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JOURNAL OF PROPERTY MANAGEMENT
MAY/JUN 2011

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MICHAEL JOHNSON
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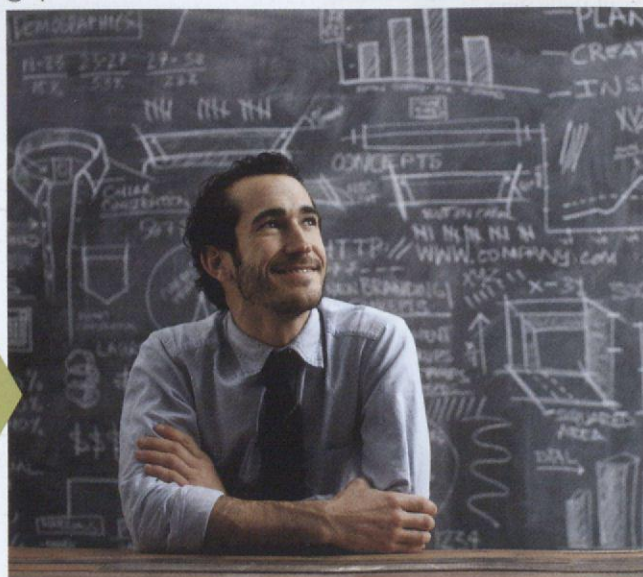
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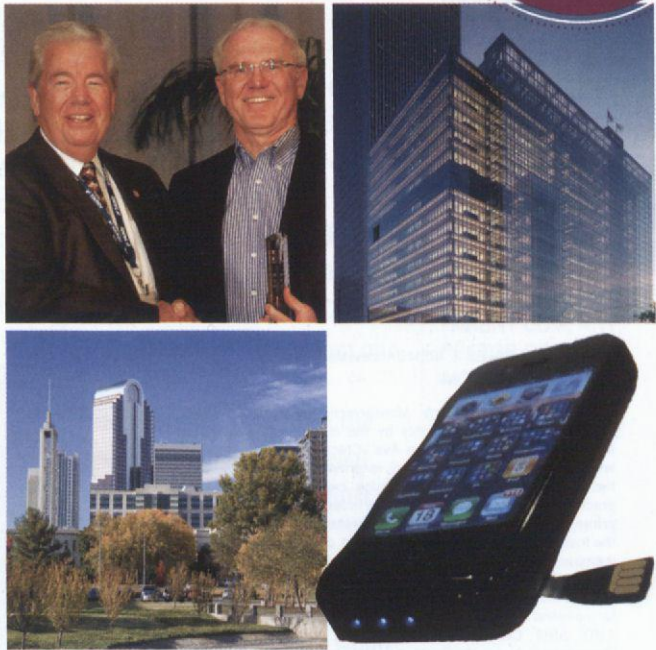
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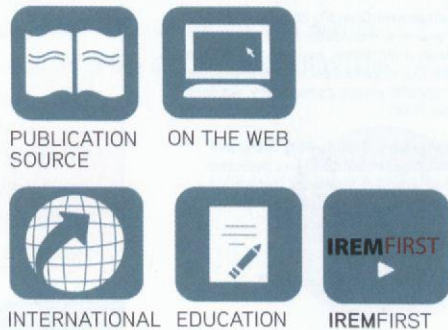
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Postmaster: send address changes to JPM®, *Journal of Property Management*, P. O. Box 109025, Chicago, IL 60610-9025. Printed in U.S.A.

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Advertorial

CONNECTIVITY IN CRISIS

When the 9.0-magnitude earthquake and resulting tsunami recently struck Japan, the Earth's axis reportedly shifted 10 inches.

Without blinking, I immediately thought of the safety of my youngest son, who is living in Paris. While he was far removed from the devastation, I couldn't immediately and physically account for his whereabouts, which left me in a short-lived state of panic. What was my plan for communicating with him in the event of a tragedy? Had I thought it through?

I learned something from this: In any crisis, we are all connected.

As we approach the summer months, fraught with the unpredictability of nature in its various forms, we must manage our M.O. And by M.O., I don't mean the abbreviation for Missouri, where I grew up: I mean *modus operandi*, or *mode of operating*.

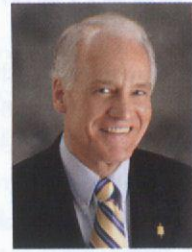
We've all heard, "I'm all for progress, it's just change that I can't stand." I realize there's a lot of change going on in our industry—and in our world, for that matter—but what do we really do when we're faced with a crisis? Catastrophic events can, in an instant, catapult us into epic change, if we keep our fears unchecked.

In my opinion, sometimes it's the very change that we resist that stirs the waters and forces us to re-evaluate our practices. But why wait for external forces to propel us forward when we can proactively and continually adjust and re-examine the way we live and work?

Whether crises are cataclysmic or merely create a ripple in our daily existence, they demand preparation and a problem-solving attitude.

This issue of *JPM*® demonstrates the resilience of real estate managers when faced with every type of crisis—from rebuilding residential units after the discovery of clandestine methamphetamine labs in "Meth: Is it the New Mold?" (p. 40) to honing in on the logistics of creating a "Crisis Communication" plan (p. 28) to finding ways to "Avoid the Social Media Panic Button" in our virtual world (p. 64).

While it can take time and effort to really prepare for the unexpected, finding ways to share our practices for managing through various crises can only make us stronger in our work and as IREM Members. Take the time to network about your communication strategies with others—locally and nationally, if possible. In the end, it's also what connects the IREM community: the ability to really go forward and take a challenge.



RONALD GOSS, CPM® (PRESIDENT@IREM.ORG), IREM 2011 PRESIDENT, IS PRESIDENT OF RPM MANAGEMENT CO., INC., AMO, AND IS A SENIOR VICE PRESIDENT, A DIRECTOR AND SECRETARY OF RPM MANAGEMENT'S PARENT COMPANY, RECTOR PHILLIPS MORSE, INC. BOTH COMPANIES ARE LOCATED IN LITTLE ROCK, ARK.

Ronald Goss, CPM®
2011 IREM President

TURN TO PAGE 24 FOR A PERSONAL ACCOUNT OF THE QUAKE-TSUNAMI.



ECONOMISTS PREDICT SLOW JOBS RECOVERY

Companies are slowly chipping away at high unemployment numbers. But it could take another four years—or longer—for the U.S. economy to return to “full” employment levels. Barring any surprises, economists are predicting it will be at least 2015 before unemployment drops to 5.5 percent, according to a recent economist survey by the *Wall Street Journal*.

The national unemployment rate peaked in October 2009 at 10.1 percent and has since dropped to 8.9 percent as of February 2011, according to the Labor Department. The 54 economists surveyed by the *Wall Street Journal* are forecasting that the U.S. economy will add about 190,000 jobs per month over the next year, thus producing only a gradual decline in the unemployment rate in the coming months. Economists expect the unemployment rate to improve slightly to 8.8 percent by June and finish out the year at 8.4 percent.

The jobs picture could have a significant influence on the outcome of the 2012 presidential election. Economists expect the U.S. jobless rate to reach 7.7 percent in November 2012, which represents the highest level for a presidential election month since Jimmy Carter defeated Gerald Ford in 1976.

The survey also predicts a 3.4 percent growth rate in the gross domestic product this year. That is an improvement over 2010 where the GDP increased 2.8 percent compared to 2009, according to the Department of Commerce. Economists are split on how \$100 million in proposed cuts to the federal budget could affect economic growth over the next two years. On a positive note, the potential to slide into a double dip recession remains slim at about 14 percent.

For more information, visit www.wsj.com.

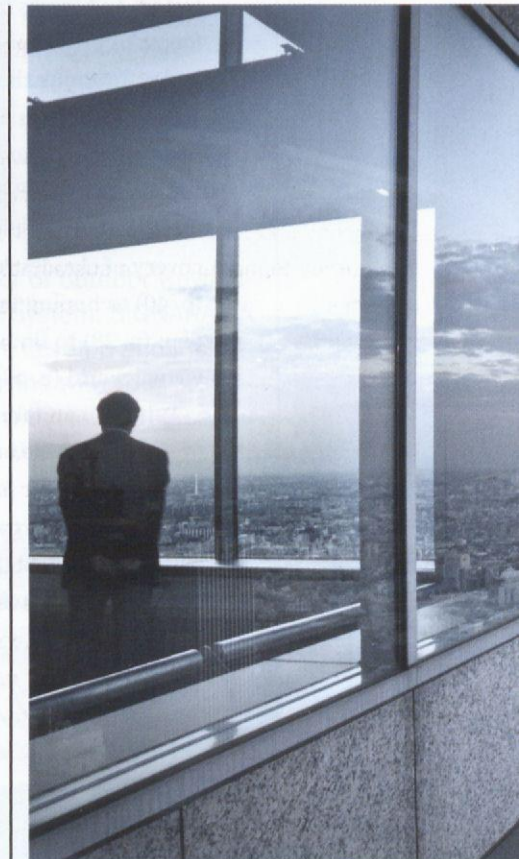
Office Recovery Fluctuates By Market

The commercial office recovery remains fragmented, according to the latest *Global Office MarketView* report released by CB Richard Ellis. The big picture view is that even though occupancies appear to be stabilizing in most markets, high vacancy rates will continue to depress rental rates in the coming year. A closer look at individual markets reveals very different dynamics, depending on the pace of recovery in the local economies.

The recovery in the office market is going hand-in-hand with job growth. Markets worldwide that are experiencing stronger economic recoveries, like Washington D.C., Paris and Singapore, are seeing a corresponding improvement in office rents. At the same time, cities still struggling, like Chicago, Los Angeles and Madrid, have yet to see rents hit bottom.

In the Americas, the office sector has struggled with weak demand for space. Although vacancies dropped a slight 0.2 percent in 2010, they remain high at 16.4 percent overall. The good news is that for the majority of the markets CB Richard Ellis monitors in the Americas, 28 of 31 major metros are reporting positive trends in rents with either a slowing rate of decline or signs that rents are accelerating.

For more information, visit www.cbre.com.



GREEN BUILDING PAYS OFF

The evidence is mounting to support the fact that sustainable development also adds some green to building balance sheets. Green building is proving to have a positive impact on key metrics like increased tenant retention, faster absorption and higher rents, according to a recent webinar, "Current Trends in Green Real Estate." The webinar, presented jointly by the CoStar Group, U.S. Green Building Council and CB Richard Ellis, included green building research from multiple sources.

As shared within the webinar, green buildings are likely to generate stronger returns for investors than traditionally managed properties, with owners anticipating a 4 percent higher return on investment, and an additional 5 percent increase in building value, according to the results of an ongoing study involving CB Richard Ellis, the University of San Diego and McGraw Hill Construction. The study surveyed 156 institutionally owned buildings managed by CB Richard Ellis in 10 major U.S. markets.

Nearly 80 percent of the owners surveyed believe that sustainable properties perform well in attracting and retaining tenants, bringing a 5 percent increase in occupancy and a 1 percent increase in property income. The survey found that while sustainable practices and attitudes vary considerably across different types and sizes of organizations, nearly 80 percent of publicly traded firms implemented at least one green practice.

The research provides the commercial real estate industry with some much needed data to measure the payback for green building practices. For example, the survey found that LEED and Energy Star buildings show higher rental rates. Non-LEED buildings had 4.81 percent lower average rents than the broader market while LEED buildings were 7.38 percent higher. The study also shows that the market for new and retrofitted green buildings is growing dramatically, with 35 percent of all new construction in 2010 being green.

For more information, visit www.costar.com.

QUOTABLES

"Real estate is at the core of almost every business, and it's certainly at the core of most people's wealth. In order to build your wealth and improve your business smarts, you need to know about real estate."

—DONALD TRUMP, AMERICAN BUSINESS MAGNATE

"If you think hiring a professional is expensive, wait 'til you hire an amateur."

—RED ADAIR, AMERICAN OIL WELL FIREFIGHTER

"If you believe the doctors, nothing is wholesome; if you believe the theologians, nothing is innocent; if you believe the military, nothing is safe."

—LORD SALISBURY, FORMER PRIME MINISTER OF THE U.K.

"Watch out for emergencies. They are your big chance."

—FRITZ REINER, OPERA CONDUCTOR

"Small opportunities are often the beginning of great enterprises."

—DEMOSTHENES, GREEK ORATOR

"To unpathed waters, undreamed shores."

—WILLIAM SHAKESPEARE, ENGLISH POET AND PLAYWRIGHT

"When written in Chinese, the word 'crisis' is composed of two characters—one represents danger, and the other represents opportunity."

—JOHN F. KENNEDY, FORMER AMERICAN PRESIDENT

“Smart Growth” Drives Corporate Expansion

As corporations continue to tighten their belts in the wake of the global economic crisis, “smart growth” strategies are expected to fuel real estate expansion in 2011. A recent Global Corporate Real Estate Survey recent released by Jones Lang LaSalle and Thomson Reuters found an overwhelming 97 percent of respondents are already supporting their business with one or more tactical real estate plays to reduce costs and boost productivity.

Ultimately, commercial real estate professionals will be increasingly challenged to deliver solutions that add value. In fact, 77 percent of respondents expect CRE leaders to be more actively involved in developing and implementing strategic business plans as companies expand or look to “right-size” their organizations. The survey polled more than 500 commercial real estate executives in a variety of industries and countries around the world such as the United States, China, India, Australia and the United Kingdom.

Focusing on more efficient use of space is certainly a wise move considering commercial real estate typically accounts for 7 to 12 percent of a corporation’s total



operating costs. Yet the survey also suggests that many companies are ready for growth. Thirty-nine percent of respondents anticipate an increase in the total size of their global real estate portfolio over the next three years, while 31 percent predict a reduction.

Although corporations are in a stronger cash position today, there are still significant obstacles to expansion. Forty-three percent of respondents cited “uncertainty around future shape/size of business” as the major impediment to growth, followed by 29 percent who voiced concerns about “economic uncertainty.”

For more information, visit www.joneslanglasalle.com.

NOT SO TROUBLED REAL ESTATE?

The latest research shows a welcome improvement in commercial and multifamily mortgage delinquency rates. During fourth quarter, delinquency rates on loans held by banks and thrifts actually declined for the first time since 2006. The 90+ day delinquency rate held by FDIC-insured banks and thrifts was 4.19 percent in fourth quarter, a 0.22 percent drop over third quarter results, according to the Mortgage Bankers Association’s Commercial/Multifamily Delinquency Report.

Loans held by life companies, Fannie Mae and Freddie Mac have remained relatively strong throughout the downturn with 60+ day delinquency rates that are well below the 1 percent mark. The 60+ day delinquency

rate on loans held in life company portfolios remained at a negligible 0.19 percent in fourth quarter. During the same period, the 60+ day delinquency rate on multifamily loans held or insured by Fannie Mae and Freddie Mac held at 0.71 percent and 0.31 percent, respectively.

In contrast, commercial mortgage-backed securities (CMBS) mortgages continue to struggle with delinquencies on CMBS loans, reaching their highest level since 1997. The 30+ day delinquency rate on loans held in CMBS increased 0.37 percentage points to 8.95 percent.

For more information, visit www.mortgagebankers.org.

search me

www.justice.gov/dea

If you think clandestine meth labs can't happen in the buildings you manage, think again. Did you know the U.S. Drug Enforcement Administration (DEA) seized over 1,703 kilograms of methamphetamine in 2009? Check out the DEA's website for threat assessment information, legislative resources, publications and drug prevention techniques.

www.nuflowtech.com

Nu Flow manufactures and installs innovative green technologies to rehabilitate the inner infrastructure of deteriorated or failing water piping systems using an array of cured-in-place epoxy pipe lining solutions. This site is a go-to source for clean water solutions, offering options that are more affordable than re-piping drinking water, drain, mechanical and sanitary line systems.

www.leaseaccountingchanges.com

Jones Lang Lasalle has created a new website outlining the updated regulations and changes to the new lease accounting standards, implemented by the Financial Accounting Standards Board (FASBY). Check out the Lease Accounting Checklist to gauge what you need to do to prepare and organize for these changes.

www.usgbc.org

Go to the U.S. Green Building Council's (USGBC) website to browse a directory of LEED projects and case studies, read a review of the LEED Rating System Checklist, or browse tips for creating a healthier, safer environment for those who occupy the buildings you manage.

fast facts

► "Q" is the only letter in the alphabet that does not appear in the name of any of the United States.

The "pound" (#) key on your keyboard is called an **OCTOTHORP**. ◀◀

► If you bite down on a **WINT-O-GREEN LIFE SAVER** in the dark, you will see sparks.

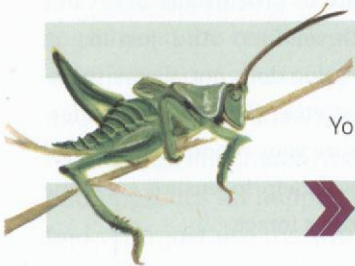
Each year, Americans throw out enough **SODA POP CANS AND BOTTLES** to reach to the moon and back—twenty times. ▶▶

► **CRICKETS** hear from their knees, and they chirp from their wings.

You can't **HUM** while holding your nose closed. ◀◀

► Your **FOOT** is the same length as your **FOREARM**.

► The term "**THE BIG APPLE**" was coined by touring jazz musicians of the 1930s who used the slang expression "apple" for any town or city. Therefore, playing in New York City was playing the big time—The Big Apple.



VENDOR-ADDED VALUE Mastering the art of scaling back and keeping your reputation intact



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

WHEN LOOKING AT YOUR VENDOR LIST TODAY COMPARED WITH THAT SAME LIST FROM 2008, are there vast differences? Are there any who were your “go-to” vendors in 2008 that are no longer in business? Or is a formerly broad-based vendor now specializing in one area, or vice-versa? Clearly, one way in which the economic downturn has impacted our property management services is through its impact on our vendors: who they are, what they provide and the rates that they charge to our clients.

During this difficult downturn, a colleague shared with me that it would not be *who* survived the downturn, but *who survived with their reputation in place*. That conversation has remained with me, not only in how I operate my business, but in the vendor relationships I have been fortunate enough to sustain as well as in the new ones I have cultivated.

For many properties, available income has diminished and there is an increased need to get the longest life possible out of buildings’ systems—making preventative maintenance even more important. Finding ways to build mutually beneficial relationships with your vendors can equate to having that ability to keep your properties’ infrastructure—and systems—in good order while also maintaining your integrity and your reputation as a whole.

For example, when opportunities arise for cut-rate pricing, they must be carefully weighed. Rather than going for the lowest pricing by switching vendors, can you instead scale back some services with your current vendor and still maintain high quality?

Aside from the practical matter of cutting back services within reason, raising awareness on the value of exceptional service from your vendors is essential. Providing the best services, day in and day out, enhances all relationships. What better way to keep business than by being the best, through good and bad times? Imparting this to our vendors and getting their buy-in will no doubt prove to be positive.

Providing regular improvement feedback about what can be done better, for example, will help keep your vendors at their best. When staff reduction is needed, partnering with your vendor by outsourcing functions to them can also enhance your relationship.

Altogether, opportunities abound for putting the best operational practices in place with your vendors so they can truly add value. Coaching both your front line personnel and your vendor team will assist in everyone’s ability to be effective and help achieve your goals.

While this type of mutual benefit is always desired, it does not necessarily mean putting your vendors above your clients. If mutual benefit is not achievable, then switching vendors may be the prudent course, loyalty aside.

As stewards of our client’s resources, we all hold a responsibility to procure the best value when working with vendors. And, just like in prosperous times, value does not always translate into the lowest cost. Knowing this difference, and making sure your vendors understand your philosophy, will help to ensure everyone keeps their reputations intact. ■



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3 STEPS TO TAKE WHEN THINGS GO WRONG

Key communication tactics ensure smooth sailing through crises



SHANNON ALTER, CPM (SHANNON@ALTERCONSULTINGGROUP.COM), IS PRESIDENT OF ALTER CONSULTING GROUP IN SANTA ANA, CALIF.

YOUR CELL PHONE RINGS AT 11:05 P.M. IF YOU'RE LIKE ME, YOU KNOW THAT CALLS AT THIS HOUR ARE RARELY GOOD NEWS. The caller is your client, informing you that the evening news has reported a major incident at your building. Your worst nightmare has indeed come true. What do you do?

Incidents can and do happen to our properties and our companies. Natural disasters, fires, robberies, corporate calamities and even deaths occur. How your company handles the challenges and manages the situation can make all the difference between a stellar—or a damaged—reputation.

Avert communication mishaps with these simple tips:

DO PREPARE

Don't underestimate the value of advance preparation. Almost everyone has experienced a public relations snafu. The trick is having the finesse to ensure it doesn't turn into a public relations nightmare.

The best plan of attack is always to address an incident up front—no one likes surprises. Think through possible scenarios and be prepared to state what you know and what you will do. Be ready to execute. If a crisis occurs on your property, use it as a learning experience to motivate and train your team. This is one area where rehearsal and repetition are critical.

At the start of my first career in hotel management, there was a major catastrophe at another large metropolitan hotel. People gathering to watch a dance competition found themselves entangled in a tragedy when the

walkway they were on collapsed due to a structural failure; over 100 people were killed and scores were injured in the midst of the chaos. The lesson learned has stayed with me: you can never predict how those in charge will react in an emergency, so it's crucial to make sure everyone knows their role.

DON'T DELAY

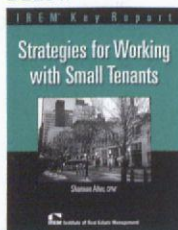
When something happens, 'fess up! It's true that bad news definitely does *not* get better with age, so tell it all and tell it soon. The best advice I've heard is to react quickly and positively. Delay and your clients will know it—so will the marketplace. Think about it: your company's true assets are its reputation and credibility—two things you've worked so hard to establish—but they can disappear in a flash with improper handling of a crisis. And don't underestimate the power of the rumor mill—without direct information from you, people will fill in the blanks. Count on it.

DON'T OVERLOOK THE SIMPLE STUFF

This is one place where you *should* sweat the small stuff: details matter. When the snowstorm of the century occurs, you want to be confident that you've covered all your bases. Now is not the time to discover that no one has collected updated emergency contact information for tenants and employees. Be sure to have a plan in place to communicate with your tenants, perhaps via updates posted on your company website.

While it's not always possible to avoid a crisis, you can be cool, calm and collected—even under fire. Breathe a sigh of relief: you're not on the 11:00 news. ■

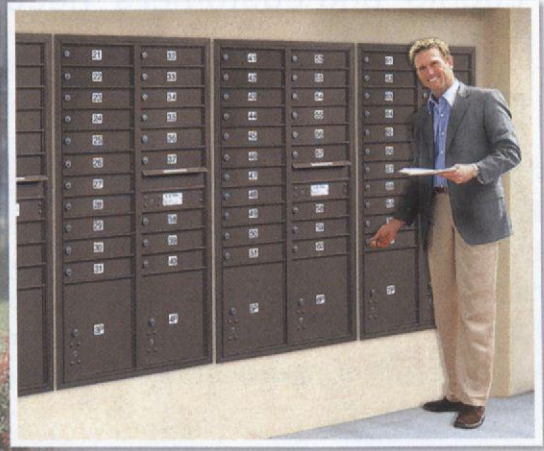
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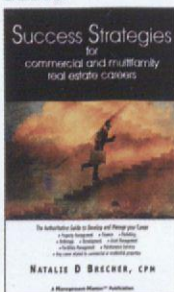


CUSTOMER-CENTRIC SERVICE Making your clients' and customers' needs your first priority pays



NATALIE D. BRECHER, CPM (NBRECHER@BRECHERASSOCIATES.COM), IS PRESIDENT OF BRECHER ASSOCIATES IN REDONDO BEACH, CALIF.

MS. BRECHER IS ALSO THE AUTHOR OF THE PUBLICATION BELOW



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A BUSINESS MUST SERVE ITS CLIENTS'/CUSTOMERS' NEEDS FOR IT TO THRIVE. As a leader, you must first serve your employees, who in turn will better serve the customer. Use this philosophy to maintain a strong customer-centric business and apply the following questions as the basis for investigating your firm's ability to provide the best in service.

Serve: Everyone's priority must be to serve their customers. That includes delaying internal business needs to address customer needs; going off-policy to provide service; and declining work when your expertise is not a fit. Serving has its costs, but not serving is even more costly.

Q: Do all staff members "live" the main purpose of their jobs: to serve the customer? When a customer requests attention, is non-customer work put aside? Are policies broken or changed when needed? Is staff rewarded for serving the customer?

Exceed Expectations: Using hotels as an analogy: People have different expectations of a Holiday Inn versus a Ritz Carlton. If you're offering Holiday Inn products and/or services, when you provide services at a Marriott level, you've exceeded expectations, which results in more satisfied customers.

Q: What do your customers expect? How do you measure exceeded expectations? Are all staff in agreement with the expectations and measurements in place?

Recover: When—not if—a mistake or omission happens, the ability to recover well will move customer loyalty to a higher level.

Q: Are preventive processes existing in places where mistakes are more likely to happen? Are

all personnel trained in conflict resolution and problem-solving?

Value: Appreciate the value of your customers. Customers do not think the world revolves around you. Quite the contrary, your world revolves around them!

Q: How can each staff member show customers their business is appreciated on a consistent basis?

Be Accurate: All information conveyed must be accurate; it's that simple. Statements of conjecture should be labeled as such when they may be mistaken as fact.

Q: Are personnel mindful of differentiating between fact and conjecture? When important, are facts verified with more than one source?

Provide Notable Results: It's been said "everything comes down to relationships," but here's disagreement. Notable results—not simply task completions—can trump relationships. How often have you done business with a company that is not your preferred choice based on the relationship, but its results were superior? Ultimately, customer-centric service makes for first-rate relationships as well.

Q: How do your customers measure results? How are gaps in performance resolved?

Be Timely: The adage, "If you're not early, you're late," applies when serving customers. Whether it's responding to a service request or arriving for a meeting, timeliness is crucial to maintain trust.

Q: Are quantifiable deadlines mutually agreed upon when feasible? Are records maintained to record timely performance and steps taken when not met?

Who controls your communications when...

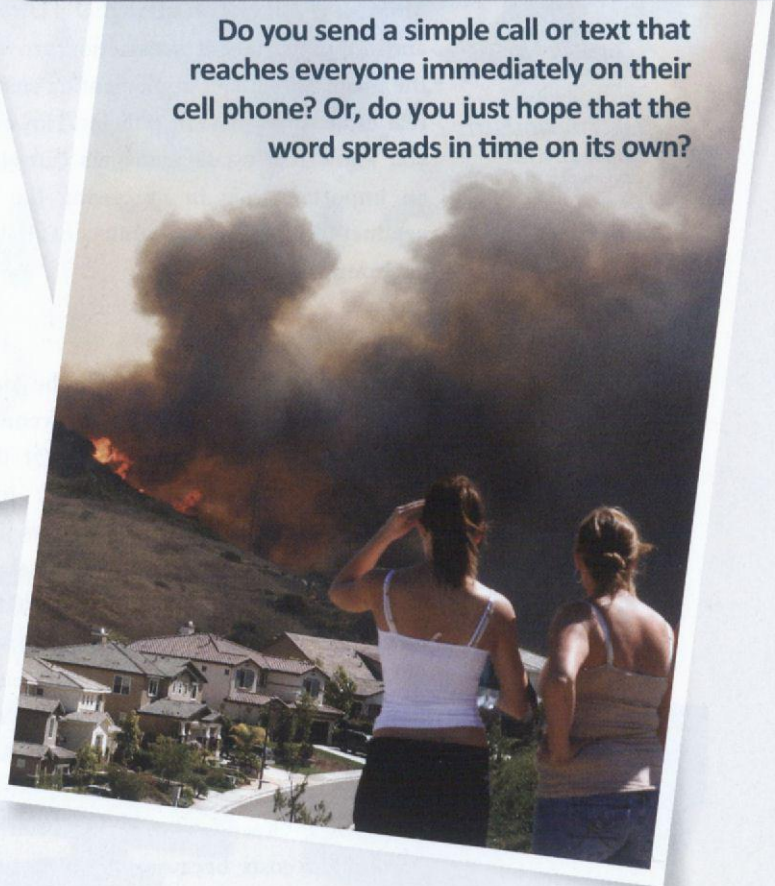
The unexpected happens... a stalled elevator or the roof leaks?

You? Or...
Mr. G. Ossip in 10B?



A crisis occurs, such as a fire or evacuation?

Do you send a simple call or text that reaches everyone immediately on their cell phone? Or, do you just hope that the word spreads in time on its own?



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DO YOU KNOW YOUR IEQ? Low- and no-cost indoor improvements boost asset value and tenant morale



JOHN KLEIN (JKLEIN@JDMGMT.COM), IS THE PRINCIPAL OF JDM ASSOCIATES IN FALLS CHURCH, VA.

YOU'VE LIKELY HEARD THAT LOWER OPERATING COSTS, HIGHER NET OPERATING INCOME, INCREASED MARKETABILITY, REDUCED TURNOVER and improved tenant satisfaction are some of the major benefits of implementing sustainable real estate management policies. However, did you know real estate managers can also play an important role in improving the health, productivity and profitability of the office environment?

TIME IS MONEY

According to a study published in the *American Journal of Public Health*, improvements to indoor environmental quality (IEQ) through green building practices can increase productivity by almost 40 work hours per year per employee—essentially an additional week of work each year. Even for a modestly sized tenant company with 50 employees, adding 50 weeks of productive work per year could lead to hundreds of thousands of dollars of additional revenue. A healthier work environment has been shown to reduce insurance premiums, further lowering a firm's costs. Greener workspaces even reduce recruitment costs because employee turnover decreases.

Tenants with lower costs and more productive employees have a better chance of weathering the current economic downturn—or even expanding and leasing additional space—providing the property with increased income. Tenants with a healthier bottom line will also be more likely to invest with the owner in energy-efficient upgrades to their existing space.

BECOME A "GREEN ADVISOR"

While you may not have direct control over the

occupant's workspace, you can still play a vital role in benefiting the tenant's interests while lowering your building's operating costs by acting as a "green" advisor.

As you promote IEQ improvements and demonstrate engagement in enhancing their work environment, you will build stronger relationships with tenants. Consider facilitating short seminars or distributing electronic newsletters educating tenants on different aspects of a healthier work environment. For example, IEQ improvements such as adding color to office walls, or installing mirrors, interior windows or openings can enhance the space and improve worker morale and productivity. Be sure to suggest tenants use natural, non-toxic paint with a "zero-VOC" or "no-VOC" level, which can greatly reduce the undesirable side effects of volatile organic compounds found in most paints.

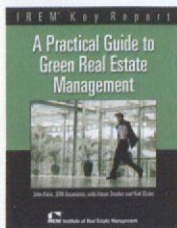
A LITTLE GOES A LONG WAY

Office workers may spend more of their waking hours in commercial buildings than in their own homes, and even a few simple changes to their work environment will make them happier, healthier and wealthier.

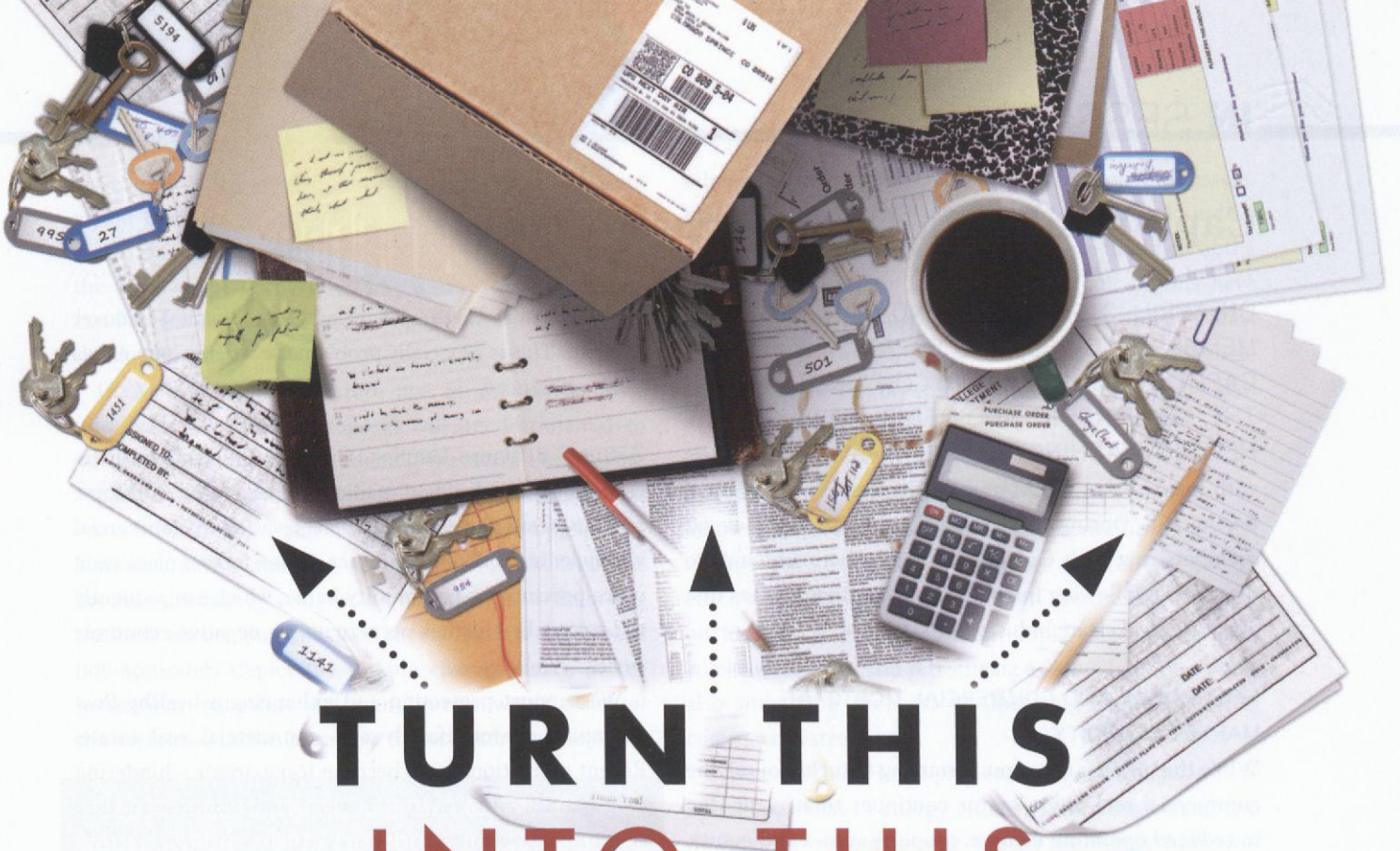
Even low- and no-cost improvements—such as rearranging office cubicles to increase daylight exposure, installing efficient lighting, maintaining low humidity levels, or adding artwork or photos—have been shown to boost employee productivity and reduce absenteeism.

When increasing your building's IEQ leads to lowering its bottom line—it's the cherry on top that can ultimately attract and retain tenants, leading to higher NOI and increased asset value.

MR. KLEIN IS ALSO THE AUTHOR OF THE KEY REPORT BELOW



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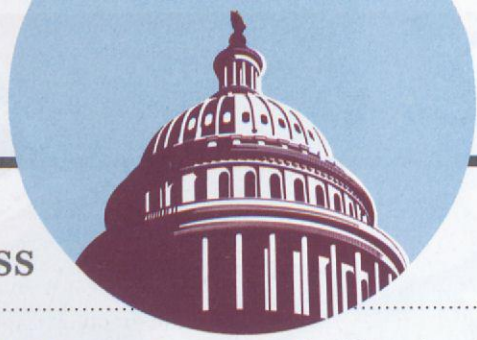
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Capitol Hill Visit Day a Success

ON APRIL 13, 2011, IREM AND CCIM INSTITUTE MEMBERS JOINED FORCES AT THIS YEAR'S CAPITOL HILL VISIT DAY IN CONJUNCTION WITH THE LEADERSHIP AND LEGISLATIVE SUMMIT HELD IN WASHINGTON, D.C. It was a huge success with nearly every IREM and CCIM chapter represented on the Hill. During this exciting and educational event, members met with Congressional members and staff to discuss the following important and pertinent issues that affect the real estate industry:

MULTIFAMILY AND COMMERCIAL MORTGAGE MARKET LIQUIDITY

While the broader economy is starting to turn around, the commercial real estate sector continues to struggle due to reduced operating income, property values and equity. Additionally, commercial practitioners have experienced difficulty in obtaining construction and land development loans, small business loans, short-term loans for capital improvements as well as financing and refinancing for mortgages.

Three main problems continue to negatively impact commercial real estate financing: bank liquidity, an equity gap and a contraction in small business lending.

1. Bank Liquidity. Plummeting commercial real estate values have forced many regional and community banks—a significant source for commercial real estate lending—to take steep write-downs, resulting in bank failures and credit reductions.

2. Equity Gap. Over half of all commercial mortgages are currently “under water” and many lenders are demanding

Over half of all commercial mortgages are currently “under water” and many lenders are demanding that borrowers come up with additional capital to cover this gap.

that borrowers come up with additional capital to cover this gap. This is especially problematic when a loan needs to be refinanced.

3. Small Business Lending. Credit to the small business community has declined, leading to a decreased workforce and business failure, as well as an elevation in commercial vacancies and falling rent prices. These factors place even more pressure on community banks which consequently reduce credit—further perpetuating a negative economic cycle.

We support protecting and enhancing a healthy flow of capital to multifamily and commercial real estate. Recent regulations have become too extreme—hindering commercial real estate recovery and limiting further economic growth.

While there are alternative sources of multifamily and commercial real estate loans, such as commercial mortgage-backed securities (CMBS), current lending level demands are far below the supply.

▶ **IN THE REGULATORY AREA, THERE ARE TWO EXAMPLES THAT WOULD SPUR MORE LIQUIDITY IN COMMERCIAL MORTGAGE MARKETS.**

1. Term Extensions. Currently, lenders are not offering term extensions because they are wary of oversight and regulatory concerns. For properties able to support their current debt, a simple loan extension is a reasonable and practical solution, as most commercial loans are short-term and refinance frequently. Lenders that extend the term of the current loan (instead of refinancing at the end of the loan term) avoid an equity gap—which is mutually beneficial for borrower and lender. Federal guidance to encourage more usage of term extensions within the banking industry is a strategic tool that needs to be utilized for commercial loan transactions.

2. Lease Accounting. The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) have proposed new accounting rules that would force many companies to capitalize commercial

leases onto their balance sheets. Larger balance sheets would force lessees to shorten lease terms to minimize costs. Since lessors raise financing by using the leases and the value of the property as collateral, the amounts they can borrow in the future could be reduced if lease terms are shortened.

IREM and CCIM Institute are concerned that the new lease accounting proposal will be detrimental to our nation's economy by reducing the overall borrowing capacity of many commercial real estate lessees and lessors. Also, IREM and CCIM Institute are opposed to lease accounting standard changes that would treat the income producing real estate business as a financing business on company balance sheets. Such a step would not accurately depict the unique characteristics of the investment real estate sector and in turn would discount the usefulness of the industry's financial statements.

▶ IN CONGRESS, THERE ARE TWO EXAMPLES THAT WOULD SPUR MORE LIQUIDITY IN COMMERCIAL MORTGAGE MARKETS.

1. Covered Bonds. Covered bonds—which have long been an important sector to strengthen financial markets in other countries—are securities created from loans, including mortgage loans. They are similar to mortgage-based securities (MBS), but with one major difference: The loans backing the bond remain on the balance sheets of the issuing banks.

Several economists now believe that covered bonds in the United States have the potential to supplement securitization and to form part of a well-diversified liquidity management program for financial institutions and other issuers. Covered bonds allow banks to raise funds by selling bonds to investors. The bond is backed by the collateral of the asset and the bank's contract to repay. Investors like covered bonds because the investor has recourse against both the financial institution who issued the bond and the assets that back the bond. Therefore, banks who issue bonds have a stake in assuring the long-term viability of the mortgages underlying the bond.

2. Credit Union Lending. During previous economic crises, consumers and businesses have relied on credit unions to fill in the gaps where banks could not serve them. Today, however, credit unions are hampered by

a business lending cap of 12.25 percent of total assets. Many commercial real estate professionals are finding the lending cap to be an obstacle as more than half of the outstanding business loans held by credit unions have been extended by those approaching or at the cap. Last year legislation was introduced in the House and Senate to increase the cap on credit union lending to 25 percent of total assets.

ENERGY-EFFICIENT BUILDINGS

While the debate over climate change continues, Congress is expected to consider legislation to promote energy efficiency and lessen the United States' dependence on foreign oil. Such legislation could affect the cost of constructing new and retrofitting existing buildings while also impacting the cost of operating multifamily and commercial structures.

A recent White House proposal advocated an incentive-based approach to energy efficiency for commercial and multifamily properties. Its "Better Buildings Initiative" suggests changes to the existing Section 179(d) under the building efficiency tax incentive. This initiative calls on Congress to draft and pass legislation that would change the tax to a credit rather than a deduction. This would create an incentive to make costly energy efficient upgrades. It would also change the rules so that Real Estate Investment Trusts (REITs) could use the credit. Additionally, the initiative would create a loan program within the Department of Energy (DOE) to provide financing for property owners wishing to make energy-efficient improvements to existing buildings.

We are certain that federal legislators were educated and impressed with the knowledge and experience brought to the Hill by IREM and CCIM Institute members. The IREM Legislative Staff will monitor the above mentioned issues and report back when necessary. Once again, a hearty thank you to all who participated in the 2011 Capitol Hill Visit Day! We owe the success of the event to YOU. ■



To read more about the 2011 Leadership and Legislative Summit and Capitol Hill Visit Day, view the LLS Digital Supplement online at www.irem.org/digital.

CITY HALL WITH A TWIST

One Technology Center adds zest to Tulsa's image

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 MARIANA TOSCAS NOWAK AT MNOWAK@IREM.ORG.

THE \$224 MILLION, 15-FLOOR, TECHNOLOGICALLY ADVANCED BUILDING IS INNOVATIVE EVEN AFTER 10 YEARS.



City governments have a lot of on their plates in today's volatile political and economic environment. Juggling everything from balancing budgets to recovering from natural disasters, running a major U.S. city is more than full time job. And yet, the city of Tulsa recently added becoming a landlord to its list of duties.

In 2008, under the leadership of former Mayor Kathy Taylor, the city purchased One Technology Center as a way to consolidate employees and assets from five separate locations into a new City Hall. In taking ownership of this building, the city also became the landlord to three corporate tenants.

Mayor Taylor saw this opportunity as a way to improve efficiencies within city government by having as many city functions as possible in one building. She recognized that this move would also help improve occupancy rates and create economic development throughout the city in the office spaces the city had previously occupied. For instance, the former City Hall was purchased by an investment company that is redeveloping the property into a hotel located near the city's new arena.

Further, the new City Hall has helped rejuvenate the central business district.

"I can see a difference in the amount of foot traffic in this area," said Tawnie Larson, CPM, the CB Richard Ellis senior real estate manager for One Technology Center. "It used to be slow around here over lunch and before and after work, but it has picked up now. It has been a revitalization of this area."

Of course, becoming a landlord to Class A office tenants is not an easy job. Maintaining that Class A distinction was incredibly important to the building's corporate tenants. CB Richard Ellis was hired to manage the property and to

ensure a smooth transition of the space.

"City governments are not usually landlords with third-party tenants, so that was the biggest challenge at the beginning," said Larson. "I worked with them to help them understand that when you have tenants paying rent, they are your customers, so their needs are escalated. There is a timeline for responding that is expected in a Class A facility."

GOING PUBLIC

One of the tenants' biggest concerns was that the building was changing from a private office building into a public space.

"They were wondering if there would be people just wandering around the building once it was opened for business for the public," said Larson.

To assuage these concerns, Larson worked closely with Tulsa's chief of security and maintained open communication with the tenants.

"We had multiple meetings with them before the city moved in so everyone understood what the process was," she said.

Certain areas within the property restrict public entry, and there are access controls on every floor. To further create separation between the tenants and the public, the city created two separate entries into the building: a public entrance and a tenant entrance.

TEN YEARS YOUNG

When it was built 10 years ago by the Williams Companies as the headquarters for Williams Communications (WilTell), the property was a 15-floor high-tech, fiber-optic digital communications powerhouse, with a \$224 million price tag. The all-glass building was a



single-tenant property with the capacity to hold about 4,000 employees.

The building was designed to be first-class all the way. Stone floors, glass paneled walls and stainless steel design details gave it a modern appeal.

“The building is now 10 years old, and it still looks like it is brand new in some areas because it was built with such vision 10 years ago,” said Larson.

With energy efficient mechanical systems, the building’s infrastructure was ahead of its time. A solar well on the east side of the building serves as a thermal buffer during the morning heat-gain and allows the building to use only 50 percent of the energy of comparable buildings.

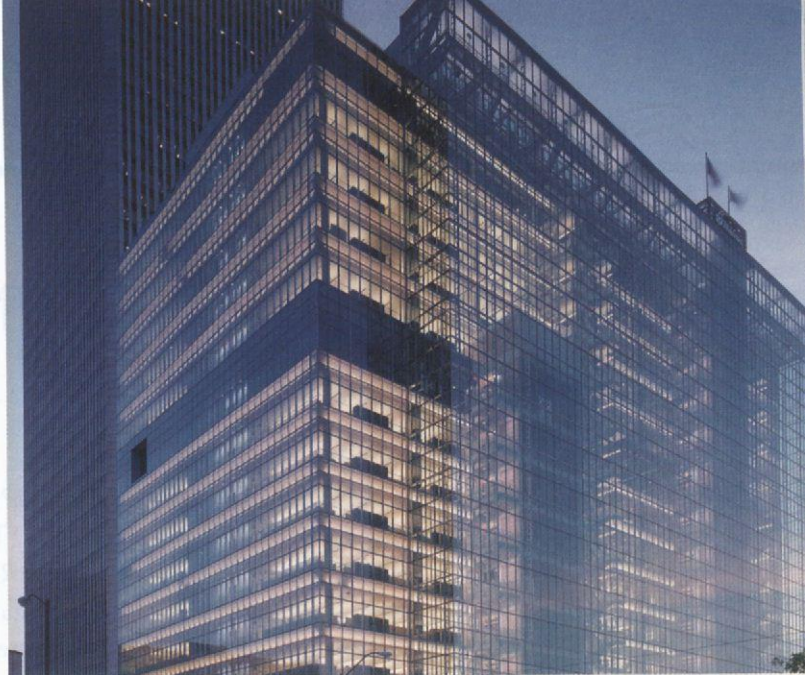
The interior space was equally innovative, with an open floor plan and state-of-the-art technology. The building is totally wired, internet-ready and video-capable. The workstations are all plug-and-play, making it very easy for new tenants to move into the space.

Although the workstations are open to encourage communication, WilTell also wanted to provide employees with the privacy they required. Each floor has a large glass-enclosed conference room called a chat room, smaller, four-person conference rooms called huddle rooms, and privacy rooms. A common area in the middle of each floor, called the internet café, is set up with diner-style booths and high tables, all wired for plug and play. The internet café also has a bar area with bar stools, vending machines and coffee.

SWITCHING PARTY LINES

As the telecommunications industry began taking major hits in the early 2000s, WilTell filed for bankruptcy in 2002 and could no longer occupy the entire building. The building went on the market in 2005, and the city purchased it in late 2007 from an investor.

Today, one of the most unique setups within the building is on the 15th floor, which houses shared space between the Bank of Oklahoma (BOK) and the Mayor’s office. The 15th floor originally functioned as the executive



ORIGINALLY BUILT AS THE HEADQUARTERS FOR WILLIAMS COMMUNICATIONS (WILTELL), ONE TECHNOLOGY CENTER IN TULSA HAS TRANSFORMED INTO A STATE-OF-THE-ART CITY HALL—REINVIGORATING THE CENTRAL BUSINESS DISTRICT.

space for WilTell, so the floor plan is a bit different than the rest of the floors, which are all open to accommodate about 300 people. The 15th floor is a combination of 100 workstations on the west side and hard-wall offices on the east side.

BOK resides on the west side of the floor, utilizing the open workstations and a few hard-wall offices. The city then utilizes the east side of the floor, occupying primarily hard-wall offices. BOK and the city share some of the internet café and break area spaces, but they each have their own conference rooms. The 15th floor is also equipped with a white noise system in the ceiling, which provides more privacy for the city and the bank.

“[Former] Mayor Taylor had a strong relationship with the Bank of Oklahoma, and even though she didn’t run for office again and is no longer the mayor, there is still mutual respect between [BOK and the city], and an understanding that this is a shared space, so there are not any issues,” said Larson.

The move into One Technology Center has been a sound financial move for the city as well. For instance, the city now occupies 30 percent less total office space and the building’s energy efficiency is expected to offer long-term savings in energy costs compared to the former city offices.

Yes, running a city government is tough work. But since the city of Tulsa took ownership of One Technology Center, it established a creative and effective way to make government itself less expensive and more efficient. ■

A GEM IN THE CROWN

The Queen City of Charlotte is the buzz of the nation

MARIANA TOSCAS NOWAK, MFA, IS THE EDITOR OF *JPM*®. IF YOU HAVE QUESTIONS ABOUT THIS ARTICLE OR YOU ARE AN IREM MEMBER INTERESTED IN WRITING FOR *JPM*®, PLEASE E-MAIL HER AT MNOWAK@IREM.ORG.

EIGHT OF THE NATION'S 500 LARGEST CORPORATIONS, LISTED BY *FORTUNE* MAGAZINE, HAVE HEADQUARTERS IN THE CHARLOTTE AREA.

WHEN BRITISH GENERAL LORD CHARLES CORNWALLIS OCCUPIED THE "QUEEN CITY" OF CHARLOTTE, N.C. DURING THE REVOLUTIONARY WAR, he encountered such strong resistance from its resident patriots, that he wrote the city was "a hornet's nest of rebellion." True to their nickname, Charlotteans have stuck together and harnessed their competitive spirit and pride to drive out the venom of the recession.

"Charlotte has always been a city that sees itself as being different than the rest of the country, or even the rest of the state," said Mary Wilken, CPM, CCIM, CMCA, AMS, President of Home Management, LLC in Charlotte. "The economic downturn seemed to take us by surprise as we were not used to being impacted as deeply as other areas were impacted—if at all."

Historically, making the transition from tobacco to textiles and furniture to research, energy and banking, demonstrates Charlotte's ability to roll with America's economic punches

and adapt and innovate in order to survive and thrive.

"Despite a long manufacturing sector decline and the financial crisis which battered the economy, Charlotte's 'can do' attitude is still present," said Thomas Lawing Jr., CPM, of T. R. Lawing Realty, Inc., AMO, a family-owned company serving the Charlotte region for more than 50 years.

Perhaps that's part of the reason why President Obama—with the economy certain to dominate his re-election bid—chose Charlotte as the location of the 2012 Democratic National Convention.

Rejecting bids by Cleveland, Minneapolis and St. Louis, the Democratic National Committee chose Charlotte as the party's first Southern convention since 1988. Officials expect the convention to generate more than \$150 million in economic benefits for the city.

"The announcement of the DNC seems to have taken the city a bit back toward its prior, improved 'self-view,'" said Wilken. "I really think it helps our internal perceptions about Charlotte, which in turn will lead to even more beneficial gain."

RETAIL IS A TEMPORARY BUZZ-KILL

Aside from the projected boost in all sectors of real estate from the DNC, Charlotte still faces hard work ahead as developers work to secure future commitments from retailers in order to assuage the current lapse in construction. The retail market was trending in the right direction by fractions of a percentage point in the fourth quarter of 2010, with a drop in the vacancy rate by .3 percentage points from 9.8 percent to 9.5 percent according to a *MarketView Charlotte* retail report from the same quarter by CBRE.



Despite more stringent underwriting from banks for items like new computers and maintenance trucks, Lawing said his business was faring well because their cash, credit rating and equipment were in good shape before the recession.

"Newer, less well-equipped real estate companies are experiencing borrowing difficulties," he said.

The market-weighted average asking lease rate declined to \$18.03 per square foot in the fourth quarter of 2010, which is the lowest asking rent in the Charlotte market since 2006. Landlords also continue to face challenges of high vacancies and lower rents; retailers are thus adjusting their sales expectations, according to the CBRE report.

"High-end retail centers seem to stay full due to their traffic and location," said Beth Machen, CPM, LEED AP, president of Machen Advisory Group, Inc., in Charlotte. "Smaller strip malls that are not in prime locations are struggling to survive, and that has not changed. In fact, we are still struggling to keep tenants in place so as not to have empty shopping centers."

Machen said owners are having difficulty keeping shopping centers out of foreclosure, but have been successful in working with lenders to refinance loans that help the owner keep the property afloat until the market improves.

"I will tell you that we have seen increased traffic in the strip shopping centers," Machen said, "but no leases yet!"

Even with the current holding pattern, there is hope for the future of the retail market. Developers are obtaining commitments from retailers for early 2012 delivery dates, allowing ample time for the absorption of vacant properties.

"I look forward to that day," said Machen.

HONEY IS NOT FAR FROM THE STING

On the multifamily front, Lawing said many transplants have encountered difficulties selling their homes in other parts of the country and, as a result, local vacancy rates—especially in single-family rentals—continue to drop.

"We have fewer vacancies today than at any time in the last five years," said Lawing.

Higher occupancy has resulted in increased attention to details that can improve living conditions.

"I manage several condominium associations, some of which are in the uptown (also known as the 'downtown') market," said Wilken. "Things such as park improvements in the downtown area, which will positively impact an adjacent property I manage, are anticipated to occur now rather than remain back-burnered."

On the flip-side, Lawing said the sales market is in a slump as the foreclosure epidemic continues.

"More than half of the residential property sales in Mecklenburg County last year involved a foreclosed home or one on the brink of foreclosure," he said. "The brink spread beyond low-priced starter homes to higher-end subdivisions more than a year ago."

OFFICE MARKET IS THE BEE'S KNEES

In the office sector, vacancy rates for Class A commercial office buildings in Charlotte fell from 15.3 percent in the second quarter of 2010 to 14.6 percent in the third quarter, according to the *Colliers International* third quarter office highlights report. The area is rich with new business growth, as quality business and industries continue to locate in Charlotte.

"The diversity of Charlotte energizes everything," said Lawing. "More than 565 foreign-owned companies have Charlotte facilities because of its very business-friendly attitude. Our cost of living is below the national average."

Charlotte is a lightning rod for jobs. Eight of the nation's 500 largest corporations, listed by *Fortune* magazine, have headquarters in the Charlotte area. SPX Corporation, a Fortune 500 Company, BAE Systems and Capgemini are collectively adding 906 jobs and injecting over \$77 million into the Charlotte market, according to the Charlotte Economic Chamber of Commerce.

"Location! Location! Location! Charlotte is only two hours east of the Appalachian Mountains and three hours west of the Atlantic Ocean," said Lawing. "It's a great place to call home."

Perhaps that's why North Carolina was the fastest growing state in the Southeast, and Charlotte's population has passed Denver, Seattle and Boston over the last decade.

"We love it," said Machen. "But don't tell anyone about how great it is—it's just our little secret!" ■

A GEM IN THE

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GREAT QUAKE- TSUNAMI

JAPANESE PROPERTY MANAGERS TURN TO MOBILE TECHNOLOGY AND SOCIAL MEDIA DURING A CRISIS

The Great Quake-Tsunami—referring to the 9.0 magnitude earthquake/tsunami twin disaster that ravaged the Pacific coastal areas of northeastern and eastern Japan on March 11, 2011—left thousands dead, equally as many missing and millions of dollars of damages in its wake. In the midst of the chaos, Japanese property managers were able to use mobile technology to stay in touch with each other and their tenants/owners when typical means of communication were shut down.

The following is the perspective of Kiyoshi Inomata, CPM, an IREM Member who works in the Tokyo / Yokohama area of Japan. >>

IMMEDIATELY FOLLOWING THE EARTHQUAKE, THE MOST COMMON SERVICE REQUESTS WE RECEIVED FROM TENANTS INCLUDED:

1) Restoration of natural gas service, which got turned off following the earthquake by a fail-safe device; 2) restoration of elevator services; and 3) repair of leaks in the water supply and drainage system caused by shears. However, due to public transportation shut-downs accompanied by major traffic jams, lack of gasoline and degradation of communication between our staff, tenants and owners, we were limited in our ability to provide a typical level of service to tenants.

SAVED BY SMARTPHONES AND SOCIAL MEDIA

Because of overloaded telephone circuits, cell phone calling capabilities were limited for the first few days after the earthquake. As a result, emergency communication methods using Smartphone applications and social media

sites became all the more important. For example, we were able to share information among our employees using Twitter immediately after the earthquake, enabling us to follow up with our tenants and owners quickly. We had never appreciated the vast usability of technology before; indeed, Internet usage from mobile devices has proven to be a superior communication vehicle for emergency situations. Our company provides Smartphones to all employees and makes registration for Viber and Skype mandatory. We also download disaster-related applications such as "RadioJP," which was quite helpful in getting information at the time of disaster; "The Quake is Coming," an earthquake flash report; "Blackout Search," which pinpoints planned outages; and "Family Medical Dictionary," which references first-aid treatment methods.

With our elderly tenants and owners who do not use the Internet, we had no choice but to physically visit them until landline phone service was restored to normal (which actually took less time than cell phone service). Fortunately, multiple vehicles with office capabilities and ASP property data management systems made it easier for us to swiftly assess and respond to property damages in our area.

ASSESSING THE AFTERSHOCKS

Even though I work in the Tokyo/Yokohama area—about 400 km (or 250 miles) from the Northeastern region of Japan closest to the epicenter—the earthquake still registered an intensity of six (seven being the strongest) on the so-called *Shindo* scale. Established by the Japan Meteorological Agency, the Shindo scale measures the intensity of shaking at any given location, rather than the strength of the earthquake at its epicenter, like the Richter scale.

As a result of the quake, our area suffered fires at petrochemical complexes, peeling external wall tiles, cracked external walls on condominiums, split foundations on wooden houses, falling ceiling panels, broken glass and the collapse of the parking structure in one of our large commercial facilities (which houses Costco). Tokyo Disneyland, which is built along the filled land of Tokyo Bay, experienced tilted buildings and telephone poles as well as broken street and parking lot pavement due to liquefaction of the ground.

Relatively speaking, however, visible damages were surprisingly small—even structures built with quake-resistant standards put in place before 1981 did not get



[TOP]
BLACK SMOKE
RISES IN A FIRE
OF PETROLEUM IN
TOKYO.

[BOTTOM] YOKOHAMA
OFFICE BUILDING
DAMAGE CAUSED
CRACKS IN THE WALL.

PHOTOS BY INOMATA



significantly damaged. Buildings in the Northwestern region of Japan had limited damages, which resulted from the tsunami rather than the earthquake. According to specialists, despite the intensity of the quake, its seismic wave cycle was relatively short, minimizing damages caused by the sympathetic vibrations of the buildings.

RECONSTRUCTION ON THE HORIZON

Following the record-breaking Kobe earthquake 16 years ago, officials said it would take at least ten years for reconstruction; however, after only six years, visible repairs were made to the priority areas surrounding train stations. The Great Quake-Tsunami, compared to Kobe, was compounded by the tsunami and the accident at the nuclear power plant, both of which will likely increase reconstruction times for areas surrounding the Fukushima nuclear plant and the Northeastern shoreline.

Looking ahead, our main concern is the amount of time it will take to reconstruct buildings in the Northwest that either completely collapsed or were significantly damaged as a result of the tsunami and earthquake. Under normal circumstances, houses in Japan, which are usually two-story wooden structures, take three months to complete, while high-rise buildings and condominiums typically take one to three years to construct. Reconstruction after a major catastrophe is a more complicated and time-consuming process that must factor in damaged factories and industrial complexes, sporadic blackouts due to defunct power plants and a general shortage of all resources, including construction materials, equipment and manpower. Before we begin to rebuild other properties, our priority is to reconstruct vital systems—such as water, sewage, natural gas, electric, road and rail systems—that suffered structural damages.

Since the Tokyo/Yokohama area did not suffer as much damage, our daily work has now returned to business as usual. March is the end of the fiscal year in Japan and it is usually the busiest month out of the year for property managers due to the fact that every few years, Japanese companies typically relocate their employees. However, this year, many are postponing these standard moves

A note from Kiyoshi Inomata, CPM March 29, 2011



Many Japanese, including myself, were touched by President Obama's speech, filled with love and courage, when he announced that the United States would send military personnel as part of "Operation Tomodachi" to assist Japan immediately after the earthquake. Both Japan and the United States, along with the rest of the world, are troubled with many problems. However, as he mentioned, the differences between our countries are very small when compared to issues of humanity. I look forward to the two countries, the world and colleagues of IREM holding hands with bright hope for the future throughout this long journey of reconstruction.

I would like to thank IREM Members as well as the government and the citizens of the United States for their assistance and encouragement in response to this disaster.

because of our unclear economic future, as well as the fact that many companies have temporarily opted to move their offices west, which is affecting the residential market. As can be expected, there is also an increased demand for better earthquake-resistant residences.

When it comes to predicting how the population will respond to this disaster, there are two possibilities: 1) The population in eastern Japan might shift to other areas due to the fear of the effects of the radioactive leak from the Fukushima nuclear plant on food, water and soil; and/or 2) reconstruction work might spur a surge in economic activity, which could in turn drive population growth in those very areas people are currently moving from.


Fortunately, despite the seriousness of the situation, people are staying calm and, depending on how the situation recovers, those who made the move away from eastern Japan might eventually return to their hometowns, which is an important cultural aspect of Japanese society. ■



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CRISIS COMMUN



protect your company's reputation in its darkest hour

by kristin gunderson hunt

**CRISES OF ALL KINDS—
WHETHER SHOOTINGS,
HURRICANES OR PANDEMIC
OUTBREAKS—ARE
INEVITABLE IN PLACES
WHERE PEOPLE LIVE,
WORK AND SHOP.**

And while real estate managers may not be able to affect the outcome of a disaster, they do have the opportunity to take control of communications regarding the event—potentially minimizing damage to an owner's or manager's reputation.

"On the crisis side of things, we are limited in what we can do," said Beau Beery, CPM, and vice president of commercial real estate for AMJ Inc., in Gainesville, Fla. "We're not the bomb squad; we don't deal with rogue shooters. The communications piece is what we can handle."

Being unresponsive will likely damage a company's reputation, and could possibly ruin the business as a whole, said David Chamberlin, senior vice president and director of issues and crisis management in North America for MSL Group in New York.

"In any crisis, there are a number of stakeholders—tenants, vendors and regulators. Making sure everybody has all the information they need is incredibly important," Chamberlin said.

ICATION

“Your reputation is at stake, your money is at stake and your very business could be at stake if you don’t handle crises well.”

PLAN AHEAD

Companies should develop a plan that establishes an emergency communication infrastructure, Chamberlin said.

“Success in a crisis is proportionate to the amount of preparation you put in,” he said. “The companies that aren’t prepared end up struggling greatly.”

A crisis communication plan should identify who makes up the crisis communication team; who is responsible for what; who may speak to the press and under what circumstances; a strategy for handling the press; and the potential disastrous scenarios that could affect a property, along with possible written or verbal responses to those scenarios, Chamberlin continued.

Most of those very elements have been addressed in the emergency communication plan established by Indianapolis-based Buckingham Company LLC, AMO, said Christina Felts, the company’s director of marketing and public relations. All employees—from the CEO to the staff at individual properties—are given specific instructions for how to handle a variety of emergency situations.

“Due to the number of properties our company owns and manages, their geographic distribution, and differences in time zones, having uniform plans and processes for managing crises is absolutely critical,” Felts said.

Alliance Residential, AMO, actually has a team in place that tackles disaster planning, including crisis communications, according to

Brad Cribbins, a Phoenix-based senior vice president for the company. The PANIC (Prepare and Not Incur Chaos) team clearly defines the response duties of individuals and departments within the organization in the event of a disaster.

The company has also generated a list of possible disaster scenarios and responses, as well as developed and disseminated materials to staff and residents about how to handle particular scenarios, like pandemic flu, before an event even occurs.

“It’s hard to find the time to plan, but it often pays off in spades when you’re dealing with employees and clients in situations you never thought would happen,” Cribbins said.

Having plans and processes in place is often dictated by a property’s owner, said Vern Walters, CPM, vice president and director of field property management for Zimmer Real Estate Services, AMO, in Kansas City, Mo.

Even if owners haven’t established emergency response strategies, real estate managers should understand their clients’ expectations when it comes to crisis communications and inquire about the steps that should be taken when something goes wrong.

“If you do something on the fly, you are vulnerable to making mistakes,” Walters said. “If you at least plan something and try to exercise that plan, then you have a better chance of success.”

STAYING IN CONTROL

Prompt responses will allow those affected by the crisis to feel more in control, and as a result, less anxious, Cribbins of Alliance Residential said.

“In the absence of communication, rumor and innuendo fill the gap—leaving your reputation in the hands of other people,” said Jonathan Bernstein, president of Bernstein Crisis Management Inc., in Sierra Madre, Calif. “The more prompt you are, the more you are in control.”

“If you’re providing helpful information, people are better equipped to make decisions about their lives and their families,” he continued. “That alone positively affects their attitudes and makes the situation more amicable.”

“REPUTATION IS YOUR MOST IMPORTANT ASSET, YET IT’S AN AREA PEOPLE SPEND THE LEAST AMOUNT OF TIME PROTECTING.”

—JONATHAN BERNSTEIN, BERNSTEIN CRISIS MANAGEMENT INC., SIERRA MADRE, CALIF.

With internal communications, it's important that management is informed of problems quickly so it can offer direction. Felts said Buckingham institutes a phone tree as soon as a crisis hits to quickly inform senior management of the problem. At Alliance, the vice president of operations is the first point of contact. He or she then contacts the PANIC team.

Beyond management, other employees and possibly vendors need to receive information, especially if their safety is in question. Beery said it's critical that relevant team members are aware of the situation and how to respond.

"When something happens," he said, "you don't want a bunch of people bumping into each other in the office saying, 'What do I do?'"

According to Felts, when it comes to external communications, disseminating at least some information upfront, instead of addressing questions as they arise, will allow the management team to concentrate more on crisis solutions, rather than constant individual updates.

"Although the facts surrounding a crisis may seem clear to you and your team, not everyone is privy to that information," she said. "Distributing information to residents or commercial tenants will allow your team on the ground to focus on the crisis at hand, not individuals calling with questions."

Prompt communication also helps put tenants at ease, Beery said. When a shopping center owned by his company was the target of what ended up being a fake bomb threat, three employees were dispatched to the site within minutes.

He said their presence was a relief. They cooperated with authorities, expediting their ability to investigate the threat. They also communicated with tenants face-to-face, in addition to sending out e-mails and text messages to keep tenants apprised of the situation.

"Keeping [tenants] in the dark is the worst thing," Beery said. "Letting them know everything is under control and everything that should be done is being done puts them at ease and benefits us."

MEANS OF DELIVERY

To ensure prompt delivery of information to stakeholders and tenants, a variety of communication platforms can be used to keep everyone informed.

E-mail and text messages have become a more prominent means of communicating of late, but the type of platform used in a crisis should reflect how those affected most frequently communicate.

Beery said his team typically relies on e-mail to communicate with tenants, but it also notes those tenants who don't check e-mail regularly and updates them via their preferred method of communication.

"It's important to use various means to communicate with your tenants because each tenant is oftentimes limited to only a certain form of communication," Beery said.

To streamline the delivery of emergency messages, companies can implement an automated emergency notification system that can reach large numbers of individuals instantly and simultaneously through phone, e-mail and instant message.

Facebook, Twitter and corporate blogs can also be used to provide updates and reassurance to those affected by the crisis. In fact, these increasingly popular mediums are often replacing e-mail, said Bernstein.

The sites are also easy to update, keeping everyone informed during and after a crisis with pertinent information.

"Crises are rarely static," Chamberlin of MSL said. "You have to keep adjusting your message to what is going on and continually offer updates."

While using a variety of platforms to communicate in a crisis is helpful, having only one actual spokesperson is critical, communications experts and real estate managers said.

At Buckingham, corporate officials develop key messages to pass along, and then centralize those messages by relaying them through one source. At Alliance, only the regional manager or, preferably, the vice president of operations, serves as the spokesperson.



Watch for a significantly revised and updated emergency planning and business continuity publication coming later this summer at www.irembooks.org.

“TENANTS WANT TO KNOW YOU’VE STOPPED THE BLEEDING AND THE CRISIS IS NO LONGER OCCURRING.”

—DAVID CHAMBERLIN, MSL GROUP, NEW YORK

“You have to select someone to be your point person because in the absence of that, people will try to be helpful and they might give answers that could damage the company,” said Shannon Alter, CPM, president of Alter Consulting Group in Santa Ana, Calif.

STICK TO THE FACTS

How messages are relayed in a crisis is as important as who relays those messages. Company statements need to be transparent, accurate and compassionate, real estate managers and communication experts said.

“Regardless of the situation, it is important to provide as much information as you can,” Felts said. “Granted, in certain situations, it may not be possible to give much information early on, but it is possible to explain why that information cannot be provided at this time.”

Walters of Zimmer said to relay only the facts. But to do that, the spokesperson must have an accurate understanding of how the crisis unfolded and its impact.

“Understand what happened and know the facts,” he said. “If you don’t know the facts, how are you going to appropriately respond?”

Transparency and accuracy will be disregarded entirely, however, if a company doesn’t express compassion for those affected by the event, Bernstein said.

“In most crises you have people who are scared, anxious, angry or experiencing some other negative emotion,” he said. “They will not listen to the facts unless you express compassion.”

In addition to expressing compassion, companies should also explain how they plan to assist residents and tenants, Felts said. For

most people, it will be the first time they have experienced such an ordeal and they won’t know how to react.

“Presenting a form of stability and a road to recovery can go a long way in terms of resident relations, both now and in the future,” she said.

Ultimately, a company’s messages need to be reassuring, according to Chamberlin of MSL.

“Tenants want to know you’ve stopped the bleeding and the crisis is no longer occurring,” he said. “You also need to address the impact on the affected parties and offer reassurance that you’re taking steps so this isn’t going to happen again.”

SUCCESS IS MEASURED IN TRUST

Success amid a disaster is measured differently from success at any other time, said Bernstein. Crisis communications are about protecting a company’s image, not promoting it.

“Understand what you can realistically achieve,” Bernstein said. “Your public relations goals during a crisis are very different from your traditional public relations goals. Crisis PR is about minimizing damage.”

Regaining the trust of stakeholders, tenants and the public should also be the goal of a company’s crisis communication efforts.

“Effective communication builds trust, which is the foundation for long-term relationships,” Felts said. “Crises will happen and most people understand that. It is how you handle those crises that defines a management company to its residents and tenants.”

Despite the importance of crisis communication strategies, they are often neglected, Bernstein said. Companies need to strongly consider implementing crisis communication strategies in their emergency preparedness plans.

“Reputation is your most important asset, yet it’s an area people spend the least amount of time protecting,” Bernstein said. “[A crisis communication plan] is not a cost, it’s an investment. Without it, 20 years of hard work building your reputation can be destroyed in hours.” ■

Kristin Gunderson Hunt 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 Mariana Toscas Nowak at mnowak@irem.org.



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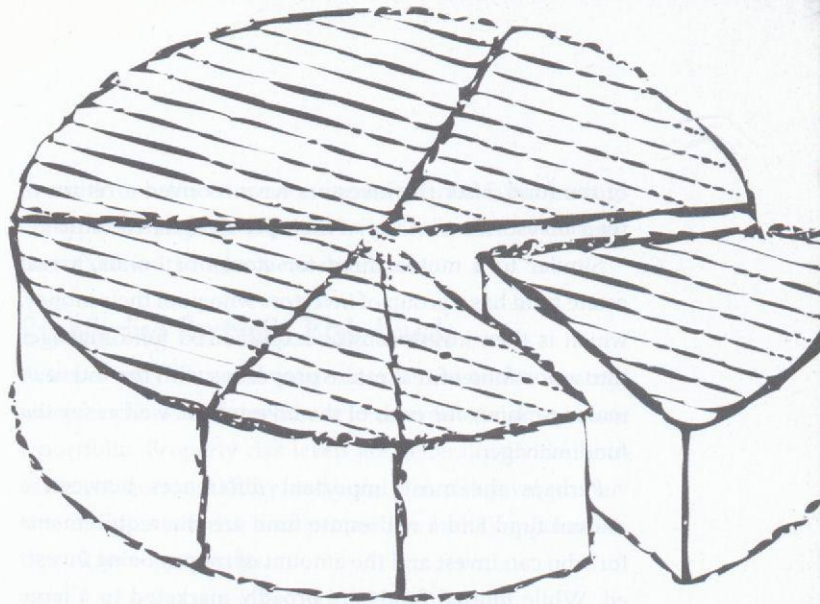
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ANATOMY OF A REAL ESTATE FUND

AN INSIDE-OUT LOOK AT A COMPLICATED STRUCTURE by Larry Baiamonte, CPM Emeritus

SO, a new opportunity has come your way: your firm just landed a new property management account. The property is owned by a real estate fund and you've never managed for a real estate fund before. You want to understand exactly what one is and how managing for one is different than managing for other owners.

In many ways, managing a property for a real estate fund is just like managing property for any other owner: The real estate fund manager needs to have a clear understanding of the fund's goals and objectives for the property and its ability to provide cash for the property's operations, planned renovations or correction of deferred maintenance. Allocating funding for tenant improvement costs or leasing commission expenses is essential as is having an exit strategy for the property.

Fund Managers: the Heart of the Operation

The fund manager serves as the general partner or managing member of the fund and makes all investment decisions on its behalf. In most cases, fund managers are real estate companies with years of experience developing and owning their own portfolios—rather than third party real estate management companies—that have gained the trust of investors who wish to invest in real estate without the headaches of owning property directly. The fund manager oversees the fund's operations—including all property acquisition, operations and disposition decision making for the fund—without the involvement from the investors; the fund manager typically receives an annual fee of 1.5 to 2 percent of the fund's investor commitments. If the fund is profitable, the fund manager also receives an incentive fee usually consisting of 20 percent of the profits





of the fund, after the investors have received a return of their investments on top of their pre-designated return.

Similar to a mutual fund for stocks or bonds, a real estate fund has a group of investors who pool their money, which is then invested by an experienced fund manager into a portfolio of real estate properties with the intent of making money for each of the investors as well as for the fund manager.

Perhaps the most important differences between a mutual fund and a real estate fund are the requirements for who can invest and the amount of money being invested. While mutual funds are broadly marketed to a large number of investors and individuals who typically invest a fairly small amount of money, real estate funds are narrowly marketed to so-called *qualified investors*—including insurance companies, pension funds, foundations and high net-worth individuals—and such investments are large, ranging from millions to tens of millions of dollars.

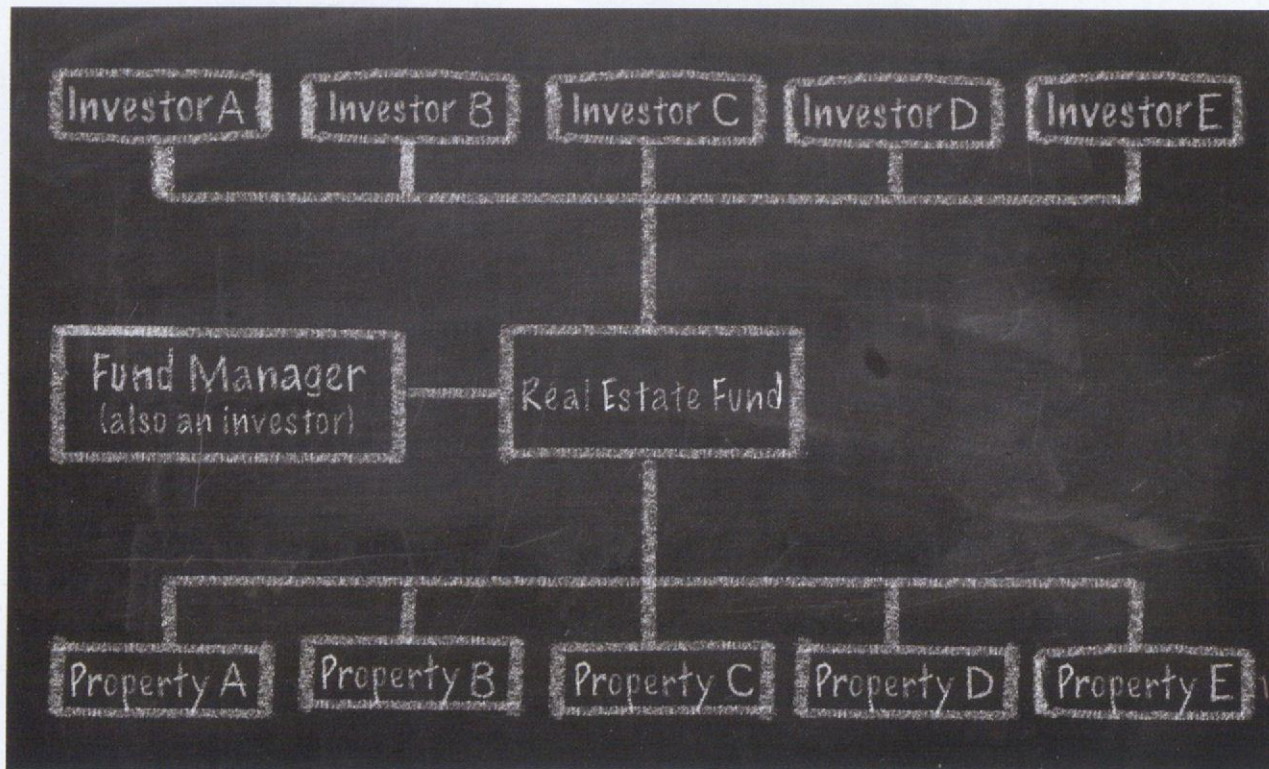
Recognizing that your client is, indeed, a real estate fund can be tricky because the fund may not have the words “real estate fund” as part of its name. However, it

is helpful to know that a real estate fund may be legally organized as a limited liability company (LLC), a limited partnership (LP) or even a private real estate investment trust (REIT).

The Lifecycle of Closed- and Open-Ended Funds

Real estate funds can be either closed- or open-ended. Closed-ended funds, which typically have a limited fund life of seven to 10 years (and the option to extend fund life by one, two or even three additional years) have a maximum number of investors and are limited to raising a maximum investment amount for the fund. Open-ended funds do not have these limitations, and may continue to accept new or additional investor commitments during their unlimited life. Many open-ended funds reach several billion dollars of investor commitments, whereas most closed-ended funds have investor commitments limited to totals ranging from \$250 million to \$750 million (the maximum amount of investor commitments is specified in the individual fund’s documents).

Although real estate funds may be quite organizationally complex, the following exhibit outlines the structure of a simple real estate fund:



Because closed-ended funds have a limited life, their investors will seek to sell the property before the stated end date of the fund. Therefore it is important for those managing property for a closed-ended real estate fund to be aware of its planned sale date. Open-ended funds, on the other hand, may not have a specific sale date as part of their goals and objectives, since they can continue to hold the property indefinitely, if desired.

Benchmarking Loan-to-Value Ratios

Like most other owners, virtually all real estate funds will use property debt to leverage up the amount of property they can own. However, most real estate funds have limitations imposed by the fund documents as to the maximum amount of debt they can incur—typically a maximum loan-to-value ratio ranging from 60 to 80 percent.

For example, a real estate fund with \$300 million of investor commitments might purchase a portfolio of properties worth \$1 billion by using \$700 million in property debt (70 percent loan-to-value ratio.) As a real estate fund is purchasing properties, it will issue capital calls to its investors for their share of the needed cash equity. However, some funds may not place debt on the property immediately upon acquisition and instead opt to purchase a property with investor commitments and increase its value through upgrades, later placing debt on the property after the market value of the property has increased. The fund may also have fund-level debt, often in the form of a line of credit secured by the remaining uncalled investor commitments, allowing it to fund operations in between investor capital calls.

Broad and Narrow Investment Strategies

Some real estate funds have a broad-based investment strategy involving a variety of property types in a large number of markets across the United States or even internationally, while others may limit their investment strategy to a single property type or geographic area. A few real estate funds may specialize in a narrow market niche, perhaps investing only in student housing properties or in self-storage facilities. Other funds may even invest in real estate debt instruments, such as commercial mortgage backed securities (CMBS), second mortgages or “B” notes, or even limited partnership positions or mezzanine debt positions in real estate deals. Regardless of its strategy, the fund must first demonstrate its knowledge and expertise

in order to attract investor commitments. Fund managers typically invest in their own funds, further evidencing their faith in its future performance.

Stabilizing Portfolio Risk Levels

Another part of a real estate fund’s investment strategy involves choosing from the various levels of risk to create a portfolio. Property risk levels are generally divided into three categories, 1) core and core plus risk level properties; 2) value-add risk level properties; and 3) opportunistic risk level properties.

CORE AND CORE PLUS PROPERTIES

Real estate funds investing in core and core plus risk level properties offer their investors the most security for the investment, but at the lowest potential return—usually in the range of a 9 to 11 percent internal rate of return (IRR) for core properties and a 11 to 14 percent IRR for core plus properties. Core and core plus properties are typically newer or freshly renovated properties in good physical condition, with a stable base of mostly credit tenants.

VALUE-ADD RISK LEVEL PROPERTIES

Real estate funds investing in value-add risk level properties offer their investors a higher potential return, with additional risk to the investor—usually in the range of a 14 to 18 percent IRR. Value-add properties typically have a modest level of deferred maintenance, a somewhat higher vacancy rate than the surrounding market area and a tenant base that includes few credit tenants. As the value-add name implies, these properties offer the fund the opportunity to “add value” by completing renovations and leasing the property up with good credit tenants.

OPPORTUNISTIC RISK LEVEL PROPERTIES

Opportunistic risk level properties typically have considerable vacancy, with the tenants in occupancy having little or no financial strength, and the property in need of a renovation and correction of significant deferred maintenance. Real estate funds that invest in opportunistic risk level properties offer their investors a potential IRR of 18 percent or more, but present considerable risk of loss of the investment. They usually require a significant additional investment after acquisition, as well as a longer period of time before the property reaches performing status.



Cash Flow

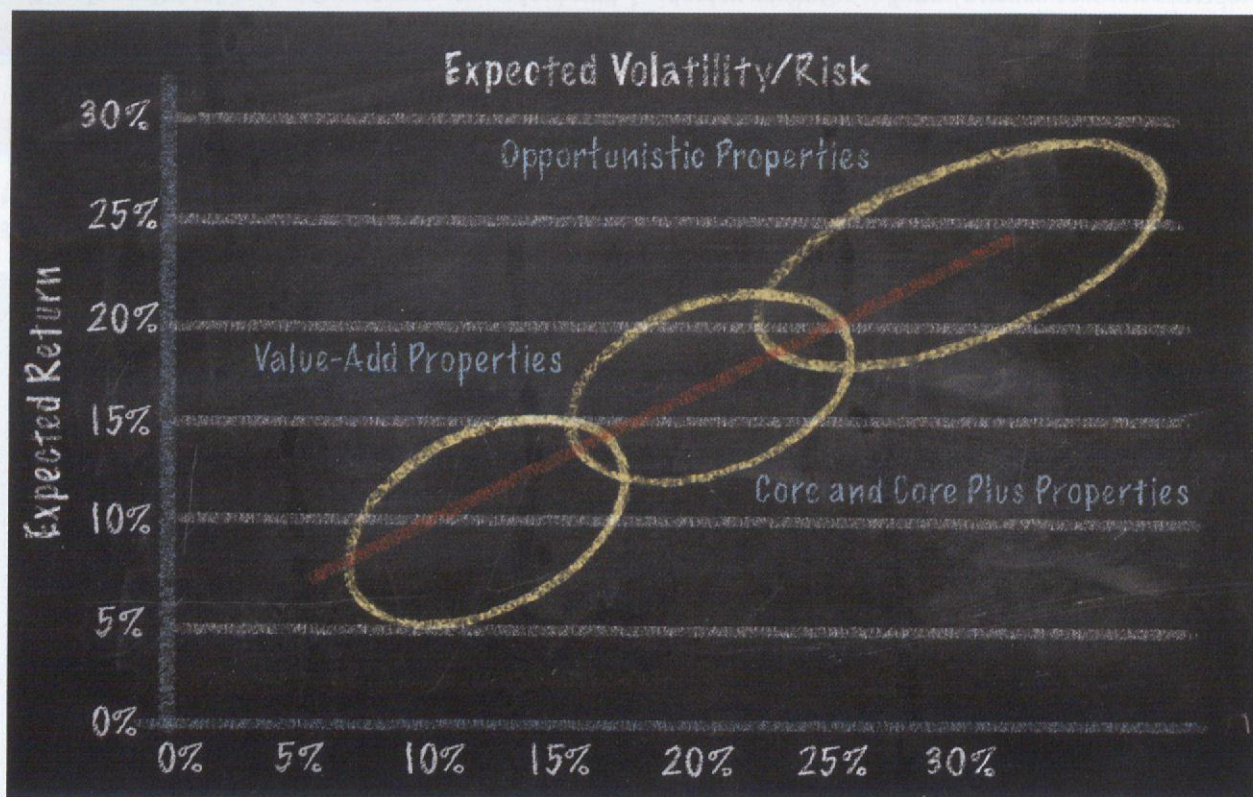
Closed-ended real estate funds have a fund document-imposed investment period—usually lasting two to three years from the commencement of the fund's life—to acquire properties. During the investment period, these funds will issue capital calls to the investors from time to time as cash is needed for property acquisitions and fund operating expenses. Once the investment period ends, closed-ended real estate funds no longer have the ability to issue additional capital calls to investors. In the event that additional cash is needed by a property after the end of the investment period, it must come from the property's operations; from cash held by the fund (not distributed back to the investors); from refinancing the property (or other properties held by the fund) or from the sale of other properties held by the fund. It is impor-

tant for the real estate manager to understand the real estate fund's sources and the timing of cash availability for property improvements, leasing commissions and tenant improvements.

Open-ended real estate funds can acquire and invest additional cash in properties any time the fund wishes, as long as the cash is available to do so. With new investors continually entering the fund, additional cash availability is usually not an issue unless it has a large number of redemption requests from investors wanting out of the fund.

Understanding how real estate funds are structured and how they seek to execute their investment strategies for their investors can help the real estate manager provide excellent service for the real estate fund and win additional business from the fund or even from a subsequent fund offered by the fund manager. ■

This chart shows the continuum among which various real estate funds pursue their core, value-add and opportunistic strategies.



Lawrence W. Baiamonte, CPM® Emeritus, recently retired from his position as senior investment professional of real estate equities in the real estate investment department of Nationwide Insurance. Over his career at Nationwide, Baiamonte had responsibility for the deal origination, underwriting and asset management of the Real Estate Fund portfolio, as well as the management, leasing and sales functions of the Real Estate Owned (REO) portfolio and Real Estate Limited Partnership portfolio.

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METH

IS IT THE NEW MOLD?





CLANDESTINE DRUG LABS CONTINUE TO POSE RISKS TO RESIDENTIAL RENTAL UNITS

BY DIANA MIREL

GETTING A CALL SAYING THAT POLICE ARE RAIDING ONE OF YOUR RESIDENTIAL RENTAL UNITS will make any property manager's or owner's heart sink. When Clifford A. Hockley, CPM, CCIM, president of Bluestone and Hockley Real Estate Services in Portland, Ore., received such a call, he got more than he bargained for.

In a case right out of "Cops," Hockley's unit was raided by the SWAT team because the resident's boyfriend was sought for the shooting of his father. After the raid, Hock-

ley and a property manager colleague walked through the property to assess the damage from the raid. During their walk-through, Hockley's colleague noticed some tell-tale signs of methamphetamine—commonly called meth—usage and manufacturing, such as ephedrine containers, solvent, plastic tubing and hydrogen peroxide. The property manager had just taken a training class on recognizing signs of a meth lab, and although there were no large containers of chemicals or any obvious drug-cooking equipment, it was a suspicious setup.

Hockley called in an industrial hygienist who tested the unit and confirmed the property manager's hunch: meth residue and contamination was found in one bedroom and in the kitchen.

Meth, like mold, is an invisible yet highly damaging problem within residential properties today. Often referred to as "mini toxic waste dumps" by law enforcement, meth labs are extremely volatile, posing significant health risks to future residents and, in some cases, current neighbors.

Meth is produced with a number of different chemicals, including over-the-counter medications containing pseudoephedrine or ephedrine. Most of the processes also use volatile organic chemicals (VOCs), acids, bases, metals and chemical salts. The combination of these "ingredients" creates noxious fumes and contaminants that are absorbed into walls, flooring, ventilation systems and other porous surfaces, even long after the actual chemicals and manufacturing equipment are removed from the premises. Health risks from meth residue exposure can range from skin irritation and respiratory problems to lung, kidney and brain damage, depending on the level of contamination.

In recent years, the total number of all clandestine meth laboratory incidents has almost doubled, from 6,233 in 2006 to 10,064 in 2009, according to the most recent data from the U.S. Drug Enforcement Agency (DEA). Because the ingredients and materials necessary to produce meth are easy to obtain, meth labs can be set up anywhere—from motels and automobiles to rural barns or trailers. Today, they are also increasingly found in residential properties ranging from single-family homes to multi-unit apartment complexes.

WHEN METH HAPPENS TO YOU

Once discovered on a property, a meth lab cleanup needs to be handled swiftly and professionally. The U.S. Environmental Protection Agency's (EPA) Voluntary Guidelines for Methamphetamine Laboratory Cleanup states that making a former meth lab site safe for reoccupation requires two basic efforts: 1) the removal of the gross contamination (i.e., containers of chemicals and equipment) by law enforcement; and 2) the remediation of interior structures and the surrounding land, surface waters and groundwater.

During a typical meth lab bust, law enforcement will raid the property and arrest the people involved. At that time, the police will bring in a trained crew to dismantle

the lab and remove the chemicals and equipment; the property manager and/or owner is also usually contacted and informed of the situation.

The police typically send a report to the local health department, which will write a condemnation order on the property as unfit for human habitation. The health department then has jurisdiction over the site and will order the property owner to clean up the affected area. This may be limited to the particular unit that housed the meth lab or the entire complex, depending on the level of contamination. The property cannot be reoccupied until it is cleaned up by certified professionals. The responsibility to clean up the property falls on the property owner.

At a national level, the Methamphetamine Remediation Research Act was passed in 2007. This act directed the EPA to establish voluntary guidelines for the remediation of former meth labs. However, every municipality, county or state has its own laws, regulations and statutes that pertain to meth lab cleanup. For instance, to address the issue of the chemical residue left behind in a meth lab, the Indiana Department of Environmental Management's (IDEM) lab cleanup rule went into effect in March 2007, requiring people who own the property to clean it up before selling or reoccupying the property.



Guidelines for the remediation of former meth labs can be found www.epa.gov/oem/meth_lab_guidelines.pdf.

Steve Mojonier, senior environmental manager at the IDEM, explained that under this rule the property owner and/or property manager representing the owner are responsible for hiring a certified professional to clean up the property before re-renting the unit or selling it. Mojonier noted a specific case where a buyer had been sold a property that housed a former meth lab that had not been cleaned up. The buyers found out about the meth lab, and used this rule to challenge—and ultimately overturn—the sale.

[METH]ODICAL REMEDIATION

The remediation process involves time, effort and, of course, money. Mojonier advises property managers and owners to first get in touch with the health department.

"Find out what went on in the property," he said. "The form police send to the health department has quite a bit of information on what kind of lab it was."

Cleaning up the property can be handled in a number of ways. The Indiana rule offers property owners three different options: 1) hire a qualified inspector to do an initial assessment to determine the cleanup required. The property is then decontaminated and retested; 2) gut the entire property. In this scenario, all of the materials are removed down to the subfloor and studs. That way, everything that possibly could have been contaminated is gone. The owner will have to clean and seal the subfloor, but from there the property can typically be certified as habitable rather than going through additional testing; and 3) demolish the entire property.

After Hockley found out his property was contaminated, he hired a meth remediation company to clean the unit. The remediation process consisted of replacing all the appliances; removing and replacing the water heater; ripping out carpeting; sealing the floors; and washing, sealing and repainting the walls.

"We basically did a complete renovation of the apartment," said Hockley.

The remediation cost \$7,000 and the unit was out of commission for a month. After the cleanup, the unit was re-tested and deemed safe for habitation.

Meth contamination can take many different forms, and it can be somewhat more complicated in certain multi-tenant buildings. Again, the rules vary, depending on jurisdiction. Typically, if the units do not share a ventilation system, contamination is often limited to the unit where the lab was operating. However, if the health department thinks there may be a need to test other units within the building, it is within its jurisdiction to do so.

[METH]OD TO THE MADNESS

Obviously, the discovery of a meth lab can be devastating, from both a financial and a public image standpoint. The key is to take swift, professional action and maintain open communication with other residents if it is a multi-tenant property.

In Hockley's case, the other unit owners in the building knew what was going on because the police had escorted them out of the building prior to the raid.

"Believe it or not, we lost no [residents] over this," said Hockley. "The other [residents] saw us cleaning the unit and they saw us kick the [resident] out. They were satisfied with that."

Financially, the cost of discovering and cleaning up a meth lab can be significant. The cleanup costs can run between \$5,000 and \$30,000—add to that the significant monetary loss from the interruption of business that comes from a vacant unit.

That said, according to Mojonner, owners and managers who work closely with cleanup contractors can often get a unit back up and running after about a month or two. Testing typically takes about a half day and managers eager to get their units re-rented can spend an additional amount to expedite test results.

Like any work order on a property, it is important to get a number of bids from different certified cleanup companies. Mojonner also suggested asking the contractors if they guarantee their price. That way, if the contractor does the cleanup and re-tests the property but still finds some contamination, the property owner is not on the hook for an additional charge to re-clean and re-test.

LEGAL [METH]ODOLOGY

There are a number of legal ramifications for owners and managers facing a meth lab crisis. First, the manager has to deal with the residents who created the meth lab. Rather than facing a lengthy eviction process, many states simply require a 24-hour eviction notice for irreparable harm. Also, depending on the jurisdiction, there are certain laws about removal of personal property from the contaminated unit. In these cases, it is best to contact your real estate attorney to determine your rights and obligations.

Second, whose responsibility is the cost of cleanup? While most lease agreements make the resident responsi-

"[METH] IS A HUGE LIABILITY. IF YOU RE-RENT THE UNIT AND DON'T DO THE PROPER CLEANUP, THE NEXT RESIDENTS ARE GOING TO GET SICK, AND THEY CAN SUE YOU. THE COST OF THE LAWSUIT IS GOING TO BE 300 TO 400 TIMES WHAT IT WOULD BE TO CLEAN THE UNIT."

—CLIFFORD A. HOCKLEY, CPM, CCIM, BLUE STONE AND HOCKLEY REAL ESTATE SERVICES, PORTLAND, ORE.



ble for any types of damages to the property, the reality is that most residents who are using and/or manufacturing meth do not have the financial means to cover the cleanup and interruption of business costs. Further, going after these residents in small claims court is often fruitless. Thus, the property owners are responsible for all cleanup costs. This can be a devastating blow.

"It is not unusual for people to rent their properties pretty close to the vest," said Hockley. "If [owners] don't have the money, they may lose the house."

Environmental insurance policies covering indoor air-quality risks, such as mold, legionella and even meth lab contamination can offer some protections.

"Environmental insurance products, particularly for condo and apartment owners, are very reasonable," said Don Bryant, vice president of environmental risk management for the Hylant Group. "But, environmental insurance is not written on a standard form, so every carrier is different and is subject to more crafting and modification to meet particular objectives of a client."

Major carriers have policy forms designed to respond to the items most likely to be exposures for apartment owners. These policies can cover cleanup costs, monetary losses from a lawsuit and even the cost of legal defense.

Of course, it can be extremely complicated and frustrating navigating through the insurance claims process. Mojonier recommends finding an experienced attorney who specializes in insurance recovery.

"Even if [meth lab contamination] is excluded in a policy, a good attorney may be able to find ways to get it covered," he said. "I've told property owners to file their claim, get it denied, appeal it, get it denied again and then

turn it over to a good attorney who works with insurance recovery. No one wants any of this in court, so they have been able to get reasonable settlements. But, property owners do not typically do well on this by themselves."

The next legal issue falls on the property owner and manager to provide a safe habitat for future residents. Owners have the obligation to provide a warranty of habitability, which is defined differently in most states and even cities.

"At its most basic, this means that the premises you are renting out have to be fit for a human to occupy," said Connie Spencer, Esq., partner and real estate attorney at Spencer & Rozwadowski, LLP in Chicago.

Spencer also noted that some jurisdictions define landlord/owner liability under a traditional theory of negligence.

"This falls under the 'reasonable man standard,' meaning whether or not the landlord took reasonable action or preventative action to prevent [residents] from sustaining some type of injury," she explained.

Because residual contamination from meth labs is so toxic, new occupants moving into properties that housed former drug labs are at risk of chemical exposure if the units are not properly decontaminated. The landlord is liable for ensuring that the property poses no health risks to these residents.

"It is a huge liability," warned Hockley. "If you re-rent the unit and don't do the proper cleanup, the next residents are going to get sick, and they can sue you. The cost of the lawsuit is going to be 300 to 400 times what it would be to clean the unit."

Having a contaminated property cleaned by a certified professional and getting the all-clear from the health

SIGNS OF A METH LAB IN YOUR PROPERTY

- A strong smell of ammonia or other chemicals, cat urine odor or nail polish remover
- Yellow and red stains on countertops, carpets or tiles
- Blacked-out windows or windows covered in foil
- Glass cookware or frying pans containing powdery residue
- Bottles or jars with rubber tubing attached
- Large number of lithium batteries
- Large amount of over-the-counter cold tablet containers that have ephedrine or pseudoephedrine as ingredients
- High-strung resident behavior, wanting you in and out of the unit or not wanting you in the unit at all
- Residents who have frequent visitors at all hours of the day and night

SIMILAR TO LEAD-BASED PAINT AND RADON DISCLOSURES,

many states have new rules that say any seller must certify that a property has never been used to manufacture meth or, if it has, that the property has been cleaned up according to state standards. States have also stepped up efforts to protect renters by requiring property owners to provide people considering renting or leasing a residence with information about whether the property had ever been used as a meth lab.

The DEA also maintains a National Clandestine Laboratory Register which lists specific addresses of locations where law enforcement agencies have reported finding chemicals or other items that indicated the presence of clandestine drug laboratories or dumpsites.



<http://www.justice.gov/dea/seizures/index.html>

department can certainly provide peace of mind for prospective residents. Yet, property owners and managers should also be prepared to face the fact that even with all the certifications, it may take some time and distance for a property's image to recover.

PREVENTATIVE [METH]ODS

Protecting a property from becoming a meth lab site is all about prevention. Screening prospective residents is the first line of defense.

"The bottom line is that you, as the property manager, are responsible for screening [residents]," said Hockley. "We screen very hard and we turn down more than 30 percent of the people who apply with us."

Hockley screens prospective residents by asking for proof of employment, credit history and criminal background checks. He also asks for landlord references that go back at least three years.

"Tweakers (as meth users and producers are called) tend to have a pattern—they go from unit to unit to unit," he said. "The current landlord, who is probably trying to get rid of them, may tell you that they are great [residents] because they want to get rid of them. But, if you call the landlord before that, he/she will tell you, 'Yes, they were tweakers and they destroyed my place.'"

Criminal background checks can also go a long way.

"You should do a limited criminal history on your resi-

dents," suggested Mojonier. "If someone has already been convicted, you'll be able to weed out the repeat offenders. Often, if you tell them there will be an additional fee to do a limited criminal history check, you'll never see them again if they do have a criminal history."

The second step in protecting your property is regular site inspections. Hockley's company inspects units once or twice a year, minimum.

"We're actually not even specifically looking for meth, but we're looking for mold, mildew and repairs that need to be made, as well as making sure the units are being maintained and kept up," he said.

Hockley recommends bringing a camera on these site inspections.

"When the property manager inspects the unit, if there is a concern, take pictures," he said. "That way if you have to prove something in court, you have documentation."

Unfortunately, in terms of meth labs, no property is safe. With that in mind, however, property owners and managers should recognize that the best ways to avoid meth destroying their properties is through vigilant background checks and hands-on property management. Of course, even with the most stringent screening, it could still happen to you. That's when property owners and managers must step up to decontaminate the property thoroughly, immediately and professionally to protect residents and avoid any legal fallout. ■

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 Mariana Toscas Nowak at mnowak@irem.org.

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Pending Foreclosure

FINAL NOTICE

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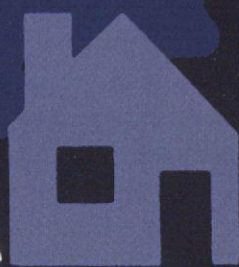
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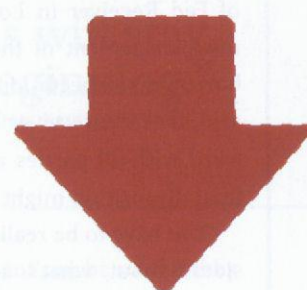
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PAST DUE



property workouts

FORECLOSURES OFFER AN OPPORTUNITY TO DEMONSTRATE YOUR STRENGTH AND AGILITY AS A REAL ESTATE MANAGER
BY JOSEPH DOBRIAN



As foreclosures in both residential and commercial markets continue, real estate managers find more opportunities to turn troubled assets around via a workout.

Specialized receivers, in particular, are in demand for their abilities to help borrowers and lenders keep

suffering and loss to a minimum.

Each workout situation is different, so it's hard to devise standard procedures. However, a panel of real estate professionals recently interviewed for this article revealed some guiding principles—especially in terms of avoiding mistakes.

What's the biggest pitfall of property workouts? According to Stephen



J. Donell, CPM, CCIM, president of Fed Receiver in Los Angeles, it's mismanagement of the lender's and borrower's expectations. It's vital, he said, that the receiver be straightforward with all parties about how the final disposition might look.

"You have to be realistic, with both sides, about what's achievable," he said.

What's achievable might depend on who the lender is, Donell explained. If it's the originator, and the loan hasn't been sold, sliced, diced and securitized, it'll be easier to work out a deal. A securitized loan, handled by a servicer, allows much less flexibility.

"A lender may change its goals, or its operating profile," he added. "Or it might need to sell the note quickly to generate cash. In that case, their goal would no longer be increased return on the property, but improvement of their balance sheet. So, they might sell a \$20 million loan for \$16 million, to someone who won't deal with the borrower at all."

Donnell also shared that the lender may want new "carve-outs," or increased scrutiny of the borrower's financials, in exchange for new terms. In that case, the borrower might have to get permission to spend money, and submit quarterly or monthly financial statements. If the borrower hasn't been totally upfront about how it's been using its cash, a lender might

have to become a partner of sorts to the borrower.

Showcasing Your Strength

A receiver must consider four main points, according to Donell. These include 1) the expectations of lender and borrower; 2) what can or can't be done in the individual situation; 3) exposure to personal liability; and 4) external forces.

"The goal of a lender, in a workout, is often different from that of the property owner or entrepreneur," said John Rymer, principal of COTK, Tampa, Fla. "Unlike a typical owner, who's looking for opportunities, the lender will usually want certainties. Whatever you do, as the receiver, the lender will need to understand the cash flow consequences. If you can arrive at a joint view of how you're going to dispose of a foreclosed property, you work out a plan. If the lender's methods and expectations are radically different from yours, you might have to walk away."

J. Benjamin McGrew, CPM, CCIM, president of ManageWest in Sacramento, Calif., said that in many cases, a real estate loan may have numerous owners—each with its own agenda and ideas of how the workout should be conducted.

"There's no consistency in terms of these lenders' willingness to agree and interact with other parties," he

said. "I've had as many as 12 banks participating on one loan, with the one that had the servicing agreement—and thus had the final say—only holding one percent ownership. You'll see lawsuits in which participating lenders sue for the control of the workout process.

"But should you avoid those situations? I say we should take on as many workouts as we can. They test and showcase your skills. There's probably no better way to show what you can do as a property manager."

Bearing the Weight of Heavier Foreclosures

Reports vary on how many homes and commercial buildings are in foreclosure now, and what the numbers will look like in the next 12 to 18 months. However, many observers predict a rise in commercial foreclosures, particularly in the South and Southwest.

"Here in Maricopa County, 15 percent of single-family residences are in foreclosure today," said Libby Ekre, CPM, principal of MEB Management Services in Phoenix. "That can't be normal. Home values have plummeted, and foreclosures will stay high in 2011. Commercial foreclosures are just beginning. Retailers follow the rooftops. When people move out of an area of new homes, retailers lose customers. So we'll have a lot

"Safety liability is the first thing you should consider. Identification, quantification and eradication are the trinity of safety issues."

—J. BENJAMIN MCGREW, CPM, CCIM, MANAGEWEST, SACRAMENTO, CALIF.



“Home values have plummeted, and foreclosures will stay high in 2011. Commercial foreclosures are just beginning.”

—LIBBY EKRE, CPM, MEB MANAGEMENT SERVICES, PHOENIX, ARIZ.

of receivership business in the next couple of years.”

A workout on a commercial property will require considerable interaction with tenants, Donell warned.

“A larger retailer, like a Target or a Von’s, has entire leasing departments,” he points out. “But even local mom and pop businesses might say, ‘I’m paying \$X triple net, and I know I can go elsewhere for less. What will you do for me?’ So you may have to renegotiate existing leases, which takes time and effort.”

Donell shared that it can be difficult to know how to pay yourself for your efforts and how to handle a variety of issues that arise.

“How do you deal with evictions? Many properties have substantial tenant delinquencies,” he said. “If there are 15 of them, you have to do the paperwork, ensure service of process and attend 15 hearings. Have you budgeted for that? You might have to get into forensic accounting, if records haven’t been well kept. There may be liens; there may be lots of unpaid vendors with whom you’ll have to negotiate.”

Donell also warned against putting renegotiated vendor contracts in the name of your own company as the vendors could go after you as well as the ownership entity. Above all, managers need to make certain that the property is fully insured—and have an immediate escape

clause in the event that insurance is cancelled.

Safety First

In many cases, the receiver will become the quasi-owner of the foreclosed property. In that situation, what are the first priorities? What will be the main responsibilities, and how will they differ from those connected with a healthier property? According to McGrew, health and safety issues are likely to be the biggest concern.

“Safety liability is the first thing you should consider,” he said. “Identification, quantification and eradication are the trinity of safety issues.”

“There’ll probably be a lot of deferred maintenance issues because the owners haven’t been paying their vendors,” Ekre said. “Lights will be out, railings falling down, landscaping not maintained. There should be no problem getting money for those repairs.”

Ekre added that you need to then assess how capitalized the lender is and whether the lender will be able to pay for capital needs or for tenant improvements if you lease the space.

Often, leasing standards will have been relaxed to keep the building occupied, Ekre said. Tenants might have bad credit scores or felony convictions; background checks might have been “lost.”

“There may be habitability issues in apartment buildings,” Donell said,

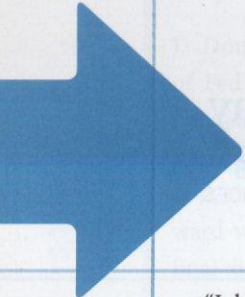
“and management can be sued if they know that tenants are being exposed to mold, or if the roof caves in and destroys property. If you’re sued, you may be subject to depositions that you’d have to answer truthfully, which could put you in an adversarial situation with your client.”

If the lender can’t fund tenant improvements, Donell added, you’ll need to amortize costs over the term of the lease—with the tenant paying for some or all of the improvements—which of course will make it harder to lease the space. The tenant may settle for a few months’ free rent but in that case, the receiver isn’t being paid because his fee typically is a percentage of rents collected.

“Finally,” he said, “document everything. Keep an eye on the building’s income stream. Security for the loan might be the building plus its income stream—and the owner might try to divert some of that income. That may be a violation of the cash/collateral agreement, and you might be liable.”

Probably the best way to avoid legal entanglements, Rymer said, is to partner with the lender’s legal team. They’ll usually have better lawyers than the receiver has.

Another key is to interview as many interested parties as possible, to find out everything there is to know about the property. That process is labor-intensive but the results can be invaluable.



“The goal of a lender, in a workout, is often different from that of the property owner or entrepreneur. Unlike a typical owner, who’s looking for opportunities, the lender will usually want certainties.”

—JOHN RYMER, COTK, TAMPA, FLA.

“I don’t just interview the building’s employees,” McGrew said. “They may just tell you what you want to hear. I also interview vendors. They know more about the property than you might think. I also interview the principals who might be losing the property. Leave no stone unturned.”

Feeling the Burn

Are there approximate guidelines for how long turning around a troubled property might take? Rymer shared that it could take days or years, depending on the property and on market conditions.

“For example, if you’re trying to dispose of several hundred condo units,” he said, “flooding the market with them won’t maximize your return. But if the lender just wants to be rid of the problem by a certain date, your goals might be different. You have to match the lender’s needs to the possibilities of the marketplace.”

Ekre said a workout ordinarily lasts less than a year. Borrowers are usually reluctant to feed the property the cash necessary to carry the expenses, and will run up high payables—whereupon the lender will hasten to take back the property. In that case, lenders need knowledgeable and skilled receivers who know how to drive occupancy and rents so

the property will be ready to sell.

“The secret is to hit the ground running,” she said. “Make sure you understand the market of the property you’re taking over, and know the leasing agent. Your job is essentially the same in any situation: to get as much money as fast as possible.”

“You have to first get the water out of the boat,” McGrew said, “then, to get it to sail, you have to find where the property matches the marketplace. You can’t turn a property around any faster than the local market allows.”

Identifying Problem Areas

Many receivers have a trusted team that can go into any struggling building and keep it afloat while deals are worked out, but Rymer said that it’s often best to keep the building’s personnel in place, to avoid resentments and increase efficiencies. First, though, find out where their loyalties lie.

“If you feel that the team that’s currently running the building is acceptable, keep them,” he said. “They know where the skeletons are; they know the quirks of the property; they can bring you referrals. But if they feel allegiance to the original owner and not to you, you might not want to keep them.”

According to Ekre, as the receiver, you may have your own strong staff of professionals who are used to meeting responsibilities in a short time, and who specialize in turning a property around. You might also have preferred vendors who are attuned to the special needs of a receiver.

“You have to be innovative to increase and maintain occupancy,” Ekre added. “One of our most effective tools for increasing traffic is our call center. No call goes unanswered from 7 a.m. to 10 p.m. Sixty percent of all renters are calling from an online ad, and if they miss the person they’re calling, they’ll move on.”

Finally, a receiver has to be good at public relations and marketing.

“We’re currently working on a 450-unit condo project in southwestern Florida, where sales had stopped for more than a year,” Rymer said. “We got the word out that, yes, it’s a failed property, but it’s in a great area and the owners stand behind it. We said we’d sell 42 units in 2010, and we did; we have another 20 to go to complete the sellout.”

Rymer summed it up by saying that you’re there to be a good listener and assist the lender. If you disagree on valuation, make sure to have that conversation early. “Your credibility gives you the next deal.” ■

Joe Dobrian 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 Mariana Toscas Nowak at mnowak@irem.org.

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INTERNATIONAL NEWS

IREM INTERNATIONAL MEMBERS SHARE THEIR CRISIS COMMUNICATION STRATEGIES



MOSCOW

In this day and age, no one is immune from the impacts of criminal activity on the properties they manage.

In the event that something extraordinary happens on a property, the property manager should be prepared to communicate with media and tenants with a well developed communication strategy.

Openness and transparency are key principles of communication with media and tenants in critical, emergency situations. If something criminal happens at the facility, there is no sense in denying it. My role as

a property manager requires that I am ready to discuss burning issues and difficult situations, admit mistakes and think about the best ways to solve problems. In some cases, a property manager might have to make concessions to tenants who are struggling with broken trust. We are all human beings, and every profession has problems of some sort.

The most important element of reacting to a crime is to resist hiding from it and pretend as if nothing has happened. A true professional is always ready to accept a problem, work on solving it and prevent its recurrence. Describing an incident in the media accurately and truthfully will encourage other property managers to take all necessary measures to minimize the possibility of similar incidents in their buildings.



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GEMADEPT TOWER IN HO CHI MINH CITY, VIETNAM.

HO CHI MINH CITY, VIETNAM

When a crime happens in my building, the first thing I do is relay specific details about the incident to the owner. Depending on the severity of the crime and the owner's/tenant's policy on information disclosure, I will decide upon which pieces of information, if any, I share with the press. Typically, news of the crime is released to the press only after I have gotten approval from the owner, and is intended to serve as an alert and prevention mechanism.

If the crime is theft, and the victim requests not to disclose his/her loss, only the owner and relevant members of the management team are informed at the time of the crime. However, in the event of a more severe crime, like murder or battery, I will inform the owner immediately and then release limited factual information to the tenant—and the press if asked. All management staff is alerted that information related to the crime is confidential and is not to be released to the tenant or the press. Only a spokesperson, assigned by the owner, is allowed to communicate to the press/tenant.



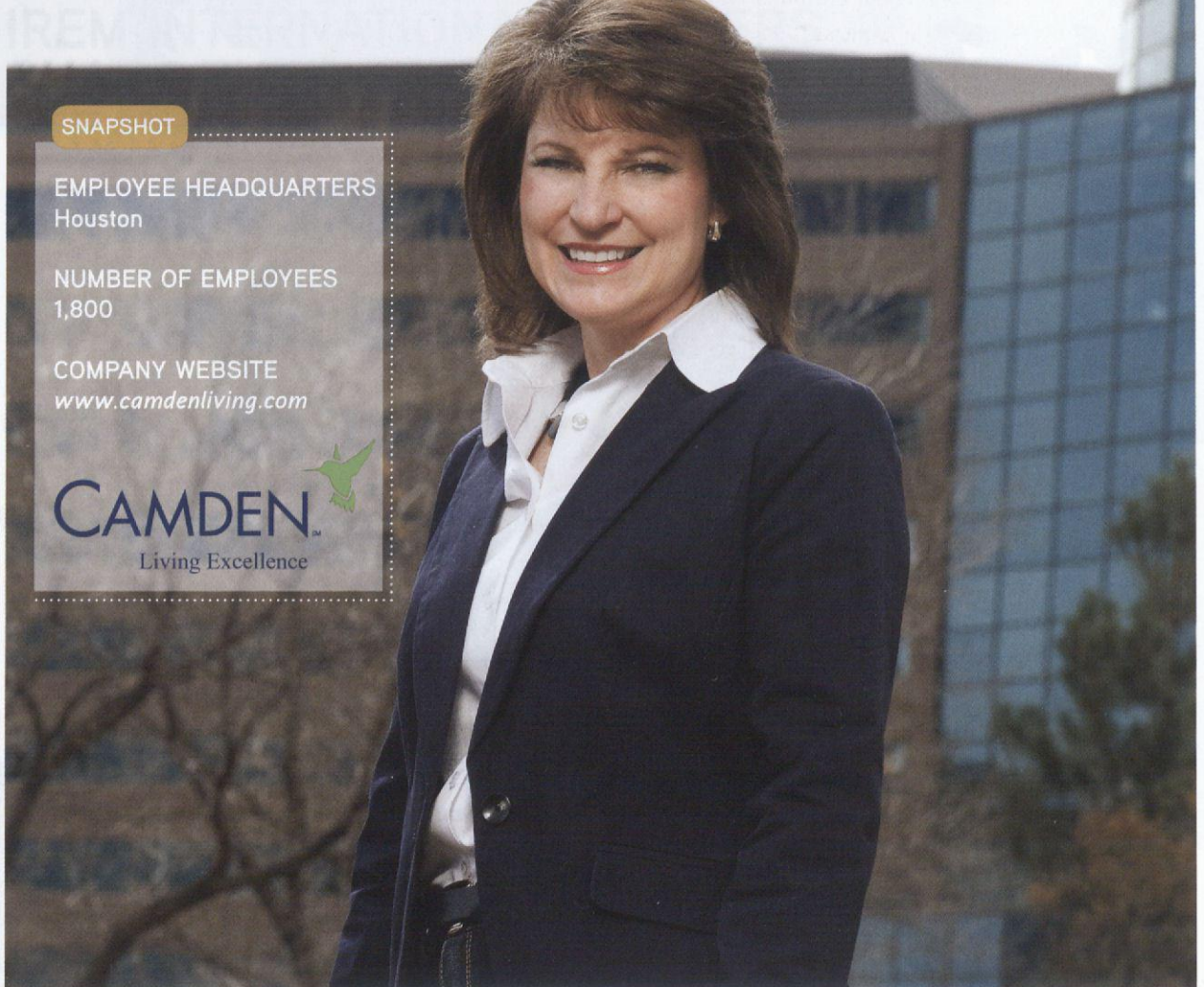
VUONG CAM SINH, CPM CANDIDATE, PROPERTY MANAGER, GEMADEPT TOWER, HO CHI MINH CITY, VIETNAM

AMO SPOTLIGHT

PHOTOGRAPH BY STEPHEN COLLECTOR

CAMDEN PROPERTY TRUST

An exclusive interview with a FORTUNE® 100 AMO Firm



SNAPSHOT

EMPLOYEE HEADQUARTERS
Houston

NUMBER OF EMPLOYEES
1,800

COMPANY WEBSITE
www.camdenliving.com

CAMDEN
Living Excellence

Camden was recently named by FORTUNE® Magazine for the fourth consecutive year as one of the "100 Best Companies to Work For" in America, placing 7th on the list, and ranking number three in the "small company" category. What differentiates Camden?

Camden has always been committed to providing a great place to work for our employees. After all, most of us spend more waking time at work than at home. We have consistently devoted the time and resources to create shared experiences through cultural events and traditions. Our leaders set the example, but it is the commitment of every associate that makes Camden a great workplace by coming to work every day and making choices that

create a fun, caring environment for their peers—and ultimately—for our residents.

What's the number one quality Camden looks for in its employees?

At Camden, we seek a commitment to our values and encourage our employees to embrace and live by them. Camden has nine guiding values—*Customer Focused, People Driven, Results Oriented, Team Players, Lead By Example, Work Smart, Act With Integrity, Always Do The Right Thing* and *Have Fun*—that challenge us in our everyday decisions.

What's the secret to employee loyalty?

In 2009, in the midst of the recession, we either held salaries or provided some increases. We trimmed expenses by \$6 million without impacting our customer service levels by looking at ways to trim expenses in our individual areas of work. For example, our landscape teams reduced expenses by strategically placing colorful plants for maximum effectiveness; our on-site teams saved money by recognizing preventative maintenance opportunities; and our corporate support departments cut back by turning off office lights and printing less often.

When our senior leaders set expense reduction as a goal, every associate accepted it as their personal goal. Why? Our associates are incredibly committed to Camden because they see and experience Camden's commitment to them. Camden gives generously to us in the form of unexpected bonuses, development opportunities, great benefits, sincere appreciation and a million other ways.

What staff perks does Camden offer to employees?

Camden provides industry-leading benefits, such as competitive healthcare and 401k plans, but with a twist. One of our unique perks, Camden's corporate apartment benefit, is definitely an associate favorite: for \$20 a night, Camden provides fully furnished apartments for associates' personal vacations, which encourages associates to take advantage of our generous time-off package.

We also help employees prepare for their future needs by making it easier for them to become Camden shareholders through the Employee Share Purchase Plan (ESPP), which gives employees the opportunity to buy shares of Camden stock at a 15 percent discount through payroll deduction and/or lump sum payment. When you add Camden's quarterly dividend to the 15 percent discount, it is easy to see why employees take advantage of this great investment opportunity.

Our Employee Apartment Discount—which more than 800 employees take advantage of—gives employees (or their parents or children) an apartment discount when they live at a Camden community. The discount is 20 percent for employees who work thirty or more hours per

week and 10 percent for employees who work less than thirty hours per week.

Explain how Camden uses capital recycling and asset sales as a publically traded REIT to fund acquisitions, development and shared repurchases to improve the quality of its portfolio.

As the economic climate shows signs of improvement, Camden continues to focus on strategically adding to the current portfolio and improving financial performance at existing assets. We remain focused on deploying capital prudently and adding assets to Camden's first Fund through acquisition and development. On existing portfolio assets, Camden is focused on managing to maximize financial performance through occupancy and effective rental rate growth, coupled with appropriately scoped and timed capital expenditures. The Fund is pursuing acquisitions where an asset: 1) is operating below its competitive potential; 2) is undercapitalized or has suffered from deferred maintenance; 3) may benefit from restructuring or repositioning; and 4) is located in a growth market.

How has Camden impacted the day-to-day lives of those who live and work in its properties?

On a recent survey, 93 percent of our associates said their work has special meaning; indicating that it was not "just a job." When a Camden resident interacts with a Camden associate, there is a 93 percent chance that associate believes those actions have special meaning! Our customer service levels are noticeably higher because our employees understand the importance and impact of their actions.

Explain the significance of the hummingbird in your logo.

More than a shelter from the elements, a home is a comfortable refuge where you can reflect and enjoy the fruits of your labor. Imagine a hummingbird about to alight... "coming home." This is brought to life in our Camden signature. The hummingbird, universally liked and fascinating to watch, symbolizes the moment just prior to landing—this moment is about destination and about coming home to Camden. ■

To earn the ACCREDITED MANAGEMENT ORGANIZATION (AMO) accreditation 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.



KNOW YOUR CODE OF PROFESSIONAL ETHICS:

ARTICLE 5

Relations with Other Members of the Profession



MARY FAITH RADCLIFFE, CPM (MRADCLIFFE@RCPMANAGEMENT.COM), IS THE PRESIDENT OF RCP MANAGEMENT COMPANY, AMO, IN PRINCETON, N.J..

“A MEMBER shall not make, authorize or otherwise encourage any false or misleading comments concerning the practices of Members of the Institute of Real Estate Management. A MEMBER shall truthfully represent material facts in their professional activities. A MEMBER shall not exaggerate or misrepresent the services offered as compared with the services offered by other real estate managers. Nothing in this Code, however, shall restrict legal and reasonable business competition by and among real estate managers.”

Most real estate managers realize the need to conduct themselves professionally at all times when dealing with colleagues. IREM has taken this common-sense approach a step further by making this a requirement, as detailed in Article 5 of the IREM Code of Professional Ethics, shared above. By doing so, IREM has defined behavior that might otherwise fall into the abyss of “gray matter,” which is abundant in professional relationships.

While it is everyone’s goal to work well with peers, IREM requires it and advises members, “don’t burn any bridges, as you never know when you may need that person down the road.” This statement has never been more accurate than in today’s economy. Professionals are moving between companies as well as finding new and innovative ways to service clients. It is very

possible that a former professional adversary may be a co-worker tomorrow.

It is more important than ever to think carefully about your interactions with fellow real estate professionals, both within your company and elsewhere in the industry. As tough situations come up, don’t hesitate to seek advice from your company’s human resource department and review your employee manual occasionally as a reminder of corporate goals and expectations. Human resource officers are expert at listening to difficult situations and giving ethical advice that will comply with company policy. If there is no human resource officer available, you can contact IREM for confidential advice.

It is up to you, as a real estate professional and as an IREM Member, to choose the best course of action when faced with “gray area” situations. For example, if you and a competitor are bidding on the same job, is it appropriate to detail numerous negatives about the other company or an individual? Is it appropriate to discuss only certain aspects of your company, and leave out some other important facts when hiring a new employee?

IREM has a very structured ethics policy that includes a hearing board and disciplinary procedures. It is better to be cautious when interacting with fellow professionals now so you don’t have to answer a formal complaint later. ■

IT IS UP TO YOU, AS A REAL ESTATE PROFESSIONAL AND AS AN IREM MEMBER, TO CHOOSE THE BEST COURSE OF ACTION WHEN FACED WITH “GRAY AREA” SITUATIONS.

ARTICLE 6

Contractual Obligations

IT IS A CREDIT TO THE STRENGTH OF TRAINING AND PROFESSIONAL STANDARDS UPHELD BY IREM MEMBERS THAT ALLEGATIONS OF ETHICS VIOLATIONS PERTAINING TO CONTRACTS ARE BROUGHT TO THE INSTITUTE INFREQUENTLY. That said, it is certainly understood that written contracts are needed because verbal agreements are often misinterpreted, and even written contracts are subject to interpretations of intent.

Article 6: Contracts. Any written contract between a MEMBER and a client shall be in clear and understandable terms, and shall set forth the specific terms agreed upon between the parties, including a general description of the services to be provided by and the responsibilities of the MEMBER.

Not surprisingly, the lack of transparency, and frequent, clear and open communications—both orally and in writing—can cause things to go the wrong way in a business relationship. Transparency and clear communication are the mortar that holds a relationship together when disputes, misunderstandings or unequal interpretations of a contract are elevated.

Transparency and open communication must be present when dealing with clients' finances, in particular, the accounting practices. It's essential to use professional and approved accounting methods for your clients to ensure

you do not breach Article 6. One can get into trouble with clients by using their funds in a way not clearly spelled out in writing in advance. In addition, charges to or reimbursements made from the client's account without prior authority, may result in a violation and a complaint. Finally, hiring of personnel, as well as hiring and supervising vendors, while typically under the purview of the member in most situations, should be clearly stipulated and agreed upon prior to commencement of the relationship, and reviewed regularly during the term of the agreement.

What we have seen at the Institute proceedings are cases in which a member has made assumptions about what allowable actions he or she could take, according to a written contract, when, in fact, the client by no means approved those actions verbally or in the contract. Sometimes a member may believe that certain actions or conduct would be acceptable to the other party, or because they have done something similar with another client that it would be acceptable to a different client. Nonetheless, when a client "discovers" conduct or action by a member after the fact, the lack of prior documented communication can destroy that relationship and result in loss of business, damage to their reputation, and a complaint, possible censure or termination from the Institute. The key: document and communicate with transparency. ■



CRAIG L. CARDWELL, CPM (CRAIGCARDWELL@ME.COM), IS PRINCIPAL AND CHIEF EXECUTIVE OF ISLAND INVESTMENT INTERESTS HEADQUARTERED IN MEMPHIS, TENN.

CRISIS AVERTED!

In this issue of RVP Corner, *JPM*[®] shares the thoughts and opinions of an IREM Regional Vice President and offers his take on crisis communication



BEN FORSYTH, CPM, VICE PRESIDENT OF WESTERRA REALTY MANAGEMENT IN SALT LAKE, SERVES AS THE 2011 AND 2012 REGIONAL VICE PRESIDENT FOR REGION 8, WHICH INCLUDES EIGHT IREM CHAPTERS IN NEVADA, UTAH, COLORADO, ARIZONA AND NEW MEXICO.

AS PROFESSIONALS IN THE REAL ESTATE MANAGEMENT BUSINESS, WE ARE THE GO-TO PEOPLE FOR EVERYTHING. Clients look to us to solve their problems and deal with crisis situations. When my father, Richard Forsyth, CPM, CCIM, encouraged me to get into real estate management and get my CPM designation, I never could have predicted that I would be called upon to take

care of everything from water line breaks and middle-of-the-night fire alarms to angry tenants who take issue with CAM increases or their lease in general, and much more.

In the beginning of my career, I tended to stress out when confronted with crisis situations, and found that it created unnecessary tension over the situation than was necessary.

Here are five lessons I've learned along the way:

- 1.** The majority of the time, the first call regarding a crisis is a bit exaggerated. I find it's best to just listen to the tenant and respond as soon as possible, followed by a bit of advice, depending on the situation. If you can't judge the severity of the situation, it helps to be an active listener and ask questions that will provide you with as many details as possible until you—or the proper contacts—can get to the property if necessary. For example, if it's a roof leak, I advise the tenant to contain the water with a bucket until my roofer gets there; if it's a flood of some sort, I'll direct the tenant to look for the source so they can try to turn it off (while also ensuring help is on its way).
- 2.** You must be prepared with necessary phone numbers and contact information so that you can tackle any problem immediately.
- 3.** Act quickly. If possible, go to the situation as soon as you can, make the necessary calls or provide the appropriate information.
- 4.** The more hands in the pot, the worse the issue can become. Inform those whom you serve of the progress and stay in control as the problem solver.
- 5.** Keep your client informed and try your best to keep the tenant happy (even though at times this is impossible!).

From experience, I find that people skills are crucial to thriving in this business. You have to bite your tongue in many situations, take deep breaths and move forward! Whatever the situation, you have to be positive and provide those whom you serve reasons to trust you and your judgment.

CORRECTION: Mary Butler, CPM, was incorrectly identified as president of IREM Dallas Chapter No 14 instead of IREM Houston Chapter No. 28 in the "Giving Back" article of the Mar/Apr issue of *JPM*[®]. In addition, the IREM Indianapolis Chapter is No. 24 rather than No. 4, as referenced.

The journal deeply regrets these errors and has corrected them in the online edition of *JPM*[®] available at www.jpm-digital.org.

IREM HONORS CHUCK ACHILLES with J. Wallace Paletou Award at the 2011 Leadership and Legislative Summit

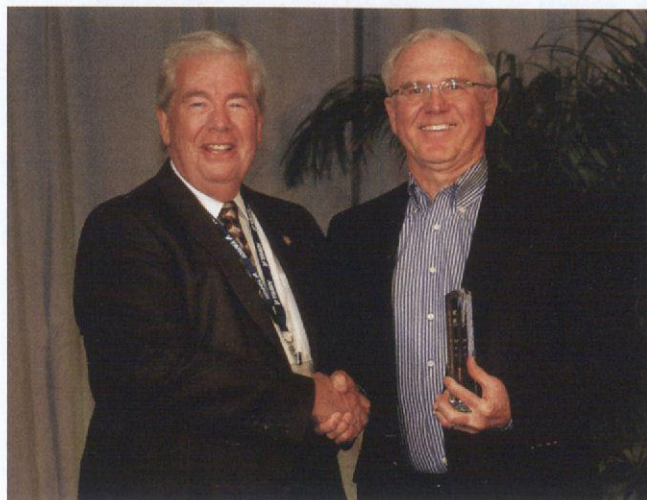
The IREM Foundation pays tribute to one of the Institute's long-serving, dedicated IREM Headquarters staff members, Charles (Chuck) Achilles. Chuck was honored with the J. Wallace Paletou Award at the 2011 IREM Leadership and Legislative Summit in Washington, D.C., this April.

This prestigious award—named in honor of the 1957 president of IREM—is presented to those who have made especially noteworthy and significant contributions to the field of real estate management.

“Chuck’s contribution to the profession of real estate management has been incalculable,” said nominator Michael Simmons, CPM, President and Chief Executive Officer of Community Realty Management, Inc., and former president of IREM. “He is knowledgeable, he is thorough, and just ideally suited for the work he does in every way.”

Chuck Achilles has been an integral member of the IREM staff since 1972. After only five years with the Institute, Chuck was promoted to vice president of membership and communications. In 1981, Chuck assumed the role of vice president of legislation and research. Recently named chief legislative and research officer, Chuck oversees the progress of the ongoing legislative activities of IREM, which include federal, state and local legislation and regulatory affairs. He also manages the production of the IREM research and marketing research studies as well as the organization’s annual Income/Expense Analyses® publications.

Chuck has shared his vast knowledge of governmental affairs, legislative and regulatory processes through lecturing, delivering educational sessions, and writing for *JPM*®. On behalf of IREM, Chuck has interfaced with Congress and various other governmental agencies, including HUD, RHS (formally FmHA), EPA, FCC, OSHA and the GSA.



CHUCK ACHILLES ACCEPTS THE J. WALLACE PALETOU AWARD AT THE IREM LEADERSHIP AND LEGISLATIVE SUMMIT.

“When we looked at the person nominated and compared it to the criteria for the award, the nominating committee had an ‘aha’ moment,” continued Simmons. “The committee felt that he was an outstanding nominee and embodied everything the award stands for.”

The IREM Foundation recognized its first professional award recipient in 1971 and has continued to honor outstanding individuals who make valuable contributions and are truly dedicated to the real estate profession. The objective of the awards program is not only to recognize those who do contribute, but to also encourage others to make similar contributions to the profession. While the Foundation continuously seeks 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 September 10. When accepted, the award is typically presented during the Leadership and Legislative Summit.



COURSE LISTINGS

MAY

MNT402	May 2-3	New York
MPSAXM	May 2-5	Houston
MKL406	May 2-3	Aurora, Colo.
MKL405	May 2-3	Alexandria, Va.
MKL406	May 2-3	Alexandria, Va.
MPSAXM	May 2-5	San Diego
ASM603	May 2-3	Kirkland, Wash.
FIN402	May 4-5	New York
HRS402	May 4-5	Alexandria, Va.
ASM604	May 4-5	Kirkland, Wash.
RES201	May 5-6	Southfield, Mich.
CPM001	May 6	Houston, Texas
CPMEXM	May 6	Houston, Texas
CPM001	May 6	San Diego
CPMEXM	May 6	San Diego
ASM605	May 6	Kirkland, Wash.
MPSAXM	May 9-12	Birmingham, Ala.
MKL406	May 9-10	Austin, Texas
MKL405	May 9-10	Memphis, Tenn.
ETH800	May 9	Orlando, Fla.
SRM001	May 10	Jacksonville, Fla.
HRS402	May 11-12	Austin, Texas
ETH800	May 11	Los Angeles
ETH800	May 11	Orange County, Calif.
RES201	May 11-21	Rochester, N.Y.
ETH800	May 12	Stoneham, Mass.
CID201	May 12-21	Central, N.J.
ETH800	May 12	Marlton, N.J.
MKL405	May 12-13	Salt Lake City
MKL406	May 12-13	Salt Lake City
CPM001	May 13	Birmingham, Ala.
CPMEXM	May 13	Birmingham, Ala.
ASM603	May 16-17	Quincy, Mass.
MKL405	May 16-17	Oak Brook, Ill.
ASM603	May 16-17	Los Angeles
RES201	May 16-21	Fishers, Ind.
MNT402	May 16-17	Las Vegas
MPSAXM	May 16-19	Vancouver, Wash.
FIN402	May 16-17	Washington, D.C.
MPSAXM	May 16-19	Orlando, Fla.
MKL406	May 17-18	Dallas
ASM604	May 18-19	Quincy, Mass.
HRS402	May 18-19	Oak Brook, Ill.
ASM604	May 18-19	Los Angeles
FIN402	May 18-19	Las Vegas
FIN402	May 18-19	Golden Valley, Minn.
MNT402	May 18	Washington, D.C.
HRS402	May 18-19	Pittsburgh
ETH800	May 19	Dublin, Ohio
HRS402	May 19-20	Dallas
MKL406	May 19-20	El Paso, Texas
ASM605	May 20	Quincy, Mass.
ASM605	May 20	Los Angeles
CPM001	May 20	Vancouver, Wash.
ETH800	May 20	Washington, D.C.
CPM001	May 20	Orlando, Fla.

ETH800	May 20	San Joaquin, Calif.
ASM603	May 23-24	Nashville, Tenn.
ASM604	May 25	Nashville, Tenn.
ASM605	May 27	Nashville, Tenn.

JUNE

MKL405	June 6-7	San Diego, Calif.
MKL406	June 6-7	San Diego, Calif.
HRS402	June 8-9	San Diego, Calif.
FIN402	June 9-10	Overland Park, Kan.
ETH800	June 9	St. Petersburg, Fla.
ETH800	June 9	Pittsburgh
MPSAXM	June 13-16	Quincy, Mass.
HRS402	June 13-14	Colorado Springs, Colo.
ASM603	June 13-14	New York
ASM603	June 13-14	Orange County, Calif.
MNT402	June 14-15	Century City, Calif.
ASM604	June 15-16	New York
ASM604	June 15-16	Orange County, Calif.
FIN402	June 16-17	Century City, Calif.
CPM001	June 17	Quincy, Mass.
CPMEXM	June 17	Quincy, Mass.
ASM605	June 17	New York
ASM605	June 17	Orange County, Calif.
RES201	June 20-26	Anchorage, Ark.
MNT402	June 20-21	Dallas
RES201	June 20-26	Golden Valley, Minn.
ASM603	June 20-21	St. Louis
FIN402	June 21-22	Southfield, Mich.
FIN402	June 22-23	Dallas
ASM603	June 22-23	El Paso, Texas
ASM604	June 22-23	St. Louis
MNT402	June 23-24	Southfield, Mich.
CML001	June 24	Dallas
ETH800	June 24	Houston
ASM605	June 24	St. Louis
ETH800	June 28	Memphis, Tenn.

INTERNATIONAL

BDM602	May 16-17	Warsaw, Poland
MPSA	May 18-19	Warsaw, Poland
CPMEXAM	May 20	Warsaw, Poland
REM001	June 6	Kyiv, Ukraine
ETH800	June 6	Kyiv, Ukraine
REM001	June 6	Sofia, Bulgaria
ETH800	June 6	Sofia, Bulgaria
ASM603	June 7-8	Kyiv, Ukraine
MNT402	June 7-8	Sofia, Bulgaria
ASM604	June 9-10	Kyiv, Ukraine
FIN402	June 9-10	Sofia, Bulgaria
ASM605	June 11	Kyiv, Ukraine
CID201	June 13-17	Calgary, Canada
BDM602	June 16-17	Moscow
ARMEXM	June 18	Calgary, Canada
MPSA	June 18-19	Moscow



FOR THE MOST UP-TO-DATE COURSE LISTINGS, PLEASE VISIT 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



ON THE ROAD

MAY 16

Japan Chapter No. 110

Location: Tokyo

Visiting Officer: Ron Goss, CPM, President

MAY 18

South Carolina Chapter No. 72

Location: Columbia, S.C.

Visiting Officer: Elizabeth H. Machen, CPM,
Secretary/Treasurer

MAY 20

Greater Nashville Chapter No. 71

Location: Nashville, Tenn.

Visiting Officer: Elizabeth H. Machen, CPM,
Secretary/Treasurer

JUNE 8

Austin Chapter No. 61

Location: Austin, Texas

Visiting Officer: Jim Evans, CPM, President-Elect

JUNE 9

San Antonio Chapter No. 48

Location: San Antonio

Visiting Officer: Jim Evans, CPM, President-Elect

JUNE 15

Michigan Chapter No. 5

Location: Detroit, Mich.

Visiting Officer: Elizabeth H. Machen, CPM,
Secretary/Treasurer

JUNE 16

West Michigan Chapter No. 62

Location: Lansing, Mich.

Visiting Officer: Elizabeth H. Machen, CPM,
Secretary/Treasurer

For a more comprehensive calendar of chapter visits, go to www.irem.org/calendar.

Awards & Recognition



Beau Beery, CPM, CCIM, vice president of commercial real estate, has received the 2010 **"Dean of Commercial Real Estate"** Award—presented by the Gainesville Alachua County Association of REALTORS® (GACAR)—recognizing the most

outstanding of the commercial realtors nominated who contribute to furthering the commercial real estate profession.

Reliable Property Management, a San Jose, Calif.-based real estate and leasing company, has received the certification as a **Women's Business Enterprise** by Astra Women's Business Alliance, a regional certifying partner of the Women's Business Enterprise National Council (WBENC). WBENC has a meticulous certification process, which highlights those businesses that are owned, operated and controlled by at least 51 percent women.

Camden Property Trust, AMO, was recently named by FORTUNE® Magazine for the fourth consecutive year as one of the **"100 Best Companies to Work For"** in America, placing seventh on the list, and ranking number three in the "small company category."

To read more about Camden Property Trust, turn to the AMO Spotlight on p 52.



GET YOUR GADGETS IN SHAPE! The HP Envy M100, ScanSnap and Aigo Power i616 are fast, thin and energetic



TODD CLARKE, CCIM (TCLARKE@NMAPARTMENT.COM), IS CEO OF NM APARTMENT ADVISORS IN ALBUQUERQUE, N.M.

IT'S A ScanSnap!

Fujitsu has kicked it up a notch with the ScanSnap S100 scanner, which powers and interfaces with a mini USB cable, and is the smallest workable scanner yet. At just 1.5" x 2", the single-page scanner is a welcome addition to any travel kit. While the drive to get the scanner down to its diminutive size has caused it to lose some of the features found standard in other Fujitsu models—notably multi-page, dual-sided scanning—the ScanSnap has retained its simple one-button scan-to-PDF file interface, thus making going paperless so much easier.

Currently retails for \$199 at www.fujitsu.com/us.



READ TODD CLARKE'S TECHNOLOGY BLOG AT WWW.CANTERACONSULTANTS.COM/TECH.



PRINT GREEN (AND RED AND YELLOW AND ORANGE) WITH ENVY

Looking more like a VCR than a printer, Hewlett-Packard's HP Envy M100, the latest entry into the printing world, is sleek, hi-tech and cutting edge. The "envious" web-based scanning/printing interface contains a combined on/off button and a motorized high resolution touchscreen—mimicking standard Smartphone interfaces even down to the installation of "apps"—which allows you to print or scan maps, movie tickets, cartoons, photos and more. And it's quick—the blazing fast Envy prints 27 pages per minute in black and white and 25 pages per minute in color.

Setup of the Envy is equally as easy: just plug in the power, direct it to your Wi-Fi network, and you will be printing within moments. You can even assign the printer its own e-mail address and send your documents through Apple AirPrint, which allows printing from an iPad or iPhone (with a Bonjour compatible router).

Currently retails for \$219 at www.HP.com.

BATTERY WORK/LIFE BALANCE

If you've ever traveled and forgotten your iPhone charging cable, the Aigo AIPower i616 iPhone battery-charging case is for you!

Smartphone users often complain how quickly they burn through their batteries, attributing it more to design issues than the likely culprits of listening to music, watching movies, playing games and checking Facebook. Although there are several iPhone cases with embedded batteries out there, Aigo rises to the top because of its unique design, clear battery level indicator and retracting USB cable (which slides out and plugs either into your computer for synching or any USB port for charging).

Currently retails for \$69.99 at www.aigomade.com/aiPower_i616.



NEW PRODUCTS

STICKY SITUATION Zinsser BONDZ™

Maximum Adhesion Primer, available through Rust-Oleum Corporation, is a fast-drying adhesive that can bond to just about any surface—including fiberglass, tile, glazed brick, aluminum, laminate and galvanized steel—and seal it with a uniform finish. The low-odor, low-VOC formula dries to the touch in thirty minutes and can be top-coated in as little as two hours.

For more information, visit www.zinsser.com.



COMMAND CENTER Energy Point™,

available through Prenova, is an application that allows organizations with multiple buildings to have automated, around-the-clock monitoring and energy control capabilities for each of their buildings from a central internet portal. The application monitors daily energy usage of energy-intensive equipment—such as HVAC, lighting and refrigeration systems—via specialized software, requiring no upfront capital.

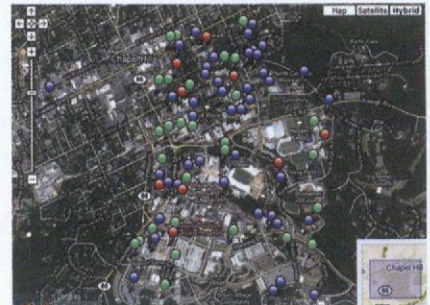
For more information, visit www.prenova.com.

SWITCHING IT UP

The new Russelectric RTS Series automatic transfer switch, available through Russelectric Inc., is the most powerful in the emergency/backup power industry. The intuitive, interactive menu—featuring an easy-to-see LED and operational data such as active time delays, transfer inhibits, metered values, fault and alarm reports, event records and configuration settings—is intuitive

and interactive, making setup, alarm acknowledgement and review of data easier than ever.

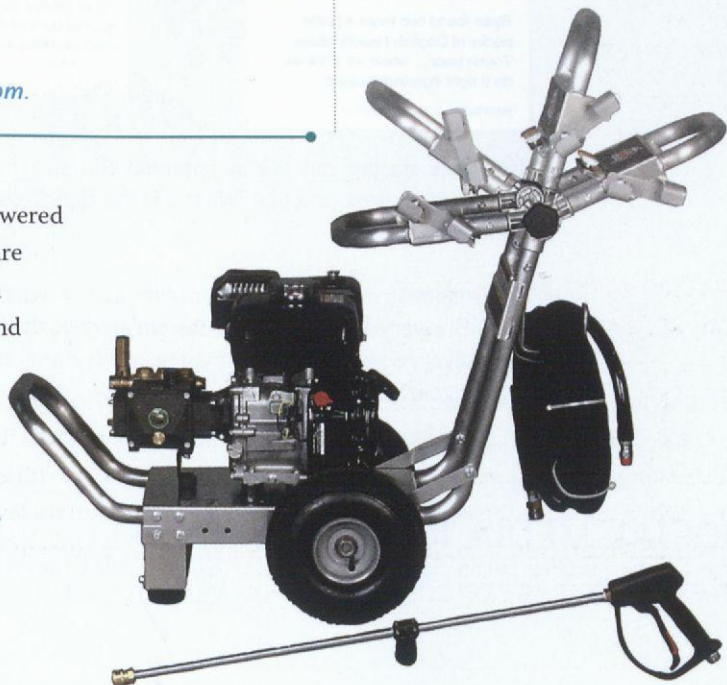
For more information, visit www.russelectric.com.

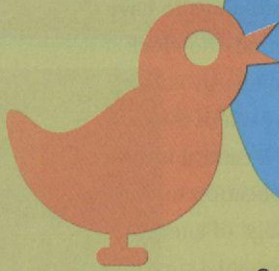


GOOD UNDER PRESSURE Shark's new gas-powered

cold-water Aluminum Series pressure washers are extremely durable and corrosion-resistant. With an innovative frame shape, lightweight design and ergonomic handling, the pressure washers in the Aluminum Series are simple to push or pull—even through grass, gravel and mud.

For more information, visit www.sharkpw.com.





AVOID THE SOCIAL MEDIA PANIC BUTTON



See the Red Cross blog post on the incident at <http://redcrosschat.org/2011/02/16/twitter-faux-pas/>.

Social media gives you an opportunity to show a less formal side of yourself or your organization. The fast-paced and informal nature of the space means you may make a mistake or two, but it also provides unique opportunities to respond to those mistakes. In other words, mishandling a Facebook update is not the same as a mistake in a formal press release or printed brochure. While you should always have response plans in place for possible social media crises, they don't always have to be of the "delete-and-ignore" or "formal-apology-and-fired-employee" varieties. Below is an example of how the American Red Cross handled one such crisis.

#Gettngslizzerd

Gloria Huang, an employee of the American Red Cross, helps manage the Red Cross twitter accounts. Thanks to what she later called "an inability to use HootSuite" (a twitter management application), she accidentally posted a tweet meant for her personal account to the Red Cross twitter feed, twitter.com/RedCross.

Can you imagine the sinking feeling you'd get seeing this posted on your company's twitter account?



But what started out like a potential PR disaster ended up a social media reputation management best practice. What did the Red Cross do? They responded quickly but with humor and grace.

The response from the twitter community was swift—and supportive! Soon Dogfish Head Brewery tweeted about the incident to their large group of followers, and twitter users everywhere started donating money and blood to the Red Cross in honor of the "#gettngslizzerd" tweet.

SOCIAL MEDIA IS SCARY. QUESTIONS LIKE *WHAT IF SOMETHING GOES WRONG? WHAT IF SOMEONE SAYS SOMETHING BAD ABOUT OUR COMPANY? WHAT IF I POST SOMETHING STUPID?* KEEP A LOT OF COMPANIES FROM VENTURING INTO THE SOCIAL MEDIA REALM.

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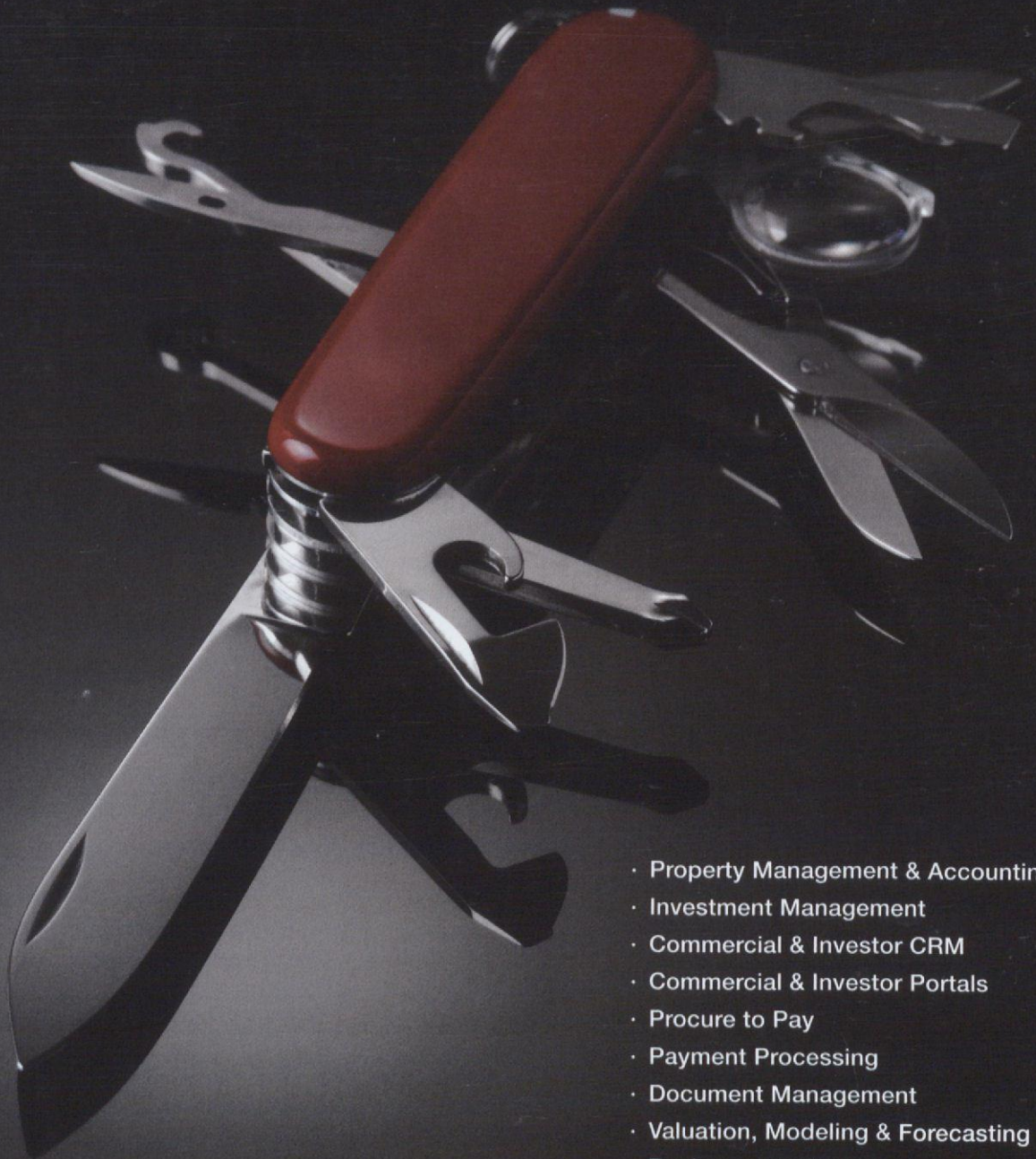
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