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# CityCom *focus*

ADDRESSING THE NEEDS OF COMMERCIAL REAL ESTATE INVESTORS AND PLANTING THE SEEDS FOR A SECURE FUTURE.

*It's easy to say that you're simply going to cut costs, but did you know there are areas where cost-cutting won't adversely affect your property? Creative management can produce those results.....*

## Maximize returns through expenses

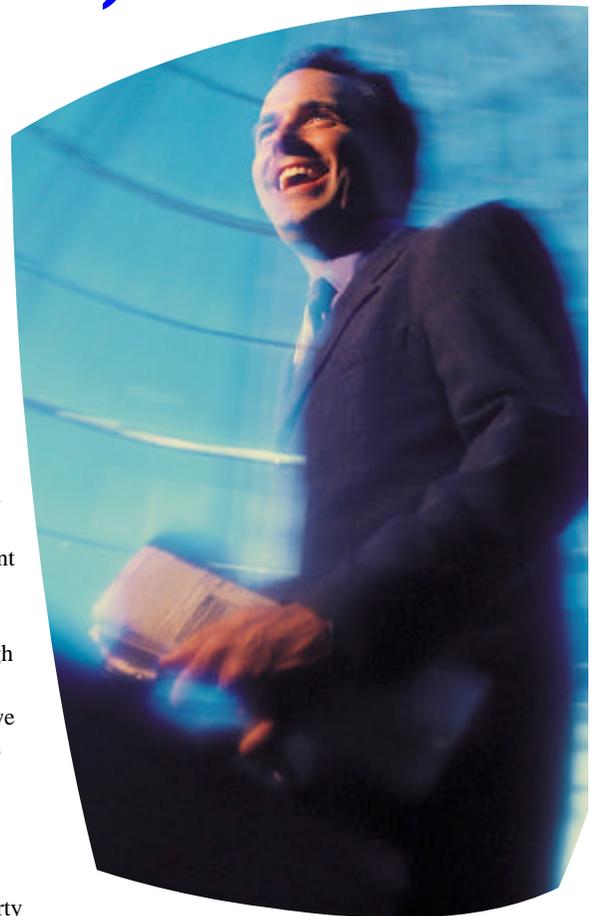
Remove half of your lighting fixtures? Instruct the landscaper to cut their service from weekly to monthly? Turn the thermostats down to 55 degrees in the winter?

Yes, these measures would certainly cut operating costs, but would they really save you money? Not really. First, the property's physical condition would be sacrificed, resulting in a decrease in value. Next, the tenants would leave your building in droves for a more accommodating setting. So, in essence you would save a dime, but it may cost you a dollar.

However, there are ways in which you can cut costs *without* having to deal with the adverse affects. Sean Bailey, Vice-President of City Commercial Management ("CityCom"), cites some examples:

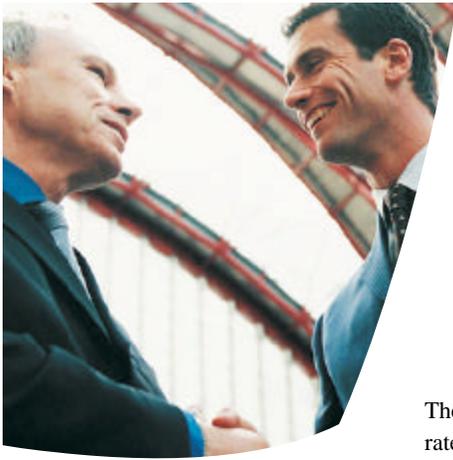
"One property suffered from unusually high electric bills. Through the installation of a photo cell in the exterior lighting circuit, we were able to change the electric utility rate structure, which achieved nearly 30% in energy savings, without having to cut usage."

And there are other possible expense reduction strategies available to the property manager that thinks outside the box..



## MARKET WATCH

The Southern California commercial real estate market is experiencing significant challenges in this market, and will likely continue to do so in the foreseeable future until the economic climate stabilizes. In times like this, it's more important than ever to ensure you have an experienced management team in place. Smart asset management will have a huge impact on your property's ability to weather the storm in a declining market, and position it to maximize its potential when the market eventually recovers.



# Getting top dollar, or shooting yourself in the foot?

*Running the numbers to understand the true impact of your rental rate decisions.*

Every real estate investor wants top dollar for their rents; after all, we'd be crazy not to. Right? Well, not necessarily.

As Mike Fortunato, President of CityCom explains.

"All too often I've watched investors sit on vacancies, declining offer after offer, in an attempt to hold out for that last couple of cents per square foot. Meanwhile, the space sits empty until you eventually find that "perfect" deal. Then when you do the math, you realize the anticipated gain was significantly reduced or lost altogether by the costs associated with the prolonged vacancy.

The key isn't just in the rental rates, but more importantly, in the occupancy rates. The investor that keeps the spaces leased, and minimizes turnover, is normally well ahead of the game.

Fortunato adds, "Factor in tenant improvement costs, lease commissions, and other concessions related to tenant turnover and you begin to see the wisdom in pricing your rental rates a couple of pennies below the market."

This is not to overlook the fact that higher rental rates result in a more attractive rent roll, which in turn yields a better cap rate for your property.

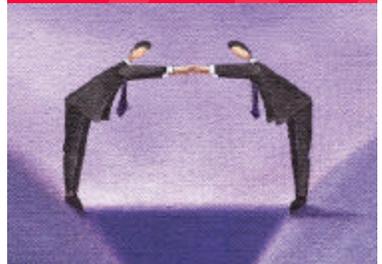
Consequently, the overall investment goal for the asset should be considered when establishing a rate you are comfortable with.

The objective should be to achieve harmony between rental rates and occupancy.

But regardless of the cap rate, an empty building is the one nightmare that should be avoided. Besides the missing rent, an empty building has other ramifications to consider. It's a target for vandalism. (and your insurance policy may contain exclusions for vacant buildings). In multi-tenant situations, empty spaces can destroy the synergy of your property. And there are a myriad of other reasons to keep that property FULL!

So, next time you're tempted to turn down that slightly below market offer – remember not to shoot yourself in the foot!

## SMARTER MANAGEMENT: Commercial vs. Residential



Considering managing your commercial property yourself? Or maybe hiring a residential property manager? You might want to think twice.

The complexities of commercial leases demand a manager who understands the intricacies of those documents. And the physical elements of a commercial building are vastly different from residential dwellings.

For more information on why CityCom should be your choice for commercial property management, please give us a call or visit our web site.

(800) 576-2489

[WWW.CITY-COMMERCIAL.COM](http://WWW.CITY-COMMERCIAL.COM)



City Commercial Management

10722 Arrow Route, Suite 500  
P.O. Box 548  
Rancho Cucamonga, CA 91729  
(800) 576-2489

[mike@city-commercial.com](mailto:mike@city-commercial.com)  
[www.city-commercial.com](http://www.city-commercial.com)