

# OFFICE PROPERTIES

## Quarterly

### Management

## Considerations to help elevate a property's value

If you're a new investor in commercial real estate, or are thinking of purchasing a property as a way to turn a profit, there are some basic – and also complex matters – that should be considered and implemented in order to elevate value. Unless improvements are made in a thoughtful and prudent manner, the things you do that were intended to attract tenants, raise lease rates and lower costs could wind up becoming a huge expense that will put the property and you in-the-red.

Following is a real estate 101 on elevating a property's value.

■ **Get to know your tenants.** As the new landlord, take the time to speak to your tenants and find out what are their complaints and concerns about the property. Too often, new owners look at a property, make their own determinations of what needs to be done and miss the target entirely. If you and your property management team want to get off on the right foot, meet with your existing tenants or send a survey asking them to identify their top three concerns. In doing this, your team can show tenants that you're listening, while also addressing some of the issues that will impact your ability to raise your occupancy. Remember, the best "new tenant" is the one you already have.

■ **Jump on deferred maintenance issues.** Sometimes new owners continue on the trajectory of procrastination when it comes to fixing and



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addressing maintenance issues in their newly acquired building. Don't let things such as parking lot potholes, heating, ventilation and air-conditioning inconsistencies, poor lighting, old carpet and dingy paint continue to work against the property as

a desirable place for a company to locate its business. Immediate repairs and improvements will garner credibility as an engaged and fair landlord.

■ **Dig into building efficiencies.** As a way to improve your property's performance (which will make tenants happy) and lower operating expenses (which will make you happy) have qualified engineers and technicians examine the places where a building may be failing you. For example, more efficient lighting in hallways and stairwells, updated HVAC controls, roof damage or inefficient roofing materials, cost-effective green roof solutions and window systems are some of the places to turnaround your building's efficiencies and build better profit in the future. The cost of these items may be reduced with Xcel rebates and Commercial Property Assessed Clean Energy program loans.

■ **Review operating and accounting**

**systems.** There are many options available to building owners and managers to improve operating and accounting efficiencies. Your team should research all that's available and make sure that the software systems and operating procedures will meet the specific needs of your building and your tenants. For example, you might decide to install bank scanners in your accounting office, offer automated clearing house or set up a lock box at the bank for faster deposits and improved cash flow. Be sure to work with your accountant to optimize your structure and accounting to identify opportunities and efficiencies. Also, ask your certified public accountant to review the feasibility of a cost-segregation study, which might accelerate depreciation of building components and give you near-term operating funds to make improvements.

■ **Set a routine maintenance schedule.** If you want to save on maintenance costs in the long run, establish a routine maintenance schedule at the outset of your ownership. Some of the steps you should take include reviewing your equipment contracts to make sure you are following warranty guidelines; hiring professional consultants and maintenance companies to ensure your HVAC system is running optimally; and plan on current and future capital expenditures so you can anticipate costs.

■ **Think about health and wellness.** At the top of the list for many potential tenants is knowing that the building is safe. This requirement goes beyond physical security to include the health and hygiene of a building, especially in light of COVID-19. With this in mind, consider installing a modern surveillance system and hiring building security. Also do things that will address invisible threats such as viruses, which could include evaluating air quality and more sophisticated HVAC systems with higher-quality filters.

■ **Go beyond the call of duty.** There always is more you can do to go the extra-mile to make your property as profitable as possible. For example, considering taking a class in asset management (Building Owners and Managers Association offers a course); add creative design elements and spaces (for example, create murals to dress up stairwells, or add kitchenettes and game rooms where tenants can relax). It's imperative to find ways to differentiate your property if you want it to be the place companies move into.

Obviously, all of these items come with costs, so setting a budget and establishing priorities is key. Working with a professional who can provide an honest assessment of what the best steps are to increase occupancy and lease rates (that won't price you out-of-the-market) is your first step toward success. ▲