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Preparing for better property performance in 2012

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The New Year is upon us and the upside is almost balanced with the downside risk. Property budgets for 2012 are almost baked. Preparing for better property performance is a continuing challenge, and the annual budget is an integral step in the strategic planning process. Efficiency, sustainability and competitive advantage are typically worthy objectives. Understanding historical performance is a good start to projecting future potential of the property. Collaterally, one should develop a strategy for meeting and beating the market with available resources and reconciliation of liquidity with low cost leverage. So much is won and lost in property operations; the time and focus of leadership is fully justified.

Moderate job gains in the private sector outpacing losses in the public sector point towards stability with upside for 2012. Recent upticks in consumer confidence and holiday spending reverse trends in a weak consumption sector and enhance demand in a variety of property sectors and submarkets. Upticks in the securities markets like November 30, 2011 (up over 4% in response to EU debt plan) enhance the outlook and upside. Pricing the subject property is a good starting point because the exercise can have cascading impact on the operations. Meeting the market and beating the market can be achieved in different ways; differentiation of product and/or pricing should be deliberate and consistent. Benchmarking the existing competition and pipeline should be an ongoing exercise. Competitive advantage is a bottom line ingredient, maximizing income, minimizing vacancy and marketing expense. The property and the market offer more bells, whistles and levers here than elsewhere in operations.

Efficiency of operations is often associated with mechanical systems and capital spending. However, cost effective adjustments in operating procedures and services can yield savings as well with no cap ex. Energy and water charges can be reduced by fixing a leak! The benchmarking exercise can yield potential savings in a variety of line items if that loop is emphasized along with pricing. Capital spending can be inescapably essential to maintaining competitive advantage in the market place. Timely execution can be as important as the budget.

Sustainability of the physical property and its productive capacity should be an ongoing priority. Maintenance is the keystone. Paint, carpets, shrubs, signage and cleanliness throughout the property. Sustainability defines market position, from simple curb appeal to onsite services and amenities. Functional obsolescence is more than appraisal terminology, and design deficiencies can persist in the existing inventory and the plague the pipeline. Major to cosmetic upgrades sustain competitive advantage. Going green onsite is the standard and enhances marketability and the bottom line.

The prospects for property performance for 2012 are bright if not rosey. Because the economy is still in recovery, the competition will be lively. The Boston markets will have the mixed blessings of a pipeline to deal with in most property and geographic submarkets. Enjoy the planning process and

the holiday season. Happy New Year!

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