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Real estate managers pressured to grow net operating income; According to IREM Leadership

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CHICAGO, IL Despite signs of an upturn in the economy, real estate managers anticipate that they will increasingly be pressured this year to grow net operating income (NOI) through cost controls and operating efficiencies, continuing the trend that has been seen over the last 12 months. This according to overwhelming agreement in a soft survey of hundreds of local, national and international leaders of the Institute of Real Estate Management (IREM). The group convened last year in Orlando, Fla. at IREM iCon, the organization's annual education and networking conference.

Respondents observed that the ability to raise rents is very limited, making cost-control measures critical. "As base rents decline and vacancies increase, we are looking under each and every rock for savings to offset the reduced receipts, especially in discretionary expense areas," said some respondents. Savings are being realized through lowering property taxes through appeal plus cutting man-hours, some observed.

At least one respondent suggested that a new, second wave of receiverships is possible, which will add to this pressure. Most vulnerable to foreclosure are Class B office properties and properties with vacancies or near-term vacancies, respondents said. They noted that the increase in receiverships could happen if rents do not increase substantially in the next two years.

Demand Increasing for Professional Management

Approximately 68% of respondents saw an increase in demand for third-party professional management services over the last year from investors "inheriting" distressed properties who had not been educated to manage real estate assets and from owners who made the business decision to outsource their management. A slightly higher number (70%), expect this demand to continue to grow over the next 12 months, with 24% saying it will stay the same, and 6% saying it will decline.

Social Media a Growing Force

Three quarters (75%) of those responding said that they had seen an increase in the use of social media to better manage their properties and promote their companies over the last 12 months, while 25% indicated no change. Nearly nine in 10 (86%) expect an increase in social media usage as a management tool in the next 12 months, especially in the multifamily sector where everything moves more quickly. Some 14% said usage would remain the same but no one said it would decline in the next 12 months.

One typical response was that residents are demanding that property managers get online because of the ease of access that comes with social media and smart phones. Many acknowledged that they need to learn to use social media more efficiently and effectively.

Enhanced Ability to Hire

and Retain Talent

Because the pool of potential employees has increased as other professions have suffered, 51% of the respondents said that their ability to attract and retain talented employees has increased in the current business climate, 32% said it has stayed the same, and 18% said it had declined. Looking out 12 months, 57% said the climate for hiring and retaining talent will become increasingly favorable, 31% said it will remain the same, and 13% say it will decline.

Many talented individuals are applying for real estate jobs, the respondents agree. The applicants learn quickly and perform satisfactorily, say most. Some also mentioned that increased unemployment has resulted in qualified and experienced property managers being available, which can strengthen the depth and experience available at management firms for their clients.

The staffing outlook was tempered by some respondents saying that finding quality employees is still challenging. Finding qualified individuals, they said, is becoming harder while economic pressures have led some employees to look for better opportunities with better work/life balance.

About the Institute of Real Estate Management

The Institute of Real Estate Management has been the source for education, resources, information, and membership for real estate management professionals for more than 75 years. An affiliate of the National Association of Realtors, IREM is the only professional real estate management association serving both the multifamily and commercial real estate sectors. With 80 U.S. chapters, 13 international chapters, and several other partnerships around the globe, IREM is an international organization that also serves as an advocate on issues affecting the real estate management industry.

To learn more about the Institute of Real Estate Management and its chapter network, call (800) 837-0706, ext. 4650 (outside the U.S. call (312) 329-6000) or visit www.irem.org.

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