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## **ROI not limited to income; must include tenant retention, cost analysis and max use of property**

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Whether you own retail, office or industrial, one needs to understand the importance of maximizing return on investment. Returns are not just limited to income; it must include tenant retention, cost analysis and maximizing use of the property. While most property owners certainly have the ability to perform the analysis, implement and execute a plan, they usually lack the time. Many owners of real estate have other businesses; real estate being a secondary source of income. If you are such an investor, a good property management firm may be your solution.

There are plenty of firms to choose from, and as with many service oriented businesses, differentiating between them can be a challenge. Hopefully, the following will aid you in asking some questions that will separate some firms from others.

Does the management firm carry a designation?

Certifications such as a Certified Property Manager, or CPM, evidences commitment by the firm. It will also assure that the firm is knowledgeable and ethical. The CPM designation, which is only available through the Institute of Real Estate Management (IREM), is one of the most sought after training programs in the country.

Does the management firm have experience with large vacancies or troubled situations?

Like many service industries, it is easy to keep clients happy when times are good. The real challenge is how they handle difficult situations. Ask about their experience dealing with large vacancies, tenants filing bankruptcy or how they would handle an emergency situation. Nobody has all the answers, but experience is key. Try to gain an understanding of their vendor relations. Ask about their rent collection procedures and how delinquencies are handled.

What are their accounting policies and what type of information will they make available?

The importance of good financial reporting cannot be overstated. It is not as much the type of software that is used that matters, it is the attention to detail. Make sure the management firm you select has the ability to easily capture and reconcile common area costs, taxes and insurance by tenant. Anybody that has owned income property with triple net leases understands that this is not a simple task. Ask for sample reports. Talk with some of their clients. Find out if the information is timely and accurate.

Does the management firm provide brokerage services as well?

Brokerage services are one of the most important factors to consider when selecting a management company. Without it, the income side of the real estate will never be properly addressed. Hiring a

different firm to perform brokerage could be dysfunctional. The same goals and objectives may not be shared. Find out about their brokerage experience, it should be a central part of their business.

What is the professional integrity of the firm?

Holding a professional designation, such as CPM, shows a level of commitment to the profession and is one of the easiest ways to confirm a management firm's professional integrity. Beyond that, you should ask for references, both landlord and tenant. A good property manager has strong ties to the tenants of the buildings they manage.

Does the management firm have experience in financing and dealing with banks?

Financing is a key component of real estate investing. A thorough understanding of the intricacies of the financing function is of the utmost importance. Capital improvements and tenant buildouts can place tremendous pressure on cash flow. Financing projects is not only expected but can have a profound positive impact on annual cash flow and returns. A property manager that is accustomed to dealing with banks and understands the various financing vehicles can be the key to owning a building with strong annual cash flow.

Peter Kovago is a principal of Glickman Kovago & Co., Worcester, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540