

# JPM

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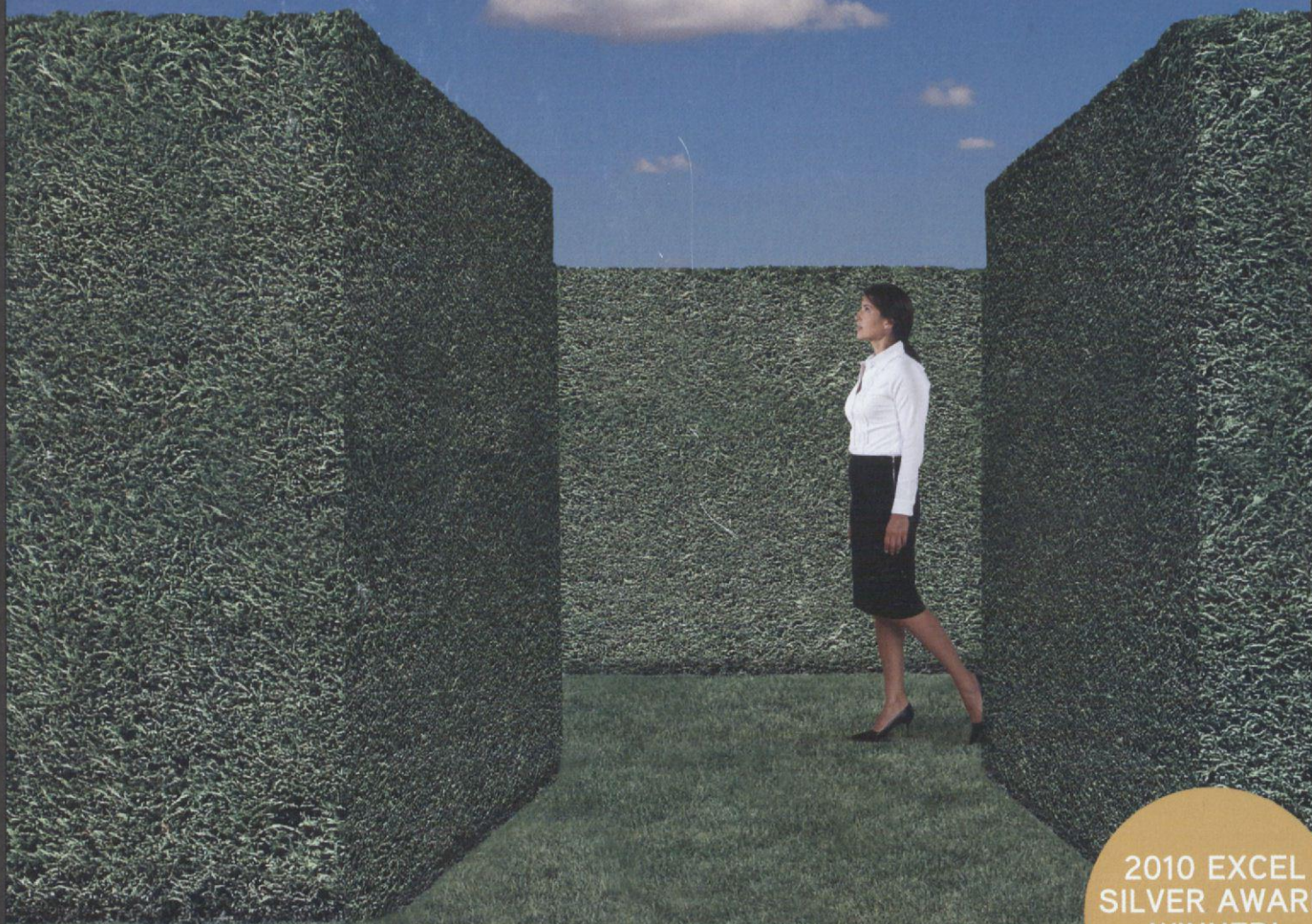
JOURNAL OF PROPERTY MANAGEMENT  
JUL..AUG 2010

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for Great Maintenance **p30**

Property Managers Confront  
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Hazardous to Your Financial Health **p42**

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2010 EXCEL  
SILVER AWARD  
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SEE PAGE 49



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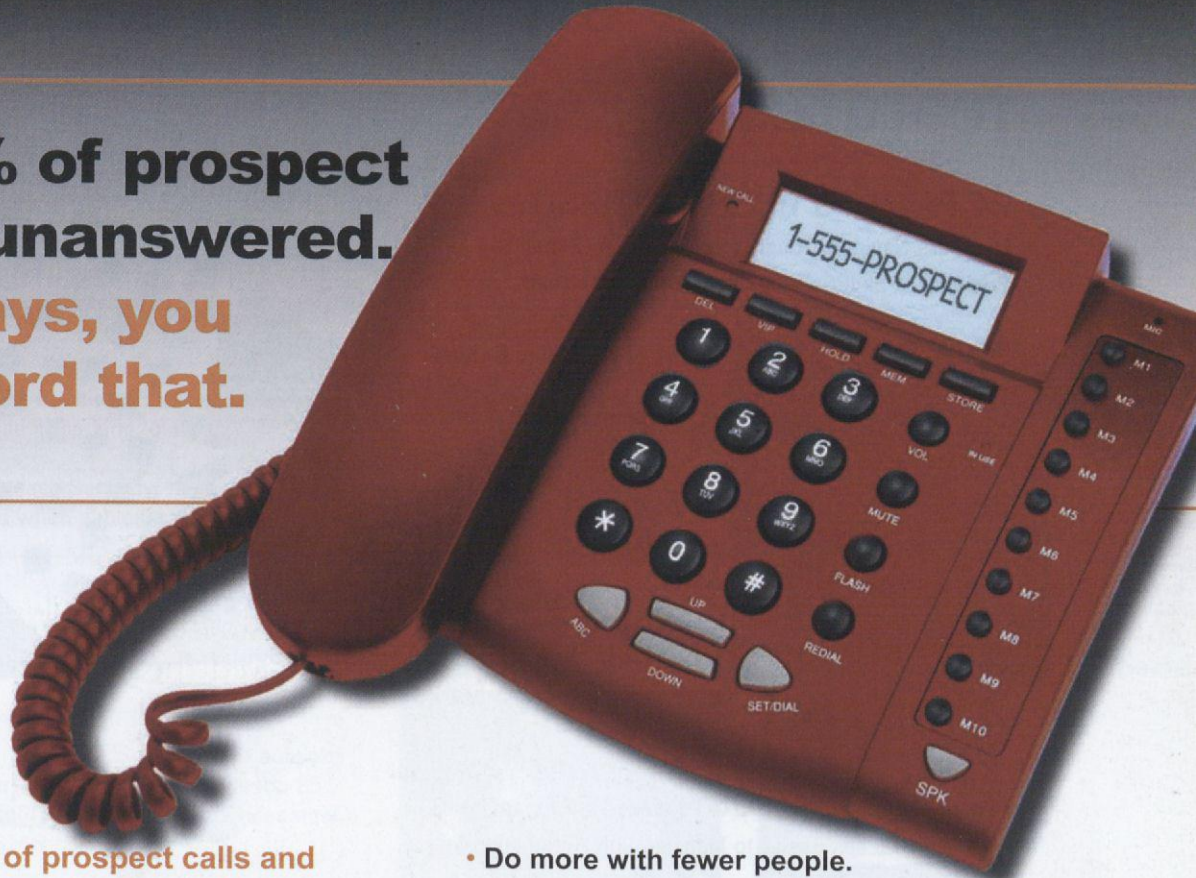
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[realpage.com/crossfire-call-center](http://realpage.com/crossfire-call-center)

Properties using the **CrossFire Contact Center** have **97%** of their leasing calls answered.



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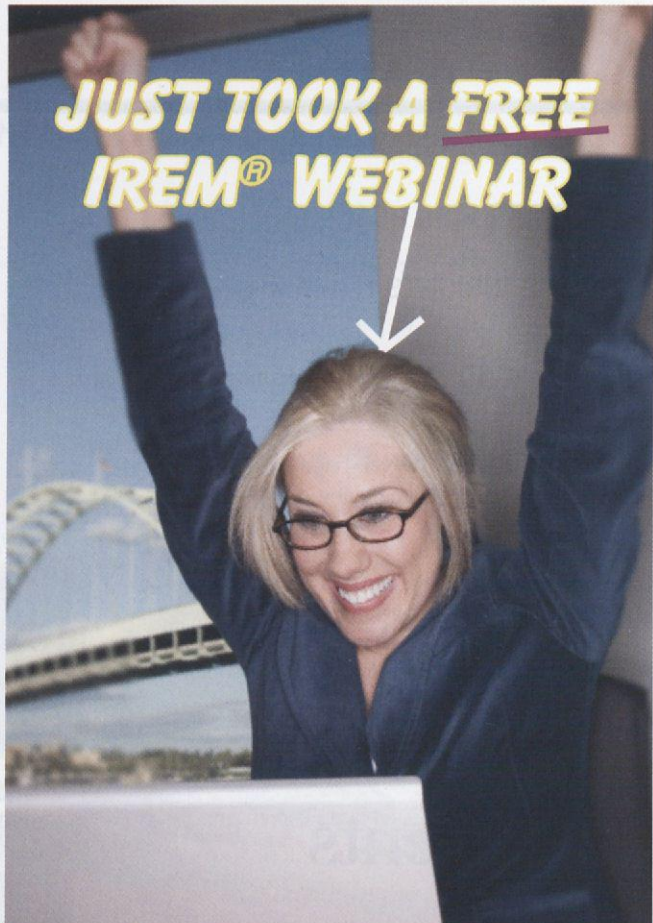
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**Institute of Real Estate Management Diversity Statement** | IREM encourages diversity. We welcome individuals of all races, genders, creeds, ages, sexual orientations, national origins, and individuals with disabilities. Our organization strives to provide an equal opportunity environment among its members, vendors, and staff. Adopted October 2008

**Institute of Real Estate Management Sustainability Statement** | The Institute of Real Estate Management (IREM) is dedicated to supporting real estate management strategies that advance an environmentally sustainable and economically prosperous future.

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## I LOVE IT WHEN A PLAN COMES TOGETHER

While meeting in Washington, D.C., May 1-5 for our Leadership and Legislative Summit, IREM adopted a new strategic plan. In and of itself, this is not remarkable. After all, IREM updates its plan every year. But what is remarkable is the approach IREM took toward this year's strategic planning and how the critical components contained within our plan have shifted.

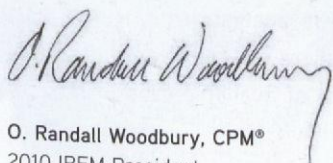
The focus of Institute's strategic thinking will be achieved through five strategic principles—broad statements of direction designed to serve as an organization-wide rallying cry. These principles are all about maintaining strategic focus while fostering flexibility and a rapid response to challenges and opportunities. While our envisioned future is inspirational in nature, our strategic principles center on action: organize for growth; manage for quality; build for community; market with intention; and focus around industry issues.

The last strategic principle on this list—focus around industry issues—in truth rests at the center of the other four, reconfirming that IREM is first and foremost a member-centric organization. IREM is here to help our members succeed in a shifting global business environment—to position members as key players in the business operations of the companies they work for and the real estate assets they manage.

For the first time, the strategic plan articulates current critical industry issues—10 of them. These issues arose from the Institute's vast system of environmental scanning—of our members, of industry experts, from quantitative research as well as anecdotal tales from the field. Turn to page 54 to see the full list and to learn more about them.

IREM will continue providing insights and solutions to our industry's issues through a variety of ways, as you'll find in the pages of this issue. For example, in the article "Creative Space" on page 36, we found that our members and other real estate management professionals are becoming more creative and flexible in order to make great leasing and management deals. They are truly digging deeper, looking ahead and ensuring decisions today will support their needs for tomorrow. If you're thinking you may need to broaden your horizons, turn to page 24 for the article "Path to Possibilities," where a host of industry-related career opportunities are reviewed.

With this refreshed strategic approach to our organization's needs, I am confident we will persevere as we emerge from this great recession and continue to build our reputation and relevance to the real estate community at large.



O. Randall Woodbury, CPM®  
2010 IREM President



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WOODBURYCORP.  
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### CB RICHARD ELLIS REPORT INDICATES IMPROVED ECONOMY FOR RETAILERS

Nearly 70 percent of retailers in the United States believe the overall economy is improving and 92 percent are planning to increase store openings, according to a new survey released by CB Richard Ellis Group, Inc., AMO\*. The report titled "Shop Talk—A Retailer's Perspective," features responses from more than 100 retail executives across all business lines.

According to the report, most retail executives believe retail rents will either fall or remain flat through 2010, despite an improving economy. Nearly 60 percent of those surveyed think it will take another six to 18 months before their segment of the market benefits from the recovery. Respondents also expressed concern over the state of consumer confidence, potentially higher interest rates and the fragile recovery of the global economy, but indicated that business was already improving.

For a copy of "Shop Talk—A Retailer's Perspective" visit <http://tinyurl.com/29gtvq>.



### REAL ESTATE AUCTIONS BOOM

The number of homes sold at auction spiked 14 percent in the first three months of 2010, according to the National Auctioneers Association.

The boost to the auction market has come from new developments gone awry. Many single-family homes and condominium projects were not completed until after the real estate markets crashed. That left developers with big loans on properties they could no longer move. As a result, developers (or lenders who took over defaulted loans) are trying to sell in order to get out from under the ongoing expenses. Auctions, the association said, allow owners to unload properties more quickly and efficiently because they are sold as is, and winning bidders cannot easily back out of the deals without penalty.

### Rental Rates for Regional Mall REITs Remain Stagnant, Despite Rise in Sales and Occupancy

Regional mall REITs ended the first quarter of 2010 on a healthy note, as sales per square foot and occupancy levels both improved, according to *Retail Traffic Online*.

Operating metrics also improved noticeably in the first quarter, as REITs reported modest increases in same-store net operating incomes (NOIs) or smaller NOI decreases than in previous quarters. REIT executives also noted that the improved sales have spurred an increase in leasing activity in recent months.

Rental rates, however, have remained stagnant because many leases completed in 2010 were negotiated in the third and fourth quarters of 2009, when tenants were still seeking breaks. This continued weakness in rental rates means that REITs have been signing leases for two- and three-year terms instead of the standard five- to 10-year leases.

However, a recent surge in interest from tenants has experts predicting that regional mall REITs' rental rates may recover faster than rents in the broader market. According to analysts from RBC Capital Markets, a worldwide investment bank, retailers may become more open to signing deals at higher rents, as the amount of available Class-A space at regional malls is reduced.



## EXISTING HOME SALES RISE

In April 2010 existing home sales soared as home buyers scrambled to claim the tax credit that expired April 30, according to a report by the National Association of REALTORS® (NAR). First-time home buyers qualified for a tax credit up to \$8,000, while those trading up could receive as much as \$6,500.

NAR reported that existing home sales jumped 7.6 percent to a seasonally adjusted annual rate of 5.77 million units, up from the upwardly revised rate of 5.36 million in March. Sales year-over-year were up 22.8 percent.

This gain was widely anticipated, but still beat forecasts, according to analysts surveyed by *Briefing.com* who predicted a rise to an annual rate of 5.65 million units due to the tax credit deadline.

The NAR report showed that the median price of homes sold in April was \$173,100 in April, up 4 percent from a year ago. About a third of homes sold during the month were distressed properties.



## QUOTABLES

**“It is the danger which is least expected that soonest comes to us.”**

—VOLTAIRE, FRENCH WRITER AND PHILOSOPHER

**“When angry, count to 10 before you speak; if very angry, 100.”**

—THOMAS JEFFERSON, THIRD AMERICAN PRESIDENT

**“You’ll always miss 100 percent of the shots you don’t take.”**

—WAYNE GRETZKY, CANADIAN ICE HOCKEY PLAYER

**“The ability to convert ideas to things is the secret of outward success.”**

—HENRY WARD BEECHER, AMERICAN SOCIAL REFORMER

**“Success is how high you bounce when you hit bottom.”**

—GEORGE S. PATTON, AMERICAN GENERAL

**“Life is pretty simple: You do some stuff. Most fails. Some works. You do more of what works. If it works big, others quickly copy it. Then you do something else. The trick is the doing something else.”**

—LEONARDO DA VINCI, ITALIAN PAINTER AND SCULPTOR

**“The only time you mustn’t fail is the last time you try.”**

—CHARLES F. KETTERING, AMERICAN INVENTOR

**“Always do right. That will gratify some of the people, and astonish the rest.”**

—MARK TWAIN, AMERICAN AUTHOR



### New Study Ranks Top 25 Green Building Market Opportunities

San Francisco leads the 25 largest office markets for green opportunities, according to a new index by Cushman & Wakefield, AMO®, in collaboration with the Northwest Energy Efficiency Alliance's BetterBricks initiative. Following San Francisco, the next four top-ranked cities include: Oakland, Calif., New York (Midtown), Los Angeles and Chicago.

The Green Building Opportunity Index is an office-market assessment tool designed to help professionals determine where the favorable conditions exist for green buildings. It provides weighted comparisons of top U.S. office markets on the basis of both real estate fundamentals and green development considerations. Using the index, building owners, architects and green building consultants can determine where green development brings competitive advantages, or where it is simply an emerging standard.

To view the Green Building Opportunity Index visit <http://tinyurl.com/2d52mcg>.

### EPA ANNOUNCES BROWNFIELDS GRANTS FOR PENNSYLVANIA

The U.S. Environmental Protection Agency (EPA) announced eight brownfields grants totaling \$3.2 million to help assess and clean up abandoned industrial properties in Pennsylvania. According to Shawn M. Garvin, regional administrator for the EPA mid-Atlantic region, these grants will generate jobs and help Pennsylvania communities convert vacant industrial properties into assets for the community, the environment and the economy.

The EPA brownfields program encourages redevelopment of America's estimated 450,000 abandoned and contaminated waste sites.

For additional information on the grants and the program visit [www.epa.gov/brownfields](http://www.epa.gov/brownfields).

### EPA ANNOUNCES NEW GUIDELINES FOR ENERGY STAR HOMES

The U.S. Environmental Protection Agency (EPA) recently announced more rigorous guidelines for new homes that earn the ENERGY STAR label. The updated requirements aim to make qualified new homes at least 20 percent more efficient than homes built to the 2009 International Energy Conservation Code (IECC). Key elements of the new guidelines for ENERGY STAR qualified homes include:

- A Complete Thermal Enclosure System
- Quality Installed Complete Heating and Cooling Systems
- A Complete Water Management System
- Efficient Lighting and Appliances
- Third-Party Verification

These guidelines will go into effect in January 2011.

For more information about the updated Energy Star guidelines visit [www.energystar.gov](http://www.energystar.gov).

## search me

**www.indeed.com**

Indeed.com is a metasearch engine for job listings that allows job seekers to find employment listings posted on thousands of Web sites, including job boards, newspapers, associations and company career pages. Job seekers do not apply for jobs through *Indeed*, they just receive the listing as to where the job is posted.

**www.communityspark.com**

Community Spark is a community building blog that offers tips, advice and articles on how to build and manage successful online communities, whether they are forums, blogs, chat sites or social networks.

**www.doityourself.com**

This Web site offers building repair tips and articles, along with do-it-yourself videos, and a forum for sharing and receiving project advice. There is a variety of information on maintenance topics such as cleaning, electrical and lighting, and hardware and tools. The site also features a "find a contractor" search to locate potential maintenance and repair service providers.

**www.wbdg.com**

The Whole Building Design Guide is a Web-based portal providing up-to-date information on a wide range of building-related guidance, criteria and technology. The site features resource pages and summaries, organized into three categories—design guidance, project management and operations & maintenance.

## fast facts

▶▶ On average, a **RAINDROP** falls from the sky at 21 feet per second.



English sailors were referred to as **LIMEYS** because sailors added lime juice to their diet to combat scurvy. ◀◀

▶▶ The average cost of raising a medium-sized dog to the age of 11 is **\$6,400**.

In 1953, Tim Flock raced at NASCAR with a **MONKEY** in the seat beside him. ◀◀

▶▶ The only 15 letter word that can be spelled without repeating a letter is **UNCOPYRIGHTABLE**.

Early Romans used to use **PORCUPINE QUILLS** as toothpicks. ◀◀



▶▶ The least likely day to eat out in the United States is **MONDAY**.

There are enough paved roads in the United States to **CIRCLE THE EARTH** over 150 times. ◀◀

▶▶ Feb 1865 and Feb 1999 are the only months in recorded history not to have a **FULL MOON**.



Instead of a birthday cake, many children in Russia are given a **BIRTHDAY PIE**.

▶▶ People generally read 25 percent slower from a **COMPUTER SCREEN** compared to paper.



## CODE GREEN Adopting Sustainable Initiatives is an Ethical Responsibility



MARY W. WILKEN, CPM® (MARY@HOMEMANAGEMENTLLC.COM), IS THE PRESIDENT OF HOME MANAGEMENT IN CHARLOTTE, N.C.

WHEN WE THINK OF THE IREM CODE OF PROFESSIONAL ETHICS, WE TYPICALLY THINK OF CONFLICTS OF INTEREST; client, firm or employer loyalty; confidentiality issues; or our accounting and reporting obligations—not our obligations to the environment and to sustainable initiatives.

But perhaps this should change.

IREM is well versed in sustainability. In fact, it even has a sustainability mission statement: *“The Institute of Real Estate Management is dedicated to supporting real estate management strategies that advance an environmentally sustainable and economically prosperous future.”*

On the IREM Web site, it is noted that *“IREM has the opportunity to be a leader in promoting the sustainable use of resources. Ensuring an environmentally sustainable future not only benefits the users of real estate and protects our natural resources, but is critical for the long term economic prosperity of property owners and managers.”*

*Adopting sustainable practices will keep properties more competitive by: reducing maintenance and operating expenses; using energy more efficiently; employing cleaner sources of energy; improving NOI; expanding marketing opportunities; and making properties better places to live and work. Supporting goals for sustainability and conservation is another example of the industry’s commitment to social responsibility.”*

We can all agree this IREM statement is true, but in making this statement, do we have an ethical responsibility to sustainability?

We have been taught that one way to determine whether a situation requires an ethical

judgment rather than simply a business judgment is if it involves actual or potential harm to someone or something. Used in that context, sustainability, or rather the lack thereof, certainly appears to fall under that definition.

As business practitioners and experts in our field, we have a responsibility to not only our direct clients, but to all who live, work, shop and play where we manage. We are obligated to be informed of industry changes such as green or sustaining initiatives, as well as to share our findings and to bring them forward in order to educate others.

As with all management activities, costs must be weighed against benefits. From recycling to green cleaning; improving indoor environmental quality to increasing energy and water efficiency; from waste audits to use of low VOC materials for retrofits, we are now bound to research the costs and benefits of green initiatives for the properties we manage—not only to keep our clients properties competitive and viable in the market place, but to protect our tenants, patrons, guests and, yes, our earth.

It seems whenever ethics become part of the equation, we pay more attention, work harder, think harder and put forth more effort. By bringing an ethical component to sustainability, perhaps more of us will get involved and sustainability will become the norm, or perhaps in ecological terms, will become “second nature.”

Promoting the ethical requirements of sustainability and green initiatives is certainly not a platform on which I thought I would find myself, but here I am, and I hope I will have a lot of company. ■



TO VIEW THE IREM ETHICS PAGE VISIT

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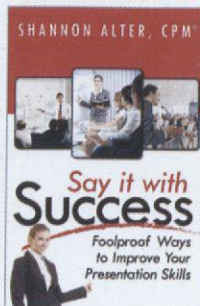


## TRIED AND TRUE Prepare for the Market Turnaround by Employing Proven Business Initiatives



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IF YOU'VE EVER SEEN THE TV REALITY SHOW "UNDERCOVER BOSS," YOU KNOW THE PREMISE INVOLVES CORPORATE CEOS WORKING ANONYMOUSLY ON THE FRONT LINES TO FIND OUT HOW THEIR COMPANIES REALLY WORK.

For Joe DePinto, CEO of 7-Eleven, a light bulb went on when he discovered that one particular store was able to sell a whopping 2,500 cups of coffee per day primarily because of the spectacular customer service offered by its employees.

Here's the good news: You don't have to go incognito to figure out how your company can prepare for the real estate market turnaround. Implementing tried and true business actions—like the customer service at 7-Eleven—will turn things around for your company, too.

### Partner with Tenants and Clients

I participated in a recent discussion on *LinkedIn.com* that centered on whether it is advantageous for landlords to partner with their tenants to achieve greater advantage in the marketplace. My response was immediate: "Absolutely!"

Further, Jim Proehl, executive vice president and managing director at PM Realty Group in Houston, said, "The best thing companies can do right now is to partner with their clients and tenants to strengthen and reinforce relationships."

Real estate is a relationship type of business. Let's get back to it.

### Exceed Expectations

It's easy to say you'll choose excellence over mediocrity any day. The best companies—and the best properties—didn't get that way by accident. If your goal is truly to become best-in-class, start with a little benchmarking. Take

a close look at the companies at the forefront of our industry and determine what they do best, and why they do it that way. You'd be surprised at the information people are willing to share if you only ask.

### Power Up Your Presence

It's true that differentiating your property and your company from everyone else immediately puts you at the front of the race. But once you've done that, don't be shy! Now is the perfect time to toot your own horn. Be the first to let clients, customers and tenants know that your company can solve their problems and add value. Don Howard, executive vice president for Fritz Duda Company in Newport Beach, Calif., offers this advice: "Once you've determined what those key elements are, sound the horn to the trade area crucial to re-establishing client and customer awareness of your project."

### Empower Employees

Want to attract the best and brightest to your organization? Face it, if you want to become an employer of choice, remember to harness your biggest strength—your employees. And remember to give your corporate culture some thought. When you bring those new stars onboard, you've got to give them the chance to do what they do best, and run with it. But don't stop there. The employees of tomorrow will want to take advantage of all of the educational tools, professional skills development and mentoring you can offer. Here's the best part—it will definitely pay off in the end.

Take advantage of these tips and you'll be ready to roll when the market comes back around.

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Resident Activities and Directory  
Rent Payment • Account Balances

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and Building Notices Library • Resident  
iPhone App • Board Archives • Calendar

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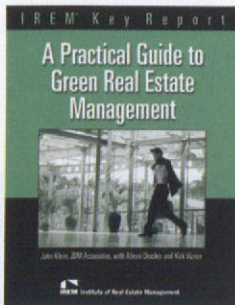
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## SEE THE LIGHT Save Big on Energy Costs by Reducing Light Use in Parking Lots



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PURCHASE A COPY OF THE IREM KEY REPORT A PRACTICAL GUIDE TO GREEN REAL ESTATE MANAGEMENT AT [WWW.IREM.ORG](http://WWW.IREM.ORG).



*About three parking spaces exist for each vehicle in the United States. That much pavement is the equivalent of an 1100-lane highway from New York to San Francisco.*

Parking lot lighting is so commonplace that we seldom think about its costs. Nearly every surface parking lot has some form of lighting and most of it operates all night, every night.

As with most energy-efficiency improvement efforts, an important way to save energy is to reduce operating hours through improved controls. Most controls in parking lots are photosensors or timers that turn lights on at dusk and off at dawn. This will average out to 12 hours of lighting per night. For most property types, these hours could be reduced substantially.

Visit your property at night to see who is there. In office buildings, late-night workers and janitorial staff rarely occupy the building past 11 p.m. At that point, potentially two-thirds or more of the lights could be turned off, leaving only a fraction lit for safety and security. If some workers stay later, consider providing them a small, fully lit parking area.

Shopping malls and retail centers have similar opportunities. Most close around 10 p.m., leaving only a skeleton crew of janitors, stockers and security guards. By midnight, many of these workers have also left. Consider reducing lighting levels after closing and reducing them further once workers have left. Also, consider providing a night-parking area. In shopping centers with 24-hour supermarkets, configure lighting appropriately to encourage parking close to the store, using less light in other areas.

All property types can reduce energy consumed by evaluating the technologies used and illumination density. When comparing lighting types, contemplate more than just the lumens

per watt ratio. Using a light source that preserves the true colors seen under natural light sources will also affect how clearly a parking area is lit. Known as color rendering, this lighting can provide safety, security and visual clarity at lower levels. For example, the amber glow of high pressure sodium (HPS) lights can feel disorienting and alien, while the whiter light provided by metal halide, induction, LED, and fluorescent lights can provide better visibility with fewer lumens. This lowers costs, reduces light pollution and improves property aesthetics.

If your facility's parking lot already has good color rendering, evaluate the lighting density to see if some lamps are redundant. In over-lit areas, remove lamps or use lower-powered lamps to provide satisfactory light levels.

Consider an office building parking lot with 400-watt HPS pole lights. At electricity rates of \$0.12 per kilowatt-hour, each light costs \$250 per year in electricity, equipment and maintenance. Simply by turning half the lights off after midnight, property management could extend the average lamp life by 30 percent, reducing per-lamp operating costs by \$75 per year.

Alternatively, the property could replace the HPS lights with 200-watt induction lights at \$400 apiece, which provide better visual clarity, use less energy, are dimmable, work with motion sensors and last 20 years or longer. Turning half the lights off after midnight, annual costs drop by \$160 per lamp. Simple payback for the whole project is around three years. Do the math: at 50 lamps, you save \$8,000 per year.

By evaluating your property's needs and thinking creatively, you can always find new ways to save energy. Parking lot lighting is widely overlooked—even though we see the lights, we often fail to *see the light*. ■



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## Sublease Security Keep Landlord and Lease Protections in Mind When Subleasing



JOHANNA L. JUMPER IS AN ATTORNEY AT BRADLEY ARANT BOULT CUMMINGS, LLP IN NASHVILLE, TENN.

IF YOU ARE A REAL ESTATE MANAGER REPRESENTING A LANDLORD IN TODAY'S TOUGH MARKET, YOU MAY HAVE WITNESSED TENANTS EXPERIENCING FINANCIAL HARDSHIP, STRUGGLING TO PAY RENT, OR REQUESTING CONCESSIONS. Many tenants have turned to subleasing for relief. Here are some essentials for a landlord to consider when working through a sublease transaction.

**Know the Subtenant:** At a minimum, landlords should request the name and address of a proposed subtenant, certified financial information for a set period of time and a copy of the proposed sublease. The lease may also contain a more detailed list of required information to help evaluate whether a subtenant is suitable.

**Protect Landlord's Rights:** A lease may require a landlord to be reasonable in accepting a subtenant, but don't overlook other lease protections if that subtenant is not desirable. Provisions stipulating permitted use of premises, gross sales or customer traffic requirements, tenant mix, use of parking or common areas, and a tenant's reputation or non-violation of previous property leases, are valuable tools landlords can use to maintain control of their properties or preserve their ability to enter into direct tenant leases with proposed subtenants.

**Improve the Lease:** Landlords who find an acceptable but less-than-ideal subtenant, may use the opportunity to improve their position under the lease. For any sacrifices landlords make in a subtenant lease arrangement, renegotiating tenant-friendly provisions should be considered. Removal of tenant termination rights, co-

tenancy exclusives, renewal options, purchase options, expansion rights of first offer and refusal, and other restrictions on leasing to potential property tenants existing in the underlying lease, are all possible new wins for landlords. Shore up any holes in lease documentation, such as term commencement certificates and lease exhibits, and make sure all tenant credit support, like guarantors, have affirmed the lease and especially the sublease transaction.

**Maintain the Integrity of the Lease When Giving Consent:** To avoid inadvertently establishing direct contractual relationships with subtenants, landlords should use a form of consent, clearly stating their positions as separate from tenant/subtenant relationships. In this form, the consent to the sublease should in no way release tenants from any of the covenants, agreements, liabilities and duties under a lease. Also, a landlord's consent to the sublease should not constitute approval or affirmation of any of the provisions of the sublease document; the sublease must be subordinate to the terms of the lease. Whether the sublease implies any "extra" responsibilities for a landlord, he or she must make it clear that no obligation or liability exists under the sublease. Finally, landlords should condition any sublease consent on a tenant affirmation that the lease is currently in good standing and no landlord or tenant defaults currently exist.

Once all parties have agreed to the form of consent, make sure the landlord's file is complete with the new subtenant information, fix all documentation discrepancies, check for signatures and attachments on final documents and confirm all credit support is affirmed. Then, welcome the new subtenant!



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## Hot Legislative Issues Around the Country

The Legislative Forum at this year's Leadership and Legislative Summit in Washington, D.C., May 1-5, provided an opportunity for IREM Members to hear about various state legislative issues around the country. These issues heavily impact IREM Members and range from state budget shortfalls to one of the hottest topics, health care reform:

### State Budget Shortfalls

During the 2009 fiscal year, state tax revenues declined by \$87 billion, in large part due to the difficulty of funding public retirement funds. As a result, states are balancing their budgets through increasing taxes that negatively impact real estate professionals. Businesses in at least 35 states will have to pay more in unemployment insurance taxes this year, with the median increase of unemployment insurance tax at 27.5 percent. The governor of Virginia has proposed taxing property insurance premiums and some states have considered increasing licensing fees. Colorado's Governor recently signed nine bills into law that suspend or eliminate various tax exemptions for business, resulting in higher taxes for businesses.

### Health Care Reform

In March, President Obama signed the Patient Protection and Affordable Care Act (HR 3590) into law, allowing the Senate to begin considering reconciliation language, which passed shortly after. Several provisions of the new law took effect immediately or will be in effect this coming fall: Health insurance companies are prohibited from placing lifetime caps on coverage, effective in September. Also effective this September, new private plans are required to cover preventive services with no copayments. Further, preventive services are exempt from deductibles.

States are also concerned about the expansion of Medicaid, a joint state-federal program for low-income individuals. The new law extends Medicaid coverage, beginning in 2014, to individuals under age 65 who are not entitled to or enrolled in Medicare and have incomes at or below 133 percent of the federal poverty line. Under the new law, the federal government will pay 100 percent of the cost of covering newly eligible individuals between 2014 and 2016. After 2016, states must fund Medicaid alone.

Several states' governors, attorneys general and legislators have vocalized their opposition to the law through lawsuits or legislation. Most opponents are concerned about states' rights, individual rights or funding.

### Energy and Environment

Since February 2009, states have been receiving money from the federal government through the American Recovery and Reinvestment Act to promote energy independence. Local governments received a total of \$6 billion in energy efficiency and conservation grants for energy audits, retrofits and financial incentives. The Energy Efficient Appliance Rebate program received \$300 million; each state's rebate program will continue until it runs out of funds.

In regard to environmental regulation changes, real estate professionals should be aware of local building and energy codes that may be stricter than their state codes. Several cities have enacted green building ordinances to reduce buildings' greenhouse gas emissions and lower residents' energy use. In December 2009, New York City Mayor Bloomberg signed a four-part legislative package into law addressing Energy Conservation, Audits and Retro-Commissioning, Lighting Retrofits, and Energy and Water Use Benchmarks. He has set the ultimate goal of reducing the city's greenhouse gas emissions by 30 percent by the year 2030.

The legislative staff at IREM will continue to monitor and report any pertinent information regarding developing state and local energy-efficiency programs.

### Vacant Property Ordinances

A growing number of cities have adopted or proposed ordinances increasing vacant building requirements and increasing the responsibilities of their owners. In 2009, almost 4 million foreclosures were filed, and many properties have been left vacant over the last two years. New ordinances have been enacted to regulate the increase of abandoned buildings and therefore increase the responsibilities of owners of vacant properties. The reasoning behind the ordinances is that abandoned buildings and vacant lots depress property values, reduce tax revenues and discourage development.



For more information on the National Vacant Properties Campaign, visit [www.vacantproperties.org](http://www.vacantproperties.org).

#### The American Recovery and Reinvestment Act of 2009

In response to the U.S. economic crisis, Congress passed the American Reinvestment and Recovery Act (ARRA) in February 2009, allocating \$787 billion in economic aid through spending and tax cuts.

Real estate professionals who manage federally assisted housing will be interested in ARRA's housing provisions. For instance, \$2 billion is available to property owners for rental assistance through an appropriation to Assisted Housing Stability. Also, the Neighborhood Stabilization Program receives \$2 billion to assist states, local governments and nonprofit organizations in purchasing and rehabilitating foreclosed, vacant properties in order to create more affordable housing and reduce neighborhood blight.

The ARRA included several tax incentives for individuals and businesses, most of which expired in 2009. Some tax benefit programs are still available, including a Small Business Capital Gains Exclusion provision, allowing a 75-percent exclusion for individuals on the gain from the sale of certain small business stocks held for more than 5 years. The change is for stock issued between Feb. 17, 2009 and Jan. 1, 2011.

For more information on how funds have been distributed and are being spent, visit [www.recovery.gov](http://www.recovery.gov).

#### Real Estate Licensing Trends

Supporters of separate state mandated certification or licensing for common interest development managers

have increased their efforts of late. Managing community or common interest developments (CIDs) encompasses all types of association management, including condominiums, cooperatives and homeowner's associations, as well as office, retail and industrial condominium management.

Four states—Illinois, Florida, Nevada and Virginia—require separate licensing or certification of CID managers. In addition, five states—Alaska, California, Connecticut, Georgia and the District of Columbia—have adopted statutory provisions that require the licensure of CID managers like other real estate professionals, impose a voluntary certification regime, or require the registration of CID managers with a state entity.

IREM believes the management of residential apartments, condominiums, cooperatives and homeowner's associations involves real estate activities and should require a license under existing state license laws. IREM supports professional CID management, but is opposed to a separate state mandated license or certification for CID management.

To learn more, please visit [www.irem.org/publicpolicy](http://www.irem.org/publicpolicy) and refer to the Policy Statements Web page. ■

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## IREM Public Policy Webpage

If you are interested in learning more about other hot issues in your state and around the country, please check out IREM's Public Policy Web page at [www.irem.org/publicpolicy](http://www.irem.org/publicpolicy). This page has a plethora of information on various legislative issues and hot topics. Also, under the tab, "IREM State Legislative Database," you can input your member username and password and browse through state legislation, by either topic or state. This database is powered by StateNet and has up-to-the-minute proposed legislation on various issues pertaining to the commercial real estate industry. We encourage you to check this database often, as new bills are collected every day. If you have any questions on how to use this database or would like more information on a particular bill, please contact the IREM Legislative Liaison, Beth Price, at (800) 837-0706 ext. 6021 or [bprice@irem.org](mailto:bprice@irem.org).

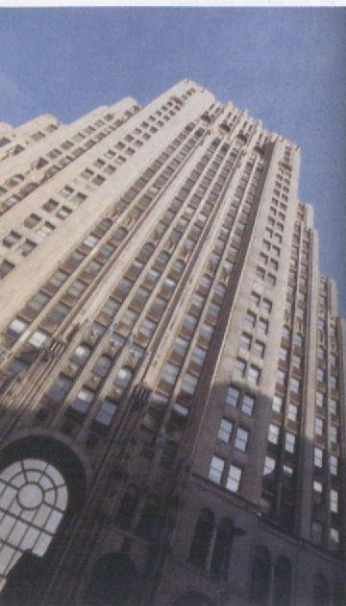
# ART IN THE MOTOR CITY

The Fisher Building is an Architectural Treasure Defining the Detroit Skyline

DIANA MIREL IS A CONTRIBUTING WRITER FOR JPM. IF YOU HAVE QUESTIONS REGARDING THIS ARTICLE OR YOU ARE AN IREM MEMBER INTERESTED IN WRITING FOR JPM PLEASE E-MAIL MARKISAN NASO AT [MNASO@IREM.ORG](mailto:MNASO@IREM.ORG).

THE FISHER BUILDING WAS NAMED A NATIONAL HISTORIC LANDMARK IN 1989.

PHOTOGRAPHY © FARBMAN GROUP



IT'S HARD TO MISS THE MAJESTIC GOLDEN TOWER OF DETROIT'S FISHER BUILDING. CONSTRUCTED WITH APPROXIMATELY 325,000 SQUARE FEET OF MARBLE, IT IS THE LARGEST EXTERIOR MARBLE COMMERCIAL BUILDING IN THE WORLD. Add to that more than 150 different carvings, a tower cap of gold and green terra cotta, 40 varieties of marble, brass and bronze, and a hand-painted vaulted ceiling, it's no wonder the Fisher Building has been hailed as Detroit's largest piece of art since 1928.

"They don't make them like this anymore; you can't afford to," said Rick Sellers, CPM®, general manager of the Fisher Building. "It is a really magnificent building."

When the Fisher brothers, who developed the closed body for the automobile, decided to build the headquarters for Fisher and Company, there was no limit to how much they would spend to build the "world's most beautiful office building." After purchasing seven acres near the former General Motors Building, the brothers envisioned creating a "new center of Detroit," complete with shopping and entertainment, located one block from the official city center.

### DESIGN ESSENTIALS

To bring their vision to life, they hired esteemed architect Albert Kahn, who already had a formidable reputation as one of America's great architects. His work included designs for the magnificent Hill Auditorium at the University of Michigan and the world headquarters for General Motors. The Fishers gave Kahn complete creative freedom and encouraged him to use the finest materials, craftsman and contractors.

The original designs for the building called for three towers—one 60-floor tower, flanked by two 28-floor towers and connected by several 11-floor wings. It was estimated the building would cost \$35 million (equal to more than \$400 million today). However, Kahn was only able to build one of the 28-floor towers and two of the wings before the Great Depression hit. The final cost was \$9 million (equal to more than \$100 million today).

The 440-foot building is an architectural gem. The exterior was designed in the American Vertical style, with windows that are grouped and recessed, and strong vertical planes that give the illusion of greater height. The sloped roof was originally covered in gold-leafed tiles, but has since been replaced with gold and green terra cotta tiles.

While the elegant marble and bronze exterior façade exudes a venerable sophistication, the breathtaking interior takes elegance to a whole other level. A 600-foot-long arcade runs through the building and connects the five main entrances. The arcade is comprised of European and American marble that ranges from warm reds and cool greens to rich browns and delicate pinks.

Large Art Deco chandeliers hang from the arcade's center. Hungarian artist Geza Maroti created all of the frescoes, lunettes, plaques and mosaics that hang in the arcade. Forty percent of the arcade's barrel-vaulted, hand-painted ceiling is covered in gold leaf, with the remaining ceiling boasting shades of deep orange and green. The overhead painting is comprised of 60 nude figures, hemlock oranges, flowers and greenery, folk art motifs and dozens of eagles.

One of the highlights of the Fisher Building is the Fisher Theater. Originally built as a movie

house, the theater was decorated with early Mexican Indian art. Banana trees and native plants, along with a pond with goldfish and turtles, set the mood within the foyer. In 1961, the Fisher brothers took on a \$3 million renovation to remodel and convert the movie house into luxurious legitimate theater. Currently, Fisher Theater is home to Broadway fare in Detroit.

In 1928, the Architectural League of New York awarded Kahn a Silver Medal for the Fisher Building, applauding it as the most beautiful commercial building built that year. In 1989, the Fisher Building was named a National Historic Landmark.

#### PORTRAIT OF PRESTIGE

The building's rich history and architectural mastery have made the Fisher Building a local treasure and a national symbol of Detroit. Honoring its history and maintaining its historic design is both a challenge and a benefit for the building's current owner, the Farbman Group. For instance, when management had to replace two hand-hammered copper spires on the roof, Sellers worked closely with the historical society to ensure the replacement spires would not change the building's look.

"We had to go through many approvals to make sure they looked identical to what they looked like before," Sellers said. "It was quite an engineering process."

Of course, managing a high-profile building has plenty of perks.

"Obviously, there is a prestige value in managing a building that is so recognized," Sellers said.

The prestige factor certainly gives the Farbman Group an advantage when it comes to leasing space in the building, which has a current occupancy rate of 82 percent. The building's tenants include traditional office tenants, retail, restaurants, a post office, pharmacy, doctor and dentist offices, radio stations and the historic Fisher Theater. Several organizations, including Preservation Wayne and the Detroit Historical Society, conduct building tours.



The Fisher Building, in fact, functions almost as a city within a city. The building is connected to New Center One, the Albert Kahn Building and Cadillac Place (the former General Motors headquarters) via underground tunnels and overhead skywalks.

"We're our own little community," Sellers said. "All the retail options are amenities. They attract people to the building and make those of us who work here much more comfortable. We enjoy our working atmosphere."

In many ways, the Fisher Building is a great example of Detroiters attempting to bring the Motor City back into the center of American economic life. This inspiring architectural treasure is both a great reminder of the city's storied past and a beacon showing the way to a better future.

THE 440-FOOT FISHER BUILDING WAS COMPLETED IN 1928.

PHOTOGRAPHY ©  
FARBMAN GROUP

# YES, VIRGINIA

## Virginia and West Virginia Real Estate Markets Remain Steady

KRISTIN GUNDERSON IS A CONTRIBUTING WRITER FOR JPM. SEND QUESTIONS ABOUT THIS ARTICLE TO MARKISAN NASO AT [MNASO@IREM.ORG](mailto:MNASO@IREM.ORG).

VOTED THE BEST STATE FOR BUSINESS FOR THE FOURTH STRAIGHT YEAR BY *FORBES* MAGAZINE IN SEPTEMBER 2009, Virginia should perhaps change its long-time motto, "Virginia is for lovers," to "Virginia is for businesses," to explain its real estate market's resiliency during the economic downturn.

The *Forbes* ranking, alongside state initiatives enticing businesses to the commonwealth with financial incentives, is bringing companies and people to Virginia, thereby absorbing real estate, said J. Todd Willett, CPM®, director of asset services, for CB Richard Ellis (CBRE), AMO®, in Richmond, Va.

"You can always judge a building by its parking lot, and they are starting to fill up," he said.

### RECOVERY IN RICHMOND

Virginia certainly hasn't been immune to the recession, though. The Richmond area lost two major corporations to bankruptcy during the recession—LandAmerica Financial Group and electronics giant, Circuit City. Those losses added nearly 500,000 square feet in office space vacancy—still yet to be filled—as well as increased unemployment, which affects retail and housing.

Still, Willett said Richmond's real estate market has been equal to or better than other parts of country because the area wasn't overbuilt. In the first quarter of 2010, the retail market was nearly flat, with vacancies only increasing by .1 percentage points, according to a MarketView Richmond retail report by CBRE.

However, the market-weighted average asking lease rate decreased to \$15.42 per square foot in

the first quarter of 2010 from \$17.29 one year prior, according to the same report. Increasing tenant activity is likely to stabilize rental rates in the near future, however, and Willett said tenants seem fairly optimistic as business has begun to pick up.

The Richmond office market began showing signs of recovery in the first quarter of 2010. The area has benefitted from new businesses entering the market, including Dominion Resources Greentech Incubator, a center to assist new businesses focused on energy efficiency and other green technologies, which is supposed to add about 150 jobs over the next five years. Willett said he's seen tenants begin to add staff again, which is a positive sign.

On the multifamily housing front, Willett said rents have decreased and vacancies have increased, but rents are likely to stay relatively flat for the next year. Managers are making concessions, like offering a couple months of free rent or including new appliance packages when leasing a space.

### CAPITOL GAINS

Willett said the Norfolk and Virginia Beach area markets also have benefitted from not being overbuilt. But in the Northern Virginia/Washington, D.C. area, he said a lot of construction is now being delivered empty, which is hurting the market.

Real estate research firm, Reis Inc., projects the multifamily occupancy level to fall to a record low of 92.9 percent in December 2010 because of the multitude of apartment buildings, including nearly 3,500 units under con-





NEW BUSINESSES ENTERING THE OFFICE MARKET IN RICHMOND, VA., INDICATE SIGNS OF ECONOMIC RECOVERY.

struction, according to a January 2010 multifamily housing report from Red Capital Group, a provider of debt and equity capital to the multifamily housing, seniors housing and healthcare industries.

At the same time, the stability from the area's plethora of federal government jobs as well as new companies like defense contractor Northrop Grumman entering the region and D.C. currently being a hub for young professionals just out of college, have helped stabilize the market, Willett said.

Northern Virginia's office vacancy rate increased slightly from 14.3 to 14.4 percent in the first quarter of 2010 according to a CBRE MarketView Northern Virginia office report. Average asking rates rose but remained lower than one year ago.

Willett is encouraged by decreasing rent reduction requests throughout Virginia. He believes the sound management practices that have gotten property managers through these tough times are still going to be critical going forward.

"The biggest thing out there is that good management matters," Willett said. "Property managers have to be managing buildings better than ever before. Services have to be at top level. At the same time we have to watch operating costs, especially as we've seen a reduction in rental income."

#### OPEN FOR BUSINESS

Smart management doesn't just matter in Virginia. Real estate managers across the border in West Virginia have

had to make concessions as well.

"The main thing we've had to do is be a little leaner," said Jim Porter, CPM, president of Porter Properties Inc., in Charleston, W.V. "Clients are looking at their bottom line with more attention. We are supposed to do as good of a job as we can for as little as we can."

Still, Porter said the residential and multifamily market in Charleston has remained fairly stable with 95 to 96 percent occupancy rates. With the state government, and most hospitals and numerous coal companies having headquarters in Charleston, its economy is stable.

"Charleston is kind of like an island," Porter said. "It did not have the boom and bust like the rest of the country."

On the commercial office side, vacancies are up and rents are down, but again the shifts haven't been as dramatic as in other parts of the United States, said Juli Kuyk, CPM, managing director for West Virginia Commercial in Charleston. As a result, managers are still taking steps to combat the sluggish market.

"The activity level has been slow for the last couple of years," Kuyk said. "We obviously watch our expenses; we make a great attempt to keep properties in nice condition so they are attractive to tenants; and if we have to deal on the lease rate, we're willing to do that for now."

Porter said a real estate recovery is in the cards for West Virginia, and the rest of the country—it's just a matter of time.

"I think we will muddle through," Porter said. "We've come through these cycles before and I think we will again. We just have to keep our heads above water." ■



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# PATH TO POSSIBILTIES

IREM MEMBERS

NAVIGATE TOUGH JOB MARKETS

BY EXPANDING

LINES OF BUSINESS

& SKILL SETS

BY KRISTIN GUNDERSON HUNT

# NAVIGATING A CAREER IS NEVER REALLY EASY, BUT DOING SO IN A DOWN MARKET IS EVEN TOUGHER.

The national unemployment rate reached 9.9 percent in May, following the elimination of more than 8.2 million jobs during 2008 and 2009, according to the U.S. Labor Department. Real estate management jobs did not escape the economic downturn either.

"Just like any business or any position, there are [fewer jobs] than there were three years ago because of the economic downturn," said Natalie Brecher, CPM®, president of Brecher and Associates Inc., in Santa Monica, Calif. Brecher is also the author of *Success Strategies for Commercial and Multifamily Real Estate Careers*.

Such conditions have left many real estate management professionals either looking for work or looking to expand their skill set in order to stay competitive—if not merely afloat—during these trying times.

"When firms downsize or reduce their workforce growth—resulting in a decrease in the supply of jobs—you must open up your market by looking elsewhere for employment," Brecher said. "It's difficult, but it can also be a great opportunity to review career goals and readjust your plan."

## BROADENING HORIZONS

Readjusting one's plan might involve considering working for organizations outside of traditional real estate management companies.

"Seek out organizations that have a component of real estate in their business," Brecher said. "Consider housing agencies, lenders, appraisal firms—any business that works with

or for the real estate realm. Then look for areas within those firms that interest you so the work is appealing."

Switching from small to large companies or vice versa is another way to encompass more available opportunities in one's job search, said Peter O'Farrill, CPM, property manager with BHE Real Estate and Development Corp., a subsidiary of Baptist Health South Florida, in Miami.

O'Farrill switched to BHE in April, from a much smaller, family-owned company. He now manages medical office buildings, urgent care facilities and diagnostic centers. He said he appreciates the potential for career growth at larger companies.

"I don't have a problem working within a bigger and more structured organization," he said. "I know the future opportunities and career growth is much more available to me at a larger company than probably anywhere else."

He also said he appreciates the opportunity to concentrate his management efforts on a specialty, instead of a wide variety of property types. Still, the experience of managing multiple property types cannot be undervalued when it comes to building a resume, Brecher said, and that experience often comes from working at smaller firms.

Finding firms to work for—large or small—might take some creativity. O'Farrill said to browse industry trade organization Web sites and publications for mentions of companies and then see if those companies have any available positions. He also said to research the biogra-

phies of officers within the organizations to get an idea of potential career paths.

No matter what industry, line of business, or type of company a real estate manager is considering, he or she needs to do ample research to determine how the new opportunity relates to his or her current or former positions, O'Farrill said. This will help them to get a feel for the fit, as well as generate ways to "sell" their experience to the prospective employer.

"It's all about doing the research and doing it before you jump in," he said.

Relocating is another viable option when considering changing jobs. Chris Lee, president and chief executive officer of real estate consulting firm CEL and Associates Inc., in Los Angeles, Calif., said individuals looking for career opportunities might consider relocating to growing markets, like Washington, D.C.; Nashville, Tenn.; and Atlanta, Ga. The expanding populations in these areas, he said, require more housing and businesses, therefore requiring more professionals to manage such spaces.

"Be very open to opportunities that are not local," O'Farrill said. "In this job market you may have to consider relocating."

#### THE ROAD LESS TRAVELED

One may also have to consider less conventional real estate management career opportunities, said Ben McGrew, CPM and regional vice president for California and Hawaii. McGrew is president of ManageWest Inc., in Sacramento, Calif., and acts as a property manager, court appointed receiver and federal bankruptcy trustee.

"Property management opens so many doors if you think a little outside the box," McGrew said.

He said his immersion into the alternative bankruptcy and receivership lines of business was born out of a foreclosure on a building he managed early in his career.

On the brink of losing his management fee, it was suggested he become a court-appointed

receiver, who, under the court's direction, takes over managing properties primarily in default. Then, he elected to become a federal bankruptcy trustee, a court-appointed official who administers a debtor's bankruptcy estate.

By expanding his horizons outside of traditional property management, McGrew said he has built a healthy business, with more than 500 national receivership cases under his belt. Currently, he is managing 20 cases, and business is steady with the increase in foreclosures and troubled assets.

"While other property managers are struggling because of the market, this income has been a substantial stabilization to the downswings in the market (for me)," he said.

But if breaking into unconventional lines of business is too daunting, just adding other traditional lines of business to one's portfolio can boost a career or enhance a business, said Steve Easton, CPM, owner of Easton Realty in Sarasota, Fla. Easton has managed condo associations, apartment complexes, office, retail and industrial properties.

"In our business you have to be 100 percent flexible," he said. "We need to be adaptable and change with what is going on in the marketplace. Things you may not have wanted to do years ago—I don't think you have the luxury of saying you don't want to do them anymore."

At the same time, property managers said it's impossible to do everything—let alone do everything well. Beth Machen, CPM, LEED-AP, president of Machen Advisory Group, in Charlotte, N.C., said to be selective when it comes to taking on new lines of business or particular projects.

"Stick with your passion," she said. "Try not to be everyone to everybody. Pick a few things you really do well or you want to learn about."

#### IN DEMAND

Sticking with your passion might lead you to a niche, which is another way to expand your



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## SET YOUR CAREER GOALS

This sidebar was excerpted from the publication, *Success Strategies for Commercial and Multifamily Real Estate Careers*, by Natalie Brecher, CPM®.



Setting goals is not just answering, “Where do I want to be?” Goals help ensure you enjoy the entire journey every day by planning to do work that you enjoy.

Spend a fair amount of time thinking about what, how, and why you do what you do now and what you want to do. Planning your career includes goals and allowing for flexibility based on changes to your circumstances and needs, as well as your employer’s. You must be flexible; your plan is never final. Your career is not static; it changes, and so will your plan. Use your plan for making decisions about employers, positions, and areas of the industry in which you should work.

Even with a plan, there will still be the element of chance in your career future, but you will be less susceptible to it. As you change, your goals will change; however, it is important to stay long enough with a goal to make progress, or you will risk floating from goal to goal, never moving forward.

When changing goals, ask whether the changes are predicated on new needs or if changes are needed because of frustration at not bringing your goals to completion. Then again, could it be a matter of unrealistic goals needing a good dose of reality? It’s one thing to have dreams. It’s another to be delusional, which may be fun, but it’s not very productive. Some dreams are just less likely to happen than others. Temper your goals with reality.

A special element to consider: If you are changing because your goals are difficult to meet, yet you deeply desire them, perhaps it is your actions and behaviors that should be changed...not your goal. Differentiating between the two requires an objective reflection—perhaps one that benefits from outside perspectives. You must determine if it’s stubbornness causing you to hold onto a poor goal or if it’s perseverance helping you stay the course until success is achieved.

Your strategy as a business is not static; changing your course may happen when alternatives become available or your interests change. However, you should change direction only if you have given it ample thought, comparing it to your existing plan.

- Have your goals changed or does the change present a path to achieve new goals that are more appealing to you?
- How does this fit with your core competencies (knowledge, skills and abilities)? Will you need to add to or improve them?
- How does this affect your marketing efforts? Will a new marketing approach be needed if you chose this alternative and want to progress?

For more information on how to develop and manage your career, be sure to read *Success Strategies for Commercial and Multifamily Real Estate Careers*, available at [www.irembooks.org](http://www.irembooks.org).

business, even if it means narrowing your business’ focus, real estate managers said. McGrew said the receivership and bankruptcy trustee niche has unquestionably added value to his business.

“The niches are ways to expand your knowledge base and add a stream of income to your business,” McGrew said.

Growing companies that have a niche or specialization, like managing troubled assets, managing properties with a health care component, or offering Leadership in Energy and Environmental Design (LEED) consulting services, are great places to look for opportunities right now, Lee of CEL said.

Machen broke into the green building niche when she noticed more LEED certified buildings being built or converted. In addition, she has long been passionate about the environment, so for her, it seemed like a natural niche.

“I saw it coming down the pipe,” she said. “There were going to be a lot of buildings that were LEED certified, and someone was going to have to take over management of these properties and keep them green.”

She became LEED certified in 2008 and currently manages two “green” properties. She also consults other organizations on how to go green and is presently working with a church and office building to get their properties ENERGY STAR rated.

When selecting an appropriate niche to break into, Machen said to find one that caters to clients’ needs—needs that can be determined by simply looking at a portfolio of properties. She also said to anticipate clients’ needs 10 years from now, and develop a niche that will service those needs.

“It all boils down to what your clients need,” she said. “Those niches will come to you if you’re paying attention.”

As for finding niche clients, Machen said managers should target the clients already in their portfolio. They should continue offering the traditional services they’ve offered in the past alongside the niche service. Once clients

benefit from the new offering—and as long as managers stay on top of developments within the niche—she said word will get out, and more clients will vie for the service.

“If you’re going to have a niche, then you have to be the best at whatever that niche is,” Machen said. “The only way you can be the best is to continually educate yourself.”

### EDUCATION IS AN INVESTMENT

Education is one of the most important elements to advancing any career, no matter what path one chooses, said Easton, who is also an international instructor for IREM.

“I am a huge proponent and believer in education,” he said. “You pay for your education one way or another. You either write a check to take a course, or you pay for costly mistakes with on-the-job training.”

Although education requires both time and financial commitment, it is an investment that has a huge return. Easton said for the unemployed, it is actually a good use of time because one can only look for a job so many hours a day. To mitigate against the cost factor, he said scholarships are often available.

O’Farrill of BHE said he could attest to the value of education, as well as being a **CERTIFIED PROPERTY MANAGER**. He said both offer concrete evidence that a manager is committed to the industry and knowledgeable.

He said his CPM designation was helpful in obtaining his position at BHE because even though he did not have vast experience doing what the position he applied for required, he had the knowledge and credentials to transition fairly seamlessly into the job.

“Education is invaluable and will only help develop your career,” he said. “I was able to take a lot of what I learned from my IREM courses and apply it to my career.”

McGrew said the ethics component to his

CPM designation has been helpful in his role as a trustee and receiver. Because he has to be selected by the court to receive a case—often competing against attorneys who obviously have vast legal experience—he typically hands the IREM Code of Professional Ethics to a judge to demonstrate why he is a legitimate candidate for the case.


“Be proud of your code of ethics,” McGrew said. “Ethics are what make us different from other organizations. I wear the IREM logo on my sleeve, and I am quick to promote it. We have a great legacy. The CPM designation has opened up a lot of opportunities for me.”

And while education can certainly give anyone an advantage in advancing a career, real estate managers should still be prepared for challenges when it comes to finding, obtaining and transitioning to a new position or career within the field.

“Above all, be realistic in your expectations when changing employers, jobs, or type of work,” said Brecher. “That includes first, being aware of having to prove yourself and your worth over again. Second, recognizing—and admitting—that you will have a learning curve to some degree, and must take steps to learn what’s needed to fill in the gaps. Being a lifelong learner is an excellent habit to have in any case, as it will help you stay above the competition throughout your career.”

O’Farrill said no matter what, property managers should keep their heads up, though, and remain optimistic about the future.

“Even though we’re in a tough economic downturn, property managers are always going to be needed, and they’re going to be needed more than ever because of issues in the market. They are going to need experts in the real estate field to manage those troubled assets. If it doesn’t happen today or tomorrow, it will happen eventually.” ■



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Kristin Gunderson Hunt is a contributing writer for *JPM*. If you have questions regarding this article or you are a member interested in writing for *JPM*, please e-mail Markisan Naso at [mnaso@irem.org](mailto:mnaso@irem.org).

# A PROPER

ENSURE RELIABILITY  
& OWNER PROTECTION  
WHEN DEVELOPING  
MAINTENANCE  
AGREEMENTS  
WITH CONTRACTORS

BY JOHN N. GALLAGHER, CPM®



# FIX

A man in a white shirt is sitting on a construction site, surrounded by stacks of lumber. The word 'FIX' is written in large, dark letters, with a hammer and a screwdriver crossed over the 'X'. The background shows a construction site with wooden framing and a clear sky.

THE FOLLOWING ARTICLE IS AN EXCERPTED CHAPTER FROM THE NEW IREM KEY REPORT, *MANAGING YOUR MAINTENANCE PROGRAMS: A GUIDE TO IMPLEMENTING COST-EFFECTIVE PLANS FOR PROPERTIES*



**MORE THAN EVER BEFORE,** maintenance contracts are an integral part of managing real estate. The success of your maintenance management program will rest on your ability to contract for services with reliable vendors, and to make sure the program specifications are being met and your owner is properly protected.

Your property likely requires a variety of maintenance, such as janitorial services for cleaning a residential building's common areas or an entire office building. Landscape services are now common and necessary for most properties to maintain grass, shrubs, trees and seasonal plants. Metal and stone cleaning in lobbies, as well as the brass or metal door and window frames and canopies, may be contracted to a specialty metal polishing company. High-rise

buildings require cleaners to wash the exterior windows and window frames. The list goes on.

Just about any service to a property may be contracted. The maintenance contract needs to identify the scope of work, the relationships and responsibilities of the contracting parties, the terms and conditions under which the services will be provided, and compensation tendered.

#### THE BIDDING PROCESS

To ensure you are getting a qualified contractor at a competitive price, you should conduct a detailed bid process, which is often referred to as a Request for Proposal (RFP). First, you must identify qualified contractors.

"Make sure you thoroughly review references, including visual inspections of work performed on similar size and types of properties," said Lee Whitman, CPM, general manager for MC Realty Group in Kansas City, Mo., AMO®.

You may prequalify them yourself, or include those guidelines in your RFP documentation. You should always consult with your client in case he or she has specific requests for any particular contractor. Establish basic minimum requirements for your contractor. In general, you want the contractor to have prior experience with similar properties. The dollar value of a project can help determine how much prior experience a contractor should have.

"The higher the project cost, the more experience you should demand from the contractor," Whitman said.

If the contractor is awarded the contract, it is suggested that it not represent more than 50 percent of his or her current portfolio (some



managers may prefer the ratio to be as low as 25 percent). You should be cautious awarding a contract that represents such a sizable chunk of business to a vendor, as they may not be prepared to handle the resulting increase in back-office and oversight responsibilities that come with that amount of business.

When forwarding out the bid documents, it is imperative you provide as much detail as possible on your specifications and expectations. It is rare to have too much detail. If you do not provide sufficient information, your contractor will be forced to make assumptions. This undoubtedly leads to disagreements down the road over what service was or was not included in the contract. Also, it will put you in a position of evaluating bids that are not exactly alike in their coverage.

If you are not comfortable writing up a detailed specification of services, seek advice from one or more vendors or consultants. Your vendors may be able to provide you with a base set of specifications they either recommend or use on similar properties. Being able to gather such information from multiple sources will allow you to customize the specifications to your specific needs. Contact other members of your local IREM chapter or seek assistance on the IREM Web site ([www.irem.org](http://www.irem.org)) or IREMFIRST forums ([www.iremfirst.org](http://www.iremfirst.org)). You will find many managers willing to help you in setting up a program of your own.

Once your specifications are written, forward the RFP to those contractors you have decided to contact. Set a specific deadline for the proposal to be returned to your office.

FOR MORE ABOUT MAINTENANCE AGREEMENTS AND ENHANCING MAINTENANCE MANAGEMENT PLANS, purchase a copy of the new IREM Key Report, *Managing Your Maintenance Programs: A Guide to Implementing Cost-Effective Plans for Properties*, available at [www.irembooks.org](http://www.irembooks.org). Included in the report is an example of a maintenance agreement, along with a section-by-section analysis and explanation of the document.



If a vendor contacts you with a question, it is recommended you advise all the bidders of the question and your response—another bidder may have the same question or have made an incorrect assumption because of it. Set up a certain day or time for vendors to visit the property if necessary. Even if you are not present, it is best if they let you know when they will be looking at the property so you can respond if someone contacts you about “strange people” walking around the site.

Once you have received the proposals, do your best to compare them detail by detail. Develop a spreadsheet if necessary; you want to be able to demonstrate to your owner that you were thorough and that no favoritism was shown. Mary Jayne Howard, CPM, principal at Howard Enterprises in Thousand Oaks, Calif., recommends presenting at least three qualified bids to an owner with comments about each bid, along with a recommendation for a contractor that includes an explanation for the choice.

If your management agreement does not require such client notifica-

tion, do an internal memo outlining your decision anyway. If the property is transferred to someone else within your firm, or a question about the award process arises later, this memo will serve as an explanation.

#### ENSURING PROTECTIONS AND STANDARDS

When the bidding process has been completed, it is concluded with the contractor and the owner (or the owner's agent—the management company) signing an agreement. Problems often occur when the agreement signed does not have the appropriate protections for the owner and the owner's agent. Many contractors use pre-printed forms that may have their company name and address at the top, a fill-in-the-blank area with the heading PROPOSAL and then a place for both the contractor and the owner (or agent) to ACCEPT. However, this is a contract with no real protection for the owner, and no responsibilities given to the contractor should he fail to perform. To prevent this, the owner and the manager should detail protections and work performance standards in

## 10 MUST-HAVE PROVISIONS:

- 1 The date of the agreement
- 2 The parties to the agreement (the legal name of the contractor and the legal name of the property or partnership or the management company as agent for the property or partnership)
- 3 The legal address/location/legal property description of where the work or service will be performed
- 4 A description of the work or service
- 5 The remuneration (or compensation to the contractor) and how it is to be paid—lump sum or draws (monthly, as an example)
- 6 The required insurance to be provided by the contractor—naming the property, the owner or partnership and the management company (the owner's agent) as additional insured
- 7 The contractor's indemnification of the property or partnership and the management company as agent for the property or partnership
- 8 The waiver of liens and the provisions required for this process
- 9 Any miscellaneous provisions
- 10 The signature and date of the respective contracting parties

TO ENSURE YOU ARE GETTING A QUALIFIED CONTRACTOR AT A COMPETITIVE PRICE, YOU SHOULD CONDUCT A DETAILED BID PROCESS.

any agreement.

"It is very important for a property management company to have its own written agreement and not use the contractor agreement, which is a brief document that serves to protect the contractor and not the landlord," said Richard Muhlebach, CPM, real estate consultant in Woodinville, Wash.

There are two types of maintenance agreements that may be issued to a contractor. One is used for *One-Time Services*, which would cover a maintenance service like the metal cleaning of a building's entrance. The second is a *Continuous Services Agreement* to be used with a contractor's proposal for on-going services, such as yearly landscape maintenance or janitorial services. These maintenance agreements, when used by the owner and the manager with the contractor's proposal, provide basic protection to the owner and the manager, and do not slow or inhibit the speed and flexibility needed when contracting for property services.

Many proposals received from contractors will fail to include at least half of the generally accepted 10 mandatory provisions of an agreement (See

*10 Must-Have Provisions*). By using a maintenance agreement form, the contractor's proposal becomes the maintenance agreement, specifying the required contract provisions.

A maintenance agreement is by no means limited to the 10 provisions provided here. An agreement may also include dispute resolution procedures; the projected timeline of the work (start date, completion date, interim periods or benchmark dates); financial penalties for not finishing on time or bonus payments for finishing ahead of schedule; warranty and call-back provisions; and supplies and construction material ownership. Also, contractor compliance with immigration laws is one of the more common additional agreement inclusions. Finally, it is always best and recommended to have the owner's attorney review any contracts and maintenance service agreements prior to execution.

"One of the priorities for a property manager is to minimize risk and liability to an owner," Whitman said. "Having legal counsel review contracts before execution allows another set of eyes to check for holes that sometimes creep into agreements." ■



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If you have questions regarding this article or you are an IREM Member interested in writing for *JPM* please e-mail Markisan Naso at [mnaso@irem.org](mailto:mnaso@irem.org).

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# CREATIVE SPACE

PROPERTY MANAGERS TACKLE VACANCY RATES  
BY EXPLORING NEW LEASING OPTIONS AND COST  
STRUCTURES *BY DIANA MIREL*

# THE STORM

of increasing vacancy rates is a reality that every property manager must weather in today's retail and office markets. In the first quarter of 2010, office vacancy in the United States rose to 17.2 percent, its highest level in 16 years, according to a report by real estate research firm, Reis Inc. On the retail side, community shopping centers and malls saw vacancy rates hit 10.8 percent and 8.9 percent, respectively.

Despite these bleak market conditions, however, property managers are stepping up and getting creative to fill vacancies and renegotiate leases to ensure their spaces don't go dark.

## CREATIVE FILLER

Some real estate managers are tweaking their tenant mix as a way to keep retail space viable—and profitable. Crescent Real Estate Holdings, LLC, opted to remix the tenants at Houston Center, a 200,000-square-foot mixed-use center located in the heart of downtown, by adding a medical tenant to its lineup of mostly soft goods tenants, like restaurants and national retailers, which are all struggling in today's market. Crescent worked with the Kelsey-Seybold Clinic to move its clinic from an office space that Crescent also manages into a 20,000-square-foot space within the mall.

"We have greater success leasing high-rise office space than we do leasing the retail," said Frank Staats, CPM®, vice president of property management for Houston Center. "So we decided we'd take our chances leasing 20,000 square feet of office space (within a retail center) because leasing 20,000 square feet of retail is a huge deal for us."

Not only has the move offered the clinic increased visibility, it has also strengthened the mall as a whole, bringing stability and increased traffic.

"Now we've added a very strong credit-worthy tenant; this is a tenant that has never missed a rent payment, and they have been with us for 35 years," Staats said. "It is also a great amenity within the mall, and it will probably be

one of the best years for the mall. It will draw people who would not have otherwise been coming here before. After your doctor's appointment you may stay in the mall to get some lunch or go to the Starbucks."

Another leasing alternative that tenant managers might consider is educational or vocational institutions. Mass layoffs and incentives from the government to return to school have propelled more people back into the classroom. Further, universities are finding big growth opportunities by creating satellite education facilities in high-traffic, easily accessible areas.

That, of course, creates opportunities for real estate managers, said Beau Beery, CPM and director of commercial brokerage and asset management for AMJ Inc., in Gainesville, Fla. Because of the decrease in rent rates, as well as educational/vocational institutions' increased enrollment, he said schools can now afford to rent in better locations with increased visibility.

Beery said Gainesville City College recently struck a lease in a 20,000-square-foot space that formerly housed electronics retailer Circuit City, which is now out of business. He said the space is being leased for \$9-\$10 a square foot.

AMJ also recently leased a 10,000-square-foot space to a salon academy at around \$9 per square foot, which was a dip from the likely \$12 a square foot it might have gotten from another type of tenant. Ultimately, though, Beery said AMJ has benefited from leasing to education-related tenants.

"They fill bigger spaces and are usually fairly solid. You get less rent



but you get space filled that you'd never get filled by retail now," he said.

### THE SHORT AND LONG OF IT

Pop-up stores are another viable option for filling dark retail space, said Eric Muhlebach, a senior retail associate with Fandel Retail Group in San Francisco. These temporary stores are usually intended to come into a space quickly, push products or create marketing and advertising buzz for a product or concept, and then depart.

Traditionally, pop-up retail has included seasonal shops, like Christmas or Halloween merchants. But in recent years, big-name retailers Gap, Target, Sears and J.C. Penney have launched pop-up stores in different locations. Smaller, unique vendors are benefitting from the concept too.

Muhlebach recently leased 27,000 square feet of ground floor retail space for \$25 per square foot to an Italian beer company for three weeks, whereby the company hosted beer tasting events and marketed its beer heavily.

Some retailers are drawn to this concept because of the low-risk lease commitment, low build-out costs from being in a second-generation space and rent discounts ranging from 10 to 80 percent. Muhlebach said property managers benefit from generating income in a space that would have otherwise been dark, even though pop-up stores rarely generate huge profits—if any profit at all.

"You do it so you can punt to a better day," he said. "The hope is the pop-up store will get you to an economic climate that isn't experiencing bottom-of-the-market rents."

Keeping the retail center's overall image in mind is crucial to determining if a pop-up tenant will work in the space.

"If bringing in someone short-term doesn't hurt the overall synergy of the place and overall image in the community, we'll pop someone in there," Beery said. "But most of our shopping centers have a lot of national [tenants], and it may degrade the center if you put a little Halloween shop in there for three months."

Short-term tenant options are possible for vacant office spaces too. Patrick L. Pollan, CPM, senior vice president at Yancy Hausman Commercial Real Estate Services in Houston, said his company sometimes offers short-term leases to existing tenants for their storage needs. The leases are month-to-month.

Vacant office space can also be a venue for temporary events, conferences, movie productions or political campaign headquarters. It may also be used to offer existing tenants additional amenities. Mark Rzdcki, vice president, leas-

ing, at Bentall LP, in Toronto, said fitness instructors have taught yoga classes in some of Bentall's vacant office spaces as an added benefit to its tenants. He said managers have to take temporary tenants into careful consideration, though.

"If you see demand picking up in two years time, you might lease the space for the short-term because the space will be vacant and you can rent it later," Rzdcki said. "If you think the next large tenant you are looking at is looking two years out anyway, as long as you can show the space with a tenant in it, why not take the revenue?"



EDUCATION-RELATED TENANTS, LIKE THE SALON ACADEMY, HAVE HELPED PROPERTY MANAGEMENT COMPANIES FILL SPACES THAT USED TO BE RESERVED FOR RETAIL.  
PHOTOGRAPHY © AMJ, INC.

**"A LOT OF YOUR BUSINESS CAN COME FROM YOUR EXISTING TENANTS. IF THEY ARE GROWING, THEY ARE YOUR BEST SOURCE OF TENANCY FOR FILLING VACANT SPACE."**

—MARK RZADKI, BENTALL LP



CONTINUE THE CONVERSATION on troubled assets at the IREM® iCon conference this October in Orlando. Visit [www.IREMiCon.com](http://www.IREMiCon.com) for more information.

However, if vacant space is limited in the area, holding out for a long-term tenant makes more sense, he said.

"If I had my building rolling next year, I might not want to do a short-term lease; I might want to just leave that space sitting open for a larger tenant to keep the options open a little bit more."

#### RETHINKING, RESTRUCTURING, RENEWING

If real estate managers aren't getting creative with tenant mix, chances are they are being creative when it comes to financing and lease structures to keep their spaces from going or staying dark. Pollan said lease terms are getting shorter across the board.

"You're seeing a lot of tenants wanting to go to a three-year lease as opposed to a five-year lease because they aren't sure what the economy is going to do," he said.

This arrangement can actually be beneficial to property owners, who have dropped rental rates to stay competitive. With shorter lease terms, property owners and managers are not locked into these lower rents for the long-term.

"If they can, it is wise for them to do shorter term leases because maybe the economy will turn around," said A.E. "Cap" Berri, CPM, RPA, vice president, senior asset manager at Elliott Associates.

Lease renewals are also requiring more restructuring to meet existing tenants' changing needs. Beery of AMJ said while his tenants may have a five-year option, they might just commit to a year and agree to give 180-days' notice.

On the flip side, property managers may offer rent reductions in exchange for longer renewal terms. Rzakdi said managers might consider offering rent breaks to tenants with leases about to expire if they agree to extend their lease another five to 10 years.

"When you have low demand, you reach out to existing tenants," Rzakdi said.

In the office market, he said tenants are downsizing. He has 5,000-square-foot tenants going to 2,500 square feet and 2,000 square-foot tenants going to 1,500 square feet.

"My larger spaces are sitting longer," Beery said.

#### CONCESSION STAND

With tenants primarily driven by their bottom lines, financially driven incentives and concessions are the most successful tools to combat vacancies in

today's market.

According to Reis Inc., office rental rates fell at an average of 0.8 percent in the first quarter of 2010. On the retail side, asking rents at neighborhood and community shopping centers are back to the levels they were in 2005, and regional malls have returned to 2006 levels.

"We're starting out at a lower rate and then taking it up by 3 to 4 percent per year," Pollan said. "You're working with the tenants to downsize or expand and meet their needs, and make modifications to the space to meet their needs."

Many property managers are rethinking cost structures with percentage leases and fee changes, said Lauri Greenblatt Hines, CPM, president of Promus Commercial in San Diego.

"A percentage lease is a way an investor can partner with a tenant; if a tenant does well, the landlord will too," she said. "We will probably also see more national tenants negotiating caps on operating expenses and some bigger retail operators going to a flat fee. Those are things both sides can do to control costs and ensure a steady income flow."

Some property managers are offering tenants month-to-month leases. Beery said for select tenants that are financially sound and have good standing with the management company, month-to-month leases with 90- or 120-day out clauses are sometimes available.

"This keeps the shopping center looking vibrant and full, which attracts more lessees," he said. "If you hold a renewal and make them sign a one-, three- or five-year lease, they are just going to leave if they don't

know the future of their franchise. It is better to keep someone in there than to be dark.”

In worst-case scenarios, property owners and managers are making significant rent reductions or rent freezes.

“Many operators are allowing struggling tenants to stay in their spaces at greatly reduced rent or no rent, and having tenants just pay triple-net costs, as an alternative to the spaces going dark,” said Greenblatt Hines. “Most landlords who are making these concessions are doing shorter term leases and/or including cancellation provisions for the day the market turns around.”

Larger inducement packages and improvement allowances are also particularly attractive to office tenants. Rządki said five or six years ago the typical improvement allowance was \$25 per square foot. Now, it’s up to \$35 to \$40 per square foot for the average sized tenant.

In order for property managers and owners to offer these concessions, however, a tenant must be transparent about its financial status and business plan. For instance, if tenants are having trouble making rent, Berri of Elliott Associates said he may ask the tenant for a basic financial package, outlining the income, expenses and plan of action.

“If it looks like they are still a live business, we may do rent reductions or we’ll try to do a deferral,” he said. “If a tenant has to downsize, we can cut their space. That way we’ll still be collecting something as opposed to nothing.”

#### DEFENSE AGAINST THE DARK

Though the current state of the market may be bleak, signs of a turnaround exist. According to a recent report by Marcus & Millichap, while vacancy will remain elevated for the next several quarters, much of the contraction of space demand has already occurred. The report also noted that leasing momentum is showing signs of picking up.

But for now, it appears property managers will have to concentrate their efforts on keeping existing tenants’ spaces from going dark. Those tenants may eventually be the best sources for future tenancy, Rządki said.

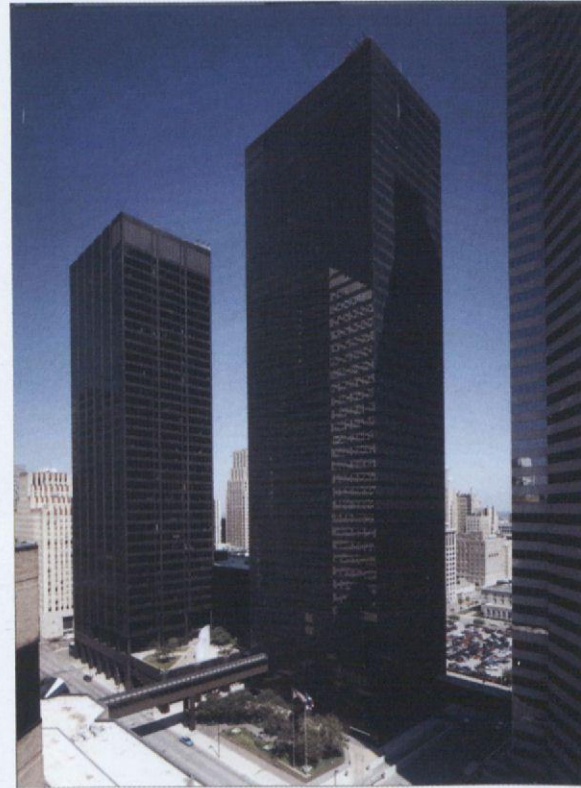
“A lot of your business can come from your existing tenants,” he said. “If they are growing, they are your best source of tenancy for filling vacant space. And when they do need to change or reorganize and they can’t stay where they are, you may have another option for them. They are more apt to stay with you as a manager and owner.”

However, to keep those existing tenants and stay competitive, property managers must continue to be creative with their cost and leasing structures as they ride out the storm.

“When the economy is stronger, if you lose business you can replace it,” Berri said. “Today, if you lose a couple key accounts, there is no one to replace them... You need to make every effort to keep current tenants.” ■

LEASING OFFICE SPACE AT THE RETAIL MALL, HOUSTON CENTER, WAS A GAMBLE THAT STRENGTHENED THE PROPERTY AND INCREASED TRAFFIC.

PHOTOGRAPHY © MARK SCHEYER



**IN RECENT YEARS, BIG-NAME RETAILERS GAP, TARGET, SEARS AND J.C. PENNEY HAVE LAUNCHED POP-UP STORES IN DIFFERENT LOCATIONS.**

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Diana Mirel is a contributing writer for *JPM*. If you have questions regarding this article or you are an IREM Member interested in writing for *JPM* please e-mail Markisan Naso at [mnaso@irem.org](mailto:mnaso@irem.org).



An illustration in a sketchy, textured style. The top half shows several houses of varying heights and colors (yellow, green, brown). The bottom half shows a silhouette of a person in a suit walking from left to right on a wooden floor. The background is a mix of green and brown tones with a fine, cross-hatched texture.

# AT YOUR EXPENSE

Don't Overlook  
the Multitude  
of Hazards  
When Examining  
a Property's  
Financial Health

BY PAUL MALINOWSKI, CPM®

Years ago, one of my clients was involved in a potential property transaction in which he had to decide to either buy out the remaining partners in the ownership entity or attempt to have the partners buy him out. In trying to assess whether the management company was maximizing the property's net operating income, he brought in a consultant to examine the property's expenses.

After one look at the property's most recent profit and loss statement, the consultant confidently declared the per unit per annum (PUPA) expense level to be "too high." PUPA is a way of comparing expenses between residential properties in which the annual expenses are divided by the number of living units.

My client seemed pleased with the consultant's analysis and the leverage it might give him when used as a negotiating tool. He was disappointed, however, when I told him, "It depends."

PUPA expenses are not the only way of breaking expenses down to their base level. In fact, they are not even applicable to commercial properties. The preferred method of expressing commercial properties' expenses is the dollars per square foot of rentable space method, although this method is also used in residential analyses. A third method for measuring expenses—percentage of gross potential income—is also used for both residential and commercial properties.

Regardless of method, making generalizations about a property's expenses or financial health based on any one of the methods alone, is dangerous. I still marvel at how many asset managers and property owners fixate on these figures as if an absolute, total expense industry standard figure exists that we should all use for every property.

Without a doubt, the annual IREM Income/Expense Analysis, which includes items like PUPA expenses and offer "base" figures from which we can make adjustments, is a valuable analytical tool. The analysis allows us to compare the expenses of a 30-unit property to those of a 120-unit property. But again, it offers just base figures.

Solely taking into account these figures would be a disservice to those who own and manage the property. Every property is unique, with at least one variable—if not a half dozen variables—that distinguishes its value or profitability from the building next door. A multitude of common expense hazards should be taken into account to develop realistic expectations for a property and its performance for both the owners and management team.

## LOCATION MATTERS

Running a property can be cost prohibitive in one area and relatively affordable in another area, based on:

**Wage Rates:** Our company manages a property in Aspen, Colo.—a well-known mountain resort community—and one in Lamar, Colo.—a much lesser-known rural community on the Eastern plains. Wage rates differ dramatically between the two communities, thus impacting any line items with payroll or even contracted services.

**Jurisdiction-Driven Expenses:** Common expenses, like taxes or insurance rates, vary depending on the jurisdiction or geographic area where a property is located.

## SIZE MATTERS

Size of rooms, size of a property and size of a lot play a big part in determining a property's expenses.

**Bedroom Size Distribution:** Would the expenses for a 36-unit, all-studio, 0-bedroom property be comparable to a 36-unit property with half its units housing three and four bedrooms? Not in my experience. Typically the 0-bedroom unit has one occupant, while the 4-bedroom unit can have up to seven or eight occupants. The impact on the water line item alone is dramatic.

**Number of Units:** Typically, having a larger building or more units means having more tenants or residents, and more sources of income with the same amount of expenses. This concept of more for less (or about the same) is known as "economies of scale." A roof repair amortized over 30 units will be four times greater than if it were amortized over 120 units, assuming a similar "footprint" of the roof. However, larger properties with more buildings could adversely affect expenses. Let's say Property A has 100 units in one building and Property B has 100 units over two buildings. Property B has double the exposure for its building systems to go wrong—two leaky roofs, two boiler failures, etc. When you have multiple buildings in different locations, the economies of scale shrink even more because you have to pay for additional maintenance, landscaping and other services, even though you have many units.

**Lot Size:** Larger lot sizes may mean lower density which might enhance the marketing of a property, but it can be a killer to maintain if the landscaping is not low-maintenance. A seven-acre site of which half of the lot is grass will necessitate grounds upkeep, not to mention increased

water costs for summer lawn sprinkling. Mowing, trimming, edging and watering almost seven acres of primarily grass can cause operating expenses to skyrocket.

## OWNERS MATTER

Owner goals and policies can have a huge impact on expenses, depending on their interests, how long they intend on holding a property and whether they capitalize expenses.

**Owner Goals:** An investor once blocked our approval as a management agent because some expense line items in our financial statements for another property we managed were "excessively high." The investor cited our "grounds contract" line item as the main culprit. Actually, it was unusually high—per the direction of our client, who was well connected to the city council of the town where the property was located, and he understandably wanted the property to be pristine 24/7. Unfortunately, there is a high expense in retaining someone around the clock to pick up every wayward, wind-blown gum wrapper.

**Holding Period:** Property owners who intend on a long-term hold are less concerned about the Net Operating Income (NOI) affecting value, as opposed to owners looking for short-term holds. The latter will look to maximize sale price under the income approach, to say nothing of enhancing the property's financial attractiveness to a potential buyer.

**Capitalization Policy:** Whether an owner prefers to capitalize expenditures so they become an asset and never appear as an expenditure, or merely make repairs for the tax write-off (which does show up as an expense), expensing choices can have a big impact. For-profit entities tend to prefer more liberal use of the "instant gratification" that expensing brings, while some of our non-profit clients have wanted partial carpet replacements capitalized. Don't overlook asset expenditures. Just because they don't show up as expenses, doesn't mean they aren't there.

## BUILDING CHARACTERISTICS MATTER

A building's class, age, type and whether it's been rehabbed—or at least updated—are interconnected and have a huge impact on expenses.

**Building Class:** A newer, Class A building should obviously have lower operating expenses than a comparable Class C building, but it may have more expense items

overall since it's likely to have more amenities, making any kind of comparison of overall expenses difficult. Class A operating expenses may include a swimming pool and clubhouse, while the Class C building won't even have those line items on its income statement.

**Building Age:** It might seem obvious, but the impact a building's age can have on expenses might be more substantial than you think. Using some examples from the 2009 IREM Income/Expense Survey, expenses for elevator buildings built prior to 1946 nationally run 6 percent higher per square foot than the same type of building built from 1978 to present; expenses for low-rise buildings with 12-24 units differ 17 percent for the same time periods; and expenses for low-rise buildings with more than 24 units differed by 27 percent for the same time periods.

**Rehabs:** A building that was constructed 35 years ago will have higher operating expenses, from utilities to maintenance, than a similar property that has been modernized. An apartment previously rehabbed will likely cost less to turn after a move-out. We manage a 35-year-old building and we "rehab" it with every turn, upgrading counter tops, floor coverings, cabinets, etc. This is a good way to phase the cost of a property's modernization, but a bad way to make your PUPA's look good. A more typical rehab, done at one time, is generally capitalized and would not be expensed.

**Energy Efficiencies:** A property can be older and never rehabbed but still have some energy improvements. If a 1975 building at least had low-flow toilets, newer insulated windows or energy-efficient furnaces, its water or heating costs should be less than a similar building with no upgrades.

**Type of Building:** IREM breaks out its Income/Expense Analysis by types of building: apartments, office buildings, shopping centers, federally assisted apartments, and condominiums/cooperatives. Obviously, those buildings' expenses should never be compared from one type of building to another. I do not recommend comparing conventional apartment expenses to federally assisted apartment expenses, as how these properties are structured and operated differently. Lastly, within the IREM Conven-

tional Apartments Income/Expense Analysis, generally four further breakouts exist: high-rise buildings, low-rise building of 12-24 units, low-rise building over 24 units, and garden-style buildings. Comparing within each building type is best if your market area has data for all four building types, as they vary consistently.

**Audit-Worthy Properties:** Does the property have some sort of government funding or financing that requires a financial audit? When we review affordable housing developers' pre-development proforma operating budgets, inevitably everyone forgets to include this. Even the smallest property will add about \$5,000 in annual operating expense for an audit, and larger properties can easily spend \$10,000-\$15,000.

#### UTILITIES MATTER

**Cost of Utilities:** Every water district has increased its usage rates to discourage watering. We previously managed a property whose owner wanted to conserve water. We cut back on sprinkling, which naturally resulted in lower water costs but browner grass. When the representative for the property's equity investor did his annual inspection in the summer, he took one look at the drought-stricken brown "carpet," and immediately chided us for lack of curb appeal. I did my best to explain a drought's impact on the cost of water. He wouldn't hear of it so we opened the spigots, so to speak, and therefore the expense.

**Master Metering Vs. Individual Meters:** Who pays what utilities? Don't assume. Of course, a property that pays all utility expenses will run substantially higher than when the tenant pays utilities or when a charge-back system is in place.

Now that you know these variances exist, attempt to quantify them as much as possible. Try to determine a "market adjustment" just as you would for a rental survey—when you shop properties to compare rent. You may have to guess what the "median" is for your market area and adjust up or down based on the variables listed above. You'll be doing your clients a service by digging deeper and finding the true reasons for industry standard deviations. ■



Paul Malinowski, CPM®, is CEO and owner of Pillar Property Services, LLC in Denver. He has been in the property management industry for 30 years. If you have questions regarding this article or you are an IREM Member interested in writing for *JPM* please e-mail Markisan Naso at [mnaso@irem.org](mailto:mnaso@irem.org).



# Budget Boost

MAKE YOUR FINANCIAL PLANNING PROCESS EASIER TO  
MANAGE WITH AUTOMATION BY RANJEEV TEELock, REALPAGE

**Few business rituals** cause more angst or generate more hours poring over spreadsheets than the annual budget. This complex process affects staff at every level of an organization—from the CFO to the regional managers, to the site managers—and usually takes months of effort to complete.

Owners and managers of multifamily property management companies face the budgeting process every year. As these companies grow and the need for better resource management becomes even more important, improving and streamlining the budgeting and forecasting process becomes paramount.

## THE “OLD” WAY

Everyone knows the drill. Several months before the end of the fiscal year the call goes out to site managers of all the properties owned or managed by the property management company. Typically, a standard spreadsheet workbook is distributed, either through the mail or via

e-mail, to each site manager so he or she can collect and calculate budgeting data for each community. Deadlines are set, and the spreadsheets are distributed through the approval process. Finally, the completed spreadsheets are mailed or e-mailed back to the central office. Multiply that step by the number of properties in the portfolio and it is easy to see how the complexity increases exponentially.

Then, the heavy lifting begins. Budgeting data must be collected from all the different properties, as well as data from other disparate sources. This manual process usually means weeks of number crunching and plenty of “re-dos” as data is constantly being updated and changed at the last minute. By the time the budgets are finally completed, everyone is exhausted from the effort and probably a little leery about the accuracy of the final numbers.

## AUTOMATION SIMPLIFIES THE PROCESS

Property management companies need a better way to manage the annual budgeting exercise. A company needs



to have confidence in its financial data, but manual processes increase the risk of errors and make timely reporting almost impossible.

A powerful Web-based budgeting and forecasting tool that automates the process enables owners and managers to create, manage, distribute and centrally monitor budgets for all property types in their portfolio.

Automation streamlines the entire budgeting process, from data creation and importing to completion and approvals. It can drastically reduce the time spent populating spreadsheets with prior-year data, reducing the time spent on budgets from months to weeks or even days. Best of all, automation takes some of the pain associated with budgeting—the heavy lifting—out of the equation.

Automation increases efficiencies and encourages data accuracy and consistency across the organization. Standard budget templates can be distributed seamlessly to every staff member submitting budget information so all data conforms to the same format. Using a standard budget template facilitates information sharing by making it easier for staff to access the spreadsheet, enter data and view the budgeting information in real time. Companies no longer have to worry that various versions of the properties' budgets are being circulated.

Importing data from disparate sources is a major headache for budget preparers. Capturing data from various systems takes endless hours, and the possibility for errors is high. A Web-based system drastically reduces the time and effort needed for this task by enabling quick data import from other sources with just a click of a button. This function eliminates the need to run reports from separate systems to get the necessary information to support the budgeting process and assumptions.

Data from other systems can easily be accessed through a Web service or imported manually in a common data format—usually a comma separated values (CSV) file. An effective Web-based budgeting system enables users to stage a wide range of data into the budgeting spreadsheet: chart of accounts, unit type rents, unit-by-unit details, lease expirations, current-year actual, current-year budget amounts, prior-year actual and forecast data.

Being able to automate data importing and staging can cut the budgeting process from months to days. This means organizations might be able to start the budgeting process later in the fiscal year when more complete financial results are available, making the budget itself more meaningful.

#### WORKFLOW AND APPROVALS

It's essential to know where a property's budget is in the cycle, so that it is completed in a timely manner. With an automated system, management has greater visibility into each property's budget and is able to track, at any given time, each phase of the budgeting process. Additionally, drill-down capabilities help management see the particulars of each line item, helping them understand the underlying details for each property's numbers.

Effective workflows enable owners and managers to control the routing of the budget to the appropriate approvers during the process. Due dates can be assigned for each step in the process to ensure all participants understand their responsibilities and deadlines. E-mail alerts are a great tool to prompt users for approvals or input.

#### MORE EFFECTIVE FORECASTING

An automated budgeting process makes it much easier to implement rolling forecasting into your processes. Being integrated with a property management system enables accounting staff to update a business plan with real-time financial data and help them track progress against the business plan.

Being able to quickly adjust a forecast gives a property management company more predictability and agility as market and business conditions change. Robust reporting at both the property and portfolio levels gives owners and managers much more insight into how the business is progressing throughout the year, not just at budget time.

With an automated system, actual performance data can be automatically loaded into a forecast template, using original budgets, prior-year forecasts, or computer run rates. Armed with this data, accounting teams can make necessary adjustments any time during the year, meaning the business can react more quickly.

With an automated budgeting system, owners and managers of multifamily properties can streamline the budgeting process, saving time, improving accuracy and gaining flexibility through running forecasts. ■



REALPAGE®

Ranjeev Teelock is vice president,  
accounting solutions, for RealPage, Inc.



## KNOW YOUR CODE OF PROFESSIONAL ETHICS: Complying with Fiscal Property Lines



DEE HERMAN, CPM®, CPA (DHERMAN@ZPI.NET) IS THE CFO/TREASURER FOR ZIFF PROPERTIES, INC., IN MT. PLEASANT, S.C.

AS PROFESSIONAL PROPERTY MANAGERS, WE STRIVE TO MAINTAIN AND ENHANCE OUR CLIENTS' PROPERTIES IN A MANNER CONSISTENT WITH THE OWNERS' GOALS AND OBJECTIVES.

On a daily basis this means dealing with tenants, vendors, contractors, guests and invitees, and maybe even our own employees and co-workers.

This requires a full set of competencies, including interpersonal, mediation, technical and negotiation skills, along with a host of others. In short, managing properties is a full day's work, and frequently more.

Often in this both proactive and reactive environment, the "paperwork" gets pushed aside. Certainly rents are deposited, tenant accounts are updated, vendors are paid, and all the key transactions that keep properties operating are performed, but the summarizing and reporting can become a lower priority.

The reporting aspect of property management is often considered one of the least pleasant. It doesn't call upon our interpersonal and technical skills, which are typically the real strengths of most managers. Still, the importance of reporting responsibilities cannot be lost, just because it's not enjoyable.

Article 3 of the IREM Code of Professional Ethics addresses the financial reporting requirement. Accumulating timely, accurate financial and business data is required of IREM Members. Furthermore, this data shall be available at all reasonable times to our owner clients and reported to clients at agreed upon intervals. That means our day-to-day activities to manage properties must include the time to document

transactions and summarize the results.

The majority of cases alleging violations of this Article involve the co-mingling of client funds with personal funds and a failure to reconcile.

As IREM Members, we should have no problem identifying real property boundary lines. Practically speaking, the easiest implementation of Article 3 is to draw fiscal property boundary lines around our clients' assets just as boundary lines are drawn around real property. This means implementing controls like separating bank accounts for deposits and disbursements; separating financial reporting entities in the accounting software; and separating financial reports.

Other violations have involved the funds that IREM Members pay themselves for the management services they provide their owners. Again, to comply with this Article, we need to draw clear fiscal property lines.

For example, prepare an invoice for services just as we would require any vendor to do, with charges per the terms of the management agreement. Make disbursements as for any vendor in a timely manner consistent with the management agreement. Finally, document all transactions as they occur to permit summarization for financial reporting.

By being clear about "fiscal property lines," we can demonstrate our awareness of and compliance with Article 3 of the IREM Code of Professional Ethics. While clear financial reporting might not be our favorite task, or even our greatest skill, it ultimately keeps us in line with the Code, which does distinguish us and make us more valuable managers overall. ■

## Awards & Recognition

Cushman & Wakefield, AMO®, recently received a Gold Leadership in Energy and Environment Design (LEED)

Certification for its headquarters in New York.

Developed by the U.S. Green Building Council (USGBC), LEED is the premier rating system for designing and constructing the world's greenest, most energy efficient, and high performing buildings. The Gold Leadership Certification in LEED represents the highest level of credits a building can accrue in five green design categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality.

"This achievement demonstrates our commitment to enhance the environmental performance of our own business as we proactively engage and support our clients in the adoption of sustainability," said John C. Santora, CPM®, president and CEO of Cushman & Wakefield, Americas.

Highlights of Cushman & Wakefield's sustainability initiatives include a 30 percent reduction in water usage and a 25 percent reduction in lighting power density below the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) standard, which was achieved partially through the use of daylight sensors and dimmable ballasts, as well as a policy to ensure the purchase of low mercury lamps.

Additionally, more than 75 percent of the construction waste from the build-out of Cushman & Wakefield's office space was diverted from landfills, and new materials used in its office furniture are made from more than 20 percent recycled content.



## ON THE ROAD

JULY 8

Mississippi Chapter No. 80

Location: Jackson, Miss.

Visiting Officer: Ron Goss, CPM, President-Elect

JULY 21

Louisiana Chapter No. 55

Location: New Orleans

Visiting Officer: Chris Mellen, CPM,  
Senior Vice President

JULY 22

Northern Colorado Chapter No. 17

Location: Castle Rock, Colo.

Visiting Officer: Randy Woodbury, CPM, President

AUGUST 17

Southern Colorado Chapter No. 53

Location: Colorado Springs, Colo.

Visiting Officer: Randy Woodbury, CPM, President

AUGUST 18

Tucson-Southern Arizona Chapter No. 73

Location: Tucson, Ariz.

Visiting Officer: Randy Woodbury, CPM, President

## JPM RECEIVES PRESTIGIOUS DESIGN AWARD

*The Journal of Property Management (JPM)*, was recently honored with a 2010 Silver EXCEL Award in the category of Magazine Redesign, circulation 50,000 and under. The EXCEL Awards have been presented annually for 30 years, honoring the best and brightest in association media and publishing.

"Achieving this award is truly special," said Russ Salzman, CAE, IOM, IREM executive vice president and CEO. "As the Institute carried forth a transparent process for identifying potential design firms who would best understand our audience and the publication itself. We were especially fortunate to have excellent member involvement and feedback along the way on design elements that we believe led us to this honor."

For additional information on the awards and a list of winners, visit [www.snaponline.org](http://www.snaponline.org).



COMPANY HEADQUARTERS LOCATION Burlington, N.J.

NUMBER OF EMPLOYEES 600

DATE THE COMPANY BECAME AN AMO FIRM 1/1/2010

COMPANY WEB SITE [www.lsmnj.org](http://www.lsmnj.org)

EILEEN YESKO, CPM®, IS SENIOR DIRECTOR OF HOUSING FOR LUTHERAN SOCIAL MINISTRIES OF NEW JERSEY, AMO®, a provider of affordable housing serving over 1300 families, seniors and special needs residents across the state. Yesko is responsible for overseeing all aspects of housing management and development for the organization. Currently this portfolio includes 18 affordable apartment communities located throughout the state, providing homes to in excess of 900 families and individuals. *JPM* talked to Yesko about Lutheran Social Ministries of New Jersey (LSM/NJ).

#### HOW DID YOUR ORGANIZATION COME TO DEVELOP AND MANAGE AFFORDABLE, MIXED-INCOME MARKET RATE RENTAL AND FAMILY HOUSING?

LSM/NJ began in 1903 as an orphanage, and went on to establish a home for the aged in 1923. This started the movement to provide housing. Programs and services to those in need in New Jersey continued to expand, including the creation of three additional homes for the aged in the 1940s, 1950s and 1960s. By the early 1970s LSM/NJ became involved with affordable senior housing. Major growth in the housing arena took place between 1998 and 2002 when 11 affordable rental housing properties, both for the elderly and families, were developed and opened for occupancy. Today LSM/NJ has developed 16 affordable rental properties throughout New Jersey.

#### WHAT TYPES OF AMENITIES AND ASSISTANCE CAN SENIORS EXPECT IN LSM/NJ COMMUNITIES?

The retirement and nursing communities developed by LSM/NJ are premier locations providing housing and services, including physical and occupational therapy, meals, activities promoting an active lifestyle, and medi-

cal services. In the affordable rental communities, service coordinators are on staff to assist residents in connecting with outside agencies to provide the same therapy, meals and in-home nurse aide services. While the services may not be directly offered in affordable housing, it should be noted that income is not an indicator of need. Sometimes extra effort is required to ensure that residents at our affordable properties receive the necessary supportive services that will allow them to remain in their homes for as long as possible. Senior care is integral to our mission.

#### WHAT IS THE VALUE OF BEING ASSOCIATED WITH IREM AS AN AMO FIRM?

LSM/NJ sees value in professional organizations as a resource for education, industry information and networking. Professional development opportunities for staff, recognition as an outstanding and dependable real estate management organization, and generating business opportunities are benefits of our association with IREM.

#### LSM/NJ RELIES ON PARTNERSHIPS. WHAT ARE THE CHALLENGES AND REWARDS OF WORKING WITH INDIVIDUALS, CORPORATIONS AND THE COMMUNITY?

For over 106 years LSM/NJ has had a strong history of caring and service, and the wide support from the various partnerships that have been formed and maintained during our history. Particularly in today's economic times, support from more than one organization is required to get a program or project completed. The primary challenge faced is coordinating the efforts of many to achieve a common goal. But when these efforts are successful, such as when a new affordable housing property is completed, the benefit is knowing that someone's life has been impacted for the better. ■

*To earn the ACCREDITED MANAGEMENT ORGANIZATION (AMO) designation from IREM, a company must demonstrate a high level of performance, experience and financial stability, and have a CPM in an executive position. AMO firms must meet high ethical standards and other stringent requirements, proving their value to the industry.*

**JULY**

RES201	July 13 - 22	Las Vegas
CID201	July 15 - 24	Honolulu
MKL406	July 19 - 20	Omaha, Neb.
HRS402	July 21 - 22	Omaha, Neb.
MKL406	July 28 - 29	Las Vegas

**AUGUST**

ETH800	August 10	St. Louis
ASM603	August 16 - 17	Dallas
ASM603	August 16 - 17	Oakbrook, Ill.
ETH800	August 18	Parma, Ohio
ASM604	August 18 - 19	Dallas
ASM604	August 18 - 19	Oakbrook, Ill.
MKL405	August 18 - 19	Las Vegas
ASM605	August 20	Dallas
ASM605	August 20	Oakbrook, Ill.
MPSAXM	August 23 - 26	New York
RES201	August 23 - 28	Memphis, Tenn.
ETH800	August 27	New Orleans

CPM001	August 27	New York
CPMEXM	August 27	New York
ASM603	August 30 - 31	San Francisco

**INTERNATIONAL**

CPM001	July 6 - July 7	Seoul, Korea
CPMEXM	July 8	Seoul, Korea
ETH800	July 10	Seoul, Korea
MKL405	July 10 - 11	Tokyo
BDM602	July 11 - 12	Tokyo
MPSA01	July 17 - 18	Tokyo
MKL405	July 27 - 28	Tokyo
FIN402	July 31 - August 1	Tokyo
ETH800	August 17	Tokyo
MNT402	August 19 - 20	Shanghai
ETH800	August 21	Tokyo
FIN402	August 21 - 22	Shanghai
ASM603	August 28 - 29	Tokyo



FOR THE MOST UP-TO-DATE COURSE LISTINGS, PLEASE VISIT [WWW.IREM.ORG/EDUCATION](http://WWW.IREM.ORG/EDUCATION).

**COURSE CODES KEY**

- ARMEXM // ARM Certification Exam
- ASM603 // Investment Real Estate Financing and Valuation - Part One
- ASM604 // Investment Real Estate Financing and Valuation - Part Two
- ASM605 // Investment Real Estate Financing and Valuation - Part Three
- BDM601 // Maximizing Profit: Growth Strategies for Real Estate Management Companies
- BDM602 // Property Management Plans: The IREM Model (international only)
- CPMEXM // CPM Certification Exam
- CPM001 // CPM Certification Exam Preparation Seminar
- ETH800 // Ethics for the Real Estate Manager
- EE800 // Real Estate Professional Ethics (international only)
- FIN402 // Investment Real Estate: Financial Tools
- HCPEXM // HCCP Exam
- HRS402 // Human Resource Essentials for Real Estate Managers
- LTC401 // Housing Credits: Compliance Challenges and Solutions
- MKL404 // Marketing and Leasing: Retail Properties
- MKL405 // Marketing and Leasing: Multifamily Properties
- MKL406 // Marketing and Leasing: Office Buildings
- MNT402 // Property Maintenance and Risk Management
- MPSAXM // Management Plan Skills Assessment
- RES201 // Successful Site Management



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## 2010 IREM LEADERSHIP & LEGISLATIVE SUMMIT A SUCCESS

HELD IN MAY AT THE JW MARRIOTT HOTEL IN WASHINGTON, D.C., THE 2010 IREM LEADERSHIP AND LEGISLATIVE SUMMIT, featuring Capitol Hill Visit Day, was an exciting and educational event that gave IREM and CCIM Institute members the opportunity to meet with Congressional figures and staff to discuss important issues that affect the real estate industry. You will find highlights from this year's summit on the next few pages of this issue. For additional LLS coverage, visit [www.irem.org/LLS](http://www.irem.org/LLS). At the site you will find summaries and information on many of the events, including:

### CAPITOL HILL VISIT DAY

With a total of 230 appointments scheduled with our legislators, IREM and CCIM Members gathered in great numbers to support the industry's legislative agenda. Download the leave-behind brochure or watch the video footage from the Hill.

### KEYNOTE PRESENTATION BY JOURNALIST STEVE ROBERTS

In his remarks, Roberts shared his insider's view of the American political landscape, with historical perspectives as well as observations on the current and future political climate, plus much more. Read the highlights of his presentation.

### IREM GOVERNANCE HIGHLIGHTS

Read all the highlights from the Governing Council meeting.

### PROFESSIONAL EDGE SESSION: NEW REAL ESTATE MANAGER

This interactive session discussed how the role of the real estate manager is changing and why leadership skills are as important as management skills. Read the summary or download the handout to catch the highlights.

### CONVERTING OLD EXPERIENCE INTO NEW KNOWLEDGE

This informal conversation featured 12 veteran practitioners who shared experience and knowledge from the savings and loan crisis of the late 80s and early 90s. Read the summary or listen to the audio recording.



IREM MEMBERS GATHER AT THE JW MARRIOTT FOR THE 2010 IREM LEADERSHIP & LEGISLATIVE SUMMIT IN WASHINGTON, D.C.

### BEHAVIORAL INTERVIEWING WORKSHOP SUMMARY

This workshop showed attendees how to use behavioral interviewing to make better hiring decisions. Read the summary to find out what you missed.

### HAPPY HOUR HONORING 30 UNDER 30 CLASS OF 2009

IREM's 30 Under 30 were recognized at this casual and fun event. View the *JPM* feature that revealed which members represent the future of real estate management.

### CONFERENCE PHOTOS

View over 600 pictures from the 2010 summit!



**STAR CHAPTER**

**Education. Ethics. Excellence.**

## 2009 Chapter Star Chapters Recognized

CONGRATULATIONS TO THE IREM 2009 STAR CHAPTERS that were acknowledged at the 2010 IREM Leadership & Legislative Summit in Washington, D.C. Ninety-seven chapters were recognized as One, Two, Three, Four and Five Star Chapters, demonstrating IREM's focus on growing membership, providing leadership opportunities and getting members involved. The Chapter Star Program reminds us of the importance of teamwork and volunteer leadership to provide worthwhile member services.



### FIVE STAR CHAPTERS

New Jersey Chapter No. 1  
 Delaware Valley Chapter No. 3  
 Boston Metropolitan Chapter No. 4  
 Michigan Chapter No. 5  
 Greater Los Angeles Chapter No. 6  
 Western Pennsylvania Chapter No. 7  
 Greater Metropolitan Washington Chapter No. 8  
 Greater Cincinnati & Dayton Chapter No. 9  
 St. Louis Chapter No. 11  
 Nebraska Chapter No. 12  
 Milwaukee Chapter No. 13  
 Dallas Chapter No. 14  
 Kansas City Chapter No. 15  
 Maryland Chapter No. 16  
 San Diego Chapter No. 18  
 South Florida Chapter No. 19  
 Memphis Chapter No. 20  
 Sacramento Valley Chapter No. 22  
 Chicago Chapter No. 23  
 Indianapolis Chapter No. 24  
 Greater New York Chapter No. 26  
 Western Washington Chapter No. 27  
 Houston Chapter No. 28  
 Oregon-Columbia River Chapter No. 29  
 Utah Chapter No. 33  
 North Florida Chapter No. 35  
 Central Virginia Chapter No. 38  
 Virginia Tidewater Chapter No. 39  
 Western North Carolina Chapter No. 40  
 Northern Ohio Chapter No. 41  
 Columbus Chapter No. 42  
 Alabama Chapter No. 43  
 Minnesota Chapter No. 45  
 Greater Phoenix Chapter No. 47  
 San Antonio Chapter No. 48  
 British Columbia Chapter No. 50  
 Connecticut Chapter No. 51

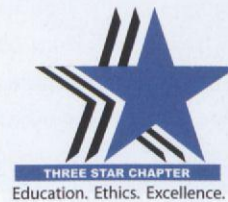
Southern Colorado Chapter No. 53  
 Edmonton Chapter No. 54  
 Louisiana Chapter No. 55  
 North Carolina Piedmont Chapter No. 56  
 East Tennessee Chapter No. 57  
 Rochester-Western New York Chapter No. 58  
 Kentucky Chapter No. 59  
 Central Florida Chapter No. 60  
 Austin Chapter No. 61  
 West Michigan Chapter No. 62  
 Iowa Chapter No. 63  
 Arkansas Chapter No. 64  
 Wichita Chapter No. 65  
 Georgia Chapter No. 67  
 Greater Nashville Chapter No. 71  
 Northern Virginia Chapter No. 77  
 Mississippi Chapter No. 80  
 El Paso Chapter No. 84  
 Greater Rhode Island Chapter No. 88  
 Orange County Chapter No. 91  
 West Central Maryland Chapter No. 92  
 New York Capital Region Chapter No. 93  
 Northern Indiana Chapter No. 100  
 Southern New Jersey Chapter No. 101  
 Kentucky-West Virginia Chapter No. 104  
 Greater Raleigh-Durham Chapter No. 105  
 Southern California Inland Empire Chapter No. 106  
 Japan Chapter No. 110  
 London Chapter No. 113  
 Manitoba Chapter No. 114



### FOUR STAR CHAPTERS

Northern Colorado Chapter No. 17  
 San Francisco Bay Area Chapter No. 21  
 Florida West Coast Chapter No. 44  
 South Carolina Chapter No. 72

Las Vegas Chapter No. 99  
 California Central Coast Chapter No. 102  
 Fort Worth Chapter No. 103  
 Idaho Snake River Chapter No. 107



### THREE STAR CHAPTERS

New Mexico Chapter No. 46  
 Tucson-Southern Arizona Chapter No. 73  
 Northern Nevada/Tahoe Chapter No. 89  
 Poland Chapter No. 108  
 Russia Chapter No. 109  
 Brazil Chapter No. 111  
 Korea Chapter No. 112

### TWO STAR CHAPTERS

Inland Northwest Chapter No. 49

### ONE STAR CHAPTERS

Tulsa Chapter No. 10  
 New Mexico Chapter No. 46  
 Iowa Chapter No. 63  
 Tucson-Southern Arizona Chapter No. 73  
 Central Illinois Chapter No. 78  
 Southern California Inland Empire Chapter No. 106  
 Idaho Snake River Chapter No. 107  
 Brazil Chapter No. 111  
 South Korea Chapter No. 112  
 Tulsa Chapter No. 10  
 Hawaii Chapter No. 34  
 San Joaquin Chapter No. 85  
 Alaska Chapter No. 97



BY NANCYE KIRK

## NEW IREM STRATEGIC PLAN PINPOINTS CRITICAL ISSUES FOR PROPERTY MANAGERS

WHEN IREM ADOPTED A NEW STRATEGIC PLAN AT GOVERNING COUNCIL IN MAY, a commitment was made to focus on 10 critical industry issues for real estate managers.

Not surprisingly, the current economic crisis is a theme that resonates through many of these industry issues, which were determined through a synthesis of environmental scanning, conversations with members and other professionals in the industry, secondary research, and dialogue at local, national and international levels.

Without question, the number one critical issue is the pressure being placed on property managers to achieve a positive net operating income (NOI) through **Building Operating Efficiency**. The result has been a return to the fundamentals of property management with an emphasis on expense control. This translates into rebidding supplier contracts, minimizing utility costs by creating enhanced green initiatives and overall reduction of energy consumption, as well as minimizing other operating costs without jeopardizing tenant experiences.

One of the defining characteristics of the economic downturn is the lack of **Capital Availability**, captured in

the second critical issue. This is causing investors to turn to their managers for assistance in identifying financing opportunities for capital investments and, when no financing is available, focusing on improving assets.

Given the status of the economy, property foreclosures will continue to rise. But increased foreclosures also mean opportunities for real estate management professionals who are proficient in property repositioning and **Property Workouts**, and prepared to manage the unique nature of foreclosed and receivership real estate. While some lenders are beginning to sell their nonperforming assets and distressed loans, the level of such activity appears to remain relatively low. Today, investors, are adopting a longer term perspective to avoid a repeat of the commercial real estate recession in the late 1980s and early 1990s, which saw financial institutions divest toxic assets as a result of government pressure only to go out of business.

This segues into issue number eight—increasing **Government Intervention**. In prior years, government intervention was on the IREM issue watch list. Today, the government is becoming an ever more present player in the real estate industry at all levels—local, state and



federal—in the form of more intense regulation, more rigorous rules, stiffer penalties and escalating taxes.

Issue number four, **Workforce Management**, captures the role human resources plays in managing, motivating, training and developing employees in the face of budget limitations. Despite pressure to lower operating costs during this down market, maintaining a competitive compensation package based on performance is the way that management companies will be positioned to capitalize on new opportunities. Energy and resources must be invested in a company's workforce despite downsizing, expanded portfolios, and the new demands being placed on property managers to deal with troubled tenants, reduce operating costs and manage workouts.

At the same time, the retirement of a generation of Baby Boomers looms in our future. This **Demographic Impact**, described in issue six, means that many knowledgeable property managers will soon be retired. This is exacerbated by cross-generational challenges. Knowledge is not always disseminated well throughout an organization and younger workers may lack the experience that builds corporate expertise. They also tend to change jobs more frequently, taking with them their technology savvy and knowledge they've gathered.

Technology itself is the focus of two of the critical issues—issue number three: **Technology and Marketing**, and issue number 10: **Reputation Management**.

Technology can enable a company to streamline business processes, cut out layers of operations to make the business leaner and more productive, and provide instant access to real-time data both for operating decisions and for client communications. Likewise, technology—particularly, social media sites like *Facebook* and *Twitter*—is being used to market management services and properties that are under management.

For organizations that deliver services to the public, reputation is always an essential factor in ensuring corporate success. Managing a company's virtual reputation by maintaining a positive online image and combating negative publicity is a key component of maintaining the confidence and trust of clients and tenants.

Additional tenant needs are also reflected in critical issue number five: **Tenant Demands**. Given the econo-

## 10 CRITICAL ISSUES

- 1 Building Operating Efficiency
- 2 Capital Availability
- 3 Technology and Marketing
- 4 Workforce Management
- 5 Tenant Demands
- 6 Demographic Impacts
- 7 Property Workout
- 8 Government Intervention
- 9 Sustainability
- 10 Reputation Management

my, many tenants are demanding concessions and lease restructuring. Most managers of multifamily, retail and office properties must deal with these requests. But concessions can often do more harm than good. They may stabilize occupancy levels, but if sufficient revenues are not generated, they can erode the value of the property.

Tenants are also demanding more services in terms of Internet availability and ultimately utility usage. Retailers are seeking more marketing support to drive shoppers to their stores. Office users that have downsized their staffs want to renegotiate their leases and give back space.

Likewise, many tenants look to live or work in “green” buildings—structures that are built or managed in ways that are environmentally responsible and energy efficient. Critical issue nine: **Sustainability** recognizes that green initiatives offer a competitive advantage, are relatively low cost and result in operating cost savings. Property owners are quite supportive of sustainability efforts such as switching to compact fluorescent lighting, using low-flow shower heads, cleaning filters regularly and using environmentally friendly cleaning products. But with the lack of available capital to finance improvements, and with the decline in property values overall, owners generally are less receptive to major capital improvements to support more sustainable structures.

Defined by the current hardships of the economy, many critical issues will impact property managers for the foreseeable future. From building operations, to financing capital improvements, to demographic shifts in the workplace, the new strategic plan for IREM acknowledges and addresses these concerns as the real estate management industry heads toward 2011. ■

NANCY KIRK IS VICE PRESIDENT OF STRATEGIC INITIATIVES AT IREM.

## IREM FOUNDATION AWARDS MEMBERS FOR DISTINGUISHED CONTRIBUTIONS



VISIT [WWW.IREMFUNDATION.ORG](http://WWW.IREMFUNDATION.ORG) TO FIND OUT MORE ABOUT THE IREM FOUNDATION AND TO DOWNLOAD NOMINATION FORMS.

BEVERLY ROACHELL, CPM, AND STEVE EASTON, CPM, ACCEPT AWARDS FROM IREM FOUNDATION PRESIDENT, EDWARD H. BOUDREAU, JR., CPM.

THE IREM FOUNDATION HONORED STEVE EASTON, CPM®, WITH THE 2010 LLOYD D. HANFORD, SR. DISTINGUISHED FACULTY AWARD AND BEVERLY ROACHELL, CPM, with the 2010 Louise L. and Y.T. Lum Award, at the 2010 IREM Leadership and Legislative Summit in May.

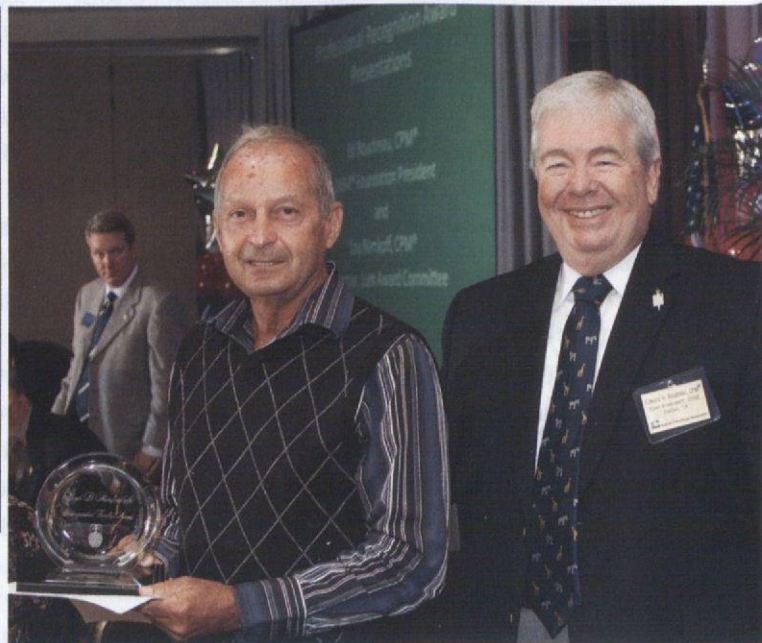
The Lloyd D. Hanford Sr. Distinguished Faculty Award is presented to a member of the IREM faculty who has exemplified extraordinary dedication to the educational process and the advancement of knowledge in the property management profession. The award was established by the IREM Foundation in recognition of the importance of education to the real estate management profession. The award commemorates the direct contributions of Lloyd D. Hanford, Sr., one of the institute's early national presidents and a founder of the IREM real estate management education program.

One enduring legacy of IREM Past President Y.T. Lum is the Louise and Y.T. Lum Foundation,

named for Y.T. and his wife. Through this Foundation, the Louise L. and Y.T. Lum Award was established within IREM in 1975 to recognize those who made a distinguished contribution to the real estate management profession.

The IREM Foundation recognized its first professional recognition award recipient in 1971 and has continued to honor outstanding individuals who make valuable contributions and are truly dedicated to the real estate management profession. The objective of the awards program is not only to recognize those who do contribute, but also to encourage others to make similar contributions to the profession. While we continuously seek to honor IREM Members, nominees do not have to be members of the institute.

Nominations may be submitted to the Foundation anytime throughout the year by Nov. 30. When accepted, the award is typically presented during the IREM Leadership and Legislative Summit.



**IREM** FOUNDATION  
INSTITUTE OF REAL ESTATE MANAGEMENT

## ETHICS BOARDS ACTIVE AT 2010 IREM LLS

The **Board of Ethical Inquiry** reviewed three new complaints. Two complaints will be forwarded for hearing. The first complaint alleged conflict of interest for using a company vendor for a personal project. The second alleged stealing business by soliciting the firm's clients while still employed by the firm. The third complaint charged a CPM® with making misleading comments concerning a fellow CPM Member's business practices and was dismissed as no probable cause of violation of the IREM Code of Professional Ethics was found.

The **Ethics Hearing and Discipline Board** conducted three hearings. In the first hearing, a CPM Member charged another CPM with misrepresenting his broker status. The Respondent was also alleged to have been denied renewal of his broker's license for falsifying an application regarding the completion of required continuing education hours. The Respondent stated that failure to provide additional requested information, which resulted in the license not being renewed, was not a basis for ethical sanction. The Respondent attended the hearing but the Complainant did not. The Hearing Board found the Respondent not in violation of the Code.

In the second hearing, the board of directors of a cooperative charged a CPM with breach of confidentiality and disloyalty. The Respondent was alleged to have given a list of renters' contact information to unit owners, enabling owners to directly solicit renters instead of having the renters go through the cooperative. The complaint included letters from renters who were concerned that the distribution of their addresses and the dates they would be out of town, constituted a breach of privacy.

After questioning the employees in the rental office, the Respondent found there was no proof that a list of renters existed. The Respondent stated that without the alleged list, there was no basis for a complaint. The Respondent attended the hearing but the Complainant did not. No violation was found.

In the third hearing, the president of a homeowner association (HOA) brought a complaint against the CPM owner of a property management firm, alleging failure to provide accurate and auditable financial records. The Complainant also alleged a vendor submitted invoices to the management company which were not presented to the HOA, and that the management company prepared its own invoices, adding unauthorized and undisclosed service fees. In a written response, the Respondent stated the Board disregarded the procedures established by the company that were in place to safeguard them against mismanagement of funds and unqualified contractors.

Neither party attended the hearing. The Hearing Board found the management agreement between the firm and the HOA did not disclose the added service charges. Because of the lack of disclosure, the Hearing Board found the CPM in violation of the articles of the Code having to do with loyalty to client, accounting and reporting, and conflict of interest, and voted to terminate membership status. The Respondent has the right to file an appeal.

## Career Moves



**Fred Dean, CPM®**, has been appointed Business Development Manager for Drucker & Falk's multifamily fee

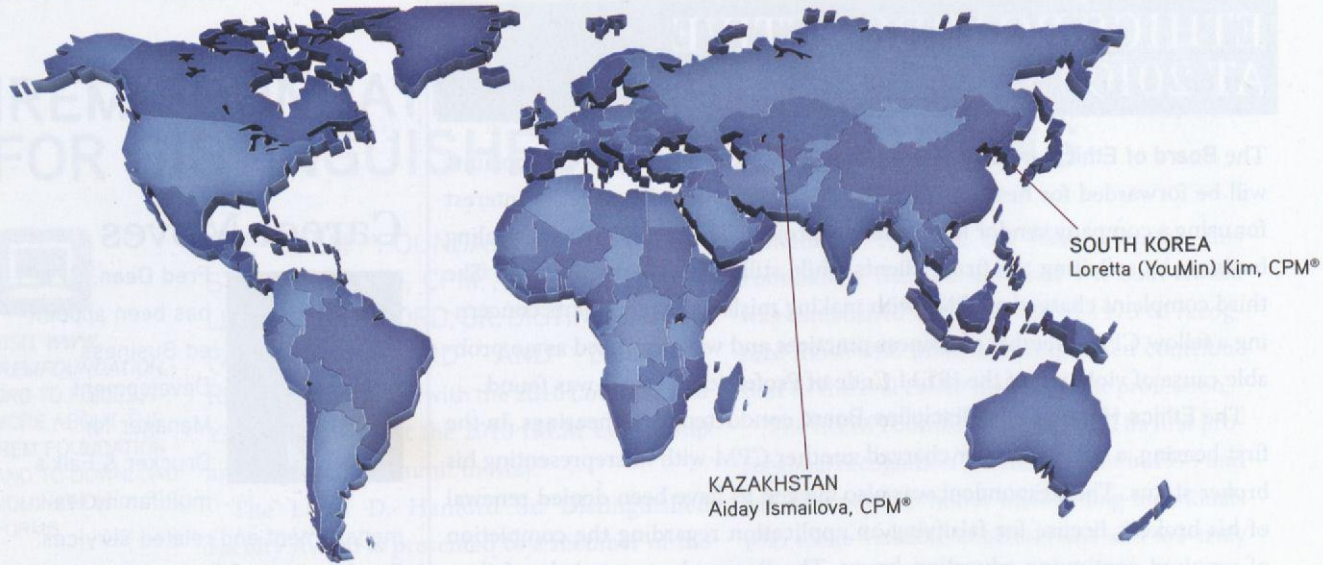
management and related services. Dean has over 30 years of multifamily management and development experience. A Drucker & Falk associate since 1977, he has served the firm as both a regional property manager and director of Development.

In his new role, Dean will assess multifamily fee management opportunities throughout the Mid Atlantic and Southeast regions of the United States, and will organize proposal and presentation efforts in response to requests from potential management clients.



**Beau Beery**, director of commercial brokerage and asset management at AMJ, inc., recently

earned his **CERTIFIED PROPERTY MANAGEMENT (CPM)** designation. Beery also earned the **Certified Commercial Investment Member (CCIM)** designation in 2006. There are less than 800 real estate professionals in the world who have achieved both the CPM and CCIM designations.



## IREM INTERNATIONAL MEMBERS DISCUSS UTILITY BILLING

The process of utility billing can vary greatly by nation. Based on their experiences, some of our international IREM Members shared their thoughts on utility billing in their respective countries.



### SOUTH KOREA

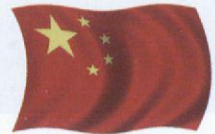
Tenants pay the utility expenses separately from the rental fee in Korea. Commercial and residential properties use different billing systems. The main difference is how expenses are managed and how they are billed to individual units.

A building gauge, floor gauges and individual gauges of electricity, gas and water are installed in all buildings. The cost is divided among the tenants after determining each tenant's use of space and utilities. The fee for common spaces is divided equally amongst tenants, based on the portion of the building they occupy.

For most commercial buildings, the total utility bill includes electricity, gas and water, as well as common space expenses and unique individual expenses. Each tenant has only one bill for all utilities.

Just like commercial buildings, residential properties receive a bill from the management office of the building for total utilities, including common and individual expenses. However, residential units are also billed separately for individual gas consumption from the Korea Gas Corporation (KOGAS).

There is a recent trend in commercial property management to expand electricity equipment for safety reasons and to reduce gas consumption. For example, many commercial buildings have restaurants, coffee shops and hair salons, all of which use gas for cooking and heating. There is risk of smoke damage from the ventilator of a ground floor restaurant spreading to other units within the building. Although this is simply a facility problem, property managers of the building waste time issuing insurance claims because of smoke damage. Many owners and property managers recommend using electricity



instead of gas to mitigate this risk.

If there is no use of gas, the billing process is simplified. The facility management fee is reduced. The insurance amount is not necessarily affected, as electricity also poses other risks such as fire or electric shock.

Loretta (YouMin) Kim, CPM®, director general of the Green City Institute, GreenCode Co., Ltd.



## KAZAKHSTAN

In Kazakhstan, the billing system has been changing drastically since early 2000. Before then, 90 percent of residential properties had no individual meters for hot and cold water consumption, and consumption was paid based on statistically calculated averages, usually per person. Today this has changed countrywide and currently 90 percent of residential properties are billed by meter for hot and cold water, sewage and electricity.

The billing of heating, however, has not changed. The cost is based on the size of the apartment (per square meter). This type of billing is quite problematic in some of the regions of Kazakhstan. The average cost of heating per square meter is calculated by the heating company and this cost is not always transparent. The state bodies regulate the activities of utility companies, which has created the perception of a natural monopoly. The rate per square meter for heating typically cannot be challenged.

Commercial real estate has been experiencing dramatic changes in the last two years. Previously, tenants were billed for so-called "operating expenses," a fixed amount per square meter that is calculated by taking the total cost of managing the property, including services and utilities (except electricity consumed in the tenants' area), and divided by the total rentable area. Due to an increased cost of utilities, many property owners have separated variable components from the operating expense fee per square meter. Today, tenants pay fixed amounts for building services; electricity is paid based on meters installed in their areas. Electricity consumed in common areas of the building is billed based on shares of each tenant in the building, and hot and cold water consumption is billed based on shares of each tenant. Although this approach is more transparent than the previous approach, it is still not ideal in terms of fairness. Some major property owners are considering installing meters for every utility that can be measured. This trend shows that Kazakhstan is striving to adopt modern billing systems to secure efficiency and increase transparency of utility costs.

Aiday Ismailova, CPM, head of Commercial Real Estate Department, MG Properties

## JPM ARTICLES TRANSLATED

IREM translates one article from each issue of *JPM* into eight languages. You can find translations of the latest feature, as well as past articles, by visiting the links below.

Español (Spanish) Para los artículos en español, visite [www.irem.org/international/spanish/intro.cfm](http://www.irem.org/international/spanish/intro.cfm).

Français (French) Pour les articles en français, visitez [www.irem.org/international/french/index.cfm](http://www.irem.org/international/french/index.cfm).

Русский (Russian) Для статей на русском языке, посетите [www.irem.org/international/russian/index.cfm](http://www.irem.org/international/russian/index.cfm).

Wersja Polska (Polish) Artykuły w języku polskim można znaleźć [www.irem.org/international/Portuguese/index.cfm](http://www.irem.org/international/Portuguese/index.cfm).

Português (Portuguese) Para artigos em Português, visite [www.irem.org/international/Portuguese/index.cfm](http://www.irem.org/international/Portuguese/index.cfm).

한국어 (Korean) 한국어 기사는 [www.irem.org/international/korean/index.cfm](http://www.irem.org/international/korean/index.cfm) 에서 보실 수 있습니다.

日本語 (Japanese) 日本語の記事は、[www.irem.org/international/japanese/index.cfm](http://www.irem.org/international/japanese/index.cfm) をご覧ください。

中文 (Chinese) 若要看文章的中文国语翻译,请点击[www.irem.org/international/Chinese/index.cfm](http://www.irem.org/international/Chinese/index.cfm).





# WHERE THERE'S A WILL, THERE'S A WAY

## IREM Members Champion the IREM Foundation Giving Program, Legacy of Leaders

**EVERYONE NEEDS A WILL.** Everyone who owns property, has investments or savings, has dependents, and wants to remember a charity, needs a will.

Thousands of charitable organizations are helped each year by bequests. Bequests, gifts of life insurance and gifts of IRA assets provide future funds for charitable organizations like the IREM Foundation.

The following IREM Members have made provisions in their estate plans to benefit the IREM Foundation:

- Malcolm W. Bates, CPM®
- Edward H. Boudreau, CPM
- Robert O. Click, CPM
- Jo Anne Corbitt, CPM
- W. Alan Huffman, CPM
- Victoria R. Parmentier, CPM
- Beverly A. Roachell, CPM
- Russell C. Salzman, CAE, IOM

### LEGACY OF LEADERS' TESTIMONIALS



"IREM has played a significant role in my professional career. The knowledge I have gained and the contacts I have made over the years through my association with IREM have been extremely valuable. It is appropriate that I should remember IREM through planned giving to the IREM Foundation."

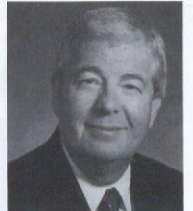
*-Malcolm W. Bates, CPM*

"For my family, the choice and logic of making a gift to the IREM Foundation was easy. I received my CPM designation about 25 years ago and since that time I became gradually more involved with the Institute—first at the chapter

level, then later with our national office.

Along the way, I consistently received more than I gave from IREM. In fact IREM has been at the nexus of virtually every major change in my business career. This business of property management has been very good to my family and we have been blessed with many benefits. I am 100 percent sure that my family would not be where we are today without the benefits, education and associations provided by the Institute of Real Estate Management. How could one not contribute? What better way to extend a hand so that others may follow your path?"

*-Edward H. Boudreau, Jr., CPM, IREM Foundation President*



"IREM was a very important factor in my career development as a real estate management professional. IREM educational classes, the CPM designation, as well as our local chapter and national meetings, gave me the opportunity to meet other professionals and clients in the industry. This exposure had a significant impact on the growth of my career and business. My decision to remember the IREM Foundation through a planned gift is a way I can give back to the organization that helped me and pave the way for others starting a career in real estate management."

*-Robert O. Click, CPM*

"Providing a gift to the IREM Foundation in this manner allows me to contribute in a more significant way than might otherwise be possible."

*-Jo Anne Corbitt, CPM*



**IREM FOUNDATION**  
INSTITUTE OF REAL ESTATE MANAGEMENT

“My decision to remember the IREM Foundation through a planned gift is a way I can give back to the organization that helped me and pave the way for others starting a career in real estate management.”

—ROBERT O. CLICK, CPM®



“It was an easy choice to include the IREM Foundation in my estate planning, knowing that whatever I could give would help future managers to become even better in the profession which has been so good to me.”

—W. Alan Huffman, CPM

“This was an easy decision for me. IREM has provided me with life changing experiences that go beyond the IREM educational opportunities. I’ve made lifelong friends. Being able to leave an estate bequest to the Foundation that may change someone else’s life...priceless.”

—Victoria R. Parmentier, CPM



“As IREM CEO and Foundation Executive Director, I know firsthand that the collaborative environment between our two organizations is as strong as ever envisioned. It is with confidence that I have named the IREM Foundation as a beneficiary in my 401(k). While the amount is not that large, I do feel proud to be considering the work of the foundation and intend to increase the allocation over the years!”

—Russell C. Salzman, CAE, IOM, IREM Executive Vice President and CEO

Your bequest will allow the IREM Foundation the ability to move beyond immediate needs and focus on a longer term and coherent plan for what the organization would like to achieve many years from now.

Planned gifts come in many shapes and sizes. For example, a donor can designate the IREM Foundation as a “beneficiary” (a future recipient) of retirement account

funds or a life insurance policy, and the list goes on and on.

The IREM Foundation has a “planned giving” program known as Legacy of Leaders. This program is set up to provide for bequests to be made to the IREM Foundation from the estates of IREM Members.

Bequests are a nonthreatening (in that they are revocable) and easy-to-understand way to make a significant gift to charity—something donors may not be able to do with current cash.

#### GIVING MADE EASY

The easiest way to support the IREM Foundation is to include us in your estate planning documents. If you have a desire to do any of the following, then making a bequest is right for you:

- Give back to the Institute of Real Estate Management
- Reduce the payment of taxes
- Make a larger, longer-term impact with your gift

If you have named the IREM Foundation as a beneficiary in your estate plan, or if you are making plans to do so, please let us know by submitting an Estate Intention Letter. Download the letter from our Web site at [www.iremfoundation.org](http://www.iremfoundation.org).

We would like to include you in the IREM Foundation Legacy of Leaders as one way of demonstrating our appreciation. Legacy of Leaders members are listed in our annual report and receive special invitations from time to time.

To learn more about your planned giving options, request a copy of the *Planning Strategies* brochure by calling (800) 837-0706, ext. 6008 or e-mailing [foundation@irem.org](mailto:foundation@irem.org). As with any decision involving your assets, we urge you to seek the advice of your professional counsel when considering a gift to the IREM Foundation. ■



## INTRODUCING IREM iCon! The New Fall Conference Promises A Unique and Fun Experience for Members

### It's new. It's fresh. It's all about you.

IREM iCon is more than a conference; it is the ultimate culmination of all the learning and networking experiences you encounter every day as a member of the Institute. Whether you attend an IREM course, webinar or chapter meeting; participate in an IREMFIRST community; serve on a committee or board; or simply look forward to reading the newest issue of *JPM*; attending IREM iCon will enhance your member experience like never before.

As an attendee of IREM iCon, you will receive **LASER-FOCUSED EDUCATION**. The knowledge you will gain from industry experts, professional speakers and peers will be specific and relevant to what you—the real estate management professional—need to excel in today's market.

IREM iCon will also offer you abundant and accessible **KNOWLEDGE OPPORTUNITIES**. The conference will include discussions and sessions on:

- Building Your Brand through Stellar Customer Service
- Marketing Strategies and Tactics Using Social Media and the Internet
- Capital Markets Overview
- A Look at Troubled Assets through Multiple Lenses
- Meeting the Challenges of Changing Tenant Demands
- Return on Equity Analysis
- Managing Client Relationships and Expectations
- Sustainability Retrocommissioning

As an IREM Member, you are part of an influential community that believes in the power of knowledge and in the importance of sharing it. IREM iCon gives you the opportunity to **MAKE CONNECTIONS** by engaging in this

community. You will experience a variety of special events that have been designed to enhance the natural camaraderie, spirit and FUN that is always present when IREM Members gather, including:

- The Joe Aveni Open Golf Tournament (benefitting the IREM foundation) on the spectacular Rees Jones designed course.
- The IREM Foundation "Party With a Purpose" in the Hilton's swanky Zeta Bar.
- Epcot International Food & Wine Festival at Epcot Theme Park—an epicurean extravaganza for IREM foodies.
- iChill...An After-Dark Party—a cool place to hang with IREM friends and your family.

A first-class conference like IREM iCon could only be held at a world-class destination. The Hilton Orlando Bonnet Creek is a newly opened, magnificent hotel, located in a private natural setting on 482 acres in Orlando. As part of Hilton's largest development in history, the hotel is adjacent to the first-ever newly built Waldorf-Astoria outside of New York and offers impeccable service and unlimited amenities, including a European Spa by Guerlain, a 24-hour complimentary fitness center and the famed Hilton Kids Club. Visit [www.hiltonbonnetcreek.com](http://www.hiltonbonnetcreek.com) for more information and to make your guest room reservations. Use Group Code ZIREM to obtain the IREM group rate of \$209 single/double occupancy.

IREM iCon will take place October 19-23 in Orlando. For more information about IREM iCon, including registration, conference schedules, educational offerings, networking events and a video on what you can expect from this unique experience, visit [www.IREMiCon.com](http://www.IREMiCon.com).



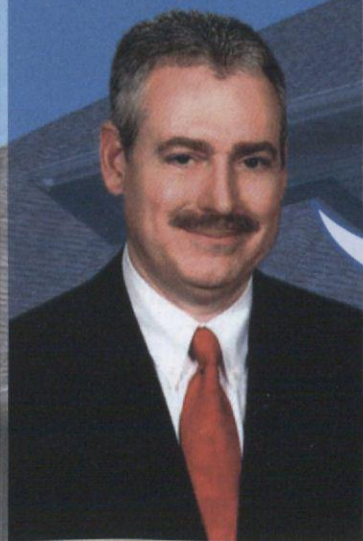
*"IREM iCon is where the industry's most valuable credentials meet the most valuable education, to serve the most valuable asset—YOU! This is our time."*

—O. RANDALL WOODBURY, CPM® 2010 IREM PRESIDENT



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IREM eBooks	<a href="http://www.irembooks.org/ebooks">www.irembooks.org/ebooks</a>	IBC
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Maytag	<a href="http://www.maytagcommerciallaundry.com">www.maytagcommerciallaundry.com</a>	BC
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RealPage	<a href="http://www.realpage.com/crossfire-call-center">www.realpage.com/crossfire-call-center</a>	1
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We Do Lines	<a href="http://www.wedolines.com">www.wedolines.com</a>	51
Yardi	<a href="http://www.yardi.com/jpm77">www.yardi.com/jpm77</a>	11

## It Pays to Be a Member of IREM® & NARPM®



Rob Massey, Jr., CPM®  
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*"Being a long-time member of the Institute of Real Estate Management (IREM®), I have always appreciated the importance and contribution of IREM® to my property management firm and career. It was not until the late 1990s, that I first heard of the National Association of Residential Property Managers (NARPM®). My first reaction to the prospect of joining NARPM® was that, with all of my other association memberships (NAR, IREM® and NAA), the best use of my time was not likely belonging to another association—until I attended my first NARPM® Convention. While I was there, I discovered the great relevance and impact NARPM® could have on the success of my property management company and the enrichment of my personal career."*



National Association of Residential Property Managers

# APPLE OF YOUR EYE?

## The iPad Offers Users a Mixed Bag For Business Use



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READ TODD CLARKE'S TECHNOLOGY BLOG AT [WWW.NMAPARTMENT.COM/TECH](http://WWW.NMAPARTMENT.COM/TECH).

THE IPAD IS CERTAINLY A HEAD TURNER. I'VE OFTEN BEEN STOPPED IN AIRPORTS AND IN MEETINGS BY CURIOUS PEOPLE. Inevitably, the question I get asked is, "What do you do with your iPad?"

The iPad offers a variety of applications, but for real estate managers, some of the most common "wish-list" uses include using it as a replacement for a net book or laptop; a replacement for Microsoft Office; a presentation device; a multi-purpose tool for travel; or to simply surf the Web.

Let's take a look at how the iPad stacks up when used for these purposes.

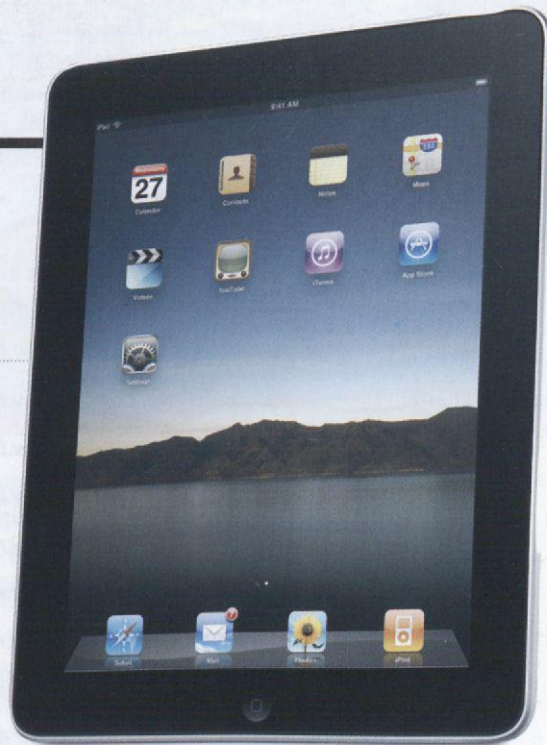
### REPLACING A NET BOOK OR LAPTOP

The iPad is about half the physical weight of a net book but some of the basics from that device are missing, including a common file storage system that is compatible across all programs and the ability to print to PDF or to a printer.

The lack of a file storage system is inconvenient. While it is possible to store files on your home computer, and use iTunes Applications to copy and move files to the iPad (and vice versa), few of these apps offer the flexibility to choose which program the files open in, and only one of them offers a folder ability.

### REPLACING MICROSOFT OFFICE

The iPad offers three inexpensive tools that function much like the Office version of Word, Excel, and PowerPoint. While these tools (Pages, Numbers and Keynote) appear to be a bargain at \$9.99 each versus the Microsoft Office suite at \$299+, the Apple versions are much weaker and simplified versions of the Microsoft tools. Each of these Apple programs is mostly compatible with the Microsoft versions, but large files can cause them to fail or return error messages.



### PRESENTING

I have enjoyed making PowerPoint-like presentations with my iPhone. But to create them required many technical steps. I was excited when I found Keynote in the iPad app lineup because it does a nice job of allowing you to develop and deliver presentations and it is very intuitive to use.

### TRAVELLING

My biggest disappointment with the iPad is the lack of a dedicated GPS receiver. However, it does triangulate against cell phone antennae, and the Wi-Fi model uses Wi-Fi to find its location. You can also access information and maps on the Internet.

The lack of GPS also doesn't negate the power this tool offers on the road. I've spent long flights in coach class with my iPad and a set of Bluetooth headphones. With its beautiful screen, quick Internet connection and recreational apps, the iPad hosts a variety of travel distractions.

### SURFING THE WEB

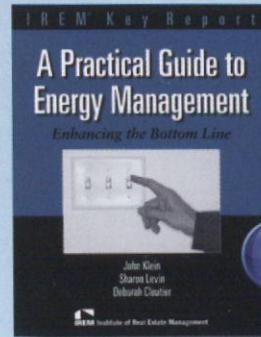
The iPad is an ideal Web surfing device. It is easy to hold, incredibly fast and it features an intuitive virtual keyboard that makes browsing a delight. Unfortunately, the iPad doesn't support Adobe Flash, so don't be surprised when one of your favorite sites doesn't work properly. ■

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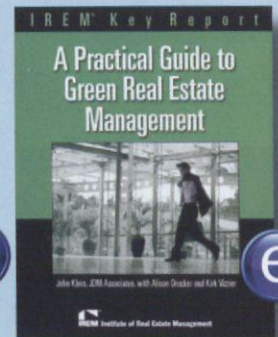
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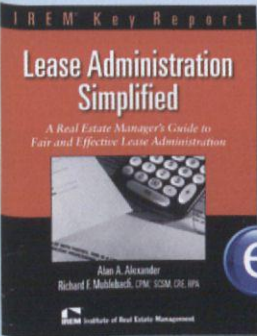
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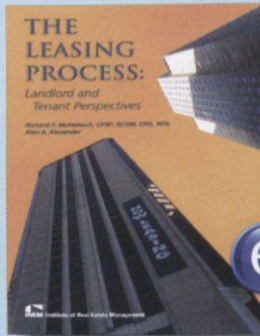
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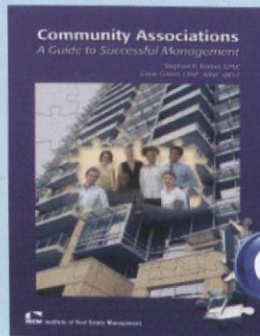
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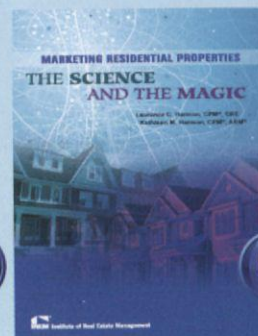
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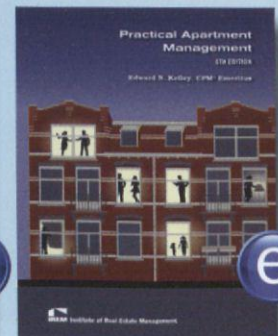
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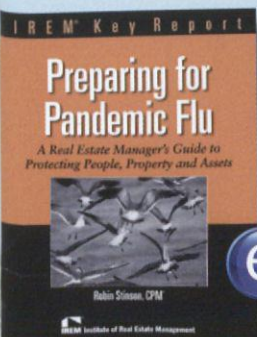
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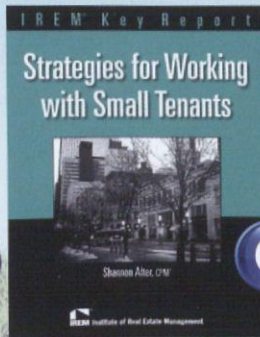
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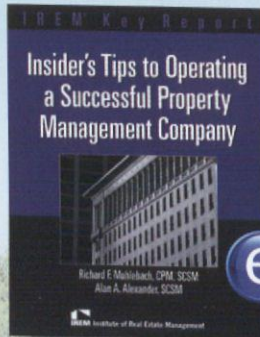
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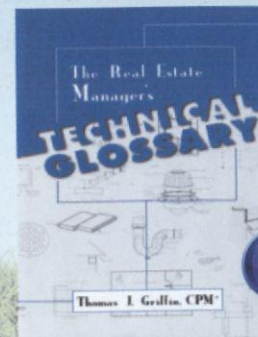
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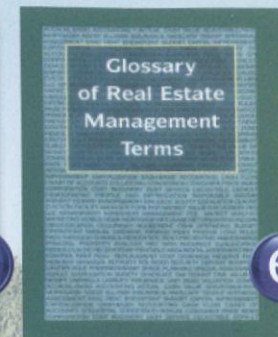
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