

Sound property management adds value in a variety of ways

Can a professional and pro-active property manager really add value to a property?

All commercial properties share the very basic characteristics: land and improvements. But what differentiates "like" properties? Even more importantly, what separates successful, profitable properties from similar properties that are unsuccessful and are a drain to the investor?

There are many different theories and philosophies on commercial real estate investing, but all of them must be executed to some degree through a property manager who handles the day-to-day operations. Professional property managers can help bolster a property's net operating income through preventative maintenance programs, achieving higher rents, better cost capture, reduced operating expenses and by proactively diagnosing minor issues before they grow into major problems.

However, great value-added property management that also places a paramount role on tenant retention through outstanding customer service can greatly increase a property's bottom line.

Whether an "A" or a "C" property, none of the benefits from a good property manager mean much without the ability to attract and retain the most valuable tenants for that particular property. Tenants, and the rents they pay, are the lifeblood of any commercial investment and should be treated as such.



Guest

Column

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Because there is a correlation between what a tenant is willing to pay for a space and the overall value of the property, a tenant who will pay more rent for one particular space because of perceived value has caused the property to appreciate accordingly.

Similarly, it is far more profitable for a property to retain good market rate tenants than to incur the costly vacancy, tenant improvements and leasing commissions associated

with turnover. A proactive tenant retention program can help a property experience less turnover. The goal of the program should not be to meet the expectations of the tenants, because expectations are just that: expected. Value-added property management aims at exceeding the tenants' expectations. The difference between what is expected and what is created through exceeding expectations is where value is created. Merely satisfying tenants will not keep them loyal when their leases expire, which makes them ripe targets for a property's competitors upon expiration.

If tenant retention is viewed as the time to send a new lease agreement by mail and

start negotiating, it is too late. At this point, especially if a rental rate increase is requested, a tenant's previously unexpressed dissatisfaction with their space and/or services they pay for in exchange for their rent will likely surface. If this is the case, much of the negotiations may pertain to correcting and/or making up for the tenant's perceived inequities. Prompt attention must be given to any service issues identified at this time, however, the manager should not wait until the lease renewal to identify areas of dissatisfaction, and efforts to discover any issues must be made at other interaction points.

Effective tenant retention must be viewed in a much broader sense than just an attempt to get another signature. Every interaction with a tenant needs to be considered as part of the renewal process and a way to increase retention by increasing tenant satisfaction. The more times a tenant is made to feel valued, the more likely they are to be pleased when it comes time to renew.

Regardless of whether the interaction is due to a service request, a rental payment, or a complaint, every contact needs to be viewed as an opportunity to delight the customer. Focusing on tenant retention and customer service is a direct investment in the bottom line of any property.

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