

TOP 5 ISSUES THAT KEEP PROPERTY MANAGEMENT EXECUTIVES UP AT NIGHT

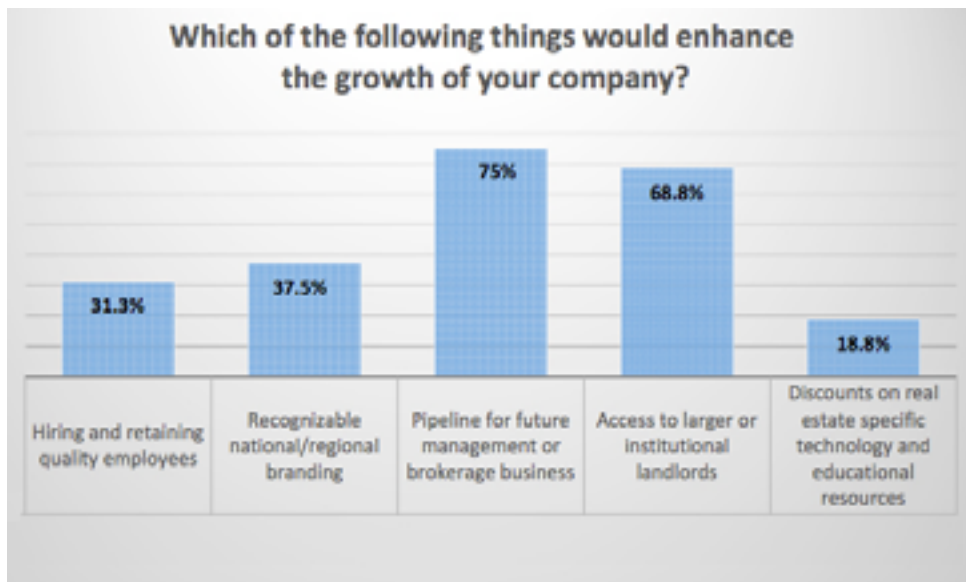
Property management has always been the bread and butter of commercial real estate services. It's a steady, predictable business, without the highs and lows of brokerage. Unfortunately, with the small margins and rising employee and technology costs, the only way to increase profitability is through acquiring new business. However, the commercial real estate environment is changing in a way that makes growth for independent locally owned firms difficult, keeping their executives up at night. As larger institutional landlords grow their portfolios, they continue to focus on hiring only national property management companies. Even smaller portfolios are attracting out of state buyers, taking the local ownership out of the local market. With these changes, it's no wonder property management executives are concerned.

[SVNIC] a commercial real estate franchisor, recently commissioned an outside consultant to further document and quantify the concerns of property management executives and discovered that five issues topped the list.

1. We need a better pipeline for future business.

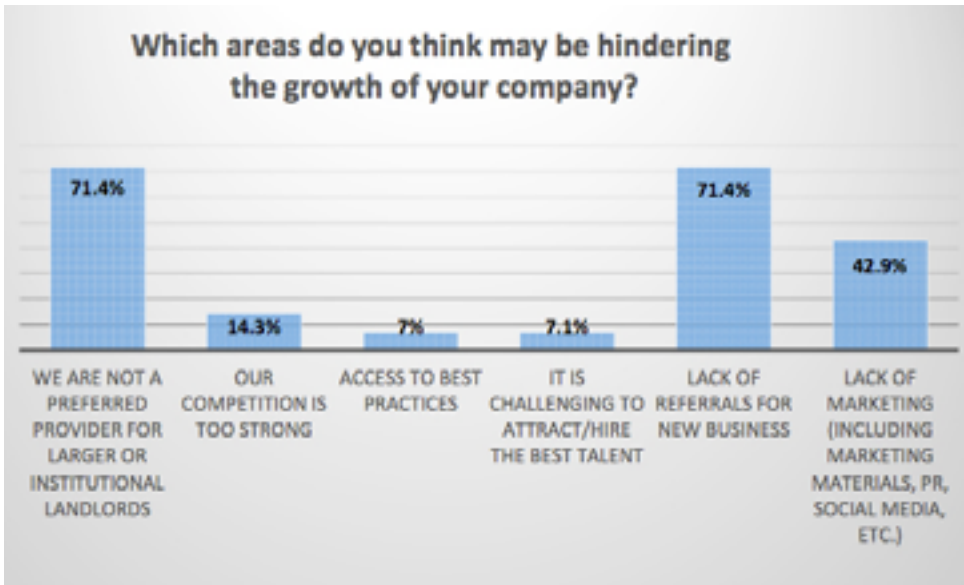
One of the biggest issues facing property managers is that they are often too busy working in their business, to work on their business. Building and maintaining pipeline of new business is a job onto itself, but not one where the costs can be passed through to existing owners. A successful property management executive is going to have to develop a system for keeping the

pipeline full in both good and bad markets. This could mean anything from expanding into brokerage or investing in a marketing program. No matter what avenue is pursued, all property management executives are going to need to expand their networks beyond their current relationships.



2. We lack referrals for new business.

Referrals are clearly the preferred method of keeping the pipeline full because not only is it a way to get in front of a client, a referral comes with a built-in endorsement from someone within the commercial real estate community. How does a property management executive get these referrals? It takes networking, and networking takes time. But networking without credibility won't yield the necessary results. The successful companies and executives will build and maintain relationships, have a visible track record, and an online presence for credibility. The latter two can be even more important for out of state owners and prospects.



3. We are not considered a preferred provider for larger or institutional landlords.

Institutional owners are looking for national property management providers. This is the result of a combination of factors including [1] decisions being made at headquarters that may be in an entirely different city or state; [2] the belief that a national company is a safer choice; [3] a desire for a single, point of contact; and [4] a perception that a local or independent firm only handles a certain property type. Overcoming these obstacles is a tall order, but referrals built through local networking and a strong track record, in addition to an online presence that out-of-market owners can review, might help an independent property management company break into the preferred provider market.

4. We need more/better access to larger or institutional landlords.

Unfortunately, this is a major hurdle for most independent and local property management companies. It takes a large investment of time and money to get on the radar screen of institutional owners. If the owner is not local, you have to go to them or meet them at industry conferences. Investing in national organizations like IREM or obtaining your AMO designation may help make that connection easier. And, of course, having a referral is the best way to conquer the credibility hurdle aligning with a National Brand.

5. We lack marketing.

With lean staffs and small margins, property management companies have minimal time and money to invest in marketing: the classic “chicken and egg” situation. If a company had more business, they could hire someone to market; yet they can’t acquire new business without someone dedicated to marketing or business development. One option is to take that risk by investing in the future of the company and hiring someone. Another possibility is carving out time for an existing employee to make a consistent contribution to marketing and business development. Unfortunately, this often falls on the shoulders of the owner. But even if that’s the case, building an online presence can be much more cost effective than traditional means.

Conclusion

Growing a property management business in today's market is going to require a company's top executive to carve out time to work on growth. This is difficult when they are also doing a large portion of the actual property management. But, it can be done. It may involve investing in new staff before your bottom line might be able to support it, or the acquisition of another firm to increase your market share and presence. This is where a creative solution like franchising might be a more viable option.

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