

## FINDING SUCCESS WITH RETAIL REAL ESTATE

*Investors can increase the value of their assets by having strong in-house asset and property management teams.*

Andrew Hochberg

Whether the economy is strong or weak, managing a real estate portfolio and its component properties can be challenging for the owner-investor who is not a real estate professional. While every commercial property type has its cycles, none is as subject to consumer trends as retail real estate. When major national retailers go dark, the resulting vacancies can lead to sleepless nights for concerned property investors.

The goal of investing in retail real estate is, of course, to increase the value of the asset. The question is, how? In a world where retailers have unpredictable life cycles, how can retail property investors achieve peace of mind?

This question is precisely why many real estate investors choose to seek professional guidance. In good times and bad, no matter which retailers win and which ones lose, a real estate investment company with strong in-house asset and property management teams can minimize the losses and maximize the value of the real estate portfolio.

While there are many factors to consider when choosing a real estate investment firm, the benefits of working with a principal-managed, independent, regional company are numerous. Such firms know their markets, their tenants and their properties inside out. The ability to focus on each of these factors individually can lead to opportunities that

may otherwise be missed. These independently owned firms tend to manage their own properties, and who better to look after your investment than an actual property owner?

One of the greatest resources a real estate investment firm, with full in-house capabilities, can provide to an investor is the support of a strong leasing team, development and construction managers, and community relations experts. To maintain the long-term value of a property, a real estate investment firm will monitor the marketplace and help make sure that a property stays current. To a great extent, the nuts and bolts of this role fall to property managers. Their competency is vital to the long-term health and value of the retail property portfolio.

An astute property management team will also monitor local market conditions. When a major anchor tenant threatens to go under, a real estate investment firm with strong in-house property management capabilities can guide an investor's property through times of uncertainty and help it remain profitable.

Rather than reacting to the departure or failure of an important tenant, an experienced team will anticipate this possibility with pre-emptive strategies to avoid losses if possible. For instance, the property management team will have a good understanding of the tenant leases, and it will know how and

when a tenant relationship can be altered. It is important to know the details of the property leases, zoning requirements and other such guidelines that govern property use. If one tenant has an exclusivity clause in its lease, for instance, it is important for the property management team to be aware of such clauses to determine its flexibility in re-tenanting.

Keeping current with changing population characteristics, such as income and lifestyle, will allow for smart decisions. Façade updates, reconfiguration, adaptive re-use and strategic re-tenanting are always possibilities to the enterprising real estate investment firm that strives to build value for its investors.

A major factor in the success of a property is having the right relationships with the right people: tenants, city officials and key community members. A good management/tenant rela-

tionship, for example, will make the anchor tenant more likely to give plenty of notice before making any major decisions, thus giving the management team time to make strategic decisions to protect investors. A strong management/city relationship gives the retail property managers and owners more leverage regarding zoning and other city services.

For many retail property investors, the recent failures of several high-profile retailers has intensified the desire for real estate expertise. With in-house management capabilities, a real estate investment company can weather the storm of anchor-tenant failures and protect the interests of investors. □

Andrew Hochberg is a managing principal with Chicago-based Next Realty.

### We Answer Your Property Tax Needs In Chicagoland, Illinois and Throughout the Nation

We offer:

- Representation at the administrative level through the courts
- Local expertise in every state through our national affiliation of property tax attorneys
- Tax Management - Acquisition/Disposition Strategies, Incentive Negotiation
- Cutting edge approaches to property tax reductions for Hotels, Shopping Centers, Office, Utilities, REITs, Senior Housing, Industrial Facilities, Multifamily Residential



FISK KART KATZ and REGAN, Ltd.  
ATTORNEYS AT LAW

Call us at 312-726-1833

Or visit our web site [www.proptax.com](http://www.proptax.com)

Founding Member, American Property Tax Counsel (APTC)

[www.aptcnet.com](http://www.aptcnet.com)

### CAREFREE INDUSTRIAL PARK

KANSAS CITY'S PREMIER SUBSURFACE BUSINESS PARK

- 13,800 S.F. to 490,000 S.F.
- Average 50% Savings on Utilities
- Average 35% Savings on Lease Rates
- Flexible Lease Terms

GREAT Warehouse/Distribution/Manufacturing Space

CALL FOR DETAILS TODAY

Office: 913-681-5888

Fax: 913-681-7869



LS COMMERCIAL REAL ESTATE  
BROKERAGE • DEVELOPMENT • MANAGEMENT