

## Expert property management can maximize an asset's value

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As the housing market has cooled, the rental market has quietly heated up. In today's highly competitive real estate environment, quality property management has become increasingly important, playing an essential role and enabling landlords to maintain a competitive edge.

Successful property management today requires more than a basic knowledge of Property Management 101. It demands a highly sophisticated, analytical approach.

Considering that it can take mere weeks for a performing asset to deteriorate to the point it becomes an underperforming or non-performing property in a highly competitive market, the quality of property management is more important than ever. The simple things add up (trash not removed, non-



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repaired broken windows, neglected landscaping, etc.) until the property simply isn't attractive to prospective renters any longer. Fortunately, the physical fixes can be effected quickly, but repairing the community's reputation will typically take considerably more time.

To achieve resident satisfaction and add value for the owner, the overarching concern for property managers must be first and foremost to understand the owner's needs and business objectives. For example, what is the owner's exit strategy? Does the owner want to quickly dispose of the property, or does the owner see this particular property as a cash flow-producing asset with a long-term exit strategy?

Maximizing the asset's performance - and thus its value - can be broken into three steps.

### Do your homework

Knowing what the physical condition and quality of the property is and what the local market can support is crucial. Research is critical. How does

the competition compare to the target property? What are the rents at similar communities? How do the facilities, amenities and appearance compare? This must all be accomplished prior to beginning or immediately after starting on the assignment so that changes can be made quickly and efficiently.

A quick example: One "affordable" housing community had an occupancy rate of 51%. When asked why it was so low (other similar communities in the area were at 90+%), the leasing agents informed us that most of the applicants were immigrants and didn't have a Social Security Number, a prerequisite for occupancy. We quickly found that a neighboring development housed a government-affiliated office that issues Social Security Numbers - less than two miles away! After creating a similar office at the property, it took less than 90 days for this community to achieve an occupancy rate of 92%.

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## MANAGEMENT

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### Create a tailored plan

Many property management companies will take over the operations of a community and simply implement a cookie-cutter system they have become accustomed to working with on numerous other assets. Implementing a standardized system without adjusting it to the specific needs of a particular property almost guarantees that the value of the asset won't be fully realized.

In one assignment, our plan found that for the asset to fully realize the income potential available in the marketplace it made sense to initiate and fund a capital improvement plan to update the interior of the units, resulting in the ability to immediately implement significant increases in rent. This plan quickly turned the property around and significantly increased its occupancy level and rental income - and resulting cash flow for the owner.

### Hire the right personnel

This cannot be overstated. If there's one factor that can destroy the potential of a community to operate and perform at a maximum level more than any other, it's the management and operational personnel involved.

In many cases, existing staff may be jaded and unable to break the bad habits and practices that have put the property in its current conditions. They may be rude to residents and unresponsive to their needs. They may be dilatory in implementing repairs and staying on top of delinquent renters. Sometimes they

just simply have to be replaced. In other instances, they can be motivated by simply communicating exactly what is expected of them and providing performance benchmarks. Everyone must clearly understand the objectives, and what steps are needed to obtain those objectives.

Third-party property managers must leverage their institutional experience by sending at least one executive-level director to each project site to spearhead the property needs assessment (PNA) and evaluate the current onsite personnel. They dictate the tone and tenor of the work environment, and they set aggressive goals that are clearly delineated and that can be met by diligent onsite personnel.

An experienced and knowledgeable property management team can also offer strategic advice on capital improvements and costs, site market appeal, vendor and contractor contacts and asset management services, among many other services that can be crucial to and extremely valuable to the owner.

With a common-sense approach, and the diverse array of services and innovative solutions being offered by quality property managers, landlords can expect to achieve greater resident satisfaction and to maximize their bottom-line success.

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