

MAXIMIZING RETURN ON A TIC INVESTMENT

Don't underestimate the importance of property management in maximizing property value.

Jill Neff

The signs of a smart real estate deal are clear: the purchase price is right, occupancy is stabilized, rents are maximized and tenants are satisfied. These signs of success result in a high rate of return, which is the primary goal of any real estate investment.

However, achieving this success takes concerted effort and applied strategy. Enjoying the benefits of a smart real estate investment isn't as simple as writing a check, sitting back and watching the property appreciate in value. Rather, the success of an investment is contingent on several factors, one of the most important of which is the implementation of top-notch property management.

Comprehensive management that works to operate the property to maximum financial efficiency is absolutely critical to success in the industry. It doesn't matter if the owner is balancing a few small investments on its own, or has hired professionals to do the job; maintaining and improving the property so it gains value while generating consistent income is a must in any market. The bottom line is that, if work isn't done to keep properties looking great and functioning properly, owners can expect tenants to be unhappy, rent collections to decrease and, in turn, garner less of a return on investment.

DeSanto Realty Group, a 1031 exchange sponsor with properties in Ohio, Michigan, Kansas and beyond,

places emphasis on the importance of property management. The company's in-house staff collaborates with outside property management companies to keep our tenant-in-common (TIC) properties running efficiently. As a result, investors can feel satisfied that their money is working for them.

The nature of a TIC property means the role of the property manager is especially important. TICs, which offer a group of up to 35 investors the ability to purchase a share of institutional quality real estate, are typically utilized by investors carrying out a 1031 exchange to defer capital gains taxes. TIC properties offer management-free ownership and flexibility in the amount invested. Because hands-off ownership attracts so many investors to TICs, delivering high-quality property management is key to success as a sponsor. The goal is to meet or exceed the investors' expectations by keeping the properties in top shape and maximize the value through a smart maintenance approach.

A smart property management strategy begins before signing the deal. Evaluating several factors, including the existing leases and current costs, can help to determine if the property will be economically viable. If it is decided the property has the potential to be a monetary success and the deal is completed, the property manager must develop, implement and monitor the overall strategy for maximizing re-

turns on the asset.

A hands-on management approach works best. Such a strategy begins with scrutinizing leases and budgets, as well as reviewing marketing strategies to keep the building occupied. After fully digesting the basic numbers, the property manager should then look at the vacant spaces to determine what can be done to make the property even more desirable to potential tenants. Simple things like a thorough cleansing, fresh paint or new carpeting are low-cost ways to improve the property without breaking the bank.

Going the extra mile to keep the property profitable is essential if the property manager wants to stay ahead of the competition. For starters, an overall assessment of the property's aesthetics should be undertaken periodically. While most property managers will not be granted every request for new appliances or repainted exteriors, an experienced manager will know cost-effective ways to keep the property looking great.

Another essential factor is creating and maintaining curb appeal. Potential residents will be much more inclined to reside in a community that has nicely manicured shrubs and tidy walkways than one with dull landscaping and an unfinished look. Things should look neat, from the sealed driveways to the debris-free entryway to the rental office. Potential residents should be greeted warmly, and the

units they tour should smell fresh and be thoroughly clean.

Once a tenant commits to leasing the property, a good manager works hard to keep them happy by taking all of their concerns and suggestions seriously. Letting needed repairs go undone for weeks is unacceptable, and will trigger turnover and displeasure among tenants, which is never a good thing. An occupied building is what will bring in dollars and keep the property afloat economically.

By consistently monitoring all property activity — including maintenance, marketing and leasing — the property manager will be on the way to a successful strategy. Additionally, investors should be kept abreast about all facets of the property. That's why DeSanto Realty Group offers consistent analysis to its investors, who appreciate seeing that their property is occupied and making money — because a successful property, one with low turnover and many satisfied residents, results in a profit, and that's a must to stay ahead in any industry.

Jill Neff is the director of asset management for DeSanto Realty Group, a 1031 exchange specialist with multiple TIC properties in Ohio, Michigan and Kansas.