting out fires using seat-of-the pants methods. However, tenant activism rising costs, pressure for performance from owner/investors, and the increasing popularity of the multi-family life style have placed the brushfire manager on the endangered species list. Social and economic factors are forcing property managers to resort to more sophisticated techniques in order to survive.

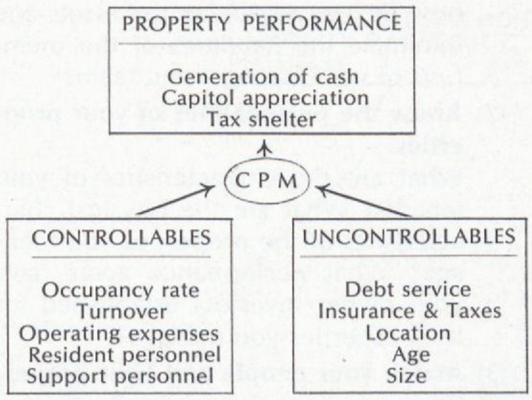


Figure 1. Variables influencing property performance

Several management tools are available which will help you to eliminate many crises before they arise, and will make those that do occur of more manageable proportions. Tools such as market research, cost accounting, management-by-objectives, and computerized management information systems are currently assisting property managers to better control the performance of their properties.

Another highly useful tool available to property managers is Human Resources Management (HRM). Our experience in the apartment industry as well as in other organizations indicates HRM can substantially improve your ability to control the performance of the property you manage. Human Resources Management consists of the rational selection, placement and management of the people in your organization. It is not another "human relations" approach

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designed to get people to perform by being nice to them. Nor does HRM require you to be a psychologist or an expert in human motivation. It does require you to focus on four things:

(1) **Know the personalities of your people.**
What are the outstanding characteristics of each of the members of your management team? As a manager, how do you maximize the assets and minimize the liabilities of the members of your management team?

(2) **Know the personalities of your properties.**
What are the characteristics of your tenants? What are the physical characteristics of the properties you manage? What performance goals have your owner/investors established for the properties you manage?

(3) **Match your people and your properties.**
What kind of a resident manager does each of your properties require? How well do you match the personality of your people with the personality of each property?

(4) **Manage the people/property fit.**
How well do each of your resident managers understand and carry out the performance goals established for the property they manage? How well does your support organization assist your resident manager?

The objective of Human Resources Management is to match the personality of the members of your property management team with the environment in which they must operate—in other words, match the man and the job. Focusing on the man-job fit will enable you to assemble resident management teams that work together effectively and are compatible with the property they manage. HRM will allow you to reduce infighting and communication problems among the members of your organization, and will eliminate much of the conflict and hostility between the members of your resident property management team and your tenants.

How you do implement a Human Resources Management program? The initial step involves developing an understanding of the assets and liabilities of the members of your property management team through psychological testing. The results of a psychological assessment will provide you with a description of the kinds of behavior you can typically expect from an individual. Psychological testing is not a mystical process; rather, it is designed to allow you to get to know someone very well but in a short period of time. A psychological appraisal will tell you as much about an individual as you would know after working with him for several months—sometimes even more.

The LWFW appraisal system provides the decision makers in your organization with a detailed description of an individual in the following five areas:

(1) **INTERPERSONAL RELATIONS**—How does he deal with other people? Does he have the social skills necessary to initiate and maintain effective interpersonal relations?

(2) **INTELLECTUAL FUNCTIONING**—How smart is the candidate, and how well does he use his intellectual potential?

(3) **EMOTIONAL ADJUSTMENT AND CONTROL**—Is the individual emotionally adjusted and mature? Can he control his behavior and handle pressure?

(4) **WORK HABITS**—How does the individual approach his job assignments? Does he have the work style necessary to be an effective producer in the proposed position?

(5) **JOB INTERESTS**—What occupations does the candidate like and derive satisfaction from? Do his interests match the job for which he is being considered?

Implementing a Human Resources Management program can have a very positive and dramatic impact on the performance of your people and the properties you man-

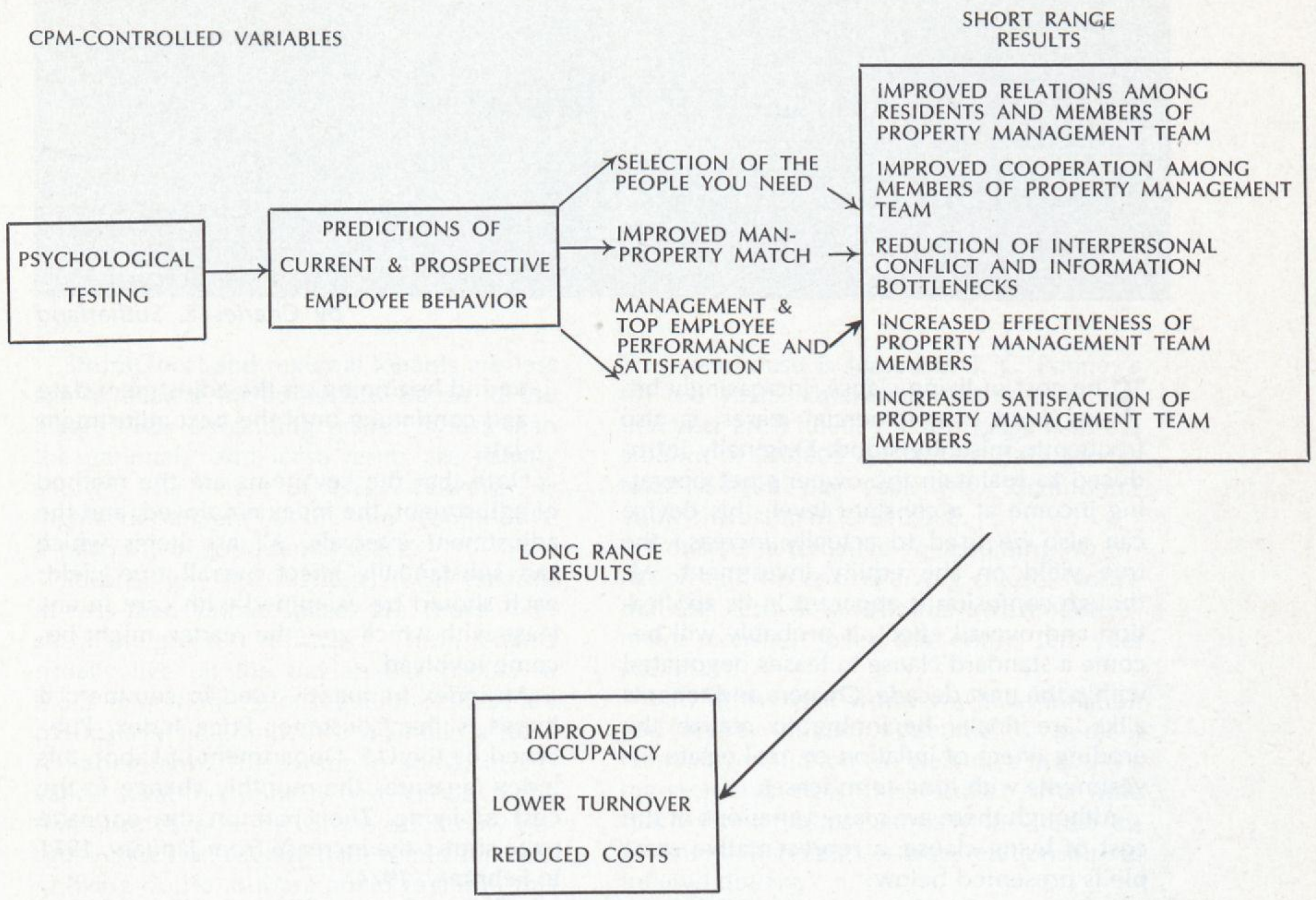

FIGURE 2. LWFW HUMAN RESOURCES MANAGEMENT PROGRAM

age. Initially, HRM will enable you to hire the good people you need and it will help you keep incompetent personnel out of your organization. HRM also allows you to better understand your employees thus improving your ability to predict and manage the future behavior of your management team members.

Once you know what you can expect from an individual you can match his personality to the personality of one of your properties. Improving the match or fit between an individual and the property to be managed will facilitate the performance and satisfaction of the members of your property management team, and it will improve property performance. Figure 2 is an overview of our Human Relations Management program.

The Human Resources Management program illustrated in Figure 2 represents one method you can use to better manage the controllable variables that influence property performance. By hiring competent personnel, matching your employees' personality with a property, and providing your resident management team with the support they require, you can anticipate . . .

. . . improved tenant-resident manager relations,

. . . improved cooperation among your property management team,

. . . reduction of interpersonal conflict and information bottlenecks,

. . . increased effectiveness in your resident management team,

. . . increased satisfaction in your tenants and employees. □

The Cost of Living Clause—A Different Perspective

by Charles E. Sutherland

The cost of living clause, increasingly being used in commercial leases, is also frequently misunderstood. Originally introduced to maintain the owner's net operating income at a constant level, this device can also be used to actually *increase* the true yield on the equity investment. Although confusion is apparent in its application and overall effect, it probably will become a standard clause in leases negotiated within the next decade. Owners and tenants alike are finally beginning to realize the eroding effect of inflation on real estate investments with long-term leases.

Although there are many variations of the cost of living clause, a representative sample is presented below:

> The monthly base rental shall be annually increased (but not decreased in the following manner: The base for computing the adjustment is the index figure for the month this lease commences as shown in the Consumer Price Index (CPI), All Items, based on the period 1967 = 100 for the Standard Metropolitan Statistical Area of Kansas City, Missouri, as revised 1964, and published by the United States Department of Labor's bureau of Labor Statistics.
>
> The index figure for the adjustment date shall be used to compute a percentage as it relates to the index figure on the index date. That percentage (if in excess of 100) shall be used to calculate the increase in rental payment for the period beginning on the adjustment date and continuing until the next adjustment date.

Note that the key items are the method of adjustment, the index employed, and the adjustment intervals. All are items which can substantially affect overall true yield; each should be examined with care in any lease with which you, the reader, might become involved.

An index frequently used in commercial leases is the Consumer Price Index. Published by the U.S. Department of Labor, this index measures the monthly change in the cost of living. The chart on the opposite page shows the increase from January, 1971 to February, 1974.

Inflation during 1973 was almost 9 percent. This rate is substantially higher than in previous years, yet may be a prelude of things to come.

Before accepting any standard cost of living clause, the owner or owner's representative should carefully consider whether the clause fits his particular needs. Which index should be used? How often is the adjustment needed or obtainable? *Know* what the clause says and what it means.

Tenant type will greatly affect whether the clause in question is obtainable. National tenants, having greater bargaining power and greater sophistication, will not always accept the clause. If they do accept it, usually adjustments are made only every five or ten years. Resistance, however, is weakening because owners are becoming increasingly firm on demands and tenants are becoming increasingly aware that protection of investment yield against inflation is justified.

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CONSUMER PRICE INDEX				
	1971	1972	1973	1974
January	119.2	123.2	127.7	139.7
February	119.4	123.8	128.6	141.5
March	119.8	124.0	129.8	143.1
April	120.2	124.3	130.7	144
May	120.8	124.7	131.5	145.6
June	121.5	125.0	132.4	147.1
July	121.8	125.5	131.7	148.3
August	122.1	125.7	135.1	150.2
September	122.2	126.2	135.5	
October	122.4	126.6	136.6	
November	122.6	126.9	137.6	
December	123.1	127.3	138.5	

Strong local and regional tenants are less apt to balk at including this clause in the lease. Their bargaining power is less than the nationals' and lease terms are usually shorter. The extent of usage, however, is highly dependent upon the competitive availability of good rental space.

Surprisingly, the marginal local tenants, in less-than prime space, are those who show the greatest resistance. These tenants usually live on the day to day profits of their operations. Consequently, they are particularly determined to maintain a fixed rental amount. They want to know, in advance, what the monthly cost will be. Many times, however, they will object simply because they don't really understand the cost of living clause, but are afraid to admit this ignorance. Sometimes, labelling this an "inflation clause" will be enough to encourage acceptance.

Fact: a full cost of living clause, adjusted annually, will actually *increase* true yield in times of inflation. This very point is the most frequently overlooked or misunderstood facet of the cost of living clause usage. If properly understood by the property owner this concept can be used to *significantly* increase, over time, the value of your equity investment. But a stern warning is in order; don't kill an otherwise good transaction, simply because you can't obtain the cost of living clause. Use judgment widely in this matter.

Now, how can a cost of living clause actually increase true cash flow yield? It's because inflation is adjusted for over the total rental while debt service remains constant. Consider the following example:

J. D. Richmond has a 5,000 square foot warehouse she rents for $6,000 per year. The warehouse is leased to J. C. Penney's for ten years. Operating expenses for the first year are $1,000. The mortgage is in the amount of $40,000 and annual debt service totals $4,000 per year. Ms. Richmond's equity investment is $10,000.

Consider alternative A; assuming *no inflation* and *no cost of living clause*. Notice that the cash flow to initial investment remains constant over the entire ten year period.

But, in the real world we have inflation and more inflation. Assume 6 percent cumulative inflation (conservative in today's market) and view the results. Also note that we must adjust annually the initial investment to reflect its true relationship to inflated dollars.

Notice that the decrease in true cash flow yield is significant. The decrease occurred for two basic reasons: First, there was no rental increase to offset inflation acting upon the equity investment.

Finally observe Alternative C. We again assume a cumulative inflation rate of 6 percent annually. We also include a cost of living adjustment (also at 6 percent) on an annual basis.

Notice above that true yield has increased from 10 percent to an incredible 26.3 percent! The main reason is that the increased rental income actually implies a cost of living increase for operating expenses, equity investment, and the *mortgage debt*. Since debt service will remain constant, however, the increase implied here is applied entirely to the equity investment. Higher leverage, therefore, implies a greater increase in the true yield. Note also, the graphic comparison of Alternatives A, B, and C.

ALTERNATIVE A

Year	Annual Gross Rental	Expenses	Net Operating Income	Debt Service	Cash Flow	Cash Flow / Initial Inv.
1	$6,000	$1,000	$5,000	$4,000	$1,000	10%
2	6,000	1,000	5,000	4,000	1,000	10%
3	6,000	1,000	5,000	4,000	1,000	10%
4	6,000	1,000	5,000	4,000	1,000	10%
5	6,000	1,000	5,000	4,000	1,000	10%
6	6,000	1,000	5,000	4,000	1,000	10%
7	6,000	1,000	5,000	4,000	1,000	10%
8	6,000	1,000	5,000	4,000	1,000	10%
9	6,000	1,000	5,000	4,000	1,000	10%
10	6,000	1,000	5,000	4,000	1,000	10%

ALTERNATIVE B

Year	Annual Gross Rental	Operating Expenses	No. 1	Debt Service	Cash Flow	Adjusted Investment	Cash Flow / Adjusted Inv.
1	$6,000	$1,000	$5,000	$4,000	$1,000	$10,000	10%
2	6,000	1,060	4,940	4,000	940	10,600	8.9%
3	6,000	1,124	4,876	4,000	876	11,240	7.8%
4	6,000	1,191	4,809	4,000	809	11,910	6.8%
5	6,000	1,262	4,738	4,000	738	12,620	5.8%
6	6,000	1,338	4,662	4,000	662	13,380	5.0%
7	6,000	1,419	4,581	4,000	581	14,190	4.1%
8	6,000	1,504	4,496	4,000	496	15,040	3.3%
9	6,000	1,594	4,406	4,000	406	15,940	2.5%
10	6,000	1,689	4,311	4,000	311	16,890	1.8%

ALTERNATIVE C

Year	Annual Gross Rental	Operating Expenses	No. 1	Debt Service	Cash Flow	Adjusted Investment	Cash Flow / Adjusted Inv.
1	$6,000	$1,000	$5,000	$4,000	$1,000	$10,000	10%
2	6,360	1,060	5,300	4,000	1,300	10,600	10.3%
3	6,744	1,124	5,620	4,000	1,620	11,240	14.4%
4	7,146	1,191	5,955	4,000	1,955	11,910	16.4%
5	7,572	1,262	6,310	4,000	2,310	12,620	18.3%
6	8,028	1,338	6,690	4,000	2,690	13,380	20.1%
7	8,514	1,418	7,095	4,000	3,095	14,190	21.8%
8	9,024	1,504	7,520	4,000	3,520	15,040	23.4%
9	9,564	1,594	7,970	4,000	3,970	15,940	24.9%
10	10,134	1,689	8,445	4,000	4,445	16,890	26.3%

It should be emphasized, at this point that these significant increases *may* only be temporary and accrue only during the initial lease periods. Competitive market rental rates may force a readjustment of the rental level, by either lessor-lessee renegotiations or exposure to the market because of vacancy. Whether this will occur in the market place is difficult to determine at this point. Few such long term leases with a full, annual, cost of living adjustment have come to renegotiation. Data will probably not be available on this particular point for several years.

SUMMARY

The cost of living concept, although often misunderstood, can be mastered with a little study and attention to national trends. Since there are numerous indices, know thoroughly the one you plan to use. Research it; master it; use it, when possible.

Don't decide that *every* lease you accept *must* have a cost of living clause. A particular tenant may have other ideas. If necessary, be satisfied with tax and insurance escalators.

Finally, remember that a cost of living clause, adjusted annually, can actually increase true yield in times of inflation. This may, however, be a temporary advantage occuring only during the term of the lease. □

Key to Satisfied Tenants: Good Management

by Roger S. Ahlbrandt, Jr.
Paul C. Brophy and
Katherine C. Burman

INTRODUCTION

Since 1968 approximately 2 million housing units have been built or rehabilitated under one of the federally-assisted housing programs. Although the U.S. Department of Housing and Urban Development (HUD) did not find the various programs to be cost effective, the fact remains that many households occupy better housing than heretofore.

In its study of the assisted programs (see *Housing in the Seventies*), HUD estimated that approximately 20 percent of the FHA Section 236 projects and 30 percent of all FHA Section 221 (d) (3) market interest rate rent supplement projects would default within the first ten years of project life. This emphasizes the precarious financial position of the multi-family assisted projects and stresses the need for competent management if the large public investment is to be protected.

The difficult financial posture arises from a combination of many circumstances. The Section 236 program, for instance, was designed to break-even financially at a rent paying occupancy of 95 percent, a level difficult to achieve given normal tenant behavior with respect to turnover and delinquency. In addition, unanticipated vandalism, higher than expected maintenance costs (resulting in part from poor quality construction, equipment and fixtures), escalating utility costs and prevalent social problems all combined to place added pressure on project cash flow. Finally, in many market locations rents are approaching the tenant's maximum ability to pay, and therefore, project viability cannot be sustained through rent increases.

Basically, the projects are over-financed given the market to be serviced and consequently poor management cannot be tolerated if the projects are to survive (many will default on their mortgage obligations even with good management). However, what is poor management? How important is management in leading to satisfied tenants? These questions are important for managers in all rental situations; however, they are particularly important for managers of housing for low and moderate income households.

The Urban Institute has shown a direct link between satisfaction of tenants and financial viability for subsidized housing. This substantiates common wisdom that a project in which tenants are pleased has fewer problems and, therefore, can be run more cost-effectively.

The reasons why a project works are not clear. Tenants may be pleased with a project because of the physical conditions of the unit and surroundings, its location, characteristics of neighbors, security from crime, quality of management and maintenance, and of course, price for rent of the unit. However, the relative importance of each of these factors has not been examined in depth. This information is important if the performance of future federal

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housing programs is to be improved, and if management is to allocate its scarce resources to those areas which will result in maximum benefit to the financial success of the development.

DESCRIPTION OF THE STUDY

Given the premise that tenant satisfaction correlates highly with the financial performance of the development, this study attempts to determine the relative importance of management in determining tenant satisfaction.

In order to address management related questions, ACTION-Housing undertook a study in the summer of 1973. The study involved an analysis of 20 federally subsidized multi-family housing projects in the Pittsburgh area. A questionnaire was designed and household interviews were conducted with 459 tenants (21 percent of the total housing population). The questionnaire was structured to obtain information on the dimensions of overall satisfaction, including satisfaction with neighbors, neighborhood services, security, quality of the physical unit and management.

The management portion was further divided into sections pertaining to maintenance, firmness, general treatment, and tenant involvement.

The housing study included a cross section of management styles. Four different management firms were covered. One of these used different management techniques in three project areas, so it was possible to identify six management approaches.

Of the six, two projects are self-contained developments with a project manager on site at all times during the working day. The other four are scattered site projects with management on site as needed. Five of the project areas are located in the City of Pittsburgh, the other in a Pittsburgh suburb.

DIMENSIONS OF TENANT SATISFACTION

The survey results show that tenant satisfaction consists of six distinct components:

(1) **Neighborhood Services:** quality of schools, streets, recreational facilities, police protection, rodent and bug control, traffic and shopping convenience.

(2) **Neighboring:** similarity of beliefs and behavior with neighbors; and degree of interaction with neighbors.

(3) **Project Cleanliness:** residents' handling of trash and garbage; overall appearance of development; and neighborhood cleanliness.

(4) **Security:** fear of being victimized; security against burglary; installation of special locks; and fear of going outdoors after dark.

(5) **Physical Unit:** quality of appliances, bathrooms, doors, electrical fixtures, walls and ceilings, and material used in construction.

(6) **Management:** quality of maintenance; general treatment of tenants by management; responsiveness; and firmness in enforcing rules.

Each of these six components is directly related to overall tenant satisfaction. However, satisfaction with management is the most important factor. It contributes more toward overall satisfaction than any other component, therefore, the interrelationship between management and the tenant is the crucial variable affecting the financial performance of the development.

SATISFACTION WITH MANAGEMENT

In order to better understand the management function, satisfaction with management was examined in more depth to determine the relative importance of each of its components. The analysis shows that satisfaction with management consists of four factors:

(1) **Maintenance:** response time for repairs; competence of maintenance men; and overall upkeep of building.

(2) **Empathy:** trustworthiness of management; fairness; and tenant satisfaction with treatment by manager and staff.

(3) **Responsiveness:** response of management to tenant complaints; activ-

ity of maintenance men; and concern of manager.

(4) **Firmness:** management strictness with enforcing rules related to pets, density, resident handling of trash, litter and firmness on paying rent on time.

Of these components, maintenance is the most important factor in explaining overall satisfaction with management; therefore, to be successful, management must concentrate upon the delivery of its maintenance services.

MAINTENANCE EXPENDITURES

The maintenance component is particularly interesting. In addition to tenant satisfaction with maintenance, maintenance expenditures were also analyzed. Expenditures for maintenance were found to be inversely related to tenant satisfaction; that is, in the projects studied, those with higher maintenance expenditures had lower levels of tenant satisfaction when the other contributing factors were held constant.

This inverse relationship may seem to contradict the direct relationship between quality of maintenance and satisfaction. The apparent disparity exists because in the housing developments studied, maintenance is provided in response to expressed need rather than through a comprehensive preventive maintenance program. Higher maintenance expenditures occur due to vandalism, tenant abuse, or worn-out parts.

The difference indicates that maintenance costs are not a good measure of maintenance quality. A manager's goal should not necessarily be to increase his maintenance budget as a strategy to increase tenant satisfaction, but to improve the quality and speed of response of his maintenance force.

TENANT CHARACTERISTICS

Each of the dimensions of overall tenant satisfaction was analyzed to determine whether tenant characteristics are important in explaining different satisfaction levels. The variables which were examined included length of residency, number of children, number of adults in the family, availability of a car, sex of household head, age of household head, rent as a percentage of income, income, and race. Only age of head of household was statistically significant in explaining satisfaction; the others did not explain any difference in satisfaction levels.

DISCUSSION OF RESULTS

Housing is a durable commodity, however, it must be managed efficiently if it is to provide standard quality shelter over its maximum economic life. This is particularly true with respect to federally assisted housing where significant social problems and limited financial resources compound the difficulty of the management function.

This study showed that management is the most important determinant of tenant satisfaction, more important than neighborhood services, neighboring, project cleanliness, security or the physical unit. Since previous research concluded that tenant satisfaction correlated highly with the financial performance of a project, it is possible to infer that management is the key to a project's success or failure. (This assumes, of course, that the project can be financially successful given good management. Unfortunately, many of the FHA Section 221 (d) (3) and Section 236 projects are failures from a financial standpoint even given superior management.)

Management policies not only have an important influence on tenant satisfaction with management, but they also may be critical in determining satisfaction levels with other aspects of the housing environment. For instance, management interaction with municipal and social agencies may influence the quantity and quality of services supplied to the tenants or the neighborhood in which they live. Management policies with respect to trash and litter affect project cleanliness; policies with respect to maintenance affect the physical unit; policies with respect to tenant selection and rule enforcement affect neighboring; and other policies may have an effect upon security.

This analysis does not provide a simple set of rules for management to follow in order to maximize tenant satisfaction. It does, however, show that tenant satisfaction depends upon many variables over which management does have control. Some of the specific conclusions which can be extracted from the analysis are listed below:

(1) Components of tenant satisfaction include every aspect of the total living environment; therefore, management must take a broad perspective if it is to cope with the range of forces which infringe upon the lives of the tenants.

(2) Satisfaction with maintenance is directly related to speed of response and the quality of the work performed. Since this is the most important variable in determining tenant satisfaction with management, increased attention to the maintenance function may be a cost/effective investment.

(3) The empathy dimension includes qualities of trust and fairness. These perceptions and feelings are built up through interpersonal contact and hence stress the importance of interpersonal relationships in creating a tenant/management relationship which reinforces satisfaction levels.

(4) Management responsiveness is important not only to maintenance but also to other tenant problems.

(5) Strictness or firmness in the manner in which rules are enforced is positively associated with tenant satisfaction. This indicates that management must not only set rules of behavior but then must communicate them to the tenants and enforce them in a reasonable manner. The reasonableness of a rule enforcement policy is difficult to define and will certainly vary depending upon individual circumstances; however, reasonableness will never be achieved until rules are established and articulated to the tenants. Enforcement of the rules also requires an element of consistency over time and among tenants. A sporadic enforcement policy is not reasonable.

(6) Increasing maintenance expenditures may not be the correct approach for raising the level of tenant satisfaction; improving quality and response time may be more important.

(7) Socio-economic variables other than age and income are not good predictors of tenant satisfaction and may not be valid predictors of good and bad tenants.

This study has taken a preliminary step toward increasing the understanding of the components of a successful management delivery system. Considerable work remains, of course, in determining whether these results apply to tenants in different income groups and in different rental situations □

** The authors wish to express their appreciation to the Buhl Foundation for providing the financial assistance which made the research possible.*

The results of a recent research study demonstrate that CPMs are involved in managing every type of income-producing property around. They manage dollar assets of approximately $22 billion in apartment buildings, $18 billion in office buildings, $13 billion in commercial properties, and $10 billion in condominiums and cooperatives. They are also involved in managing shopping centers, industrial parks and mobile home parks.

An entire collection of publications on subjects of current interest to the real estate industry is available through the Institute. The JOURNAL OF PROPERTY MANAGEMENT and OPERATING TECHNIQUES AND PRODUCTS BULLETIN are regular periodicals which feature timely information on every topic of possible concern to property managers.

Education courses are held in various convenient locations throughout the country. One-day seminars are periodically sponsored by IREM chapters at the local level.

All of these services are designed in accord with the Institute's primary responsibility of keeping the public educated and informed, and promoting professionalism in the field of property management. **An individual does not have to be a CPM or CPM Candidate to purchase the IREM publications or enroll in a majority of the IREM courses.**

Responsibility is the price of professionalism. The Institute of Real Estate Management is proud to pay.

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IREM EDUCATION

SAFEGUARD OF PROFESSIONAL MANAGEMENT

In order to become certified and accepted as a member of the Institute of Real Estate Management, a property manager must meet stringent educational and experience requirements. He must also pledge adherence to the Bylaws and Regulations of the Institute as well as agree to abide by the established Code of Professional Ethics before becoming certified. By the time a Candidate has actually qualified for certification, he is well-equipped and well aware of the challenges in the field of property management.

CPMs may also apply to the Institute for accreditation for their management organizations, which receive the AMO (Accredited Management Organization) designation for achieving high standards of professionalism.

CPM CANDIDACY & DESIGNATION

The CPM designation is recognized by property owners and investors as a guarantee that they are dealing with individuals who are the foremost leaders, innovators and profit-producers in the field of property management. CPMs enjoy the camaraderie and valuable interchange of information with an association composed exclusively of top-notch, recognized professionals.

The first step towards becoming a CPM and a member of the Institute of Real Estate Management is to become a Candidate. In order to become a Candidate, you should have at least one year's experience in the field of property management and be at least 21 years of age.

You must submit a completed official application along with $35.00 for processing and supply the requested references. Your application will then be reviewed by a Membership Committee and the local IREM chapter in your area.

Once you have achieved Candidate status, you have five years in which to complete the education and experience requirements for the CPM designation. You must successfully complete three of the Institute's specially-designed courses. As you read through the descriptions of IREM's eight course offerings, refer to the section entitled "Candidacy". This section will explain what points, if any, you earn towards the CPM designation by completion of that particular course.

In order to receive the CPM designation, a Candidate must have had five years of effective experience in property management activity. A college degree in business administration, real estate or urban land economics counts as two years of effective experience. Each full year spent under the direct supervision of a CPM counts as one and two-thirds years.

A Candidate must accumulate 140 points, based on education and experience, in order to earn the CPM designation. He must also pledge adherence to the Code of Professional Ethics as well as the Rules and Regulations of the Institute of Real Estate Management.

For a detailed explanation of the point system, membership requirements, fees and benefits, along with an official application for Candidacy, check the box marked "CPM Designation" which appears on the Publications Order form at the end of this catalog.

ENROLLMENT REGULATIONS

To enroll in one or more courses offered by the Institute of Real Estate Management, complete the "Student Enrollment Application" included in this booklet and mail it to IREM along with the tuition fee. Specific registration and eligibility requirements listed under each of the course offerings should be noted.

1. For all courses, tuition is to be paid at the time you enroll by mail. No reservations will be made without payment in full. Tuition will be refunded or transferred at no extra charge upon receipt of written notice at least 10 days prior to the commencement of the course.

Less than 10 days prior to the commencement of the course, tuition may be transferred to another course at an additional cost of $25. Subsequent to the commencement of the course, the tuition may not be transferred.

If a student is a "no-show" at a course and has not fulfilled any of the previous conditions, the tuition fee is forfeited in its entirety.

2. Tuition includes course materials only — not hotel accommodations or meals.

3. Upon receipt of your application, confirmation of your enrollment in writing will be mailed to you. The lecture schedule and a hotel reservation card will be enclosed.

4. Mail the hotel reservation card directly to the hotel.

5. Should a student fail the examination given at the conclusion of the course, he may take one alternate examination through an IREM-affiliated proctor or approved substitute by notifying IREM in writing and remitting payment of $25.

6. Students submitting an unsatisfactory management survey or feasibility study are permitted to submit one amended version on the same property with a regrading fee of $50.

Please enroll as soon as possible. Attendance for all classes is limited.

THE ESSENTIALS

COURSE 1

PRACTICAL METHODS FOR SUCCESSFUL PROPERTY MANAGEMENT

DESCRIPTION

This course lays the foundation for a sound education in property management. Designed by professionals, Course 1 thoroughly familiarizes the student with the basic theories and techniques of managing investment real estate. Because emphasis is placed on the day-to-day skills necessary to operate a well-managed property, this course is a must. In addition to operating techniques, Course 1 provides insight into the long-range welfare of the property as an investment. Students will gain an overview of the many types of property in which management opportunities abound. Course 1 is a wise investment in the future for any individual interested in property management as a profession. Attendance in each course is limited to 90.

TOPICS

Management Agreement and Fees
Taking Over New Accounts
Maintenance, Purchasing Service Contracts, and Inventories
Accounting, Insurance
Merchandising Rental Space and Leasing
Controlling Physical Depreciation, Obsolescence, and Deferred Maintenance
Syndicates and Trusts
Real Estate Economics, Finance and Valuation
Neighborhood Analysis — Property Analysis
Management of Small Residential Properties
Apartment Management
Commercial Stores and Shopping Centers
Management of Office Buildings and Medical Buildings
Rehabilitation, Modernization, and Conversion

SCHEDULE

Location	Date	Hotel
Akron	Sept. 22-28, 1974	Hilton West Inn
Seattle	Oct. 20-26, 1974	Doubletree Inn
Washington	Oct. 20-26, 1974	Quality Inn
Atlanta	Feb. 09-15, 1975	Royal Coach Inn
Los Angeles	Feb. 16-22, 1975	Beverly Hilton
St. Louis	Mar. 09-15, 1975	Colony Hotel
Calgary	Mar. 09-15, 1975	To be announced
Montreal	Apr. 13-19, 1975	To be announced
New Orleans	Apr. 27-May 03, 1975	International
Louisville	May 18-24, 1975	Stouffers
Salt Lake City	June 01-07, 1975	Hotel Utah
Thunder Bay	June 15-21, 1975	To be announced
Kansas City	Aug. 24-30, 1975	Alameda Plaza
San Francisco	Sept. 07-13, 1975	Miyako
Hamilton	Sept. 07-13, 1975	To be announced
Dallas	Sept. 21-27, 1975	Marriott
Pittsburgh	Sept. 28-Oct. 04, 1975	Wm. Penn
Washington, D.C.	Oct. 12-18, 1975	Quality Inn

REGISTRATION

Course 1 is open to individuals 21 years of age or more with a professional interest in real estate or allied fields. To register, complete and mail in the "Student Enrollment Application" in the back of this catalog. Include tuition fee of $250 for 1974 classes or $300 for 1975 classes. (Note: CPM Candidates may enroll in 1975 offerings of Course 1 at the special rate of $250). Tuition fee includes all necessary course materials. Course materials provided include a book of readings, a set of sample working forms, and a group of case study problems. Those attending are encouraged to bring a portable electronic calculator.

CANDIDACY

If an individual attends Course 1 and successfully completes the written examination, he accrues a total of 30 points towards the 140 needed for the CPM designation. Successful completion of two examinations based on IREM Course 1 or 4, and Course 2 is a requirement for achievement of the CPM designation.

PUBLICATIONS

The Institute publishes a variety of materials which will assist a person to pursue his particular interest in property management. Those readings for the basic understanding of the field are:

Books

* Principles of Real Estate Management, 10th Ed., by James C. Downs, Jr., CPM
The Property Management Process by Lloyd D. Hanford, Sr., CPM
The Tools For Creative Property Management by Sidney Glassman, CPM
The Resident Manager, Edited by William Brauer, CPM
The Property Manager's Guide to Forms and Letters — (Renting the Residential Unit)
** Recommended text for Course 1.*

Reprints

Apartment Marketing: Timetable for Success
Condominium: An Executive Briefing
Experience Profile: Management of Property for Lower-Income Residents
Probing Potential in New & Existing Shopping Centers

Periodicals

Journal of Property Management
Operating Techniques and Products Bulletin

Details concerning any of these publications along with a convenient order form are contained in the back portion of this catalog.

INVESTMENT PROPERTY
THE ESSENTIALS

COURSE 2

ANALYSIS & MANAGEMENT OF INVESTMENT PROPERTY

DESCRIPTION

Taught at the executive level, this course is essential for the individual who is or plans to be involved in the policy decisions affecting property under his supervision. Course 2 goes beyond the on-going process necessary for day-to-day operation of property, and concentrates on the long-range financial programs which make the property a well-chosen investment for the owner. This course illustrates how skilled management practice can assure the production of maximum financial yield for residential and commercial properties. It does so through a series of lectures given by real estate experts and provocative sessions in problem solving, all aimed at analyzing the economics of property investment. Attendance in each course is limited to 90.

TOPICS

Techniques of Stabilization, Budgeting, and Control
Tax Consideration, Investment and Tax Problems
The Use of Comparables
Market Analysis — The Rental Schedule
Condominium Management
The Economics of Alternates
Operating Statements and Budgets
Cash Flow Projection
Tenant Relations and Social Responsibilities
Commercial Property and Shopping Center Problems
Financing

SCHEDULE

Location	Date	Hotel
Cincinnati	Oct. 06-12, 1974	Stouffers
Los Angeles	Oct. 13-19, 1974	Sheraton Universal
Orlando	Feb. 23-Mar. 01, 1975	Sheraton Olympic Villa
Atlanta	Apr. 06-12, 1975	Fairmont
Phoenix	Apr. 13-19, 1975	Ramada Inn
Toronto	May 25-31, 1975	To be announced
Cleveland	June 22-28, 1975	Hollendon House
Boston	July 27-Aug. 02, 1975	Copley Plaza
Denver	Aug. 17-23, 1975	Executive Tower Inn
San Diego	Oct. 05-11, 1975	Del Coronado
Houston	Oct. 19-25, 1975	Sheraton
Vancouver	Oct. 19-25, 1975	To be announced
New York City	Oct. 26-Nov. 01, 1975	Americana

REGISTRATION

Course 2 is open to individuals who have successfully completed the examination for IREM Course 1 or 4 or have been awarded any of the following designations: MAI, CRE, SREA, CCIM, GRI, FRI. To register, complete and mail in the "Student Enrollment Application" in the back of this catalog. Include tuition fee of $250 for 1974 classes or $300 for 1975 classes. (Note: CPMs and CPM Candidates may enroll in 1975 offerings of Course 2 at the special rate of $250.) Tuition fee includes all necessary course materials. Those attending the course are encouraged to bring a portable electronic calculator.

CANDIDACY

If an individual attends Course 2 and successfully completes the written examination, he accrues a total of 30 points towards the 140 needed for the CPM designation. Successful completion of two examinations based on IREM Course 1 or 4 and Course 2 is a requirement for achievement of the CPM designation.

PUBLICATIONS

The Institute publishes a variety of materials which will assist a person to pursue his particular interest in property management. Those readings for long-range financial aspects of property management include:

Books

* Analysis and Management of Investment Property by Lloyd D. Hanford, Sr., CPM
1974 Income/Expense Analysis — Apartments, Condominiums, and Cooperatives
Feasibility Study Guidelines by Lloyd D. Hanford, Sr., CPM
The Property Manager's Guide to Forms and Letters — (Renting the Residential Unit)
The Tools For Creative Property Management by Sidney Glassman, CPM
* *Recommended reading for Course 2*

Reprints

Condominium: An Executive Briefing
Experience Profile: Management of Property for Lower-Income Residents
Feasibility Study Techniques: Apartment, Office, Shopping Center, Condominium
Probing Potential in New and Existing Shopping Centers
Energy Crisis: Number One Operating Concern

Periodicals

Journal of Property Management
Operating Techniques and Products Bulletin

Details concerning any of these publications along with a convenient order form are contained in the back portion of this catalog.

COURSE 3

THE EXECUTIVE MANAGEMENT SEMINAR (MANAGEMENT SURVEY)

DESCRIPTION

The preparation of a management survey, a unique service which management experts can render for their clients, is the focus of Course 3. Students have the option of choosing a class which concentrates on office structures, or one which is concerned with apartment buildings. An on-the-scene examination will provide a first-hand opportunity to understand the needs of the building being studied. The intent of the management survey is to put an income-producing building into proper perspective, taking into consideration its physical condition, management program, immediate and area-wide environs as well as its potential as a profitable operation. Attendance in each course is limited to 70.

TOPICS

Physical Problems and Cost of Correction
Marketing, Tenants, Leases and Building Rules
Income Analysis
Comparison Grid Preparation
Expense Analysis
Formulation of Budget

SCHEDULE

COURSE 3 — APARTMENT

Location	Date	Hotel
Chicago	Sept. 11-14, 1974	Regency Hyatt House
Kansas City	Oct. 09-12, 1974	Alameda Plaza
Washington D. C.	Apr. 02-05, 1975	Quality Inn
Orlando	Apr. 23-26, 1975	Orlando Hyatt
Dallas	May 28-31, 1975	Statler Hilton
Los Angeles	Oct. 01-04, 1975	Beverly Hilton
Ottawa	Oct. 29- Nov. 01, 1975	To be announced

COURSE 3 — Office

Location	Date	Hotel
San Francisco	Mar. 19-22, 1975	Westbury
Cincinnati	Sept. 17-20, 1975	Stouffers
Chicago	Oct. 22-25, 1975	Ambassador

REGISTRATION

Course 3 is open to individuals who have successfully completed the examination for IREM Course 2 *OR* have five years experience in industrial property management *OR* have three years experience in investment property management, and two additional years experience in brokerage or financing of investment property *OR* have been awarded any of the following designations: MAI, CRE, SREA, CCIM, GRI, FRI.

To register, complete and mail in the "Student Enrollment Application" in the back of this catalog. Include tuition fee of $250 for 1974 classes or $300 for 1975 classes. (Note: If an individual is a CPM Candidate or has been awarded the CPM designation, he may enroll in 1975 offerings of Course 3 at the special rate of $250.) Tuition fee includes all necessary course materials. Course materials provided include a workbook of supplementary readings and forms, lecture outlines and case study problems. Those attending the course are encouraged to bring a portable electronic calculator.

CANDIDACY

If an individual attends Course 3 and successfully completes the assigned management survey, he accrues 20 points towards the 140 needed for the CPM designation. Successful completion of the Management Survey for IREM Course 3 or the Feasibility Study for Course 6 is a requirement for the achievement of the CPM designation.

PUBLICATIONS

The Institute publishes a variety of materials which will assist a person to pursue his particular interest in property management. Those readings related to the management survey include:

Books

1974 Income/Expense Analysis — Apartments, Condominiums, and Cooperatives
Analysis and Management of Investment Property by Lloyd D. Hanford, Sr., CPM
The Tools for Creative Property Management by Sidney Glassman, CPM

Reprints

Real Estate Investment Decisions Via Computer
Energy Crisis: Number One Operating Concern

Periodicals

Journal of Property Management
Operating Techniques and Products Bulletin

Details concerning any of these publications along with a convenient order form are contained in the back portion of this catalog.

OFFICE BUILDINGS

COURSE 4

OFFICE BUILDING DEVELOPMENT, LEASING & MANAGEMENT

DESCRIPTION

Office buildings are major investments requiring specialized skills for profitable management. IREM Course 4 responds to the need for expertise in this area by guiding the student through the various stages of office building development, leasing and management. The student will become thoroughly familiar with the profit potential for an office building investment and prepare himself to assume a major role in its planning and operation. Medical buildings are examined as well as special problems relating to staff, maintenance, janitorial services, leasing and insurance. Attendance is limited to 90.

TOPICS

Economics of Office Buildings
Financing
Design Concepts and Problems of New Buildings
Tenant Relations
Accounting and Monetary Control Procedures
Communications
Security Systems
Medical Buildings
Remodeling of Older Buildings
Maintenance
Janitorial Services
Detailed Study on Merchandising, Promotion, and Advertising
Detailed Analysis of the Lease and Leasing Problems and Lease Negotiation
Detailed Analysis Leading to the Establishment of Proper Rent Schedules

SCHEDULE

Location	Date	Hotel
Montreal	Sept. 29-Oct. 05, 1974	Bonaventure
Los Angeles	Apr. 13-19, 1975	Beverly Hilton
Houston	June 08-14, 1975	Whitehall
Chicago	Sept. 28-Oct. 04, 1975	Ambassador
Boston	Nov. 16-22, 1975	Copley Plaza

REGISTRATION

Course 4 is open to individuals 21 years of age or more with a professional interest in real estate or allied fields. To register, complete and mail in the "Student Enrollment Application" in the back of this catalog. Include tuition fee of $250 for 1974 classes or $300 for 1975 classes. (Note: If an individual is a CPM Candidate or has been awarded the CPM designation, he may then enroll in 1975 offerings of Course 4 at the special rate of $250.) Tuition fee includes all necessary course materials. A workbook of supplementary readings and forms, lecture outlines and study guidelines are provided with the course.

CANDIDACY

If an individual attends Course 4 and successfully completes the written examination, he accrues a total of 30 points towards the 140 needed for the CPM designation. Successful completion of two examinations based on IREM Course 1 or 4 and Course 2 is a requirement for achievement of the CPM designation.

PUBLICATIONS

The Institute publishes a variety of materials which will assist a person to pursue his particular interest in property management. Those readings related to the office building are:

Books
Principles of Real Estate Management, 10th Ed., by James C. Downs, Jr., CPM
The Property Manager's Guide to Forms and Letters — (Renting the Residential Unit)
Tools For Creative Property Management by Sidney Glassman, CPM

Reprints
Medical Buildings — Design, Development, Management (Provided with Course 4)
Feasibility Study Techniques: Apartment, Office, Shopping Center, Condominium

Periodicals
Journal of Property Management
Operating Techniques and Products Bulletin

Details concerning any of these publications along with a convenient order form are contained in the back portion of this catalog.

COURSE 5

MANAGING THE MANAGEMENT OFFICE

DESCRIPTION

This executive-level course is designed to sharpen the professional administrative techniques of the experienced property manager. Tailored to meet the needs of the individual responsible for operating decisions affecting a total management enterprise, this course offers more than formal learning tools. Participants bring with them their own specialized business forms and reporting sheets and share their knowledge and techniques with the entire class. A case study of a management office undergoes careful scrutiny and students formulate an improved plan for operation. The small class assures a maximum of mutual exposure for all participants and a beneficial, professional exchange. Attendance is limited to 25 students.

TOPICS

Techniques of Self-Management
Management Administration
Budgeting
Cost Accounting Procedures
Attracting New Business
Job Descriptions
Systematized Routines
Business Expansion
Decision-making

SCHEDULE

Location	Date	Hotel
Toronto	Sept. 11-14, 1974	Four Seasons-Sheraton
New Orleans	Apr. 09-12, 1975	International
Honolulu	July 16-19, 1975	Sheraton Waikiki
Washington D. C.	Oct. 29-Nov. 01, 1975	Sheraton Carlton

REGISTRATION

Course 5 is open only to Certified Property Managers, and, on occasion, to Candidates when space permits. To register, complete and mail in the "Student Enrollment Application" in the back of this catalog along with the tuition fee of $300. Tuition fee includes all necessary course materials. A workbook of supplementary readings and forms, lecture outlines and study guidelines are provided with the course.

PUBLICATIONS

In order to assist a person to manage his management office, the Institute publishes the following reference pieces:

Books

The Real Estate Management Department — How to Establish and Operate it
The Tools For Creative Property Management by Sidney Glassman, CPM
The Property Manager's Guide to Forms and Letters — (Renting the Residential Unit)

Periodicals

Journal of Property Management
Operating Techniques and Products Bulletin

Management Forms

General Management Agreement
Condominium Management Agreement
Apartment Building Exterior Inspection Form
Apartment Building Interior Inspection Form
Office Building Exterior Inspection Form
Office Building Interior Inspection Form
Cash Flow and Tax Benefits Form

Details concerning any of these publications along with a convenient order form are contained in the back portion of this catalog.

MANAGEMENT OFFICE

THE FEASIBILITY STUDY

COURSE 6

THE FEASIBILITY STUDY

DESCRIPTION

Many buildings are constructed today only to be found economically wanting. A properly prepared and documented feasibility study is the end-product of IREM's Course 6. Students will learn to weigh all of the considerations that are essential to evaluation of a proposed project. The study, which aims to predict and explain all possible income and expenses for a building, must analyze a project's geographical situation, design, total development cost and marketability. A study property will be chosen and a final draft of a feasibility study will be submitted by each student for grading following the course's completion. Attendance in each course is limited to 70 students.

TOPICS

Land Cost or Value
Improvement and Site Preparation Costs
Architectural Design and Layout
Improvement Completion Cost
Unit Density and Mix
Rate of Absorption and Tenant Turnover
Economic Rents
Estimated Operating Costs
Probable Financing
Net Operating Income and Cash Flow
Contingency

SCHEDULE

Location	Date	Hotel
San Francisco	Sept. 18-21, 1974	Hyatt-Union Sq.
Montreal	Mar. 05-08, 1975	Queen Elizabeth
Phoenix	Sept. 24-27, 1975	Del Webb's Towne House

REGISTRATION

Course 6 is open to individuals who have successfully completed the examination for IREM Course 2 *OR* have five years experience in industrial property management *OR* have three years experience in investment property management, and two additional years experience in brokerage or financing of investment property *OR* have been awarded any of the following designations: MAI, CRE, SREA, CCIM, GRI, FRI. To register, complete and mail in the "Student Enrollment Application" in the back of this catalog along with the tuition fee of $250 for 1974 classes or $300 for 1975 classes. (Note: If an individual is a CPM Candidate or has been awarded the CPM designation, he may enroll in 1975 offerings of Course 6 at a special rate of $250.) Tuition fee includes all necessary course materials. A workbook of supplementary readings, lecture outlines, and case study problems is provided with the course. Those attending the course are encouraged to bring a portable electronic calculator.

CANDIDACY

If an individual attends Course 6 and successfully completes the assigned feasibility study, he accrues 20 points towards the 140 needed for the CPM designation. Successful completion of IREM Course 3 or Course 6 is a requirement for the achievement of the CPM designation.

PUBLICATIONS

The Institute publishes a variety of materials which will assist a person to pursue his particular interest in property management. Those readings related to the feasibility study include:

Books
Feasibility Study Guidelines by Lloyd D. Hanford, Sr., CPM
1974 Income/Expense Analysis — Apartments, Condominiums, and Cooperatives
Analysis and Management of Investment Property by Lloyd D. Hanford, Sr., CPM
The Tools For Creative Property Management by Sidney Glassman, CPM

Reprints
Feasibility Study Techniques: Apartment, Office, Shopping Center, Condominium
Medical Buildings — Design, Development, and Management
Real Estate Investment Decisions Via Computer

Periodicals
Journal of Property Management
Operating Techniques and Products Bulletin

Details concerning any of these publications along with a convenient order form are contained in the back portion of this catalog.

CONDOMINIUMS

COURSE 7

THE MANAGEMENT OF CONDOMINIUMS

DESCRIPTION

The condominium — a growing trend in multi-family housing, office buildings, commercial and industrial real estate. The purpose of IREM's Course 7 is to provide individuals involved in the specialized business of condominiums with the specific skills essential to sound management of these types of properties. This course will prove helpful not only to managers, but to developers, lenders, investors, brokers, counselors and anyone who needs to be thoroughly familiar with the business end of condominiums. The thrust of the course is general enough to be of interest to anyone with desire for condominium expertise, and specific enough to be more than a broad survey. Enrollment in this course is a prerequisite to success in the complex field of condominium management. Attendance in each course offering is limited to 70 students.

TOPICS

Rules and Regulations, Bylaws
Condominium Types/Development Planning
Feasibility/Fiscal Analysis
Sales and Sales Personnel
The Management Contract
Ancillary Income
Rental-to-Condo Conversion
SEC Approach to Condo and Coop Field
Condominium Management

SCHEDULE

Location	Date	Hotel
San Francisco	Oct. 02-05, 1974	Hilton Inn-Airport
Washington D. C.	Oct. 30-Nov. 02, 1974	L'Enfant Plaza
Miami Beach	Mar. 12-15, 1975	Hyatt
Denver	May 28-31, 1975	Executive Tower Inn
Cleveland	Aug. 27-30, 1975	Hollenden House

REGISTRATION

Course 7 is open to individuals 21 years of age or more with a professional interest in real estate or allied fields. To register, complete and mail in the "Student Enrollment Application" in the back of this catalog. Include tuition fee of $210 for the class. Tuition fee provides for all necessary course materials including a workbook of supplementary readings, forms, lecture outlines, and case study.

PUBLICATIONS

The Institute publishes a variety of materials which will assist a person to pursue his particular interest in property management. Those readings in the area of condominium and cooperative development and management include:

Books
1974 Income/Expense Analysis — Apartments, Condominiums, and Cooperatives

Reprints
Condominium: An Executive Briefing (Provided with Course 7)

Periodicals
Journal of Property Management
Operating Techniques and Products Bulletin

Management Forms
The Condominium Management Agreement

Details concerning any of these publications along with a convenient order form are contained in the back portion of this catalog.

LOW & MODERATE INCOME HOUSING

COURSE 8

ADMINISTRATION & MANAGEMENT OF LOW & MODERATE INCOME HOUSING

DESCRIPTION

Government is beginning to recognize the value of professional property management. This course is a sophisticated educational effort, designed for top-ranking practitioners in the property management profession. It will equip the student with the special tools necessary to handle the special opportunities associated with federally-assisted housing. The presentation will emphasize management of multi-family dwellings, as well as the social problems peculiar to this type of housing. Another goal of the course is to acquaint professional property managers with an additional terminology, new management opportunities and new administrative procedures. Attendance in this course offering is limited to 70 students.

TOPICS

The Acquisition of Contracts
Negotiating with Sponsors
Management Contracts
Managing Agent's Fiscal Accountability
Problems Unique to These Properties
Opportunities in Troubled Properties
Management Fee
Employee Relations
New Business Development

SCHEDULE

Location	Date	Hotel
Boston	Sept. 12-14, 1974	J. Hancock Conf. Center
Cincinnati	May 22-24, 1975	Stouffers

REGISTRATION

This course is open only to Certified Property Managers, Candidates or those employed by Certified Property Managers and Candidates. To register, complete and mail in the "Student Enrollment Application" in the back of this catalog along with the tuition fee of $200. Tuition fee provides for all necessary course materials which include a workbook of supplementary readings and forms and lecture outline.

PUBLICATIONS

The Institute publishes a variety of materials which will assist a person to pursue his particular interests in property management. The readings for further understanding related to low and moderate income housing would include: the book THE RESIDENT MANAGER, edited by William Brauer; the Journal reprints ENERGY CRISIS: NUMBER ONE OPERATING CONCERN and EXPERIENCE PROFILE: MANAGEMENT OF PROPERTY FOR LOWER INCOME RESIDENTS; and the periodicals, JOURNAL OF PROPERTY MANAGEMENT and the OPERATING TECHNIQUES AND PRODUCTS BULLETIN.

Details concerning any of these publications along with a convenient order form are contained in the back portion of this catalog.

COURSE REGISTRATION & ORDERING PUBLICATIONS

Don't tear out the enrollment application. To register for one or more IREM courses, xerox both sides of the enrollment application which faces this page. Fully complete both sides of the form and mail it to IREM along with a check or money order for the full amount of tuition. By using this form, you may enroll for both 1974 and/or 1975 course offerings. Place a checkmark next to the course offering of your choice. Please note that the prices on some IREM courses are different for 1975. The 1975 offerings of Course 1, 2, 3, 4 and 6 are available at $ 300 per student. The same courses are available to CPMs and Candidates at the special reduced rate of $ 250.

To order publications, xerox the one-sided publications order form at the end of the catalog. Do not tear it out. Fill it in completely and include a check or money order for the full amount of the purchase. Whether or not you decide to order any IREM publications, you can also use this form to request more information on the CPM designation or the Accredited Resident Manager program by checking the appropriate box. The Accredited Resident Manager (ARM) program is a complete accreditation and educational program for resident managers recently initiated by the Institute and offered locally through the IREM chapters.

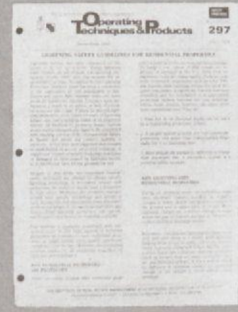
If you have specific questions or require more information on any aspect of IREM, write the Institute of Real Estate Management, 155 East Superior, Chicago, Illinois 60611.

ENROLLMENT APPLICATION

JOURNAL OF PROPERTY MANAGEMENT

Six times a year, people who know their way around property management share their experiences and ideas with you. Taxation, computer analysis, management-resident relations, working with HUD, are a few of the topics in recent issues. It presents the theory of management as well as management in action, through articles written by leading figures in the profession and in allied fields. Case history documentation of problem-solving for all property types as well as successful techniques and ideas are covered in each issue. Issued bi-monthly. One year, $12.50 (#1-11); two years, $21.00 (#1-12); three years, $28.50 (#1-13).

OPERATING TECHNIQUES AND PRODUCTS BULLETIN



A monthly compendium of industry-produced information, each devoted to a specific topic of interest to the property manager or real estate practitioner with a need to know about maintenance products and services. Representatives topics recently published have included energy-saving tips, roofing products, security, swimming pool maintenance, lighting, heating and cooling systems, and carpeting and resilient flooring. One year, $10.00 (#1-21); two years, $17.00 (#1-22); three years, $22.50 (#1-23).

IREM STUDENT ENROLLMENT APPLICATION
PLEASE COMPLETE SECTION I, II & III BELOW FULLY.
ALSO COMPLETE SECTION V ON REVERSE SIDE.

1974-75 COURSE SCHEDULE

SECTION I I ENCLOSE PAYMENT FOR THE COURSE(S) CHECKED BELOW REMITTING U.S. OR CANADIAN FUNDS AS REQUIRED.

Course I

1974 —Akron (7400101) $250
Sept. 22-28, 1974
—Seattle (7400170) $250
Oct. 20-26, 1974
—Washington (7400180) $250
Oct. 20-26, 1974

1975 —Atlanta (7500106) $300 #
Feb. 09-15, 1975
—Los Angeles (7500137) $300 #
Feb. 16-22, 1975
—St. Louis (7500173) $300 #
Mar. 09-15, 1975
* —Calgary (7500185) $300 #
Mar. 09-15, 1975
* —Montreal (7500187) $300 #
Apr. 13-19, 1975
—New Orleans (7500148) $300 #
Apr. 27-May 03, 1975
—Louisville (7500138) $300 #
May 18-24, 1975
—Salt Lake City (7500164) $300 #
June 01-07, 1975
* —Thunder Bay (7500193) $300 #
June 15-21, 1975
—Kansas City (7500133) $300 #
Aug. 24-30, 1975
—San Francisco (7500167) $300 #
Sept. 07-13, 1975
* —Hamilton (7500191) $300 #
Sept. 07-13, 1975
—Dallas (7500121) $300 #
Sept. 21-27, 1975
—Pittsburgh (7500157) $300 #
Sept. 28-Oct. 04, 1975
—Wash., D.C. (7500180) $300 #
Oct. 12-18, 1975

Course II

1974 —Cincinnati (7400215) $250
Oct. 06-12, 1974
—Los Angeles (7400237) $250
Oct. 13-19, 1974

1975 —Orlando (7500254) $300 #
Feb. 23-Mar. 01, 1975
—Atlanta (7500206) $300 #
Apr. 06-12, 1975
—Phoenix (7500256) $300 #
Apr. 13-19, 1975
* —Toronto (7500291) $300 #
May 25-31, 1975
—Cleveland (7500216) $300 #
June 22-28, 1975
—Boston (7500210) $300 #
July 27-Aug. 02, 1975
—Denver (7500223) $300 #
Aug. 17-23, 1975
—San Diego (7500266) $300 #
Oct. 05-11, 1975
—Houston (7500230) $300 #
Oct. 19-25, 1975
* —Vancouver (7500292) $300 #
Oct. 19-25, 1975
—New York City (7500249) $300 #
Oct 26-Nov. 01, 1975

Course III - Apartment

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Sept. 11-14, 1974
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1975 —Wash., D.C. (7500380) $300 #
Apr. 02-05, 1975
—Orlando (7500354) $300 #
Apr. 23-26, 1975
—Dallas (7500321) $300 #
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—Los Angeles (7500337) $300 #
Oct. 01-04, 1975
* —Ottawa (7500338) $300 #
Oct. 29-Nov. 01, 1975

Course III - Office

1975 —San Francisco (7500367) $300 #
Mar. 19-22, 1975
—Cincinnati (7500315) $300 #
Sept. 17-20, 1975
—Chicago (7500313) $300 #
Oct. 22-25, 1975

Course IV

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Sept. 29-Oct. 05, 1974

1975 —Los Angeles (7500437) $300 #
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—Houston (7500430) $300 #
June 08-14, 1975
—Chicago (7500413) $300 #
Sept. 28-Oct. 04, 1975
—Boston (7500410) $300 #
Nov. 16-22, 1975

Course V - CPMs ONLY

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Sept. 11-14, 1974

1975 —New Orleans (7500548) $300
Apr. 09-12, 1975
—Honolulu (7500529) $300
July 16-19, 1975
—Washington, D.C. (7500580) $300
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Course VI

1974 —San Francisco (7400667) $250
Sept. 18-21, 1974

1975 —Montreal (7500687) $300 #
Mar. 05-08, 1975
—Phoenix (7500656) $300 #
Sept. 24-27, 1975

Course VII

1974 —San Francisco (7400767) $210
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Oct. 30-Nov. 02, 1974

1975 —Miami Beach (7500741) $210
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—Cleveland (7500716) $210
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Property mgmt. experience (years and nature of) ____________

Real Estate experience and allied fields (years and nature of) ____________

Enclosed please find full payment of $ ______ *to cover cost of Course(s)* ______ *in* ______ *and/or the texts checked above.*
Course No. Location

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Operating Techniques and Products Bulletin (See detailed description on reverse side of page.)

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1973 Income/Expense Analysis — Apartments, Condominiums and Cooperatives (Figures from 1972 study) $15. **(#3-11)**

The Property Management Process by Lloyd D. Hanford, Sr., CPM. A concise review of the abstract and concrete makeup of the management business. 86 pp., paper. $3.95. **(#4-11)**

Analysis and Management of Investment Property. 3rd ed. by Lloyd D. Hanford, Sr., CPM. (See detailed description) 178 pp. $10.50. **(#4-12)**

Principles of Real Estate Management. 10th ed. by James C. Downs, Jr., CPM. (See detailed description) 488 pp., illus. $12.50. **(#4-13)**

The Property Manager's Guide to Forms and Letters. Book One (Renting the Residential Unit). Several hundred forms and letters included dealing with leasing procedures and tenant relations. 250 pp. $10.50. **(#4-14)**

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Feasibility Study Guidelines. by Lloyd D. Hanford, Sr., CPM. (See detailed description.) 130 pp., paper. $5.50. **(#4-16)**

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Tools for Creative Property Management. 1974. by Sidney Glassman, CPM. (See detailed description) 52 pp., illus., paper. $6.75. **(#4-18)**

Journal of Property Management Reprints

Apartment Marketing: Timetable for Success. by Edward N. Kelly, CPM. Guidelines for establishing merchandising program for new apartment development. 24 pp. $3.00. **(#5-11)**

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Condo Conversion— From Feasibility to Completion

by Albert Eisen, CPM

CONVERSION—HOW? WHERE? WHEN?

"We are interested in acquiring a major center city high-rise apartment for conversion to condominium ownership. It should be a relatively new building that has been somewhat neglected and needs updating and modernization. Rentals have to be reasonable, but at a level whereby upon the conversion the tenants will pay just about what they are paying now, or slightly more, but with an effective net rent after taxes and credits that is less than scheduled rentals."

So was presented, very succinctly, the problem as given to us by the representative of a major real estate development firm —a wholly owned subsidiary of one of our corporate giants.

Given the request, we immediately assembled our senior staff and those men specializing in investment sales. At a round table discussion we narrowed the area of site selection to the central core area. This was based on a majority opinion of increasing demand in the central city core, the shortage of suitable housing, and our own experience in operating three major high-rise complexes in the core area. The conclusion, representing thought processes of men with over 100 years real estate experience, was almost unanimous.

Availability of suitable properties was another problem. As previously stated, the housing market, especially in the central core area, was very tight. Few new properties had been built since a "boom" on the market in the late 40's and early 60's. One new rental project of 600 units was under construction. Two condominium projects were planned, but construction had not started. There were other projects being discussed around town, but these, at the time, were just talk. Owners of existing high-rise buildings were reaping excellent returns on their investments. Waiting lists on all units were prevalent and rentals were

Albert Eisen, CPM, is Executive Vice President of the Albert M. Greenfield Corporation in Philadelphia, a member of the Board of the Delaware Valley Chapter of IREM and immediate past president of the local BOMA Chapter.

rapidly increasing to meet demand (this was before controls were put into effect).

A review of the major apartment buildings was held, and one by one these were eliminated for one reason or another. Finally, the field of possible structures available was narrowed down to one or two structures. At this point, the original criteria, as set forth by the client, established the guidelines for selection of the property. One building was finally selected for a number of reasons. It was in an excellent location, had been built within the past ten years, its basic physical condition was good but it needed modernization and redecorating, and, finally, it was determined that the primary stockholder of the owning corporation had recently died and his estate might consider a sale. It was decided to concentrate on this property and to check on its availability.

Proper contact and approach to counsel for the owners indicated that the building could be made available, but at the price quoted, the project did not appear to be economically feasible from an investment standpoint, especially if the conversion was not successful. The existing rent schedule was just about sufficient to pay operating expenses and debt service. However, on a replacement cost basis, the suggested price was about 50 percent of what the building would cost if constructed at today's prices. Therefore, it was decided to complete a thorough review of the project in an attempt to determine whether or not the structure lent itself to conversion to tenant ownership. Primary, was review of a possible increase in rentals in the event the job could not be converted to tenant ownership in order to maximize the investment. Review of the rentals indicated that they were substantially below market and could be turned upward over a 9 to 12 month period if required. While not producing an excellent return on cash investment, it was sufficient to generate a modest return even after allowing for known and anticipated operating cost increases—plus certain tax shelters. Further analysis indicated the following:

The structure was a 24-story reinforced concrete building. The basement area housed offices, mechanical rooms and building store rooms. The first six floors housed the building lobby and service areas, two office areas and five stories of garage facilities. Floors 6 through 23 contained apartment units; each floor contained a laundry room and 18 units, consisting of 14 studio apartments and 4 one-bedroom units, or a total of 324 apartments—252 studio units and 72 one-bedroom suites. The 24th floor housed a health club, mechanical rooms and a rooftop swimming pool. Approximately one-half of the units had outside terraces affording a spectacular view of a major parkway. Office and commercial tenants were mixed as to type and satisfactory. Apartment tenants consisted of essentially working widows and orphans" or single ocupants. The studio units were of excellent size with extra-large closets and ranged from 440 sq. ft. to 530 sq. ft. Potential for conversion of two studio units into one-bedroom units with large dressing room areas and two full baths was excellent and appeared feasible at a reasonable cost.

From a physical standpoint, the building was a "neglected child." While the structure was sound, the public areas needed updating and the mechanical system needed rehabilitation. Furthur study indicated the building was under elevatored, and the freight elevator was being used for passenger traffic as only two passenger elevators existed. However, at the time of construction the elevator shaft was built to accomodate a third passenger car.

While the ratio of studio to bedroom units was not exactly what we were seeking in the ideal apartment mix, it was felt a strong market existed for studio units because of the central location, and the conversion possibilities afforded by combining units.

Putting all the pieces together, it looked like a budget allocation of $400,000 to $500,000 would be required to update the premises, including installation of the ad-

CONDOMINIUM-COOPERATIVE ANALYSIS (As of 4/1/73)

Location	Type	Studio Price	Studio Maint. + Mtg. = Mo. Costs	1-Bdrm. Price	1-Bdrm. Maint. + Mtg. = Mo. Costs	Lg. 1-Bdrm. Price	Lg. 1-Bdrm. Maint. + Mtg. = Mo. Costs	2-Bdrm. Price	2-Bdrm. Maint. + Mtg. = Mo. Costs
#1—Center City—Under Const.	Condo	24,000.	93. + 133. = 226.	29,000.	106. + 161. = 267.	34,000.	123. + 188. = 331.	55,000.	187. + 305. = 492.
#2—Center City—Proposed	Condo				IN REDESIGN—NO CURRENT PRICES AVAILABLE				
#3—Center City—Conversion	Condo	......	......	33,500.	185. + 194. = 379.	42,000.	275. + 233. = 508.	55,000.	295. + 305. = 600.
#4—Center City—Under Const.	Condo	25,700.	261.	34,700.	N.A.	42,200.	464.	49,200.	......
#5—Suburban—Mid-Rise	Condo	......	......	33,900.	N.A.	35,900.	N.A.	41,900.	170. + 232. = 402.
#6—Suburban—Garden	Condo	......	......	24,990.	88. + 139. = 227.	28,890.	98. + 161. = 259.	35,990.	124. + 200. = 324.
#7—Suburban—Conversion	Condo	......	......	24,900.	114. + 139. = 253.	26,900.	N.A.	30,900.	142. + 172. = 314.
#8—Suburban—Mid-Rise	Condo	......	......	59,500.	......	......	......	69,500.	280. + 385. = 665.
A—Center City—Hi-Rise	Coop	3,078.	110.	5,755.	177.	......	......	7,092.	209.
B—Center City	Coop	3,000.-3,414.	111.	......	......	4,656.-5,130.	173.	6,278.-6,647.	260.
C—Center City	Coop	3,600.	89.	5,900.	141.	......	......	7,500.	182.
SUBJECT	Coop	2,980.-4,450.	194.-291	......	......	4,825.-7,450.	305.-401.	......	......

N.A. = Not Available
All Condo Mortgages Based on 75%—7½% interest for 25 years.
SUBJECT 1-Bdrm. Comparable to Lg. 1-Bdrm. Units.

ditional elevator (and new controls); redecorating halls, including new floor graphics, painting, lighting fixtures, carpet, apartment designations, etc.; and rehabilitating the mechanical equipment, including putting all equipment into condition so as to be subject to service contracts and up to manufacturer's standards. Finally, the maximum budget allocation included a reasonable sum for updating the apartments, including decorating, appliance replacement where necessary, floor rehabilitation, etc.

MARKET ANALYSIS

The next step in the analytical process was the determination of the market and the estimated sales potential. As the managing agents for three major high-rise structures, we were thoroughly familiar with conditions affecting these buildings—all FHA 213 cooperatives. With a total of over 1,300 units, a check of our managers indicated combined waiting lists of over 1,100 names (all with deposits) and a waiting period of from 2 to 4 years, depending on size of units requested. A fourth cooperative, with over 600 units, claimed a waiting list of 800. Even though there may have been a great deal of over-laps in the lists—at 50 percent there were approximately 1,000 valid prospects. Further research on the investor-owned high-rise apartment buildings in the central core indicated that all but one structure had the equivalent of almost 100 percent occupancy subject only to normal tenant turnover. The one or two buildings with any vacancies were those where ownership was having some financial problems not related to the buildings, and had increased rentals substantially in an attempt to overcome these defficiencies—resulting in a vacancy of 10 to 15 per cent.

At the time of the review, one major rental project of 600 units was under construction and three condominiums, one of 130 units, one of 576 units and one of 240 units, were proposed. One older building of 90 units was being converted, and there were rumors that another "permanent resident" hotel was planning to convert to condominium ownership.

In the "bedroom" communities surrounding the central core area, there were numerous garden apartment projects either up, planned or being constructed for condominium sales purposes. It was felt, however, that these were not basically competitive to the structure under consideration. From all indications the market analysis was most favorable and the overall plan appeared feasible.

The final analysis was a financial review of the project. It had been determined that the building could be purchased for $5,500,000. The cash required was $800,000 over the assignable, prepayable first mortgage balance of $3,150,000 and secondary financing from the sellers in the amount of $1,550,000, which was available for short term or turn-around purposes. Estimated rehabilitation costs were $300,000 to $500,000, depending on the extent of the rehabilitation. Settlement costs and related prorated adjustments were $75,000, and miscellaneous items were budgeted at $25,000.) Total project cost was, therefore, estimated at 5.9 to 6 million dollars. On the income side, it was assumed that the project would carry itself until basic work was started and could be operated at a minimal loss thereafter. Estimated sell-out price was therefore the determining factor in arriving at the final conclusion. At this point, a thorough and careful review was prepared on the equivalent sales price of competitive units, and it was determined that garden units were selling for $28 to $35 per sq. ft., the conversions for $38 to $50 per sq. ft., and the proposed new buildings for $43 to $50 per sq. ft. Based on these comparisons, it was conservatively estimated that a price of $7.25 to $7.50 million was obtainable. Based on these factors—a high but workable cost base—a favorable sales potential market and a possible sell-out price offering a profit, the decision was made to proceed with the project.

A contract of sale was entered into and a quick settlement arranged. Now the physical work began.

PROGRAM OF CONVERSION

As the decision was now made to proceed, and as firm contracts were entered into for purchase, immediate action had to be taken to accomplish the work needed to effectuate a successful conversion. Included in this first phase were the following:

1) Immediate survey of each unit and mechanical systems to determine the extent of work and replacement required.
2) Preparation of elevator specifications for additional car including floor openings which had been closed up with cinder-block (keeping the other cars working while construction was in process).
3) Securing design services for redecorating, lighting and carpeting of public areas.
4) Determination of sales area (sample apartments) and policy decision to invest funds needed to convert four studio units to one-bedroom and/or one-bedroom and den samples.
5) Obtaining decorating proposals and budgetary allocations for furnishing samples.
6) Establishing sales offices on site.
7) Obtaining proposals for graphic display.
8) Preparation of necessary legal documentation, including sales agreements, codes of regulations, condominium declaration and other related legal necessities including necessary surveys.
9) Establishing specifications for designer's recommendations and obtaining bids.
10) Arranging necessary financing for individual purchasers.
11) Establishing final budgets for the conversion.
12) Have everything ready to proceed at the time settlement was completed.

These were only highlights of what was done to get ready for the project. Obviously, each and every criteria involved hours of discussion and untold meetings with designers, decorators, contractors, suppliers and representatives of ownership.

At this point, while all the necessary paperwork and rehabilitation plans were being formulated and set up, a general policy meeting was held with ownership. A general review of the project was held to assure that all the multitude of items were being taken care of, and various responsibilities assigned. It was at this meeting that we, as agents, made the suggestion that rather than convert to condominium ownership, we should create a non-profit housing cooperative. While we knew that a condominimum conversion was entirely feasible, based on our experience in operating three of the five largest coops in the city, knowing the backlog of prospects waiting to get into these buildings, and the overall market, we believed that a coop conversion would be more readily accepted—after all, everyone else was doing a condominium, and in reality there was very little difference between the two types of ownership. It was a marketing strategy.

After several follow-up meetings on this new matter, and an independent market survey by a third party contractor it was decided to go the cooperative route as there was justification for the selection. It should be noted that none of these decisions delayed any of the conversion plans as to rehabilitation of the structure.

FINANCING THE CONVERSION

Under the original condominium plan, there had been little or no problem in financing the units. Several financial institutions were ready and willing to provide most or all of the necessary mortgage commitments. The most favorable proposal was on the basis of a 20 percent down payment, 20/25 year mortgage at an 8 percent interest rate. In addition, 90 percent financing was obtainable if needed. These commitments were obtained based on our projections of income and expenses for operation of the building, and then allocation as common area charges to the units. However, for a cooperative conversion, the costs had to be re-analyzed, working into the monthly carrying charges the necessary debt service charges. In addition, under Pennsylvania statutes (at that time), while an individual home mortgage could not exceed an 8 percent interest rate, there was no such limitation on a corporation—profit or non-profit. This presented serious problems in that it was obvious the corporate rate would be higher, but how much? Estimates were worked out over a two point spread from 8 percent to 10 percent in ¼ percent increments and for 20 to 25 year terms. These were then allocated to the apartment units on a monthly square foot basis. In each instance, credits were given to the income stream for commercial rents, and basic operating expense projections were held constant.

The final result was to show that a mortgage rate not exceeding 8½ percent for 25 years presented a viable situation whereby the monthly carrying charge, per square foot, was competitive with the current market, yet offered an effective net rate below the market. This averaged out at 42/45¢ per square foot per month or approximately \$200 to \$217 per month for the smallest studio units, and an overall spread of \$194-291 per month depending on size, location and height in the building.

While all the estimates seemed to justify the decision to proceed with the cooperative, the mortgage "crunch" had started and it appeared that the rate required was not obtainable. The original first mortgagor, who was holding a 6 percent loan, was approached to reconstruct the mortgage at the 8½ percent rate, but declined to do so not fully understanding the project philosophy. Numerous other basic lenders were also approached, but of all the proposals presented, the best commitment available was for a 15 year mortgage based on a 20 year payout at a discount and rate sufficient to yield 15 percent. Obviously, it was never even given serious consideration.

Finally, after several months of exploring the very tight mortgage market, a group of savings and loan associations banded together and issued a commitment for a 20 year mortgage with a 25 year payout at an interest rate of 8½ percent. Their fee, which could be absorbed as part of the project cost (and was budgeted), would provide a yield of 10.25 percent to the lenders.

It was during this period of attempting to arrange financing that word got out of our plans. Title had transferred and the rehabilitation program was underway. The rehabilitation activity generated public interest, especially when it was learned we were going to create a coop and not a condo. As a result, over a two to three month period, 213 inquiries were made concerning the project by prospective buyers, and not one dollar in promotional costs had been expended.

THE END RESULT

At this point, we had been into the project for about 12 months. Leases were being renewed with existing tenants on a monthly basis, the sample apartments had been set up and furnished, the public areas had been redecorated, the additional elevator was under construction, and basic mechanical rehabilitation and appliance replacements were either completed or in process. Legal was working on the cooperative plan and necessary related documentation, and pricing of units had been completed. We were ready to go—or so it seemed.

Being in the general brokerage business, we had been working with a local medical college on acquisition of properties for their expansion program. Our representative was approached by their development coordinator about the possibility of acquiring a residential property to house their staff personnel, who were then being housed at various locations including an old hotel. Their criteria for the property was identical to that of our conversion client, with one addition: The structure must be one that would be acceptable for financing by a State Higher Education Facilities Authority (via a special tax free bond issue).

We reviewed this request with our conversion client, and it was agreed that we could submit the property, at the conversion price, provided the preliminary investigation as to suitability of the property could be made within 30/45 days. Work continued on the project during this period, and at the end of thirty days it appeared that the project would be acceptable, but formal appraisals had to be made and the sale had to be contingent upon sale of the bonds at a "not to excced" rate. An offer, within $250,000 of our original estimated conversion price, was made, subject to the aforesaid conditions. After several meetings, at which time all possible alternatives were considered, it was agreed to proceed on the hospital sale. We were confident the sale would be approved because of the condition of the premises, and more important, the cost to replace the facility with a new structure was not less than double the sale price. In addition, the the apartment mix was excellent for their use—over 70 percent studio units.

An agreement of sale was entered into with the hospital with three cut-off contingencies. First, approval of the hospital board. No problem, this was routine. Second, an appraisal by a third party contractor justifying the purchase price. No problem, it was worth twice the value from a replacement less depreciation valuation. Third, approval of the state agency and sale of the existing bond issue at a not to exceed price. Problem! The bond market started to reflect the higher interest rates. It looked like the bond market would exceed the maximum rate indicated—6.25 percent. In addition, one of the schools covered by the "blanket" of the agency defaulted on its regular payment. The rating of the bonds of the agency started dropping, and this, too, would affect the final rate—if in fact they could be sold. There was only one course of action at this time—wait and see. Our mortgage commitment for the coop conversion was running out, but we had no alternative but to proceed under the agreement. Naturally, as with any government agency or facility, time is not of the essence, and after two extensions on the agreement, during which time the agency's default was corrected, the bonds were sold at 6.2482 percent and we were able to go on to a closing. The hospital received a completely rehabilitated structure at less than half the replacement cost, our developer client secured a profit almost equal to that estimated without the corresponding risk of marketing, and we moved on to the next project.

This was a classic example of being in the right place at the right time with the right merchandise. □

Proven Marketing Ideas for Condominium Conversions

by Bruce J. Frey, CPM

The success of a condominium conversion project is dependent upon the ability to utilize practical approaches that create the acceptance and sales of converted units. The majority of the following marketing ideas are applicable over a broad range of types and sizes of conversions. Specifically, the objective is to concentrate on concepts which have previously been put into action. Many references involve Park Forest Condominiums, an 822-unit townhouse conversion with conventional, privately insured 95 percent mortgages. This particular project is being converted in phases, which might distinguish it from other conversions. However, the subsequent guidelines incorporate all vital areas necessary in the composition of a successful marketing program.

DEALING WITH EXISTING TENANTS

From a marketing point of view, the most important characteristic of a condominium conversion is that the property manager immediately have a captive market for sales, namely, the existing tenants. These people have already chosen to live in the building, and, if the condominiums are priced right, they will be able to afford at least the monthly payments. Early contacts with tenants are important as inaccurate rumors spread rapidly, and can do considerable harm to any sales program before it gets off the ground.

Bruce J. Frey, CPM, is President of Downs, Mohl and Company, a property management Chicago-based firm presently managing 11,000 units in 15 cities nationwide.

We wanted our tenants to hear it from us first, not from newspapers, maintenance men, or neighbors. Therefore, a personally addressed letter was sent to each tenant announcing that we had purchased the property, and explaining our intention to convert it to a condominium. We emphasized the point that no one would be evicted, and that despite our option to terminate leases, all leases would be honored. This decision imposed no hardship on us, although, when it comes time for renewal, all leases have a sixty day termination clause in the event that the unit is sold.

Because of the size of our conversion, we decided that it was essential to maintain rental income during the long conversion period. Naturally, it was important to do everything possible to avoid antagonizing the existing tenants, for the lack of any significant opposition to the conversion is a major positive marketing factor.

Although there is natural inclination to "hedge your bet" by attempting to find out whether the tenants will really buy, we would not recommend any questioning or surveying of tenants before the conversion is definitely decided. Answers to such idle questions are likely to be unreliable guides to action—people will vote with their dollars, and the vote is unpredictable until their dollars are on the line.

Holding a meeting with the tenants to explain the conversion may seem initially to be a good idea, but this could well lead to criticism of the conversion, organization of the tenants, and a resulting confrontation and bad marketing atmosphere for the conversion. How the plan of conversion corresponds to the tenant's personal financial situation is the crucial issue at hand, but people are not very likely to want to discuss their financial status in front of a group, so the meeting would not accomplish its purpose.

TENANT DISCOUNT

Probably the most attractive selling point to existing tenants is a tenant discount. A discount is justified not only to make the tenants happy and induce them to purchase, but also on the basis that when a tenant purchases, there is no vacancy loss. Furthermore, the advertising and other marketing costs of selling are far below those of attracting outsiders. The period which tenants are allowed to make up their minds before losing the discount should be long enough so that they do not feel pressured and resentful, but short enough so that the opening of the project to the general public is not unduly delayed. Sixty to ninety days from the time that the details of the conversion are first announced is a reasonable time period.

There are particular problems that arise if the project is being converted in phases. We decided to give tenants in unopened sections, the option of reserving their unit at the original price, including the discount. The thinking behind this idea is that it is important to provide equity among various tenants, although it benefits the tenants more than the owner, since they can fix their price and speculate on a price increase. We feel that the reservation agreement compels the tenants to consider purchasing. Those who sign the reservation agreement make a psychological commitment to purchase.

The details of the conversion should be conveyed through a personal letter, telling the tenant the price to the public and the discounted tenant price for his unit. More general details, explaining the refurbishing options and presenting financial comparisons, should be included in a brochure accompanying the letter.

Personal contact between your salesman and each tenant should follow up the announcement. If possible, the salesman should arrange an appointment either in the tenant's apartment, or in the sales office, where the tenant can then be taken through the models. The amount and timing of the personal contact, and the use of the telephone as compared to face to face meetings, will depend in part on the size and physical design of the project, and will also be related to the size of the sales staff.

SET UP YOUR SALES OFFICE

If the project is large enough and projected conversion period long enough, you will want to continue renting to avoid a large loss of interim income. This presents the problem of whether to have a separate rental office or to combine it with your sales office. We have found that sending our prospective tenants through the sales models makes them well aware of the possibility or purchasing a unit rather than renting one. Thus, the office remains separate while the models are combined. It is essential that the management office be isolated from the sales office, so that potential purchasers are segregated from casual contact with tenants. A tenant, temporarily disgruntled over some management problem, can easily cost you a sale. The sales office for the conversion should follow about the same guidelines as a sales office for a new condominium development.

UTILIZATION OF MODELS

Our philosophy is that model apartments are one of the major keys in marketing our condominium townhouses. There may be a tendancy to assume that models are not necessary in a conversion since many purchasers are already living in their units. However, even aside from future outside purchasers, models are a powerful sales tool for existing tenants. An imaginatively decorated model can add glamour to the purchase of an apartment in which the tenant is already living—it can show them how good their home can look.

ADVERTISING AND PUBLIC RELATIONS

No matter how good the product, the prospects must be brought to the site. Advertising and public relations are the means most usually employed. We feel that it is foolish to gamble on inexperience in advertising, so we strongly suggest professional help. Advertising a conversion is similar to a new condominium development, although the selling points may differ. You are more likely to be emphasizing the maturity of the community, large rooms, hardwood floors, plaster walls, no surprise assessments, the proximity of schools, churches, and shopping in a settled community, and so forth.

A large segment of the market lies in your competitors' tenants. Therefore, direct mailing has obvious appeal as a means of reaching this audience. We tried it and were not impressed with the results compared to the considerable cost, but others may have had better experiences.

In dealing with existing tenants and incoming condominium residents, we have found that a newsletter is an important part of a public relations program. It should contain a combination of information of general interest, specific information about the project that you want to impress on the residents and your sales pitch. The newsletter is useful even if it only creates a good atmosphere among the residents, for its recipients are potential purchasers and sources of referrals.

One of our most effective and widely printed public relations efforts was a story about the architect who originally designed our townhouse development a generation ago. His statements about what it would cost to reproduce this type of construction and space with comparable density and location today, made the townhouses seem like a terrific bargain. This type of "they don't make them like they used to" or "what would it cost to build it today" story could be adapted to most older conversions.

Public relations and advertising can and should be used for a variety of purposes. The name of the game is sales. The best way to get them fast and inexpensive is to tell your story in a variety of ways, so that people in your sector of the market are reached again and again.

MARKET ANALYSIS

Once the development is well in progress, we suggest the hiring of an outside research firm to interview existing tenants who have not yet purchased. You can do the same with purchasers and even visitors who did not purchase. The objective of this study is to determine the main obstacles to greater sales. When this information is made available, changes may be made in your marketing program, your financial package or your management and maintenance operation.

Your market study should, of course, be continually updated by "shopping" the competition. You must know what alternatives your prospects have.

REFURBISHING THE UNITS

Each conversion is different, so what you do is an individual decision, but it is extremely important that the existing tenants see changes as soon as the conversion is announced.

The fundamental problem with fixing up an old building is the more you do, the more marketable it is, but the more you do, the more it costs, and in selling a converted condominium you must offer a price incentive compared to a new unit.

What we did in Park Forest was to try to achieve maximum flexibility. We offer a standard package of improvements in each unit, and purchasers are given the option of refusing them and getting a deduction of price. A considerable range of additional improvements, such as wall to wall carpeting and central air conditioning, are offered as extras. A substantial marketing advantage is that we are able to include these options in the mortgage, so that buyers can acquire these improvements with much lower downpayments and a much lower interest rate than on a consumer loan.

In refurbishing a conversion, one of the problems you run into is that you are selling an existing unit basically as is, whereas the purchaser wants to buy a like new unit. He will expect you to fix the cracked windows, make his basement dry, screw the door on tighter, etc. You will probably find that from a public relations point of view it is necessary to do all of these things, within reason, so you might as well include them in your conversion budget from the start.

Many of the developer's problems are eliminated when the conversion involves refurbishing only in halls, lobby, elevators, and other exterior areas. Especially in higher income conversions, the assumption is that each purchaser will want to fix up the interior of his own unit in his own way.

Your sales people should be able to answer all questions regarding the condition of the building. Existing tenants will know a great deal about the building, so the salesman had better be supplied with reasonable sounding responses to criticism and questions. Perhaps certificates of inspection from engineers will be necessary to satisfy purchasers, particularly when dealing with items which are not being refurbished or replaced.

SALES PERSONNEL

The approach to a sales staff is similar to that for new condominiums, except that commissions with relation to existing tenants may be handled differently. Pay your people well, for the more incentive they have to sell, the faster you sell. Every day that you have an unsold unit, it is costing you money, thus, the extra money allocated to pay a fine salesperson is actually dollars in your pocket.

It is essential in making initial contacts with tenants and outside purchasers that the sales people anticipate possible questions and have all the answers ready.

How well versed your people are can make a difference between making the sale or losing the sale, so we suggest putting all sales personnel through extensive sales training sessions.

MANAGEMENT

Beware of converting a poorly managed building. The ill feelings among tenants will greatly reduce your chances of selling the unit to them. Good management of rental units will be vital in converting tenants to buyers, and in obtaining referrals from tenants and unit owners. Any developer who does not have the expertise to manage the rental units should leave it to a professional property management firm.

PRESENTATION OF FINANCING

Do not forget that financing is an important, perhaps your most important, marketing tool. Depending upon who your market is, you will almost certainly have to prearrange financing for them. Older middle and upper income people who are selling their homes to move into condominiums will usually be able to afford a high down payment—often, in fact, they will need no mortgage at all. Younger couples and families will often require very high ratio mortgages, and you will probably want to price your units so that you can absorb closing costs and discounts. Otherwise, these may double the down payment and eliminate much of your market.

Remember, you can help your tenants meet the downpayment by reminding them that their security deposit can be applied to the downpayment. Since the tenant is buying the unit, you need not worry about whether they have done damage to the interior, which you normally deduct from the security deposit.

Financial information must be presented in a simple manner, but full disclosure is essential, so that you are not subject to lawsuits and other problems which will reflect on your marketing. You have even less excuse for underestimating operating expenses and real estate taxes for an existing project than for new construction.

Although some points apply to any condominium sales program, you have some advantage in a conversion in that the financial characteristics of your tenants can be obtained from their rental applications. In estimating tax brackets for purposes of your financial comparisons, choose a bracket that is likely to apply to a large number of your tenants, and choose a financing package which seems to meet their financial characteristics.

The real heart of your entire marketing presentation may well be the chart which compares the real after-tax cost of renting, with the real after-tax cost of owning. In order to keep your credibility and avoid criticism, you should use reasonable figures for tax brackets and assumptions of inflation of both rents and value of units.

Marketing in its total concept is not just sales and advertising, but is anything that has to do with the acceptance of your product by the public. To produce a completely successful marketing program, all of these areas must go hand in hand. Spend your money where it will do the most good. Do a thorough job in evaluating each area, so that when you spend your money, the ultimate results will be effective. □

TRENDS IN THE HOUSING MARKET:

Potential Impact on Residential Investment Properties

by Sidney Glassman, CPM

The dramatic changes that have taken place in the management of residential investment properties in the past ten years have probably been greater than those of the previous 50 years. In all probability the changes that will occur in the next few years will have even greater impact and be even more far reaching.

Many firms are computerized. Operating budgets are old hat. Training of resident managers as an ongoing, necessary part of the industry is "de rigeur" and the only question is who will do the training and provide the best vehicle.

Financial sophistication, expertise in market feasibility research and condominium management are only a few of the new fields of expertise which are the every day world of today's property manager. We have all made our efforts to make peace with the rising tide of increased tenant impact on our management. Effective tenant relations policies is now a key thrust in most large companies' policies and management image. We have been through Phase 1, 2 and 2½ and more recently we have shivered through what we hope is the worst of the energy crisis.

THE SHAPE OF THE INDUSTRY

What does the industry have to look forward to in the next few years after a turbulent and shaking last three years? The last three years have seen Federal rent controls, increased landlord/tenant legislation and the burgeoning on a grand scale of that new approach to multi-family housing, the condominium.

The Washington metropolitan area has been one of the most dynamic of all real estate markets. This applies to construction activity, the size of the multi-family residential market and lately the condominium market. It is in the forefront in political action affecting the real estate industry by way of its component jurisdictions. An analysis of the trends in this geographic area would probably also apply to most other areas and it is with this in mind that this article has been written.

If one were to attempt to draw from the past, as well as the present in order to try to determine the shape of the future for management of residential properties, a number of factors spring to the forefront.

COST INCREASES

Whereas, in the past, high rentals have existed mainly in those large metropolitan areas which had high tax rates, strong unions and paucity of close-in land—this has now become a country-wide phenomenon for nearly all metropolitan areas. For those firms involved in new construction, we seem to be going back to the days when the cost of the job was known only when the job was finished. Budgets, critical path approaches and other planning tools seem to be ineffectual in stopping substantial overruns on costs which have now become the "norm."

Even for large builders, the cost escalation for new construction is presently in ex-

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Sidney Glassman, CPM, is Executive Vice President of the residential management division for Charles E. Smith Management, Inc., Washington, D.C. He is on the Board of Directors of the Apartment and Office Builders Association of Washington, D.C.

cess of one percent per month. Shortages of certain materials add to these cost increases. Uncertainties in deliveries and the stretch out in construction time contribute to additional cost escalation. The high interest rate both short term and longer term which shows no sign of coming down combined with the cost escalation in construction costs has put a virtual stop to most multi-family rental developments. Government monetary policy at the present time seems designed in attempt to succor the rest of the economy from the evils of inflation with much thought but very little action to the effect that this monetary policy will have on the housing market.

The spread of no growth policies in various areas has brought a plethora of zoning moratoriums. Hesitation and delays in providing additional sewer facilities have caused sewer moratoria where there is already existing zoning. Environmental concerns have caused jurisdictions to sharply increase cost of land development with sharply higher fees for everything from building permits to sewer taps, if and when available. These factors also have curtailed single family construction as well as sharply escalated prices for such housing and for older single family housing.

CURTAILED RENTAL MARKET

The result will be a drastically curtailed rental market for those families who will be seeking rental housing. This demand will be augmented from families in the single family market who are unable to buy. This is being felt at this time in many areas but may well be a calamity in the next few years, should this situation continue. Building starts as measured by the Department of Commerce, show a sharp decline. However, even this sharp decline substantially understates the number of rental units being built.

In many areas, as much as 90 percent of all multi-family starts are condominiums and should be counted with single family units which are traditionally units for sale and not for rent. To date none of these statistics has been segregated for detailed analysis and assessment of the true impact on the rental housing market. The rate of conversion to condominiums in existing rental units will also increase considerably unless halted or slowed by local governments, further tending to decrease the supply of rental housing.

The fall in the supply of rental housing, particularly in moderate priced units, has its brighter side, in the very short run, for existing owners of such properties. Supply is down, demand is up and vacancies are to a great extent, at low levels. In short there tends to be a tight rental market for moderate priced units.

However, inflation with its escalating costs push has not ignored the rental unit. All costs of operation have escalated but the severest and most marked escalation has been in the cost of utilities, led of course by the cost of energy. Fuel oil costs are nearly three times what they were on January 1, 1973. This has directly affected the owner who uses oil as fuel but it has also caused severe and rapid escalation in electric rates and fuel surcharges. Increases in competing energy sources are not far behind.

The cost of sewer and water has increased sharply in the past four years and will continue to do so as jurisdictions attempt to clean up the environment and allow even a modicum of increased capacity.

A new phenomenon in the pricing of utilities has been the shift to higher rates for large commercial users which in plain language means also the apartment complex in an attempt to mitigate the effect on the single family home owner. The theory has been the landlord can pass these increases on. In some areas the cost of utilities has reached nearly one-third of all operating costs.

Concomitantly there has been a sharp increase in the cost of solid waste disposal. Environmental controls have forbidden incinerators in many areas and the introduction of waste compacting equipment has sharply escalated the problem of finding places to dump. As a result, dumping fees as well as waste collection contracts have increased sharply.

Real estate taxes have more than kept pace with inflation in most areas. In order to keep up with the rising costs of government, real estate tax assessments are being annualized and computerized. Business taxes, utility taxes, license taxes are all being explored and imposed in an attempt to keep government income in line with costs.

CONTROVERSY OVER RENT CONTROLS

While all of these increases in costs could theoretically be passed on to tenants, the change and pressures in the present political cilmate has made it increasingly difficult to do so. In higher priced units, escalation of rents because of increased costs has thinned the market to such an extent that vacancies are increasing noticeably. Local antigrowth measures and escalating construction and financial costs have put the damper on housing starts. However, this fall off in supply is being used to bring pressure to bear on landlords to control rental increases and in some cases to impose emergency rent controls.

Political lines are being drawn on voluntary and nonvoluntary rent controls. The impact of this situation is only just beginning to be felt at this time in many areas. The political impact of escalating rents will not be ignored by most local politicians. Tenants have many more votes than landlords and politicians are quick to recognize the obvious. The landlord is there—he is not mobile, he is highly visible and a natural scapegoat. For this reason many so-called responsible landlords are loath to increase existing tenants enough to maintain profit levels and prevent erosion of their profits—which strangely enough are also subject to inflationary devaluation. In addition, the need for unusual increases is usually evaluated retrospectively rather than currently or prospectively by most landlords and their managers. This usually has the effect of placing many owners in a perpetual catch-up position.

The imposition of rent controls is usually and righteously aimed at the small minority of landlords who are out to get the last buck. In point of fact the greatest adverse impact is on those landlords who attempt to use restraint and "do the right thing" particularly to existing tenants.

CONDOMINIUM CONVERSIONS PREVALENT

The threat of controls or the existence of controls has caused many landlords to convert to condominiums. First they fear the erosion of their property values, second they are unwilling to cope with the administrative headaches of controls and thirdly it is more lucrative than staying in the rental business. The increased rate of conversions now hampered somewhat by very high money rates, has further exacerbated the short fall in the supply of rental housing. It has also brought into the fray many tenants who find it difficult to locate suitable similar accommodations at comparable rentals. The impact of rising rents on retirees and fixed income residents is enormous, but outside of some small assistance by local governments, it has not been economically recognized that this is a social and economic problem of society and not only that of the landlord.

As a result, there has been much talk and some movement toward a form of tenant vesting in apartment ownership. This takes the form of proposed legislation which aims at getting tenants or a proportion of tenants to agree to conversion.

While most landlords have no quarrel with new condominium legislation aimed at safeguarding prospective purchasers from possible abuses and misrepresentations as to physical condition, management, condominium fees, etc., nor do they object to adequate notice of conversion, there will be much shouting about "due process" if tenants will come to control the use of the real estate they do not own.

LANDLORD-TENANT LEGISLATION

In addition many jurisdictions are legislating more and more regulations in the landlord/tenant area. Each year the number of bills has been increasing. These vary from complete model Landlord/Tenant legislation for states such as recently adopted in Virginia and either proposed or passed in many other areas—or piece-meal bills dealing with security deposits, rent escrow and any and all subjects dealing with so-called tenant rights. Many areas are adopting apartment licensing and inspection legislation and establishing landlord/tenant commissions with significant budgets which demand substantial fees. These bureaucracies once born will not disappear overnight even if the present situation should change.

CONCLUSION

The above observations may portray a stark and dismal picture for most landlords and property managers for the next few years and that may well be the case. At the present time, the economic situation in most areas is still healthy with regard to most properties. The exceptions are those properties where financing has been structured to meet rent rolls that could not possibly be achieved in the short run.

Vacancies are relatively low and for the most part cash flow is being maintained for the present. In some properties rises in cash flow are lagging behind increases in expenses. In others cash flow discounted for the inflation of the dollar is beginning to show signs of erosion. In existing properties moderate increases in rents have not slowed rentals—except in relatively high price units. New units coming on stream in the moderate sector of the market show good absorption despite sharp increases in rentals necessitated by higher costs of construction and financing. New higher priced units—particularly in high rise buildings show some sluggishness and will continue to show resistance to sharply escalated rents.

Realistic market feasibility study and hard-headed appraisal of operating costs will become more and more important for those few projects which will be built. Good professional management and high occupancy rates will determine whether there will be any return on investment at all.

However, even for healthy properties the pinch is beginning to be felt in many areas and the impact of much of what has already been outlined is still to be felt. The shape of the future—particularly in the short run—means less private housing, even less multi-family housing for the rental market. It means more government controls and intervention on the local level for sure and perhaps even on the state and federal level. It means even more attention to the trends in the market and in rents and costs. It means more professionalism, more awareness of the impact of general economic trends on the housing market.

It is becoming more and more apparent that much more effort and time will have to be extended in construction and in management for much smaller returns both in time and money. More and more obstacles will have to be overcome in initiating new construction.

Most of all, it means more concern to wider and heretofore untried arenas of interest for most property management firms and most owners, the addition of a previously shunned political dimension to our traditional market approach.

Builders, owners and property management firms will be entering the political arena on issues before legislative bodies as never before. They will surely be pursuing their "equity" and vested interests in the courts when and if they are defeated in the political arena. Cries of "its an election year" and "political expediency" are now shaping the victory of many local candidates. It is still to be seen how far the pendulum will swing and whether the rental housing industry as a whole can come out whole. □

Editorial:

Seeing Is Believing

by Lloyd D. Hanford, Sr., CPM

Training, experience, and intelligent observation are the keystones of real estate practice in general, and for productive real estate management in particular. The expert manager sees what he looks at, and determines what is necessary to insure highest and most advantageous use for the longest foreseeable period of time. He knows that management "by crisis" is costly in every way; and he is dedicated to the beneficial economics of preventive maintenance that substantially reduces repair expenses and avoids unnecessary income losses.

No investment property can "run itself" regardless of its financial attributes and dependability of tenant users. Real estate is a "living thing" continuously subjected to the ravages of time and to ever-changing economics, none of which will care for themselves and, all of which demand constant, knowledgeable attention. Unlike most other types of investment, real estate does not lend itself to "swivel chair" decisions, nor can it be effectively operated by some recurrent visits where the so-called "inspector" is satisfied only that the property appears to be without problems.

The expert manager sees many things that are not usually visible to the untrained eye, and which are critical factors for maximum economic benefits. Besides his understanding and methodology for preventive maintenance and emergency situations that constantly arise, he is deeply concerned with every other factor that affects operating income. He is constructively interested in: judiciously maintaining operating expenses at the lowest possible level; continuing study of the rental market to assure the highest reasonable effective operating income; the most practical approaches to desirable tenant relations to avoid dissatisfaction and high rates of tenant turnover; governmental limitations affecting the economic use of the property, and; available financing that might be economically desirable. Each of these items requires concentrated professional study, performed effectively as a result of training, experience and knowledge. This cannot be accomplished by a neophyte, a part-time manager or an average investor. Continuous application of skill and seeing what is looked at, are essential.

Aside from assurances that the professional believes what he sees and that his accounting and record-keeping are well-conceived, there remains the all-important aspect of communications with ownership. Unless ownership has the will and capability to act, all management recommendations become sterile. At times, the capability to act may be exterior to the owner, but the will to act requires a high level of communications so that the client can unequivocally believe what is shown to him.

This is not an easy task; it demands patience, understanding and comprehensive demonstration devoid of unwarranted technicalities or verbosity. Owner demands are often unreasonable from a market viewpoint. It is always easy for the owner to accept enhanced income although it becomes more difficult when he must invest capital for this purpose. There is no substitute for good comprehensive communications that will lead the client to positive action by believing. Parenthetically, it is observed that a very limited number of owners are "milkers" who will do nothing to improve the status quo—good managers will not tolerate this attitude since it can only adversely affect their reputations as capable practitioners.

"There are none so blind as those who cannot see." To look is one thing but to see probabilities and potentials is a quality of the professional manager together with his ability to effectively communicate with ownership so that he, also, will believe what is observed and demonstrated. Professional management is nominal investment returnable at a substantial profit! □

Lloyd D. Hanford, Sr., CPM, a principal in the firm Hanford-Freund & Co., San Francisco, is the editor of the Journal of Property Management. In 1958 he was national president of IREM and he currently serves as a member of its Course II and III faculty.

VIEWPOINT

Please address all correspondence to VIEWPOINT, Managing Editor, Journal of Property Management, 155 E. Superior St., Chicago, Ill. 60611.

Worthy Of Carving

Your brief "Glimpse in the Crystal Ball" (Lloyd D. Harford, Sr.) in the March/April *Journal of Property Management* is interesting and certainly gives us some targets for 1974.

I think a couple of statements in your concluding paragraph are worthy of carving in a corner of IREM. ". . . . thoughtful optimism without wishful thinking" and "We are schooled to successfully overcome adversity" is indicative of the image we want to convey to the public.

For years a copy of Kipling's "IF" hung in my father's study and now hangs where I read it frequently. Although written before organized property management, the wisdom expressed certainly hits home for all of us.

Dan Morton, CPM
Tucson Realty &
Trust Company
Tucson, Arizona

A Proper Conclusion

Regarding the article written by Charles Sutherland, titled "The Economics of Alternatives—A Case Study" in the March/April *Journal of Property Management,* I would like to show that the author's analysis was not carried to a proper conclusion.

If the $25,000.00 shown in Alternative #3 had been invested in a long term bond, earning 7% compounded, instead of being invested in tenant improvements, the net present value of the Alternative Leases for #3 would be reduced by $43,975.79 worth of earned income. This would make Alternative #3 valued at $41,964.00, thus, without question, the poorest of the three alternatives.

Ronald Gross, CPM
R. G. Management Co.
Oakland, California

Unfortunately, the analysis was not sufficiently thought out. First, you will notice upon examining the article that the $25,000 conversion costs have already been subtracted to produce the Net Present Value of Alternative #3. Second, I don't understand where you came up with $43,975.79 as the present value of a $25,000, 7% long term bond. The present value of a $25,000, 7% compounded bond is, by definition, $25,000. Thus, Alternative #3 is still the best of the three alternatives.

Charles E. Sutherland
J. P. Weigand & Sons
Wichita, Kansas

Author's Guide to Publishing in the Journal of Property Management

Why Write?

There are personal and professional advantages to be gained from writing an article for publication.

- You will have the pleasure of seeing the results of your efforts—and your name in print.
- Publication of an article is evidence of professional expertise in your field.
- Your article will help to elevate your company's image. Not only is this image valuable to your company but it may assist in hiring competent trained personnel.

Editorial Standards

To be accepted for publication in the Journal of Property Management, an article must be original, timely, and unpublished, devoid of sales or promotional material and of interest and value to a significant number of property management-oriented readers.

Article Length

In general, a feature article should run between 4 and 5 printed pages as published. This includes the entire text, together with all illustrations and graphs. The text should be in the vicinity of 2,000 to 3,000 words (8 to 12 typed pages).

Preparation

1. Type all copy double-spaced on one side only of 8½ x 11 white paper. Leave ample margin (1-1½") on all sides.
2. Number all pages sequentially.
3. Submit two copies of the manuscript and keep one copy for your own records.
4. Submit your article to only one magazine at a time.
5. When offering your article for publication, write a covering letter that describes the article briefly. Include biographical material about the author.
6. Submit good quality black and white glossy photographs if appropriate. Drawings, graphs, tables and original artwork are welcomed. Type tables and graphs on separate sheets.

After your article has been submitted to the Managing Editor's office, it will be reviewed by professional editorial consultants. If your article is sent back for changes, you will be provided with specific recommendations by the reviewers. Otherwise, all editing will be handled by the Journal staff.

If you are interested in publishing an article in the Journal of Property Management, call or write:

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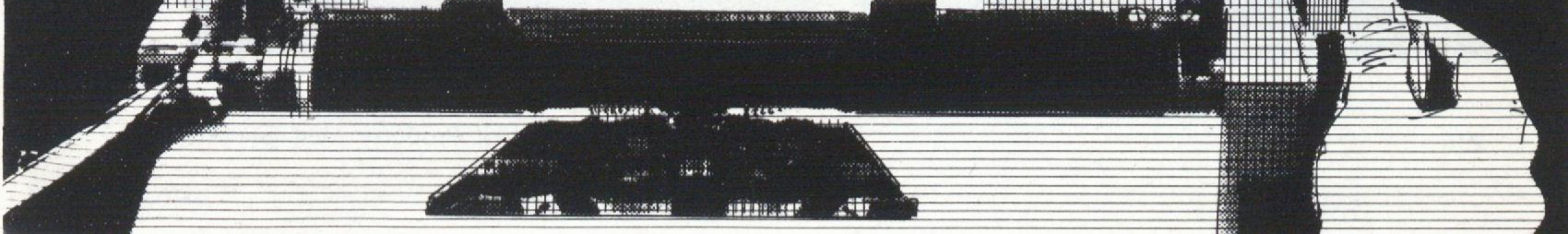


New Products

TWO-WAY TELEPHONE SYSTEM

The Autocall Division of Federal Sign & Signal Corporation has developed a direct closed-circuit two-way telephone system for use between fire-fighters and the Fire Command Center in high rises and sprawling structures. Called "CommFone," the personal telephone hookup will provide positive communications from floor stations in corridors, elevator lobbies, elevator cabs, mechanical control centers, stairways or any predesignated location. The basic CommFone System is a common-talk system activated by removing the handset from the cradle which automatically sounds an audible signal at Fire Command Center. Should additional CommFones be removed from their cradles during a conversation they would join the conversation in progress by merely depressing the push-to-talk button.

Circle No. 9-1 on card.

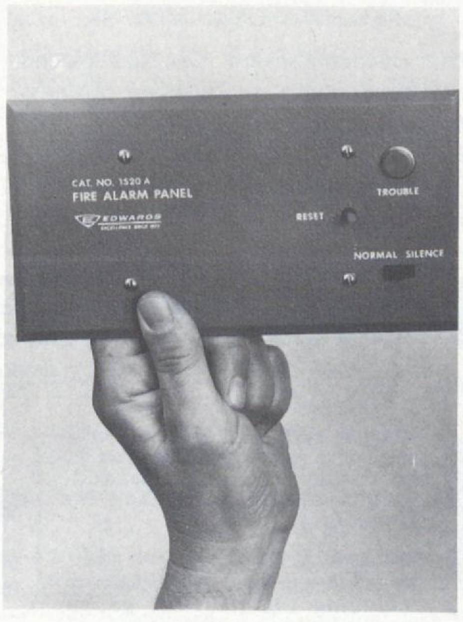
RECESSED SPRINKLER

Grinnel Fire Protection Systems Co., Inc., has designed an automatic sprinkler that is recessed into a ceiling and enclosed to provide an unobtrusive safety system. The Duraspeed Cleanline recessed sprinkler has been developed primarily for applications where aesthetics are important, such as schools, apartments, bank and office buildings, restaurants, hotels and public buildings. A maintenance free UL listed sprinkler, the Cleanline is constructed of non-ferrous components with a minimum of moving parts for dependable operation on wet pipe systems. The sprinkler is available in two temperature ratings.

Circle No. 9-2 on card.

FIRE ALARM PANEL

The Edwards Company has developed a low cost fire alarm panel that measures only 8¼" x 4-10/16", and a low cost, low drain bell. The lightweight and flexible fire alarm panel, No. 1520 A, can be used anywhere, and requires only a 4 gang box for flush or surface mounting. Electrically supervising bells



or horns, this single zone panel has "lock-in alarm circuit, amber trouble lamp, and a trouble buzzer, plus a silencing switch with ringback. Power requirements are 1.5 ams at 120 volts. The low cost bell, No. 6200 D, was designed to complement the fire panel to provide a low cost package.

Circle No. 9-3 on card.

THERMAL DETECTORS

Pyrotronics has made available a series of new Thermal Fire Detectors for use with Pry-A-Larm early warning fire and smoke detection systems. These detectors are available for both Pry-A-Larm low voltage and high voltage systems. The basic units available include interchangeable plug-in models with exposed indicating lamps and surface mounted units with or without internal indicating lamps, all of which are rated at either 135°F or 200°F. One series of detectors can be used with any fire alarm circuit of any manufacture using open circuit, direct shorting type units. All models are Underwriters' Laboratories, Inc., listed and can protect up to 2500 square feet each. Explosion-proof versions are also available.

Circle No. 9-4 on card.

FIRST AID KIT

Johnson & Johnson's Industrial First Aid Kit No. 25, one of the company's new line of six different size industrial kits, is for use in business offices. Designed to meet all OSHA requirements, the No. 25 contains a full assortment of superior quality wound treatment materials which will administer first aid up to 25 people. Features include carrying handle and wall brackets. The hefty 24-gauge steel kit is weatherproof, dustproof, and rust resistant. Dimensions are 15" x 10¾" x ⅞". Weight is 12 lbs.

Circle No. 9-5 on card.

ELEVATOR EVACUATION BROCHURE

The American National Standards Committee A17 has prepared a guide for building owners, lessees, and operating managements entitled "Evacuation of Passengers from Stalled Elevator Cars," which spells out the elements of such an emergency and also describes the procedures for rescuing passengers if the elevator cannot be moved to a landing level. The guide also recommends rescue drills and posting of rescue instructions, including the telephone numbers of elevator maintenance personnel. It describes in detail several different methods of evacuation for use under various circumstances. Copies of the guide are available at $2 each.

Circle No. 9-6 on card.

GUIDE TO CHOOSING CALCULATORS

Hewlett-Packard has written the "Executive's No-Nonsense Guide to Computing Calculators," which gives the reader the computing alternatives offered by sophisticated calculators. The Guide describes types of calculators that fall between the electronic adding machine and a large computer. The computing power of each is related so the reader can match his needs to a particular type of machine. Also, discussed in two selection guides are calculator applications in research, design, manufacturing, investment analysis, financial services and providing management information.

Circle No. 9-7 on card.

HEAT LOAD COMPUTER SURVEY

Koolshade Corp., is offering a folder for architects, engineers, owners and managers of commercial and institutional buildings explaining the advantages of a solar heat load computer survey. The folder points out that although airconditioning is but one part of the overall consumption of KW's, it is particularly important, because in many buildings it is the largest factor in electrical energy use. To receive a computer heat load survey for an individual building, a minimum of easily obtainable on-site data is required. The necessary information will be obtained by local representatives with your assistance and upon your request. There is no charge for either the folder or completed survey/report.

Circle No. 9-8 on card.

REAL ESTATE CALCULATOR

The Hewlett-Packard Co., has placed on the market a pocket-sized business calculator for real-estate people. The 9-ounce HP-70 calculator solves common financial calculations encountered by the personal user and the professional realtor, banker, insurance and business person. In addition to the four basic arithmetic functions, 21 of the most common equations used in business and personal finance have been programmed into the HP-70 including accrued interest, future value of a compounded amount, effective rate of mortgage, effective rate of return for compounded amounts, percentage difference, percentage calculations and discounted cash flow. The HP-70, with a 10-digit display, features a four-memory operational stack as well as two independent memories for intermediate storage of numbers; thus it can accumulate two running totals concurrently.

Circle No. 9-9 on card.

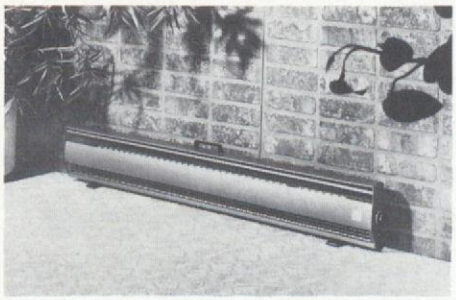
AIR CONDITIONER BULLETIN

A bulletin describing water cooled self-contained air conditioners is now available from American Air Filter Company. The technical brochure includes descriptions and specifications, capacities and electrical data for heating and cooling, cooling capacity correction factors, dimensions, options and warranty information.

Circle No. 9-10 on card.

PORTABLE HEATER

A new electric portable heater is now available from the Chromalox Comfort Conditioning Division of Emerson Electric Co. These baseboard-type convection heaters operate silently without moving parts to spread even draft-free heat throughout the heating area. Designated as PBH Portables, the heaters



give 1200 watts of heating output at 120 v.a.c. PBH Portables are 39" long by 8½" high by 3⅞" deep and fit snugly against walls of homes and offices to provide ideal supplementary and off-season heating. They come in a sandalwood brown baked enamel finish. A one-year warranty is given with each heater.

Circle No. 9-11 on card.

PORTABLE HEATER BULLETIN

Emerson Electric Co., has made available a full-color bulletin, No. PHB100, featuring the new PBH Portable baseboard heaters. These 1200-watt heaters take up a minimum of wall space and provide quiet, even, convection heat for homes or commercial areas. PBH heaters provide extra warmth to kitchens, bedrooms, offices, or anywhere supplementary heat is needed.

Circle No. 9-12 on card.

REPLACEMENT WINDOW LITERATURE

Free descriptive product literature on the Model 105 NuPrime Aluminum Replacement Window is available from Season-all Industries. The new window features sashes that lift out easily for safe easy cleaning inside the house or building. The product sheet illustrates and describes the main features, including an integral screen track which permits the use of full or half screens without interfering with the operation of either sash. Also described is a new configuration which permits stacking of multiple units for large openings without the need for transom adapters. This design also eliminates need for filler bars which makes installation quicker, easier, and more economical.

Circle No. 9-13 on card.

FLOOR CLEANING MACHINES

Kent Products recently introduced a line of high capacity, high power floor machines—the XP Line. Five models are available in brush diameters ranging from 15 to 20 in. Three of these models offer extra-power motors for use in spray buffing operations. A high tensile, aluminum alloy frame makes the XP Line easily resist the effects of hard use and abuse. All XP Line floor machines are protected by a new Kent finishing process, Permoplate™, which resists chipping, cracking, marring, foam, sale and many chemicals and other sources of corrosion. The XP Line's self-ventilating motors are available in ¾, 1, and 1½ HP, depending on model.

Circle No. 9-14 on card.

UPRIGHT VAC

Clarke-Gravely Corp., has announced its Carpet master upright vac, which has a new hinged bottom cover plate that completely encloses the underside of machine; thereby preventing sand and dirt from entering the brush drive and motor areas. The 576A cleans a 15½" swath gliding on giant 6" wheels and 2" ball casters. The full length two-section beater brush cleans to within ½" of baseboard and permits fast, easy replacement of bristle strips without removing the complete brush assembly. The 1/6 HP brush drive motor teams with a 1 HP vac motor to pick up hard-to-lift items such as paper clips, pins, sticky price tags, etc. Accessories are available for cleaning walls, draperies and furniture.

Circle No. 9-15 on card.

LITERATURE ON
ENVIRONMENTAL SERVICES

The complete capabilities of the Environmental Assessment Council Corporation (EAC), which specializes in preparing impact studies, environmental assessments and natural resources investories, is described in a comprehensive, illustrated literature package. The folder itself describes the company, its areas of specialization, working philosophy and objectives. It also discusses many typical EAC projects, that include environmental impact studies; regional sewerage system analysis, assessments of ocean outfall and deepwater ports; river and stream trace metal; sediment and pollution studies; highway construction investigations and analysis of the impact of housing and business development on community environments.

Circle No. 9-16 on card.

CENTRAL AIR CONDITIONER

General Electric has introduced a high-efficiency 30,000- to 32,000-BTUH model to its Executive central split-cooling series. With an Energy Efficiency Ratio (EER) of 10-BTUs per watt, the new TA930E with XA942A coil offers high economy at its cooling capacity, as well as quiet performance (17 SRN). GE's new model expands the Executive series to four systems; other models offer cooling capacities of 37,000-, 49,000- and 63,000-BTUH with EER's of 9.3 to 9.8. Executive units feature GE's Climatuff™ compressor, two-speed automatic vac, and neutral-tone cabinet designed to blend harmoniously with home surroundings.

Circle No. 9-17 on card.

TWEED CARPET

Armstrong's newest contract carpet, Causeway, is a level-loop, tight gauge, soil-hiding nylon, tufted on the ⅛ gauge with a 17-ounce pile weight. Its primary back is of woven polypropylene with a secondary jute backing. Recommended for stores, schools, office buildings, and other medium-traffic areas, its right gauge gives resistance to crushing and matting resulting in good performance. Causeway contains metallic anti-static yarn to minimize buildup of static electricity and has seam and soil-hiding characteristics.

Circle No. 9-18 on card.

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