



CPAs & Business Advisors

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Member:
American Institute of Certified Public Accountants
Alliance of Merger & Acquisition Advisors
AHA Affiliated Healthcare Advisors

Global Representation:
INTEGRA  INTERNATIONAL

Think twice before bailing out

Save your property *and* your tenants

The recession has left its mark — not only on Americans’ pocketbooks, but also on communities. Once-thriving businesses are squeaking by; others have been boarded up and abandoned. A property owner’s financial setback due to loss of tenants can cause a building to fall into disrepair, which may in turn cause existing tenants to leave, leading the owner to lose more money and, in many cases, to lose the property too. How can this vicious cycle be broken?

Turn things around

First work with your lender to get some breathing room. You might renegotiate your interest rates or restrictive loan covenants, for example. Then engage a qualified real estate manager to lead the turnaround effort. Evaluate every aspect of the property. Identify and prioritize problems, brainstorm solutions, and obtain cost estimates. Some issues require a quick fix; others will take time.

For example, a roof leak is a high-priority problem, but it can be relatively simple to address. A tarnished reputation caused by mismanagement and disrepair, on the other hand, can be far more difficult to turn around.

The adage “image is everything” is especially true when a landlord’s reputation has gone downhill with its struggling property. The first thing to do is reposition the property with tenants and the brokerage community. Notify the media that the building has been taken over by new management. Also consider placing a large banner across the building announcing the change.

Keep tenants happy

When tenants leave, their space can often remain vacant for six months or more. Rental loss from vacancies, new tenants’ improvements and leasing commissions all point to the same conclusion: Tenant turnover is expensive. When a tenant is finally found, it can take a year or longer to recover losses.

Competitive commercial brokers are always looking for tenants, and dissatisfied tenants are their prime targets. You can decrease the risk of losing tenants by turning your property management company into a service-oriented management team. This means making the team available and listening and responding promptly to tenant feedback. Doing so helps create a loyalty that may outweigh the financial benefits offered by competitors.

Property managers can expand their influence by becoming a “concierge” for their tenants, helping tenants with items that are outside the realm of property management, such as referring cleaning, landscaping, security, delivery, insurance, banking and professional service providers they may need.

Another way to rebuild relationships with existing tenants is to use their products and services and to refer them to your business contacts. Helping tenants grow their businesses not only creates goodwill and provides cash for lease payments, but it also may increase their square footage needs.



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Be proactive and survive

Don't let minor problems spiral out of control. With a proactive attitude, an owner who recognizes all possible problems can turn a lemon into lemonade. If you're struggling to rent and maintain one of your properties, work with your real estate and financial advisors on an immediate turnaround strategy.