

# 5 Cost-Saving Strategies to Protect Your Real Estate Assets



The state of today's economy has virtually everyone asking, What can I do to reduce my expenses and increase value, and industry buzz phrases "maximize returns," "cost effective," and "profitable strategies" have become commonplace.

Having been in the business of creating value in commercial real estate for over 30 years, and currently managing a portfolio of 27.5 million square feet in the United States, Welsh Companies formally structured a multi-disciplinary team of professionals to provide clients innovative solutions in regard to distressed real estate in 2008. Our fully-integrated platform including asset management, property management, brokerage, and investment sales, recommends the following strategies to ensure that your distressed real estate assets don't become liabilities.

## 1) PRESERVE PROPERTY VALUE

Many distressed properties were once considered prime commercial spaces, and are often in need of some repair to be restored to their original state. This not only includes

the physical structure and grounds of the facility, but also the state of the tenant relationships. Be sure to maintain each building in the best possible condition, so it is always ready to be viewed by a potential tenant or buyer, and build strong relationships with current tenants by delivering prompt and conscientious service to ensure complete satisfaction.

"Our first priority for a property in receivership is to preserve the value of the asset," said Mark Parten, Senior Vice President, Property Management. "We then analyze financials and prep for disposition. It is our goal to get the property through the receivership process in only 6 months. We understand that clients must act quickly and decisively to preserve value, achieve stability and seize market opportunities."

"We take projects from acquisition due diligence to full implementation of the specific acquisition plan for assets to increase value during the hold period," said Tracey Lange, Senior Vice President, WelshInvest. "Our assets benefit from the hands-on approach of personnel who personally direct and over-

see leasing, marketing, reporting, tenant and property legal matters, and billing and collection issues for each asset. We also complete insurance reviews as well as real estate tax reviews and appeals. Furthermore, our asset managers develop annual business plans and budgets, approve capital expenditures, and give hold/sell/refinance recommendations."

## 2) ENHANCE OPERATIONS AND MARKET STRATEGICALLY

In order to successfully reposition a distressed asset in the marketplace, operations must be streamlined. Concentrate on retaining tenants, filling vacancies, and controlling building expenses (see strategies listed at end of this article).

When operations have been restored, and the facility is ready to be marketed, your best bet is to work with an experienced Brokerage team. NAI Welsh was ranked as the number one brokerage firm in Twin Cities in 2008 by the Minneapolis/St. Paul Business Journal.

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Our brokers specialize by regional sub-market as well as by property type, so they thoroughly understand the ins and outs of their target market. Whether it is office, industrial or retail brokerage, land sales, healthcare, multi-family or mixed use, our wealth of experience, comprehensive database, technological expertise and strong market research enable us to quickly identify and target the right buyer or user, and in turn, generate the best value for our clients.

Through our partnership with NAI Global, the world's only managed network of commercial real estate firms, our expertise extends around the world with global access to over 5,000 professionals in more than 325 offices and 55 countries.

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Our affiliation with NAI Global allows for additional solutions for clients nationwide through their Commercial Property Power Sale™, an Accelerated Marketing Program (AMP). The program offers property owners the option of offering their property for sale via a series of live online auctions, sealed bids or a unique combination of the two formats.

"We work closely with our clients to help them find the right solutions for their properties," said Bill Wardwell, Executive Vice President, NAI Welsh. "NAI Global's program offers effective options, in addition to our Special Asset Services, for clients who are having difficulty in today's market. As a full-service commercial real estate firm, we have the ability to provide solu-

tions every step of the way. We will work with clients to creatively solve problems and execute the most cost effective and profitable strategies to meet their business needs."

Now that you know how to protect your distressed properties, what can you do to retain the value of your properties that continue to perform well?

### 3) CONTROL BUILDING EXPENSES

Work with your vendors to ensure that you are receiving the best service and pricing. Welsh recently instituted a vendor management program to analyze all services and leverage cost-savings, beginning with landscaping. By dividing our metro-area

properties into sub-markets, and sending out an RFP to our top ten pre-qualified vendors in each sub-market, we were able to identify the most competitive vendor, and have utilized an annual cost-savings of 40%, which averages to about \$.20 per square foot, and is passed on directly to our clients.

Not only does this program save money, but it also allows for stronger vendor relationships since each vendor holds the contract for an entire sub-market. Others areas that are assessed through this program include: trash and snow removal, insurance, valuation/tax appeal, janitorial, phone line contracts, and parking lot and roof repair work.

### 4) LEVERAGE PURCHASING POWER

The per-unit cost of an item goes down when you buy items in bulk. This is a simple concept, but it is oftentimes overlooked. Be sure to source the same vendor for all of your properties in order to leverage your best purchasing power. By negotiating pricing on purchasing volume of everyday use items like paper products, cleaning supplies, trash bags, and light bulbs, you could save millions of dollars

per year, depending on the size of your portfolio.

### 5) BUILD INNOVATIVE PARTNERSHIPS

Look for partners that will add value to your bottom line. Last year Welsh partnered with one of the country's top electronic recycling specialists, to offer an integrated electronics recycling service to all tenants, giving them a convenient way to dispose of their electronic waste. Not only is it a value-add for tenants, but it also keeps our environment safe.

Welsh's team of industry experts works closely with clients, taking a proactive and comprehensive approach to addressing real estate issues affected by the current state of the economy. The company's experience with all product types, throughout all markets, combined with depth of service, provides clients with a one-of-a-kind fully-integrated platform of Special Asset services.

Recently, Welsh was awarded a management and leasing contract for a 500,000-square-foot, three property portfolio currently in receivership. The portfolio includes a 100,000-square-foot, 53-unit resort; a 261,250-square-foot regional mall; and a 101,500-square-foot, 38-unit condo development including retail and office space. ■

**To learn more about our Special Asset Services, visit us online at [welshco.com/SAS](http://welshco.com/SAS) or contact:**

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