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are more and more facing the problem of profit-squeeze due
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APARTMENT INCOME AND EXPENSES: THE REPORT OF THE EXPERIENCE EXCHANGE BOARD

William M. Shenkel, CPM

Dr. Shenkel summarizes the findings of the 1968 Apartment Building Income-Expense Analysis, comparing statistics gathered from apartment buildings across the country and in Canada. Using as guidelines the four basic building types—small low-rise, larger low-rise, garden-type and elevator buildings—the article spotlights trends in operating costs, tenant turnover and taxes, among others. Age differential is also a major factor in analyzing the results of the survey of over 1,500 apartment buildings.

DESIGN ELEMENTS ATTRACT TENANTS TO RESEARCH PARK

Rudolph G. Seeley

The transformation of a Virginia farm into an architecturally pleasing building complex is the basis of this article. Mr. Seeley describes the advent of Westgate Research Park, located in McLean, Va.; the park is geared strictly to research-oriented firms. He relates how coordinated design elements incorporated in all new structures built on the site helped to establish the success of the research park.

AIRLINES SEEK NEW HORIZONS FOR RESORT DEVELOPMENT (THIS MONTH'S COVER)

Stephen W. Brener, CPM

The growing surge in air travel has led many airlines into the fields of hotel and resort development, reports CPM Stephen Brener. Since the success of newly created air routes depends in part on adequate facilities for passengers and crew at route's end, they are participating in the development of such facilities on a world-wide basis. For example, shown on the cover is the modernistic Royal Hotel in Copenhagen, Denmark, operated by Scandinavian Airlines System; the 22-story hotel, Scandinavia's tallest skyscraper, houses the central bus terminal for transportation to and from Copenhagen's airport.

INCOME COLLECTION CONTROL FOR THE MANAGEMENT OFFICE

John H. Resing

As the management office grows and the top executive begins to delegate duties to members of his staff, the need for clearly defined control systems becomes apparent. Realtor John Resing outlines a method for establishing a control system for one of the first areas that needs constant scrutiny: rent collection. He presents a step-by-step routine to be followed so that the company chief will never feel in the dark as to how his business is functioning.
THE DOLLARS AND CENTS OF OFFICE BUILDING MANAGEMENT
Leo David, CPM
An item-by-item cost estimate is the basis of Mr. David’s article, offering an analysis of an average modern office building and its older counterpart. He comments on the inevitable effects of inflation and spiraling taxes which play a very important role in determining the profitability of such a venture. He also discusses the need for a strong merchandising program and for keeping an eye on items such as building security and contract cleaning.

CONDOMINIUM FEASIBILITY STUDY: PLANNING FROM THE GROUND FLOOR UP
Lloyd D. Hanford, Sr., CPM
The aspects of a feasibility study unique to a condominium project are discussed in this article by Lloyd D. Hanford, Sr., as well as those common to any type of feasibility study. Breaking down the individual unit costs and “common area” costs is one item of particular concern to condominium planning. Mr. Hanford also presents a rough calculation of major expenses and a timetable scheduling the project from developers’ idea to completed building.

SOME ADVANTAGES OF SMALL FURNISHED APARTMENTS
Don Royale, CPM
While many people in real estate will shy away from handling small furnished units, CPM Don Royale relates his experiences in satisfying a market for such units. Since the one- or two-person family unit is becoming more and more common, the need for smaller apartments follows. Also, the smaller unit is easier to furnish and if properly designed can become “the property manager’s dream to merchandise.”

NEEDED: PARKING FACILITIES THAT SERVE PEOPLE, NOT CARS
Thomas A. Constantine
While today’s parking garages are designed to accommodate as many cars as possible with little concern for the wear and tear this causes the driver, Mr. Constantine suggests that smaller, more custom-designed facilities are required. Parking will still remain one of our major problems but the accompanying frustrations can be lessened by providing column-free parking structures with wider spaces. Smaller facilities scattered about can also improve traffic flow and offer quicker street access than presently exist in today’s large parking garage.
Apartment Income and Expenses: The Report of the Experience Exchange Board

by William M. Shenkel, CPM*

Since 1956 the Institute of Real Estate Management has published an annual report of apartment income and operating expenditures. The 1968 report covers 1,564 apartment buildings—a 50 percent increase in the number of units reporting over the preceding year and a number far exceeding the 202 buildings originally reported in 1956. With a high number of reporting units, the 1968 Apartment Building Income-Expense Analysis represents the leading source of income and expense data covering apartment management and operation.

The latest report includes apartments in 101 cities and shows expense and income data by types of apartments, thus making it possible to compare the experience of individual buildings with average income and expenses among several categories. Before summarizing the main points of this report, it is worthwhile to review the sample from which such a large study is drawn.

The 1968 Analysis is the most comprehensive report that the Institute has published over the last 12 years. The report is based on a survey of 131,455 apartment units or 496,438 rooms. With a sample of this size, statistical accuracy is improved and generalizations tend to be more valid since unusual cases tend to be offset by compensating observations. Moreover, the usefulness of the data is broadened by the separate listings possible with larger samples.

To make the most effective use of this report, it is necessary to outline the report format. The first part is devoted to trends in operating expenses and vacancies. The many tables report operating ratios by apartment age groups and by four types of apartment buildings. Utility costs, expenses per square foot, as well as tenant turnover for the past four years (by type of apartment) are summarized in convenient, readable form.

The balance of the report gives identical tables for four types of apartment buildings: 1) elevator buildings; 2) low-rise buildings—12 to 24 units; 3) low-rise buildings—25 or more units; and 4) garden-type buildings. Within each classification income and operating expenses are shown in dollars per room and percent of gross possible income for selected metropolitan areas.

To review data for larger areas and to give results for larger samples, similar distributions are shown for north, south and western regions of the United States and Canada. In addition, operating ratios are reported by age groups for past years. The report cites income and expenses per square foot by metropolitan areas and by tenant turnover ratios (by cities) and gives a summary of income and operating costs for selected metropolitan areas. Comparable data are offered for cooperatives, condominiums and furnished buildings within each building type.

The usefulness of this data is improved by the wide distribution of reporting apartment buildings. In Table 1, the 1,564 buildings are divided almost equally between the four main building groups. Moreover, this classification shows certain trends in apartment operation that deserve special mention.

Note that the 417 elevator buildings and 384 garden-type buildings have the largest number of apartments per building; an average of 134 and 140 apartments per building. Note also that only 195 of the 1,564 buildings are furnished. The eleva-

* In preparing this material, the assistance of Jerome A. Martin, CPM, is sincerely appreciated. The Apartment Building Income-Expense Analysis would not have reached its present high quality without the patient efforts of Mr. Martin.
<table>
<thead>
<tr>
<th>Type of Apartment Building</th>
<th>Total Number</th>
<th>Percent of Total Number</th>
<th>Furnished</th>
<th>Unfurnished</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elevator Buildings</td>
<td>417</td>
<td>26.7</td>
<td>32</td>
<td>385</td>
</tr>
<tr>
<td>Average Number of</td>
<td>134</td>
<td>-</td>
<td>70</td>
<td>139</td>
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<td>Apartments Per Building....</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Number of Rooms</td>
<td>3.6</td>
<td>-</td>
<td>2.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Per Apartment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Rise, 12-24 Units</td>
<td>383</td>
<td>24.5</td>
<td>63</td>
<td>320</td>
</tr>
<tr>
<td>Average Number of</td>
<td>16</td>
<td>-</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>Apartments Per Building....</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Number of Rooms</td>
<td>3.6</td>
<td>-</td>
<td>2.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Per Apartment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Rise, 25 Units and Over</td>
<td>380</td>
<td>24.3</td>
<td>51</td>
<td>329</td>
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<tr>
<td>Average Number of</td>
<td>49</td>
<td>-</td>
<td>48</td>
<td>49</td>
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<tr>
<td>Apartments Per Building....</td>
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<tr>
<td>Average Number of Rooms</td>
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<td>-</td>
<td>2.2</td>
<td>3.8</td>
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<tr>
<td>Per Apartment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garden Type Buildings</td>
<td>384</td>
<td>24.5</td>
<td>49</td>
<td>335</td>
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<tr>
<td>Average Number of</td>
<td>140</td>
<td>-</td>
<td>67</td>
<td>140</td>
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<tr>
<td>Apartments Per Building....</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Average Number of Rooms</td>
<td>4.0</td>
<td>-</td>
<td>2.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Per Apartment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,564</td>
<td>100</td>
<td>195</td>
<td>1,369</td>
</tr>
</tbody>
</table>
tor and the garden-type furnished buildings have fewer apartments per building than do unfurnished buildings in the same groups. The unfurnished apartment buildings have an average room count ranging from 4.1 rooms for garden-type to a low of 3.7 rooms for elevator buildings. Yet it will be observed that for furnished apartments the number of rooms per apartment is much smaller, ranging from 2.0 to 2.9 rooms per apartment.

These data strongly suggest that the sample of apartments is sufficiently diversified by type of building and by city location to permit valid generalizations. Surely this report provides an unusual opportunity to compare income and expenses of specific buildings with typical operating experience.

However, care must be taken in drawing conclusions from these data. First, while separate listings of the sample permit more detailed analysis, they also reduce the number of observations per subsample, so that an unusual item may distort the final results. For instance, generalizations drawn from the seven buildings listed for Atlanta would not be as convincing as generalizations drawn from the 415 Chicago buildings. So in making individual comparisons, caution must be exercised in generalizing from relatively small samples. Nevertheless, separate listings of small groups suggest important income and expense trends that may be interpreted in the light of other tabular data.

Moreover, for some distributions, the apartment report may not be representative of all apartments of a given classification. This is especially true when the number of buildings is relatively small. In addition, it will be noted that the report is based on the voluntary cooperation of property managers—not on a scientific sampling of all apartment buildings.

Yet the precautions taken to minimize errors partly compensate for some of these statistical limitations. Questionable reports are returned for verification. The editing of data to minimize erroneous entries, use of electronic data processing and providing careful instructions to reporters submitting data contribute to report accuracy. A review of trends in apartment building operations tends to support this conclusion.

TRENDS IN APARTMENT OPERATION

Some five pages of tables showing trends are given in full report. Here only the highlights are reported. First, it is relevant to emphasize the change in operating ratios by age groups of unfurnished buildings over the last four years. In this series, expenses are shown as a percentage of gross possible total income. In almost every category, expenses—expressed as a percent of gross possible income—have increased. And the increase seems to be more rapid for older buildings.

For instance, elevator buildings constructed in 1929 or earlier show expense ratios that have risen from 55.2 percent in 1964 to 58.8 percent in 1967. In the same category, newer buildings show a nominal increase from 50.5 percent to 50.9 percent. This trend seems consistent for other types of apartment buildings; namely, low-rise 12-24 units, low-rise 25 units and over, and garden-type buildings. If this is a trend, property managers may expect operating ratios for newer buildings to increase gradually while the older buildings will probably have more rapidly rising expense ratios.

Over the last four years, operating expenses have increased significantly for three types of apartment buildings: elevator apartments, 12-24 unit buildings and apartments of 25 units and more. The increase per square foot is greater for the 25-unit-and-over category which shows total operating expenses of 79.31 cents per square foot (1964) and 108.9 cents per square foot (1967). For the same series, 68 garden-type buildings reported operating expenses of 82.42 cents in 1964 compared to 76.22 cents per square foot reported for 245 buildings in 1967.

Judged by the type of building, noticeable differences exist between payroll expenses of elevator apartments and the other groups. Elevator buildings have the highest payroll expenses—in 1967 22.61 cents per square foot compared to 10.59 cents per square foot for garden-type apartments. Similarly, management expenses tend to be higher for elevator buildings than the other three categories. In 1967 property managers reported an average of 11.75 cents per square foot for managing 199 elevator buildings. The managing expense per foot for the garden-type buildings ranged downward to 8.05 cents per square foot.

Elevator buildings were more expensive to operate with respect to cleaning and decorating, maintenance and repairs and real estate taxes relative to the other three apartment groups. For instance, real
estate taxes in 1967 for 199 elevator-type buildings amounted to 39.5 cents per square foot. Garden-type buildings in the same year paid the lowest of this group—21.58 cents per square foot.

Some of these trends were offset by higher net incomes experienced in 1967 compared to the preceding years. From a net operating income of 120.2 cents per square foot in 1964, elevator buildings showed a net operating income of 130.80 cents per square foot in 1967. However, 221 reports on 12-24 unit, low-rise apartments revealed a lower operating income per square foot in 1967 compared to 1964. The low-rise apartments of 25 units or more, as indicated by 203 reported buildings, showed a net operating income of 99.9 cents per square foot—nearly a 50 percent increase over comparable data of 1964.

Equally significant trends are revealed by considering operating ratios by type of building and age group for the last four years. For this series, elevator buildings constructed after 1961 show the lowest operating cost relative to those in older age groups. For instance, property managers reported operating ratios of 61.9 percent for buildings constructed between 1921-1930 and 59.0 percent for buildings constructed before 1921. Buildings constructed after 1961 show operating ratios that have ranged from 42.1 percent to 47.0 percent over the last four years. Moreover, the classification of elevator buildings by age groups shows that operating ratios have increased generally during the last four years.

Similar trends are revealed for the other three main categories. The low-rise, 25-unit-or-more apartment buildings, especially those constructed before 1931, have the highest operating ratio of the group—ratios that have varied from 59.7 percent in 1966 to 67.3 in 1965. In contrast, the garden-type units indicate the lowest operating ratios, with buildings constructed after 1960 showing current operating ratios of 44.2 percent.

Fairly consistent data indicate definite trends in tenant turnover rates among building types. For example, 1967 tenant turnover for furnished elevator apartments...
As a general rule, vacancies were greater the percent of dollar vacancies and de-
reported for 1964. These two groups revealed turnover rates of 94.0 percent and 96.1 percent. In each instance, the tenant turnover rate for furnished apartments was more than double that of unfurnished units. With two exceptions, turnover rates in 1967 were considerably above the same series reported for 1964.

Consistent patterns are also shown for the percent of dollar vacancies and delinquent tenants over the four-year term. As a general rule, vacancies were greater for furnished apartments than unfurnished apartments: unfurnished elevator buildings showed a vacancy rate of 6.2 percent relative to 11.7 percent for furnished units (1967).

Unfurnished Elevator Buildings

Income and expense data for this group are classified by 26 metropolitan areas within the United States and Canada and three regional distributions in the United States. Among these divisions, some of the more prominent relationships demonstrate how these data may be used for comparison. Chicago, with 97 buildings reporting, reveals that annual apartment rents per room average $573.51. The corresponding vacancy and delinquent rent is 2.8 percent of gross possible income. The rent per room for the 60 apartments of Washington, D.C., closely corresponds: the average rent per room amounts to $575.75, but in this case, the vacancy and rent delinquency rate is higher, 6.1 percent of gross possible rent income.

The distribution summarizing the experience of 318 reporting buildings for the United States provides a comparison for individual metropolitan areas. For example, the United States figure of $568.59 is somewhat below the rent per room shown for Washington, D.C., and Chicago. But the vacancy and delinquent rent allowance of 6.4 closely corresponds with the Washington sample. The 28 apartments shown for Canada illustrate a lower rent per room, $515.47, and the lowest average vacancy rate, 2.1 percent.

In reviewing expenses for unfurnished elevator buildings, one fact stands out:
Total payrolls and real estate taxes are two of the largest single expense items for elevator building operation. As a standard of comparison, 318 apartment buildings summarized show that total payroll expenditures average 8.6 percent of gross possible rental income; real estate taxes average 14.3 percent. Compare these figures with 25 reporting buildings in Boston revealing real estate taxes of 20.9 percent and with Chicago indicating that 97 buildings have average property taxes of 15.3 percent of gross possible rental income. Washington, D.C., with a respectable sample of 60 buildings, shows that real estate taxes average 10.9 percent of gross possible rental income. Canada also has a relatively high property tax level: 21.6 percent calculated on a comparable basis.

Drawing from the experience of fairly large metropolitan samples, total payroll expenses range from 8.5 percent of gross possible total income, while in Washington, D.C., payroll expenses are at a comparable 9.8 percent level. The Canadian experience is lowest of the group; payrolls are 5.7 percent of gross possible total income.

Turning to unfurnished elevator buildings classified by age groups, other relevant relationships stand out. The 21 buildings constructed before 1921 have the lowest rent per room: $450.40. By the same token, rent per room for 1961 or later construction totals $858. The 25 apartments constructed between 1931-1945 are exceptions to this trend in that rents per room are at the highest level for this group: $643.11. An unexplained inconsistency appears in this group in that, generally speaking, vacancies and delinquent rents tend to decline as the age of the building increases. The 21 buildings constructed before 1921 have a vacancy allowance of only 2.1 percent. The 144 buildings constructed after 1960 show a higher vacancy rate, 8.0 percent. Though these data are not clearly consistent and subject to variation typical of small samples, the trend seems fairly consistent.

The unexplained paradox is the low vacancy factor of older buildings. Rent theory holds that rising vacancies usually are observed first in older buildings. Theoretically, the newer and more popular units would be expected to have the lower vacancy rate. The 1968 Analysis suggests an opposite result.
buildings (1961-1967) of 8.0 percent. The vacancy and bad debt rate for the newer buildings, 2.1 percent in 1967, and a high vacancy and bad debt rate for the older buildings, 16.1 percent of gross possible income, while the older apartments constructed in 1930 and earlier show that taxes amount to 19.2 percent and 16.1 percent of gross possible rental income. Yet the older apartments have the lowest operating expenses and lowest net operating income. And while buildings constructed after 1960 have the highest net operating income, $312.59, they do not have the highest total expenses.

A more detailed distribution reveals that the expense ratio of 58.2 percent reported in 1967 for buildings constructed before 1921 is considerably above the 43.6 percent expense ratio for buildings constructed between 1961-1967. Buildings included in the sample of those built between 1921-1930 indicate an even higher expense ratio, 60.6 percent. By the same token, this classification shows a low vacancy and bad debt rate for the older buildings, 2.1 percent in 1967, and a high vacancy and bad debt rate for the newer buildings (1961-1967) of 8.0 percent.

Another surprising relationship is shown for real estate taxes related to age groups. The data show that the newer apartments pay relatively lower real estate taxes, 13.6 percent of gross possible income, while the older apartments constructed in 1930 and earlier show that taxes amount to 19.2 percent and 16.1 percent of gross possible rental income. Yet the older apartments have the lowest operating expenses and lowest net operating income. And while buildings constructed after 1960 have the highest net operating income, $312.59, they do not have the highest total expenses.

As the average woman can be compared (and sometimes unfairly) to a beautiful fashion model, in like manner, apartments can be compared to a “model” or typical operation. In essence this is the technique used to compare experience of unfurnished low-rise apartment buildings of 12-24 units. Some 298 buildings, though lacking the glamour of a fashion model, show average operating results for comparisons to specific apartments. Some of the more relevant comparative data would include:

For those interested in cooperative apartments and condominiums, separate distributions are shown for each classification. Cooperatives of this group are represented by 30 buildings while nine condominium buildings are classified to show expenses per room and per square foot. Income and expenses per square foot for metropolitan areas present an even more detailed analysis of these apartments. A summary of 1967 tenant turnover rates and of income and operating costs by metropolitan areas completes the study of elevator buildings unfurnished.

**UNFURNISHED, LOW-RISE 12-24 UNITS**

As the average woman can be compared (and sometimes unfairly) to a beautiful fashion model, in like manner, apartments can be compared to a “model” or typical operation. In essence this is the technique used to compare experience of unfurnished low-rise apartment buildings of 12-24 units. Some 298 buildings, though lacking the glamour of a fashion model, show average operating results for comparisons to specific apartments. Some of the more relevant comparative data would include:
1. Average annual dollar rent per room, $337.22.
2. Total payroll expenses, 7.3 percent of gross possible total income.
3. Real estate taxes, 17.3 percent of gross possible total income.

More detailed conclusions may be drawn from these same data shown for selected metropolitan areas even though they represent relatively small samples. But the Chicago sample, with 119 buildings, supplements similar material for the entire country: the average annual rent per room, $365.50, is almost 10 percent above the national average. Total payroll expenses are also above the national average. Property taxes show a nominal increase, 19.9 percent of gross possible total income. The more detailed list of the exchange report permits informed property managers to draw judgments respecting the smaller samples for 23 metropolitan areas and regional groups.

Trends observed among these low-rise buildings are fairly consistent with like data for elevator buildings. The dollar per room rent per year, $255.89, for buildings constructed in 1921 or earlier is considerably less than the annual dollar rent per room for buildings constructed in 1961 or later—$409.59. The 1968 Analysis suggests that dollar rent is partly related to the age of buildings. In this case, the rate of vacancy and delinquent rent for newer construction, 5.7 percent of gross possible total income (GPTI), is again higher than the same figure reported for older buildings. While total payroll expenses are 9.4 percent and 6.9 percent of GPTI (buildings constructed from 1921-1930 and 1920 or earlier), they are only 4.5 percent of GPTI for 1961 or later buildings.

Property taxes for this distribution show an inconsistent pattern, though it may be observed that the 13.2 percent of real estate taxes for buildings constructed in 1921 or earlier is less than the 19.7 percent for the 1946 to 1960 group. Looking at the summary of expenses classified by age groups, again vacancies and bad debts are lower for 1961-1967 buildings relative to 1920 or earlier buildings. For 1967 these figures are 5.7 percent and 4.2 percent of GPTI. This latter distribution shows a consistent pattern of a lower level of real estate taxes (compared to GPTI) for the
1921 or older buildings relative to 1961-1967 construction.

Expenses and incomes per square foot show that the 72 Chicago buildings have higher total payroll expenses and higher real estate taxes per square foot than the same series for the United States. The number of buildings classified by metropolitan areas is too small for definite generalizations. Familiarity with each community will help interpret these data.

Tenant turnover rates for the 5,223 apartments range from zero for 12 apartments reporting in Johnstown, Pa., to 52.6 percent for 23 units of San Antonio, Texas. Chicago, with 2,094 apartments, shows a tenant turnover of 23.0 percent. The next largest group, Los Angeles, has an annual tenant turnover of 52.5 percent for 242 apartments. The national average for these buildings is 29.6 percent. This portion of the Apartment Building Income-Expense Analysis ends with a summary of income and operating costs by selected metropolitan areas showing dollars per room, per annum, and cents per square foot, per annum. A composite summary of income and operating costs showing annual rent per room, expenses and operating costs as a percent of GPTI completes this portion of the report.

UNFURNISHED LOW-RISE OVER 25 UNITS

The U.S. group is represented by 307 buildings showing a gross possible rental income of $378.70 per room. The vacancy and delinquent rate as a percentage of GPTI amounts to 3.5 percent. With a net operating income of 42.0 percent, the two largest expenditures, typical of other apartment building types, are total payroll expenses and real estate taxes: 9.2 percent and 17.3 percent of GPTI. Divided by metropolitan areas, Chicago and Boston are the only distributions of 27 or more apartment buildings. In both instances net operating income is less than the national average: 38.8 percent and 31.8 percent. Boston apartments, showing total payroll expenses of 8.3 percent of GPTI, reveal a level which is below the national average. Chicago apartments reveal higher than national payrolls, 10.8 percent of GPTI. Both areas show real estate taxes above national levels—18.4 percent and 24.7 percent of GPTI.

By age groups data for the 25-unit-and-over buildings are very similar to other types of apartment buildings. To illustrate, buildings constructed before 1921 have an annual dollar room rent of $327.62. But for newer buildings, this figure tends to increase. Buildings constructed after 1960 show an annual room rent of $457.99.

Note that vacancy and delinquent rates follow the usual pattern: older buildings have the lowest vacancy rate and the newer buildings tend to have the highest rates. Here a 2.9 percent vacancy rate applies to 1920 or earlier buildings and a 5.7 vacancy rate to buildings built after 1960. Payroll expenses and property taxes loom as the largest single expenses but they show little variation between age groups. Yet the newer buildings have a higher net operating income as a percentage of GPTI (48.0 percent for buildings constructed after 1960 and only 37.1 percent for buildings before 1921).

Expenses for cooperative apartments listed by dollars per room and cents per square foot are included for these buildings. However, only eight buildings are shown in this distribution.

Reducing expenses to a cost per square foot for the gross building area reveals a total expense of 83.15 cents for 203 buildings and a net operating income of 69.39 cents. As in other distributions, total payroll expenses (13.39 cents) and real estate taxes (26.32 cents) constitute the two largest expenditures per square foot. The 80 Chicago apartments show higher expenses per square foot and a net operating income which is considerably lower—54.06 cents per square foot of gross building area—than national averages. Though details are given for other metropolitan areas, the number of cases makes generalizations hazardous for these areas, at least without a more intimate knowledge of the local apartment house market.

The 1967 tenant turnover rates, as shown by 15,279 apartments, averages 24.6 percent. Twenty-six apartments in
Detroit show no tenant turnover, while the opposite extreme is illustrated by 31 apartments of Kansas City that have a 1967 turnover rate of 109.7 percent. More typical experience is recorded by Chicago (7,723 apartments) revealing a turnover of 15.8 percent. Boston averaged a tenant turnover rate of 22.5 percent for 1,301 apartments. For more detailed information, see the Summary of Income and Operating Costs and the Composite of Income and Operating Costs for 324 buildings in this category.

**UNFURNISHED GARDEN-TYPE**

What are the outstanding conclusions to be drawn from the 324 buildings in this group? At this point, you are familiar with the common relationship between expenses, incomes, tenant turnover rates and comparisons between metropolitan areas. But one thing stands out. Payroll expenses are at a relatively low level. Measured against GPTI, total payroll expenses are only some 6.7 percent. Property taxes also are relatively low—12.4 percent of GPTI. The vacancy rate of 6.0 percent does not seem unusual judged from the preceding reports.

Only Washington, D. C., shows a respectable number of reporting buildings (52) and even here these general relationships hold true. In Washington, D. C., total payroll expenses and real estate taxes are 7.3 percent and 10.9 percent of GPTI. A casual review of units reporting by metropolitan areas shows that these figures are fairly common. Even with small samples of less than 10 buildings, the commonality of expenses as a proportion of GPTI appears unusually uniform.

Turning to the classification of income and expenses by age groups, you will note a familiar pattern. Yet in this case, the income differences seem greater. For buildings constructed between 1921-1930, the annual rent per room is $266.52. This latter figure compares to an annual dollar rent per room of $380.09 reported for buildings constructed after 1960. Again, vacancy and delinquent rent rates are lower for the older buildings and higher for the more recently constructed buildings: 4.2 percent and 6.8 percent in the present instance. Net operating income follows the same pattern, 41.4 percent for buildings constructed between 1921-1930 and 52.1 percent for buildings occupied after 1961.

Revealing comparisons are shown for operating costs detailed for cooperatives, though data apply to only 11 buildings. Income and expense data per square foot are also shown for metropolitan areas, including a summary for 245 buildings.

Generally speaking, 1960 tenant turnover rates are higher for this group: 43.0 percent for 44,938 apartments reporting. Wide differences are shown among metropolitan areas, ranging from a 5.2 percent rate for Montreal to 108.0 percent for 50 apartments in El Paso, Texas. By far the largest group in this list, the 11,177 apartments of Washington, D. C., reveal tenant turnover rate of 42.6 percent. The summary of income and operating costs, in addition to the composite of income and operating costs, permits an easy means of making more comprehensive comparisons.

**FURNISHED APARTMENTS**

Data on furnished apartment buildings tell a different story. At the outset it will be noted that the annual rent per room is highest for the low-rise buildings, 25 units and over—$833.58. (The unfurnished, low-rise buildings, 25 units and over, earned an average annual room rent of $369.66.) The elevator buildings show a comparable figure of $482.16. Moreover, the average vacancy and delinquent rent rate appears higher for this group. For all furnished buildings the rate is 10.1 percent of GPTI. The rate ranges upward to 11.7 percent for furnished elevator buildings.

Another noteworthy difference is the variation in payroll expenses. For the group, these amount to 7.7 percent of GPTI, ranging from 5.2 percent for low-rise buildings, 12-24 units, to 10.3 percent for elevator buildings. Property taxes, also classified by building types, are between 9.7 percent and 11.7 percent of GPTI. Among the same groups, net operating income is highest (47.3 percent) for low-
rise buildings, 25 units and over, and lowest (37.4 percent) for elevator buildings. But favorable net operating incomes are offset by fairly high tenant turnover rates. They average 96.1 percent for the 3,260 garden-type apartments. The lowest of the group was reported for furnished elevator buildings, showing a tenant turnover rate of 46.4 percent for 2,242 apartments.

CONCLUSIONS

It should be understood that this review covers only the highlights of the main report. Space does not permit more detail. But it will be recognized, surely, that the report is so arranged that it can be used as a guide in judging your own apartment operations. It is the general intention here to focus attention on operating relationships believed to be of special interest to property managers. Among the many findings of the study, certain facts seem to stand out. Consider especially these points:

1. As a general rule, apartment operating ratios seem to be increasing.
2. Tenant turnover rates tend to be much higher for furnished buildings than for unfurnished buildings.
3. Vacancy and delinquent rent payments are substantially higher for furnished buildings than for unfurnished buildings.
4. Total payroll expenses and real estate taxes are the two largest single expenses in apartment house operation.
5. As an operating expense, real estate taxes show substantial variation between cities, types of apartments, and age of buildings.
6. Vacancy and delinquent rent rates are generally lower for buildings constructed before 1921 than buildings constructed after 1960.
7. The annual dollar rent per room appears to be uniformly lower for buildings constructed before 1921, relative to buildings constructed after 1960.
8. Unfurnished garden-type buildings have the highest tenant turnover rate, compared to the other three unfurnished building types.
9. The average dollar rent per room for furnished apartments is much higher than comparable data for unfurnished apartments.

A careful reading of the report will disclose even more meaningful relationships. But sufficient information has been reviewed to demonstrate that property managers responsible for apartment house operation may serve clients more effectively by using the current report as an operating guide. Few other records are available to serve the management function.

Certain precautions should be observed in interpreting sample data. Generalizations from relatively small samples must be made only with close familiarity with the local apartment house market. An unusual and unrepresentative building might distort average results when the sample is so subdivided as to reduce the number of buildings, say, to less than 25 or 50. Yet in glancing at the distributions between cities, you are able to compare the averages with regional, United States and Canadian experience, as well as the experience of other cities. The experienced manager will have little difficulty in interpreting typical income and expense data.

If increased accuracy and even stronger generalizations are desired, there is one obvious solution: participate in the Annual Apartment Building Income-Expense Analysis. Write Jerome A. Martin, CPM, at the Institute office for the necessary reporting forms. In doing this, you will receive a computer print-out on every building reported and a copy of the annual report, which is sold to the public for $20. Members of the Experience Exchange Committee have succeeded in substantially increasing the number of reported units over the last three years. Surely this trend will continue as a result of the usefulness of this report—and more member and apartment owner cooperation.

William M. Shenkel, CPM, is chairman of the Department of Real Estate and Urban Development, College of Business Administration, at the University of Georgia, Athens. He is also vice-chairman of the Journal Editorial Committee.
Design Elements Attract Tenants to Research Park

by Rudolph G. Seeley

About the last thing anybody would expect to find in a modern industrial park is a 40-horse stable that looks like an office building and an office building that looks like a 100-year-old farmhouse. But these aren't the only surprises in Westgate Research Park, a research/residential complex in McLean, Va., about 10 miles from Washington, D.C.

For one thing, Westgate actually does resemble a park—most of the old trees on the grounds were left standing and most of the 20 buildings are at least partly shielded from view by them. For another thing, the park has been undertaken with the view that it is a long-term investment rather than an opportunity for a quick turn-over and fast profits. Because of this, quality has been emphasized to an extraordinary degree, from the architectural harmony of the buildings down to the heating and cooling equipment, most of it natural-gas-fired. Architectural harmony has been assured by having all but three of the buildings designed by one architect.

Until 1962 most of the land that is now the Westgate Research Park was a prosperous dairy farm. By then, however, a number of new highways had been constructed in the Washington area and some of them cut through the farm. This made dairy farming impractical. Noting that the access to Washington provided by these new highways was attracting many research-oriented firms into the area (close to government centers of action and decision), we decided to pool some of the farmland with an adjacent farm that had been bought by investors and to explore the possibilities of turning this combined property into a research park.

The first tenant was one of the so-called defense “think-tanks;” it occupied its brand new building in 1963 with 550 employees. By 1968 close to 20 other corporations and government agencies had moved in and the population of Westgate rose to over 2,000 people. It is expected to reach a peak of about 4,200 people by 1970.

This growth has been achieved in two ways: by “speculation,” in which the Westgate Corp. first erected a building and then attempted to find a tenant for it; and by “commission,” where a prospective tenant commissioned the corporation to erect a building specifically for them. On commissioned buildings, the tenant naturally has much more freedom of design than on speculative buildings—interior as well as exterior. They can specify any kind of mechanical plant they please, within reason. When we put up a building ourselves, we make our own choice.

For almost all of the “speculative” buildings in Westgate, the mechanical equipment of choice has been Arkla gas-fired combined heating and cooling equipment. There were four reasons for this choice, the most important being reliability. We chose equipment that would be good for the long run. Next in importance is versatility, which allows the units, working with auxiliary equipment, to accommodate itself rapidly and economically to changing weather conditions. Also important were the convenience and compactness of the integrated, packaged units.

It would be next to impossible to describe the average heating and cooling loads and typical ratings of the mechanical equipment since all buildings are different. Not only do they differ in size, the work that goes on inside them creates unique situations. For example, in one building the activity of one particular area generates extensive heat buildup. On an “in-between” day, part of the building may need cooling while the rest needs heat.
Typical of the buildings located at Westgate Research Park, once the site of a Virginia farm, is this two-story structure with the characteristic trademark of the park: an overhanging roof of white precast concrete.

To allow for this kind of situation, a simple and flexible system has been designed for all buildings. In effect, it has two components: individually adjustable fan/coil units located around the periphery of the buildings and one or two centrally located large air handlers, with 100 percent fresh air intake. The air handlers and the fan/coil units can be operated together or independently to create almost any kind of interior climate that is desired.

For example, in the building mentioned previously, the air handler can be supplying cool outside air to the "hot spot" while the fan/coil units are providing heat to the periphery. Many other combinations are possible—and are used—depending on the individual circumstances. In this way, most of the advantages of a four-pipe system are realized while the simplicity and lower cost of a two-pipe system are maintained.

Design temperatures for McLean are 95°F in the summer, down to 0°F in winter. To handle these extremes, installations in the research park range from a 15-ton system to a 150-ton system. To allow the tenants maximum flexibility in the arrangement of interior space and to
avoid towers and mechanical rooms that would mar the clean facade of the structures, the various installations are located on the outside of the buildings, enclosed on three sides by a matching wall.

Within each package the arrangement of the individual units has many advantages, principally in allowing one unit to be shut down for maintenance while the other temporarily carries the entire load. In most cases the units can be rotated in operation as the load varies.

Changeover between heating and cooling modes is manual and generally takes one hour to go from cooling to heating and two hours for the reverse. Usually the systems are switched to cooling in mid-April and to heating in mid-October. However, the "in-between" seasons are very changeable in the McLean area and experience has shown that an average of two switchovers per season is required to accommodate to the varying conditions.

A regular preventive maintenance schedule is followed. All units are inspected visually every day and all moving parts are checked every month. This work is performed either by the Westgate maintenance crew or by the individual tenants, depending on the tenant's preference.

From its single building completed in 1963, Westgate will eventually grow to about 25 buildings by 1970 and then its growth on presently zoned land will stop. The buildings themselves will never occupy more than 50 percent of the land. Westgate is a research park, not an industrial park, and we intend to keep it that way. We don't even have light manufacturing here, only developmental and prototype models.

To retain the park-like harmonious atmosphere, prospective tenants are encouraged to select their buildings from a variety of designs created by the architect which tend to use brick as the basic material and white precast concrete for columns and other trim. If a tenant insists on a building design that is considered detrimental to the character of Westgate, his application is turned down. This policy has been so successful that in 1967 Westgate Research Park received a design award from the Virginia City Planning Association, the second time the Association has made such an award.

The grounds of the park also include a 100-acre residential area, the Commons of McLean, owned and managed by the Westgate Corp. The Commons is a collection of terraced garden apartments and townhouses which includes a community swimming pool and many open areas and plazas.

And now, about that office building and stable. The office building is headquarters for the Westgate Corp., and it looks like a 100-year-old farmhouse because it is a 100-year-old farmhouse, the only original farm building left standing. And the stable was built because Virginians are noted for their love of horses and it seemed like a good idea to do something about it. Since the area is zoned for highrise apartments, the stable had to be built accordingly and it is certainly one of the most handsome and sturdy structures of its kind.

Heating and cooling, however, are not with any kind of equipment. Cooling is accomplished by natural ventilation and heating via the body temperatures of the 40 horses housed inside.

Rudolph G. Seeley is executive vice president of Westgate Corp., developers of Westgate Research Park. He has special interest in property management of the closely-held family type of corporation. Since leaving the military service, he has been involved in numerous business ventures, community activities and has been active on the Fairfax County (Va.) Industrial Development Authority.
Airlines Seek New Horizons
In Hotel, Resort Development

by Stephen W. Brener, CPM

In recent years, major airlines have come to realize the importance of and the need for the development of modern transient lodging facilities at major terminals. A lack of these is being experienced by airline passengers and crews in many larger cities and top resorts. Quite a few of the airlines believe that additional overnight housing must be created in order for them to operate at a consistently profitable level.

Air travel has become an overwhelmingly popular means of transportation and the introduction of the giant 747 jet shortly and of the supersonic transport (SST) within the next decade will result in many more passenger miles. The growth of air passenger travel should continue as presently forecast (the Civil Aeronautics Board predicts that air passenger miles will increase 3½ times during the decade from 1965 to 1975).

This indicates a considerable worldwide need for more large up-to-date motor inns and hotels, easily accessible to big city airports, as well as major resorts. In quite a few areas, additional adequate hostelry space will have to be created to accommodate this growing number of air travellers and in-flight personnel. Such facilities will have to be provided not only within the United States but in many important air travel markets throughout the world.

Several airlines have already begun to participate in the planning, building, operating, financing and purchasing of transient accommodations. To date, this is taking place primarily where overnight lodging facilities of high caliber are in limited supply and appears to be strongest outside the United States. Many foreign carriers as well as our overseas airlines have pioneered in such endeavors. The following are a few examples.

Britain’s BOAC is presently engaged in constructing a 109-unit facility in Georgetown, Guyana, S.A., and also acquired, through BOAC Associated Companies, part of the Commonwealth Development Corporation’s share of Kenya Safari Lodges and Hotels, Ltd., in that East African nation. This company will soon build a 50-unit facility at each of two national game parks and a 100-room hotel north of Mombassa at seaside Nyali. In addition to these endeavors, BOAC is considering hotelry development in England, Mauritius, Ceylon, Bahrain and Jamaica.

Swissair, which has majority interest in the Inter-Continental Hotel in Geneva and the airport hotel in Glatbrugg near Zurich, has plans presently to provide solely for transient lodging development in Switzerland.

Scandinavian Airlines System, on the other hand, has under review plans either to provide facilities itself or to help initiate such endeavors by others throughout Scandinavia. SAS presently owns the Royal Hotel in Copenhagen and has two smaller airport facilities under construction in Oslo and Copenhagen.

KLM Royal Dutch Airlines owns a hotel in Amsterdam and has minority interests in several others in the Netherlands, Pakistan, Aruba and Curacao. At present KLM is working with Howard Johnson’s; according to a recent issue of Hospitality Magazine, Howard Johnson’s and KLM presently have 10 European cities under consideration for additional ventures.

Australia’s international airline, Qantas, recently built its first hostelry, the 448-unit Wentworth Hotel in Sydney, and, along with Western International, is conducting market surveys and feasibility studies to determine accommodation requirements throughout Australia.

Among U.S. carriers, Pan American has been the leader in this field, having creat-
The popularity of a resort is only as secure as the adequacy of its lodging facilities can make it, spurring airlines to enter into the field of hotel development on a full-scale basis. Pictured here, for example, is the Hotel Curacao International, one of the resort facilities connected with Pan American Airlines.

ed Intercontinental Hotels in 1946. As of mid-1968, Pan Am had 39 locations in 28 countries throughout Europe, Asia, Africa, the Caribbean and South America and has several others in the planning and construction stages.

Braniff International, after completing acquisition of Pan-American-Grace Airways, scheduled its first innkeeping operation for Lima, Peru. In addition, Braniff officials recently told of the formation of a multi-national corporation which will build hotels throughout South America. Four participating companies will provide financing, management, international tourist promotion and traffic, among other services. Presently, market studies in Argentina, Brazil and Colombia are underway, which, when completed, may be used to help attract local investor participation.

Recently Continental Airlines announced that plans for a 100-room hotel in Tutuila in Samoa had been completed, and that it is studying the possibility of creating hotels on the Micronesian Islands. In addition, Continental is currently exploring transient lodging developments in Hawaii.

Both American Airlines and Eastern Air-
lines have begun investigating the hotel market's needs in Central America and parts of Asia. Eastern has acquired hotels in Puerto Rico and Hawaii and American, via its Sky Chef division, has hotels and motor inns in the U.S. and is also in the process of building facilities in Seoul, Korea, and Acapulco, Mexico.

Trans World Airlines, through its acquisition of Hilton International, currently has 42 hotels throughout the world. Among cities in which Hilton International hotels are situated are London, Brussels, Paris, Athens, Acapulco, Mexico City, San Juan, Tokyo, Hong Kong and Nairobi, where in cooperation with Kenya's government and Block Hotels, Ltd., a new facility is being constructed.

Whether participation by the airlines in developing new facilities is as direct as these examples or through more indirect means, it is quite clear that they will most likely play an ever more important role in the world-wide hospitality industry.

Reasons for this are manifold. Several companies that have already begun investing in hotels have done so in areas where quality hostelry was lacking. In so doing, many hoped new routes would be created and, as a result of this prior involvement, they would be in a better position to obtain them. The Civil Aeronautics Board recently proposed new routes to several Asian cities including Hong Kong, Djakarta, Seoul, Saigon and others. The recipients of these routes among the major U.S. airlines will be able to greatly increase their passenger miles—provided that adequate accommodations are available in these areas by the time the newly "routed" passengers and crews arrive.

One way to insure the success of these new airways is to create a large year-round tourist demand. Among other things, this means creating thousands of new, prime hotel/motel rooms.

Other reasons for the airlines' involvement in establishing lodging facilities include the ability to offer "package vacations." They will be able to provide passengers with a greater number of guaranteed quality services, frequently at special rates, which may be sold through the airlines' offices and booked via their reservations system.

Such package tours are designed to increase the volume of air traffic, which in turn will help the airlines afford the increasing cost of new equipment, plant ex-

pansion and terminals. For all this to happen, transient air terminal housing will have to keep pace. Airlines will have to exert more control over accommodations in order to offer their passengers the complete travel package.

Cooperation between the airlines and the hotel/motel industry will be essential in the future. There are currently 2.5 million hotel rooms in the U.S., with 3 million expected to be available by 1975. However, air passenger traffic is expected to more than triple by then, approaching approximately 330 million passengers annually. Since it takes from three to five years to construct a major resort or hotel, it is imperative that hoteliers themselves take the initiative in preparing for the ever-increasing wave of air passengers.

Hotels and motels, regardless of size, but especially large enterprises, must be equipped to expand and modernize plus being able to train additional service personnel quickly. This is the only way innkeepers can be ready for the air passenger and flight crew markets of tomorrow. Obviously, if airlines find accommodations lacking—either in number or quality—they will be forced to attempt to create transient facilities for their passengers.

This could create a severe financial strain on the airlines, so that the hospitality industry must find the means to lessen the airlines' share of this burden. Hopefully, the combined efforts of airlines, large hotel chains, private and institutional investors, plus local or national governments can provide the needed economic and physical situation.

Stephen W. Brener, CPM, is vice president of Helmsley-Spear, Inc., New York. He heads the company's hospitality division, which he formed seven years ago, and acts as marketing consultant to hotels and motels around the world. Among his professional affiliations are memberships in the American Society of Real Estate Counselors, New York State Society of Real Estate Appraisers, and the American Society of Appraisers.
Income Collection Control
For the Management Office

by John H. Resing

A great deal has been written lately concerning management control systems—especially in connection with the design and installation of computer systems for the property management office. My purpose here is to illustrate the design of a sound rent collection control system for use where operations perhaps do not justify the expense of a computer.

An owner-executive of a small agency may function in a variety of roles as he plans, organizes, operates and controls his business. However, as business expands and employees are added, he may miss out on overseeing all the details; the resulting lack of awareness may be harmful. The owner is unable to do the extemporaneous, unconscious controlling he did previously. One day he realizes that perhaps he is not as informed of results as he was before. Most likely this realization will come as a result of some difficulty that, unknown to him, has been developing for some time. He feels that he must create some control system to keep himself informed.

The routine function of rent collection will be one of the first to be delegated to subordinates and it is quite likely that it will also be the first area of the expanded business to go out of control. While a property manager may have other outstanding professional skills, if his firm is achieving poor results in the collection of rents, he will not long be able to demonstrate his professional skills to the property owner. A CPM is not a mere rent collector, but rent collection is fundamental.

An occasional, informal inquiry into the matter, such as, “Joe, how are we doing this month?” will elicit an indefinite, informal reply: “Pretty good.” This conveys no information to the executive. It may mean delinquencies are running 50 percent higher than at the same time last month!

A further defect of such an informal system is its infrequent use—most often the result of an uneasy feeling on the part of an owner that all is not well. Property management literature is full of discussions of the necessity of training tenants to pay on time. The method behind this training is to make regular inquiries concerning the failure to pay promptly. Reminder notices indicate to tenants that we care. In like manner, a control system must be regular in its application in order to show employees that the executive is concerned with their performance. To most people an infrequent “how are we doing?” does not manifest a high level of concern.

The following system is an example of a type of close control of rent collection information. This control system clearly shows the concern of the company president and has by its very existence improved the performance of our people charged with the collection of rents. Each month the accounting clerk performs the following functions:

1. Prior to the first of the month, he prepares the individual rent bills from the rent roll. A grand total of "rents due" on the first day of the month is taken, which is retained for use as the base in the computation of the percentage of uncollected rents.

2. As each payment is received, the rent bill is removed from the unpaid spindle and the original of the multipart form is used as a receipt for cash payments.

3. On the days selected for control purposes, the accounting clerk prepares the "Unpaid Rent List" (Figure 1) in duplicate. The original of this re-
port goes to the person responsible for collecting rents on the particular property involved and the other is retained in a permanent file.

4. At the end of the month, the accounting clerk uses the file copies of the Unpaid Rent List to prepare in duplicate the "Rent Collection Report" (Figure 2), which is then given to the company president and the property manager.

5. On the last day of the month, the president and property manager meet to evaluate the results of the month's operations. By analyzing the reports, they can determine the degree of success the property manager has had in meeting the performance goals set at the end of the prior month and establish goals for the coming month.

After spending five minutes studying this monthly report, the company president would have a very accurate idea as to the level of performance achieved by those responsible for the collection activities. He is also quickly alerted to the existence of a problem and its magnitude. Based on this report, for instance, the executive may decide to allow the property manager another two months to work out his difficulties or he may conclude that personal intervention is needed at once.

The person responsible for the development of a control system should consider the following five principles. Is the Rent Collection Report illustrated here easily understandable? Undoubtedly to some it is not, for many persons find a graph more comprehensible than a tabular report. The output form of a control system should be compatible with the man who is to use it, not with the system designer.

Too often we insist that a "graph man" cope with a table instead of changing the format of the report. Who would suggest that a man's arms be shortened because they do not fit the ready-made suit on the retailer's rack? The designer of a control system does this very thing when he imposes his opinion as to the type of output form to be used.

A second principle of a control system design is the relation between the cost of the report and the value of the benefits to be derived from its use. This is not an easy principle to apply. Everyone agrees that one shouldn't pay 10 cents for a single stick of gum, but in the business world it is impossible in many cases to reduce the problem to such simplicity.

Estimating the time spent by a clerk in preparing some report is easy in comparison to placing a realistic value on the benefits obtained from the report's use. Often the only way to decide the question of cost vs. benefit is to estimate the cost of the report and compare it with an estimate of the possible cost to be incurred by the company as a result of the report not being used. Our firm estimates the cost of the control portion of our rent collection procedure is $6.10 a month and we think we are getting many times that value from its use.

A third principle is what I call "maximum capture of data." Data are more and more in demand today as businessmen rely less on seat-of-the-pants experience and more on objective, qualified methods. For example, CPMs urge a lender to require a management survey before a major loan is approved. Where does the data for such a survey come from? The CPM should be careful that he does not disregard significant material each month as it occurs, information which may be useful later.

The Monthly Collection Report contains data on the number and size of outstanding rents. Such information is not strictly necessary for the control system in use in our firm. Our performance goals and results are expressed in terms of the percent of unpaid rents. The trend information for geographic areas, buildings and price classes that can be extracted from this "unnecessary" information can be very valuable. Its "capture" requires only the filing of a carbon copy of the Unpaid Rent List. Here maximum capture costs practically nothing.

The fourth principle is integration. The system designer should make a great effort to see that the various systems in use are compatible with each other. In this way, duplication can be held to a minimum at the same time maximum results are achieved.

In preparing the Monthly Collection Report, the several steps are smoothly integrated into the activities of billing, accounting for payments and initiating individual collection efforts. No motion is wasted by the accounting clerk. No single activity sticks out as being inconsistent with other duties. High integration results in maximum efficiency and low cost, with minimum errors.

A fifth principle is that of periodic review of the control procedures. In this
Figure 1

Unpaid Rents as of 30th day of November 1968

<table>
<thead>
<tr>
<th>ADDRESS</th>
<th>TENANT’S NAME</th>
<th>AMOUNT DUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3072 W. State</td>
<td>Jones</td>
<td>$150.00</td>
</tr>
<tr>
<td>111 E. Ash</td>
<td>Cox</td>
<td>65.00</td>
</tr>
<tr>
<td>332 N. Pinecrest</td>
<td>Lee</td>
<td>55.00</td>
</tr>
<tr>
<td>2500 W. Central</td>
<td>Brown</td>
<td>90.00</td>
</tr>
</tbody>
</table>

Total unpaid bills: 4 $360.00

Prepared by: ____________________________

Figure 2

Monthly Collection Report for the Month Ending _______________

Total of rent bills prepared as of the first of month: $15,000.00

<table>
<thead>
<tr>
<th>DAY OF MONTH</th>
<th>TOTAL RENTS UNPAID</th>
<th>NUMBER OF BILLS</th>
<th>AVERAGE UNPAID</th>
<th>ACTUAL % OF RENTS UNPAID</th>
<th>PLANNED GOAL % UNPAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>5th</td>
<td>$7,200.00</td>
<td>81</td>
<td>$95.92</td>
<td>48%</td>
<td>30%</td>
</tr>
<tr>
<td>10th</td>
<td>4,650.00</td>
<td>38</td>
<td>122.39</td>
<td>31%</td>
<td>25%</td>
</tr>
<tr>
<td>15th</td>
<td>3,000.00</td>
<td>23</td>
<td>130.44</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>EOM</td>
<td>360.00</td>
<td>4</td>
<td>90.00</td>
<td>2.4%</td>
<td>.5%</td>
</tr>
</tbody>
</table>

In conclusion, I would urge the executive responsible for his company's health to give serious thought to the benefits derived from the use of sound control systems. Trained subordinates are capable of doing routine operating functions, but proper control systems can provide the CPM with accurate operating information and with warnings when troubles develop. The use of control systems makes it possible for the CPM to devote his time to the rendering of the high level skills which clients expect from a person of professional status.

John H. Resing, Realtor, has been engaged in real estate management in Topeka, Kansas, since 1964. He established his own agency last year and will graduate from the Washburn School of Law this summer.
The Dollars and Cents Of Office Building Management
In presenting some thoughts on the management of office buildings, I must preface this by saying that there are generally several ways to accomplish something in real estate management. There's my way . . . and your way . . . and your way . . . and your way. While you may not agree with my methods or my conclusions, all of us desire the same goal. Now to discuss some of our mutual interests.

Dollars & Cents of Income and Expense

Basic to this presentation is the Operating Expense Table for a typical 100,000 sq. ft. office building (see page 125). Under present conditions, and despite the protestations of many owners and the insistence of wily competitors that they can still operate for $1.75 to $2.00 per sq. ft., it really isn't possible to attain a total expense cost much under $2.20 for a new or relatively new building. It's also quite possible to be faced with a cost of $2.30-$2.50 if a lot of “troubles” occur at the same time.

If we assume that $2.20 per sq. ft. is reasonable in 1969, let's look at the major items that control this figure. They are 1) Management—18c per sq. ft.; 2) Electric Current—35c per sq. ft.; 3) Engineering Maintenance Salaries—17.6c per sq. ft.; 4) Char and Porter Salaries—30c per sq. ft.; 5) Real Estate Taxes—65c per sq. ft. These total $1.65.6 per sq. ft. and are the items that must be controlled and reduced if the line is to be "held." But how do we control and reduce that which resists control and reduction?

Certainly 18 cents for management isn't out of line. This is only 3 percent of $6.00 per sq. ft. Who is going to recommend that we reduce operating costs 3 or 6 cents by reducing management to 2½ or 2 percent? Speaking honestly and sincerely, I say that good management or better management or best management is worth at least 3 percent in buildings with a small number of tenants, worth 4 percent in buildings with moderate numbers of tenants, 5 percent where the average tenant occupies 1,000-1,500 sq. ft. and 6 percent or more where the average tenant occupies less than 1,000 sq. ft.

Next in major expense items is electricity. There was a time when the careful owner or manager made a lot of fuss about turning off the incandescent lights promptly when the occupants left a room. Even though the lights produced only about 15-25 foot-candles at desk level, we insisted that they be turned off when a room was unoccupied. Today electric current covers a much broader field. Newer office buildings have fluorescent fixtures that are designed to maintain 75 foot-candles at desk level and they generally have electric air-conditioning equipment in operation from a minimum of seven months to a maximum of 12 months a year.

Controlling the use of electric current today is not receiving the attention it deserves because we can't afford to pay the high wage of the light-turner-out-and because the economies of speculative construction often saddle us with low-cost, inefficient fluorescent fixtures whose ballasts consume excessive current and whose light diffusers fade or grow brown at an early age. Furthermore, office buildings now consume substantial amounts of electric current for an enormous assortment of air-conditioning equipment, some of which begins to decrease in efficiency by its third year and then requires more and more current.

Tenants who pay $5.50 or more per sq. ft. justifiably anticipate that they will receive excellent air conditioning. To satisfy that expectation, the substantial humidity that tends to build up in new boxy, rela-
tively airtight office buildings must be overcome. When necessary, air-conditioning equipment is operated overnight or over the weekend and it all adds up to electric current consumption that's quite difficult to control.

Third in the list of major expenses is engineering maintenance. This is labor cost—the cost of talented labor because you can't afford to put a quarter to a half million dollars of sophisticated equipment into inexperienced hands. You must have at least one skilled engineer in a building or one who's available very promptly. Today's going rate for a good chief engineer is at least $4.50 per hour for the first 40 hours—the very good engineers earn $5.00 an hour or more.

One important item to remember about the chief engineer is that he is just as important in the 100,000 sq. ft. building as in the 150,000 or 200,000 sq. ft. building. He must be paid almost as much in smaller buildings as in larger so the cost per sq. ft. is considerably less in the 200,000 sq. ft. building.

Assistant engineers or maintenance mechanics are available over a much broader hourly wage range. It may be possible to function with assistants as low as $2.50 an hour but if you're unionized, the minimum is $3.50 an hour . . . and going up every year.

Fourth on the list of major expenses is the cost of char cleaning and porter salaries. In this category the minimum wage increases of 1966 and 1967 have profoundly upped the cost of operation. Although some of you may not yet be paying $1.60 per hour, there are no cleaners available at lower rates unless they've been working for you for years. Even at $1.60 per hour the quality is nothing to brag about and the turnover is substantial and therefore expensive. What's going to happen to the Federal Minimum Wage in the next five years? Well, we can anticipate that by 1970 or 1971 the minimum will be at least $1.75 and possibly $2.00 by 1973.

I don't have any hesitation about asserting that real estate taxes will inexorably rise at an average annual rate of 4 percent in the next five years. The Washington, D.C., rate of $3.00 per hundred for 1969, for example, will probably be $3.60 by 1974. The suburban rates will rise in the same fashion, all because the costs of education and public security alone will compel such increases in taxes.

Now what does all this mean in dollars and cents? It means that if we are fortunate enough in the next few years to control the inflation that has been rampant for the past two years, our $2.20 per sq. ft. average will go up 2½ percent, or about 6 or 7 cents per year, reaching $2.50 in 1973. If we are not so fortunate, and if the 1967-1968 rate of inflation continues, our $2.20 per sq. ft. will go up at least 4 percent or 9-10 cents a year, reaching $2.65 or $2.70 by 1973.

In order to compensate for these presently occurring and anticipated expense increases, we've got to try to increase rental income by 6-10 cents a year, by either raising rents or writing leases that require tenants to pay their proportionate share of expense increases. I wish I could say that this is easy or show you how to make it so. Unfortunately, all I can do is alert you as to what to do.

The current level of the prime interest rate and the trend of events indicate that mortgage money will cost 8-9 percent for the long-term future. How can we live with 9 percent when so many office buildings have not been profitable at 8 percent? It will be tough; and it becomes possible only if those same "old" rental rates can be increased another 10 cents.
### Approximate Annual Costs Per Square Foot

#### 100,000 Sq. Ft. or Larger Office Building

**Summer 1968**

<table>
<thead>
<tr>
<th>Category</th>
<th>Newer Building</th>
<th>Older Building</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL OPERATING:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>18.0¢</td>
<td>13.5¢</td>
</tr>
<tr>
<td>Refuse removal</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Electric current</td>
<td>37.0</td>
<td>26.6</td>
</tr>
<tr>
<td>Elevator maintenance</td>
<td>6.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Exterminator</td>
<td>1.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Fuel for heating</td>
<td>5.3</td>
<td>5.9</td>
</tr>
<tr>
<td>Gas for hot water</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Telephone</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Water and sewer</td>
<td>2.5</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>REPAIRS AND MAINTENANCE:</strong></td>
<td>68.9¢</td>
<td>54.2¢</td>
</tr>
<tr>
<td>Painting</td>
<td>4.8¢</td>
<td>4.8¢</td>
</tr>
<tr>
<td>Air-conditioning</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Carpentry</td>
<td>2.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Electric</td>
<td>1.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Floor</td>
<td>2.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Heating</td>
<td>6.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Plastering</td>
<td>5.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Plumbing</td>
<td>8.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Roof</td>
<td>0.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Shades, blinds</td>
<td>2.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Ceramic tile</td>
<td>0.1</td>
<td>12.7¢</td>
</tr>
<tr>
<td><strong>SALARIES:</strong></td>
<td>57.1¢</td>
<td>84.8¢</td>
</tr>
<tr>
<td>Administrative</td>
<td>17.6¢</td>
<td>23.0¢</td>
</tr>
<tr>
<td>Engineering, maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elevator Operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>4.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Char and porter</td>
<td>30.0</td>
<td>35.2</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>5.5</td>
<td>8.2</td>
</tr>
<tr>
<td><strong>MISCELLANEOUS EXPENSES:</strong></td>
<td>57.1¢</td>
<td>84.8¢</td>
</tr>
<tr>
<td>Advertising</td>
<td>0.8¢</td>
<td>1.4¢</td>
</tr>
<tr>
<td>Electric bulbs, tubes</td>
<td>4.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Janitorial supplies</td>
<td>4.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Window cleaning</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Tools and Equipment (Depreciable)</td>
<td>0.4</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>FIXED CHARGES:</strong></td>
<td>11.3¢</td>
<td>13.3¢</td>
</tr>
<tr>
<td>Real estate taxes</td>
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<td>47.0¢</td>
</tr>
<tr>
<td>Insurance</td>
<td>5.0</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2.20</td>
<td>$2.33</td>
</tr>
<tr>
<td><strong>CLEANING ONLY:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refuse removal</td>
<td>1.3¢</td>
<td>1.5¢</td>
</tr>
<tr>
<td>Char and porter</td>
<td>30.0</td>
<td>35.2</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Janitorial supplies</td>
<td>4.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Window cleaning</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Tools and Equipment</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Insurance</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42.0¢</td>
<td>47.6¢</td>
</tr>
</tbody>
</table>

Let's do a bit of dollars and cents analysis. It may be overly simple and not very sophisticated, but it's an excellent way to understand Cash Throw-Off.

Assume that we're managing a 100,000 sq. ft. net rentable office building. If rentals average $6.00 per sq. ft., gross income is $600,000, less 5 percent rent loss, leaving $570,000. Deduct $220,000 for operating expenses at $2.20 per sq. ft. That leaves $350,000. Assume a mortgage of five times the gross potential income and we have a mortgage of $3,000,000. A 9 percent constant makes the annual mortgage payment $270,000 and produces a Cash Throw-Off of $80,000, a return of 80 cents per sq. ft. which isn't bad at all.

Now let's look at a different set of figures. Take the same 100,000 sq. ft. building and rent it for $5.00 average. That makes a gross income of $500,000, less 5 percent rent loss, leaving $475,000. Deduct $210,000 for operating expenses at $2.10 per sq. ft. (expenses are 10 cents lower because the land was less expensive and real estate taxes are lower). This leaves $265,000. Again, assume a mortgage of five times the gross potential income, creating a mortgage of $2,500,000. A 9 percent constant costs $225,000, producing a Cash Throw-Off of $40,000, a return of 40 cents per sq. ft., which isn't so good.

In these examples, the difference between a 9 percent constant and an 8 percent constant is either $25,000 or $30,000 a year. That's 25 or 30 cents per sq. ft. Need I say more?

Regardless of where we draw the line between large and small office buildings, in general one under 100,000 sq. ft. will be more expensive per square foot to operate than those which are larger. My own personal experience has been that the smaller buildings cost about 20 cents per sq. ft. more. Two-thirds of this amount derives
from electric current, elevator maintenance, fuel, engineering salaries, and insurance expenses and the other one-third shows up in all the other expense categories.

The moral is that just as retail store operators have found there's gold in the larger and ever-larger units because of shortages of management talent and capable sales personnel, real estate developers have found there's platinum in larger buildings because of the shortages of management talent and the ability to better utilize engineering personnel and the other operating economies that are born of size.

If you will note the cost per square foot analysis for older buildings, you will observe that I have found such buildings approximately 13 cents more expensive to operate. Again, there will be many managers whose experiences have been different, and I recognize that these buildings may be quite representative.

Please observe that the additional cost to operate an older building isn't an across-the-board matter. Furthermore, I have assumed that the older building does not yet have automatic elevators though I must admit that such buildings are growing more and more scarce. The rent is $4.50 per sq. ft. If the management fee is 3 percent, this cost is 13½ cents per sq. ft.

Note also that electric current is 25 percent less than in the newer buildings because building lighting is substantially less bright and the air conditioning probably consists of window units and/or small central units.

Real estate taxes are almost 25 percent less either because the assessment reflects original lower cost of construction or reflects depreciation that has occurred or because re-assessments of existing real property frequently do not "catch up" with assessments of new properties.

On the other hand, note that the older building has substantially greater repairs and maintenance costs as well as engineering costs. These maintenance costs have to do with modernization and the operation of the elevators and the somewhat greater cost to provide satisfactory cleaning.

Summarizing "The Dollars and Cents of Income and Expense," I can only tell you that somehow, some way, each of us has to struggle and if necessary fight to economize and to save every penny. I'm not saying anything new. I'm just restating the ancient principle that no matter how much of a hurry we managers are in, we must take the time hopefully to economize to the greatest extent possible consonant with reasonable management.

**MERCHANDISING OFFICE SPACE**

Today's manager is compelled to become a highly sophisticated bird of prey. There is so much new construction and such rapid change in the space requirements of so many tenants. The equipment needs of today's tenants are escalating so rapidly that the manager cannot blindly live in the past. And the demand of professional people for attractively carpeted and decorated office space, frequently with built-in furniture, is commonplace.

We must recognize that the average individual today is exposed to the advertising blandishments of homebuilders and of manufacturers and retailers of all the mechanical and other conveniences that make our home lives so comfortable. That person, whether he or she be tenant, salesman, office manager, professional or administrative employee, is becoming more and more accustomed to enjoying every possible comfort during working hours too.

It's not easy to rent just plain office rooms with four painted walls, a painted ceiling and a dark asphalt tile floor. Truly, today's leasing and managing specialist must be highly sophisticated and prepared to compete with others who are his equal or superior.

One of the standard phrases in James Downs' *Principles of Real Estate Management* is that every tenant contact is a sales contact and management must remember constantly that it will sooner or later be negotiating with every tenant for renewal of leases. When I say management, I'm talking about every employee of management. Please run through your mind at this moment the image of all your employees
and try to visualize any of them who may be endangering the renewal attitude of your tenants.

I'll grant that you can't hold every tenant. If a tenant grows beyond your ability to accommodate, or if his changing business indicates a change in location, there possibly isn't much you can do. But most tenants dislike moving. It's expensive and time-consuming. If their requirements are satisfied, then they stay. And that's money in the landlord's pocket.

There are several ways and means to make sure tenants are kept satisfied, some of which are established techniques and others modern adaptations. Among established techniques are:
1. Be forthright. Do not procrastinate.
2. If you acknowledge and accept a tenant request, perform.
3. Always give the tenant sympathetic treatment.
4. Keep your employees in a pleasant mood.
5. Keep your buildings in excellent condition.

Up-to-date adaptations include:
1. Know how to make modernizing and remodeling decisions.
2. Learn what can be done inexpensively in your buildings to appeal to your tenants.
3. Study to learn as much as possible about acoustic ceilings, floor coverings, wall coverings and fluorescent fixtures.
4. Don't be afraid to make suggestions to existing or prospective tenants.

Unique Areas of Management and Maintenance

It's becoming more and more expensive to demolish and rebuild interior partitions. Common labor cost for demolition and removal has skyrocketed in the past five years. New partitions and doors generally must meet stricter building code standards.

Despite this cost problem, landlord and management frequently must cut up large suites into smaller ones, reopen public halls that have been closed and provide more and more storage cabinet space to the ceiling for tenants whose paper work escalates. The successful manager trains himself to be an architect, mechanical engineer and space designer because this saves time and time saves money. These are also qualifications that under certain conditions entitle management to charge a fee for contracting or sub-contracting space alteration work.

The successful manager also frequently is compelled to estimate costs because if he takes the time to ask for bids, a deal may slip from his grasp. So he builds up in his mind a library of the routine costs that can be translated into a reliable estimate in a matter of minutes.

Look again at the Operating Expense Table. At the bottom you'll observe a grouping of those costs which have to do with cleaning. In my analysis of cleaning I like to include a 40-hour-a-week day porter as well as refuse removal and window cleaning, so when I talk about 42 cents per sq. ft. per year for cleaning, I always incorporate those items.

Actually, it is still possible to clean an office building for as little as 35 cents per sq. ft. But of course, one can always go in the opposite direction and spend more, such as 45 to 48 cents or even greater amounts. I think one can currently obtain a reasonably satisfactory cleaning job for about 42 cents, subject to type of occupancy, size of building, and quality of the cleaning personnel.

With respect to contract cleaning or not, the strong trend today is to contract. If
you're a large management organization, you might profitably establish your own contract cleaning operation. Most property owners and managers find it a great advantage to be relieved of such time-consuming problems as hiring, firing, record keeping, tax reports, supervision, etc.

Therefore, the field is ripe for contractors. Unfortunately, from management's point of view, an enormous assortment of indifferently talented people have been attracted to contract cleaning. The odds are against you when you seek a contractor who will perform satisfactorily. The days when a worker took pride in performance are gone. Today the best we can hope for is that cleaning personnel won't change so fast that a tenant will be completely forgotten.

We all know that proper supervision is the key to satisfactory cleaning. But there aren't enough good supervisors to oversee the buildings we are creating. We all know, too, that a "good" cleaning employee is generally worth 1½ or 2 average employees. But there aren't enough "good" quality employees even if they are paid a price differential.

What does this indicate for the future? I am very concerned that the quality of building cleaners may become poorer as time passes. Menial labor is unattractive at all times and more so today. We are dependent for additions to the labor supply on new arrivals from rural areas who have never been conditioned to the requirements of big-city business.

In order to counteract a shortage of cleaning personnel, we must think in terms of:

1. More carpeting and less floor tile.
2. Wall coverings that resist fingerprint marks.
3. Window coverings that are easier to clean than venetian blinds.
4. Reducing the amount of trash that must be moved every day, either by shredding and compacting devices or by chemical dissolution.

Someone hopefully will make a lot of money by developing means to prevent bathrooms from getting dirty. More to the point, someone hopefully will figure out a way to reduce the amount of coke and coffee that is spilled every day throughout the world.

Security is another problem we face. It is an unfortunate fact of life that the theft or burglary of money, pocketbooks and small office equipment from office buildings has become so frequent and commonplace that the police do not have time to investigate those thefts which are classified as misdemeanors. They have very little time to devote to investigation of those thefts or burglaries which qualify dollar-wise as felonies.

As a practical matter it is relatively impossible to stop a determined criminal. What we can do is take those actions which make life more difficult for thieves and burglars.

In our efforts to protect multi-million dollar buildings and personal property and to give our tenants the feeling of security that is so important, we provide security guards around the clock, frequently uniformed. We try to be certain that all means of entry are properly locked at the appropriate times. We utilize remote television. Above all, we frequently remind our tenants and our employees that they must be constantly vigilant, day and night. Frankly, most of these security actions we are compelled to take are a nuisance. It is most irritating to live constantly and expensively in a world of petty theft and burglary.

The fantastic advances of the last 10 years in air conditioning and heating have
completely revolutionized that aspect of property management. The words “preventive maintenance” have always been of utmost importance in the management vocabulary. Now they must be capitalized and placed on the walls and desks of every management and engineering office. Today we use some very sophisticated equipment that demands daily attention all year round (not just weekly or monthly attention) in order to enjoy continuous successful operation.

Nevertheless, there are many owners and managers and engineers who for a variety of reasons neglect or ignore or are unaware of what their complicated systems require. Considerable criticism for operational difficulties must, however, be placed on the mechanical engineering designers who have never spent a minute in building management but frequently are allowed to design highly imaginative systems; and upon the sub-contractor installers who likewise have never spent a minute in operational engineering and frequently install equipment in reverse or strange sequence. This combination of “talent” often creates a Rube Goldberg installation that takes years to overcome.

The computer is the pride of the latter half of the twentieth century. In office buildings, however, this is the decade of the copying machine. I wonder how we managed to conduct business without copiers just a few short years ago. Today we have them in all sizes, from 115 volts, 15 amps, to 230 volts, 50 amps.

In our office buildings today we also have elaborate restaurant installations, highly sophisticated computer areas, stock brokerage companies with extensive external connections, airlines with worldwide telephonic and computer communications, and scores of intercom systems, coffee makers and what have you. The demand for electricity is unbelievable. Little wonder that the annual cost of electric current which we talked about earlier is moving upward, even though the commercial tenants generally have their own meters. In order to remain competitive today, even the older office building must be able and willing to accommodate all kinds of electric appliances.

Parking for tenants and visitors has become crucial, too. There is no doubt that the building with parking has a definite competitive advantage. Tenants who are sensitive to prestige insist on such a building. Convenience has always been most important to space users and the cost of that convenience is receiving less attention from tenants.

I visualize that the demand for parking in and near office buildings will explode despite the anticipated expansion of high-speed mass transit. Buildings being erected with legal minimums of parking will be almost as obsolete in 10 years as are the shopping centers built 15 years ago with 1 to 1 parking ratio. Medical office buildings in particular are almost always deficient in parking for patients.

I anticipate an expanding demand for office space in shopping centers where the 4 to 1 ratio of parking generally satisfies even the enormous weekend demand.

CONCLUSION

Office building ownership remains one of the more profitable forms of real estate investment. Despite the present problems we face now and those we will be facing in the near future, the lending institutions and the investing public and the entrepreneurs have great confidence in office buildings. Office building management specialists should have that same confidence; their services are in great demand.

I hope I have communicated at least a few interesting ideas or bits of information, particularly with respect to operating costs. After all, everything you do in business is eventually evaluated in terms of dollars and cents. Perhaps my words will mean dollars to you.

Leo David, CPM, is vice president for marketing and management of Robert E. Morrison, Inc., real estate developers, Washington, D.C. He is a member of IREM's Governing Council and is also first vice president of the Greater Metropolitan Washington Chapter of IREM. He holds a masters’ degree from the Harvard Graduate School of Business Administration and he teaches courses in property management at American University.
Basically, the objective of a feasibility study is to determine, as accurately as possible, the economic justification for a proposed project. Planned developments cover a wide variety both in types and in location and each proposed project requires a separate set of data for adequate evaluation.

In essence, the condominium concept parallels the cooperative but there are important differences in the legal and financial structures which not only create varying attitudes but also respond to different markets.

Considering use for residential purposes, all pertinent housing data is effective in determining market potentials and trends. It is critical, however, that scrupulous care and attention be given to comparing like with like, avoiding the aberrations that occur from attempting to analyze a specific market in terms of a total market. Many projects have suffered dismal failure because of erroneous interpretations based solely on broad general data, much of which were inapplicable to the specific market that should have been studied.

There are four general housing markets, each with several submarkets: single-family residences; multi-unit rental complexes; cooperatives; and condominiums. Submarkets will include price ranges; rental ranges; unit sizes; location attributes; and stability of use and occupancy. Any market analysis must examine population characteristics and financial capabilities as related to the specific market being studied and depth and continuity of demand factors. Employment characteristics and business development are meaningful in assessing residential trends.

For the purposes of this discussion we will consider the luxury-type residential condominium project, emphasizing those particular factors which are the primary
market considerations. First, we must analyze the salient conditions such as demand for specific unit sizes. The best criteria for these data are the most recent sales vs. offerings. Generally speaking, the three most commonly required unit sizes are one-, two- and three-bedroom apartments. Our study must tell us which size unit is most in demand and which is least. From this we can conclude, on a percentage basis, the most desirable unit mix.

Next, a comprehensive survey of the market place must disclose reliable price ranges for the various sized units. The critical third requisite is to estimate realistically the depth of effective demand for each unit size.

Once these primary studies have been completed and definitive conclusions arrived at, we are ready to consider the second phase of the survey which is financing. Borrowing is necessary for the initial development and for the ultimate purchasers of condominium units. These two objectives are linked together inseparably even though the monies may come from separate sources. The interim lender for the construction period requires committed assurance that the loan will be liquidated upon project completion. The take-out lender is, however, deeply concerned with the total economics of the project. This will run the whole gamut of feasibility from development cost through the sale of the condominium units to capable purchasers within a foreseeable period of time.

The take-out loan is the sum total of individual loans on each unit. Lenders will not commit themselves solely on an idea and, therefore, if the probability of adequate financing appears to be a good business risk, the developer will proceed with the third preliminary step which demands substantial time and money. This will include schematic architectural drawings and renderings based upon a pre-estimated number and mix of units; a supportable estimate of unit sale prices; a comprehensive market analysis and feasibility study; and a realistic estimate of the total development cost.

The feasibility study is the key to the entire project and it must supportably measure the detailed project economics against the selling market. This means that it must encompass the entire spectrum beginning with demand and continuing through unit mix, facilities, services, design, operating costs, financing costs, management, estimated unit sale prices, sales programs and a realistic sales timetable for sell-out. Feasibility must tell a very comprehensive story which will become the basic guide as to whether or not the developer should proceed.

On the assumption that the feasibility study and the final schematics give the green light, phase three becomes operative. Interim and take-out financing must be pinned down to definite commitments in writing, after which working drawings and specifications are prepared for commencement of construction.

A well-conceived program and timetable and the availability of adequate planning monies are all-important and must be approached realistically. A useful market analysis will require from three to four weeks, during which time the financing market can be explored. Following this, three months are allowed for preparation of schematics and a feasibility study. Another month is needed to arrange all necessary financing. Four months must be programmed for completion of working drawings and specifications and one month for construction bids.

On the assumption that the project will be of appreciable size, 18 months are al-
located from letting of construction contracts to project completion. Adding all of these very real time factors, one can assume that an approximate time span of two to three years will exist between concept and realization. In preparing the feasibility study, proper allowances must be made for economic changes which might occur between the time of preparing the study and commencement of operation of the project. This time lapse is also important in the determination of carrying costs during construction.

With the fundamental estimates at hand, a reasonably accurate calculation can be determined of final total costs matched against total assumed sale prices for all condominium units. Since it is more definitive to talk in numbers, we make some basic assumptions relying on experience and supportable estimates:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Value</td>
<td>$400,000</td>
</tr>
<tr>
<td>Contract Construction Costs</td>
<td>$5,300,000</td>
</tr>
<tr>
<td>Preliminary Studies</td>
<td>$60,000</td>
</tr>
<tr>
<td>Architect Fees</td>
<td>$210,000</td>
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<tr>
<td>Sponsor Supervisory Costs</td>
<td>$15,000</td>
</tr>
<tr>
<td>Title &amp; Survey Costs</td>
<td>$15,000</td>
</tr>
<tr>
<td>Legal &amp; Accounting</td>
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<tr>
<td>Interest</td>
<td>$200,000</td>
</tr>
<tr>
<td>Financing Costs</td>
<td>$120,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$10,000</td>
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<tr>
<td>Landscaping</td>
<td>$5,000</td>
</tr>
<tr>
<td>Advertising &amp; Promotion</td>
<td>$50,000</td>
</tr>
<tr>
<td>Selling Commissions</td>
<td>$315,000</td>
</tr>
<tr>
<td>Incidentals &amp; Contingencies</td>
<td>$40,000</td>
</tr>
<tr>
<td>Total Estimated Final Cost</td>
<td>$6,765,000</td>
</tr>
</tbody>
</table>

Although the above calculations indicate a strong case for feasibility, we must complete certain other careful studies on important subjects which might create substantial hidden costs that could dilute or even dissolve the calculated development profit. For these purposes we refer back to the market study with particular attention to demand factors. The feasibility study must include a believable timetable for total sell-out. Parenthetically, any loan commitment will be predicated on such a timetable.

Almost before ground-breaking, a comprehensive sales program should be under way. It is not unusual to anticipate 40 percent sell-out prior to the start of construction and 90 to 100 percent sell-out upon completion of the project. In all events, if very close to 100 percent sell-out cannot be reasonably forecast within one year after completion, a long hard review of the entire project is essential. Most successful developments have enjoyed as much as 70 percent sell-out before commencement of construction and upwards of 90 percent upon completion.

Another element of this feasibility study must consider the legal requirements under applicable local and state condominium laws. Although these laws may have some minor variations from state to state, the basic philosophies are generally uniform. The "owners' association" required under all condominium laws, although not a corporation in the legal sense, operates in a similar fashion under a set of by-laws and with an elected board of directors and with elected officers. The association obligation is for the physical and financial administrative operation of the common areas and the limited common areas. It is empowered to appoint a managing agency to function under its direction. The feasibility study must, therefore, include a comprehensive operating budget for the association as well as...
with his skills and practical imagination, a professional real estate manager coupled by arm-chair theorists or uninformed wishfulness.

Respect and should pursue the objectives most reduced to saying yes or no—never doubts. Simple directness is essential, all issues must not be straddled and make critical decisions and recommendations.
Some Advantages of Small, Furnished Apartments

by Don Royale, CPM

During a recent conversation with an executive of a savings and loan company, I was asked if I had any good apartment buildings for sale. I said I had a dandy, maybe the best building I've ever managed, both from a construction and a net spending point of view. He sounded interested and wanted to know more.

I continued my description, telling him it was in a beautiful location, across the street from a park, and that many of the furnished single apartments had balconies that overlooked the park... and that's as far as I got. He stopped me with "Furnished singles? I'm not interested. They're like hotel rooms. Got anything else?"

I've talked to many people who've said the same thing but my experience would contradict this. Unlike a hotel room (or what we call a bachelor apartment), which usually consists of a living area and bath but with no kitchen, a single apartment has a living room, kitchen and bath. These singles and one-bedroom apartments are usually occupied by a one or two-person family unit.

Unmarried employed people, married couples without children and retired people make up our largest markets for apartment houses. Many authors on property management have said that large numbers of family units of one and two people living in a neighborhood indicate a highly transient tenancy in that neighborhood. Many of these people, however, live, work and spend their leisure time in the city. They want to be where the action is. They occupy small apartments for long enough periods of time that we cannot consider them transient. Proper screening of prospective tenants helps the property manager determine who is transient and who is not.

The apartment house family with children does not appear to be the stable entity it used to be; our economy has changed this. Consider today that most families with settling-down tendencies can do so in a house of their own for a small down payment. For many young families, apartment house living is only a temporary experience until they buy a home.

While economic pressures have made it more difficult for the average large family to afford luxury-priced apartments, single people can better afford such housing since their major financial responsibility is to themselves.

Turnover in a building composed of small furnished apartments is about double that of larger unfurnished apartments but vacancies rent about three times faster—in well-managed buildings. Good management and good construction are the keys. Poor management coupled with poor construction that creates noise problems contribute to the popular belief of big turnover in small furnished apartments.

My experience indicates that bigger families are harder on units than one or two-person families. Fewer defects are apparent in furnished apartments than in unfurnished, empty ones when it comes time to re-rent.

In California, the majority of even unfurnished apartments are carpeted and draped and sometimes include appliances. The expense in decorating and furnishings in small furnished apartments is minimized by the very nature of their size: less floor space to carpet, fewer walls to paint, fewer windows to drape. There is a minimum of soft pieces that have a short life span of three to six years and the hard pieces last indefinitely.

Square foot price of small apartments usually is as high or higher than larger unfurnished apartments in this area. Also land costs have continued to increase.
and better use of land is essential. Many things point to a smaller, modular apartment as the basis for future apartment design in this part of the country as well as elsewhere. Three 12 sq. ft. modules would give you a 12 ft. x 36 ft. apartment—432 sq. ft. If designed properly, a small apartment can be very satisfactory and with better use of space and furniture it can be the property manager's dream to merchandise.

I recently bought a 50-year-old duplex with two one-bedroom apartments, each having 450 sq. ft. After redesigning the interior walls to create more livable space and completely rebuilding the interior using new materials, I was able to rent the units for double the scheduled rent of the old apartment. This apartment house had been vacant for three years prior to the renovation and it created so much interest in the neighborhood, I had prospective tenants fighting to get it.

The small furnished apartment offers five possible advantages over larger apartments:
1. The markets you cater to are the largest.
2. The square-foot price is usually higher.
3. Better land use which helps balance exploding city land costs.
4. Better control over tenancy.
5. Lower overall costs of operating due in part to a less demanding family unit.

One- and two-person families are a way of life in our time and offer a tremendous opportunity for us. "Think small" should be our slogan. If you have a difficult time imagining a livable 432 sq. ft. one-bedroom apartment, look at a 30-ft. sailboat or a self-contained motor home or a 24-ft. trailer and see how well they use their space. Much philosophical thought has been given to what man wants to live in. One thought is that man wants to dream about living in a castle—but inherently has an inner desire to live in caves. A small furnished cave.

Don Royale, CPM, is senior apartment house property manager for William Walters Company, one of Los Angeles' oldest property management and brokerage firms. He has had wide experience in apartment management and he teaches apartment building management in the adult education programs for the Los Angeles Board of Education. He is a graduate of the University of Southern California in business administration.
Needed: Parking Facilities That Serve People, Not Cars

by Thomas A. Constantine

The efficient and profitable use of space has always been a prime consideration in the design and construction of mass parking facilities. One key factor, however, is overlooked in nine out of ten new parking garages being built today: people. Traditionally, we have geared our plans to meet the needs of machines. Unfortunately, we give scant attention to the people who operate them.

We skimp on parking space so that drivers usually have to get in and out of their cars by banging the fellow next to them. Or the all-too-frequent columns in multilevel structures make it almost impossible to open a door or even pull into the space.

We give people too many decisions to make. The average parker, for example, hates to have to decide what parking level to use, what aisle to drive down to find available spaces, and whether this arrow or that marking means he should be going in a direction opposite to the one he’s taking.

The point is that the successful parking garage must be scaled to meet the needs of people driving the vehicles, not just the containment of the vehicles themselves. If this concept sounds a little strange, it is probably because so many of us are shortsighted about the problem. We believe there are already many more cars than we can handle. We’re comfortable in thinking it’s a seller’s market.

But consider a few facts. Convenience and service-loving Americans are just as apt to switch brands in parking as they do in toothpaste, breakfast cereal and detergents. They can show their displeasure in several ways. One, they can simply start parking somewhere else. Two, they may decide to shift gears altogether and use public transportation. Three, if they’re really provoked, they merely stop going downtown and look for employment and shopping sources in suburbia.

Our mass parking places that serve cars instead of people have evolved this way because the developers and designers in most cases take a narrow negative view of parking. They allow persons usually with inadequate expertise and little practical operating background to design facilities with little regard for the vehicle user.

What is needed is an artful blend of specialties encompassing architecture, engineering, construction, a broad base of operating know-how and a great deal of market research aimed at finding out what makes the parker tick. Some things perhaps are beyond the control of parking operation developers. Parking in this country, as indeed in most urbanized countries, is an octopus-like problem.

Public transportation systems are still largely ignored by many. Greater availability and promotion of mass transit means would undoubtedly relieve a little of the parking headache.

City councils and officials must insist on adequate parking provisions for every new or renewed building and complex planned, particularly within the inner city. Master plans should serve to promote the perimeter of the downtown area as the place for the all-day parker, leaving the limited facilities within the downtown area for the short-term user.

However, changes in our highly complex and increasingly urbanized society come slowly and changes in the habits and attitudes of people sometimes never. The best expectation from greater use of mass transit and better municipal planning and control would be an improved parking climate but probably not much more.

Accordingly, we are still going to require more and better parking developments, both multi-level and underground,
to come anywhere near meeting demand. And developers and other responsible parties are going to need these facilities convenience-oriented, first for profitability and ultimately for survival.

Consider what tomorrow's parking facility will be like. We know that without carefully comprehending and evaluating the future, the best laid parking plans will fall short of the mark. First of all, tomorrow's ideal development should be built to hold 700-1,000 cars, not 3,000, 4,000 or 5,000, since many smaller garages are much better for traffic control on streets than one or two huge garages. Because the trend in cars is to wider bodies and even wider-swinging doors, parking structures have to be built column-free between stalls to accommodate the probability of having to widen these spaces.

The attractively styled structure will blend harmoniously with neighbor buildings and have no internal posts or columns to obstruct the driver's view, unnecessarily take up space or create a hazard.

If it's an integral part of a new commercial building or located nearby, it undoubtedly will have dictated the size of the building.

Parking charges will be higher, much higher in certain places, but this will be no real disadvantage. The user will be willing to pay for improved service and convenience as will the shops and other establishments who regularly pick up the parking tab for their customers.

Several levels of the structure will be reserved to accommodate the mini-cars multiplying in this country. Attendants will be available but doubtlessly you will park your own car.

To guard against thefts and vandalism, closed circuit television as well as roving patrols for distress services and improved security will monitor all stairways, elevators and the parking floors themselves.

It will be likely that the same kind of facility will be available whether you're downtown or visiting one of the newer suburban commercial developments.

Make no mistake: America's parking syndrome is here to stay. Getting rid of the ubiquitous automobile for a few hours is going to remain one of the more perplexing problems facing the driver every time he gets behind the wheel. But we can make it easier for this person by putting more emphasis on him and less on his car. This is the road to follow to best assure success for our parking ventures of the future.

Thomas A. Constantine is president of T. A. Constantine & Associates, Cleveland, parking consultants supplying specialized design, engineering and construction services in the development of new parking facilities. He is a graduate of Xavier University of Cincinnati and is a member of the National Parking Association, International Municipal Parking Congress, American Public Works Association and the Pre-stressed Concrete Institute.
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Development and Management of Investment Properties

by Lloyd D. Hanford, Sr., CPM

Mr. Hanford is a well-known San Francisco property manager, a past president of the Institute of Real Estate Management and a noted speaker and writer in behalf of the real estate profession. His newly-revised book is the standard text of the Institute's Course II, but is available to non-course registrants. If you are in the field of real estate, the book will give you a clear picture of the benefits you're missing if you don't offer investment property management and guidance as a service to the public. If you offer management now, it is an invaluable tool for improving your operation, providing maximum benefits to your clients and gaining top profits for your firm.

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☐ #216 FACTS TO KNOW ABOUT CARPETS
☐ #223 FLOOR MAINTENANCE
☐ #225 MANAGEMENT AND THE EMERGENCY
☐ #226 TENANT SECURITY
☐ #227 PROTECTING THE NON-RESIDENTIAL PROPERTY
☐ #229 SAFETY GUIDELINES FOR SELF-SERVICE PARKING LOTS
☐ #230 A SURVEY OF GARDEN APARTMENT RESIDENT ATTITUDES
☐ #231 TECHNIQUES FOR ATTACKING SNOW REMOVAL
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5-1 ELEVATOR SIDING
A line of architectural stainless steel sheets for use in elevator interiors has been developed by Ardmore Products, Inc. The siding has a leather-grain finish designed to reduce maintenance and upkeep. The pattern, available in Type 430 stainless steel, has applications for doors, kick plates and trim as well as siding. Panels can be installed over existing walls using an adhesive bonding agent.

5-2 AIR CONTROL EQUIPMENT
Mammoth Industries, Inc., has issued its Bulletin AL-69 describing its line of rooftop environmental air control equipment. The bulletin features Mammoth's Adapta-Zone advanced multi-zone units, low-silhouette rooftop equipment for heating, cooling and ventilating and the Adapt-Aire "M" Series, modular mix and match units for rooftop heating and cooling in the intermediate capacity range. Also included are single- and multi-zone heating-cooling-ventilating units, gas-fired make-up air equipment and space heaters.

5-3 WASTE COMPACTOR
SFM Corp. has announced its Mil-Pac System for processing of solid waste materials in buildings generating a large volume of solid waste. The unit combines a vertical hammermill grinder with a hydraulic ram compaction unit, with capacities ranging from 600 to 30,000 pounds per hour. The Mil-Pac System first pulverizes solid waste in the hammermill grinder, making possible compaction ratios of up to 15:1, claims manufacturer. No incineration is involved.

5-4 RODENT CONTROL KIT
A packaged rodent control kit has been introduced by the J. J. Dill Company. The Dill Rodent Control Kit contains reusable weatherproof bait stations, metal safety seals to prevent tampering and a supply of specially formulated anticoagulant bait. The bait stations are made of die-cut, plastic-coated fiberboard; a hopper-feeder holds 1½ lbs. of bait. The kit also contains two five-lb. units of Dill’s Formula 162 Rat-Kill. Directions for use—and appropriate cautions—are included.

5-5 LITTER SWEEPER
Advance Floor Machine Co. has introduced its “MiniTriever” sweeper for refuse removal in parking lots, sidewalks and mall areas. It is also designed for use indoors in lobbies, corridors and other large traffic areas. The Mini-Triever has a 12” side broom and a power train which keeps the brush revolving toward the hopper whether or not the rear wheels are moving forward or backward. It also has a 1½-bushel collection hopper mounted forward of the main broom.

5-6 SWIMMING POOL HEATER
A brochure detailing the Coates Electric Swimming Pool Heater line is available from the manufacturer. The brochure outlines the necessary computations for determining the required heater capacities for swimming pools ranging in dimensions from family size to Olympic size. The heaters are available in a packaged unit, measuring 14½” x 27½” x 17¾”. It can be placed in an area adjacent to the pool. Does not require venting, manufacturer states. Both single and three phase models in capacities from 12 KW to 60 KW are featured.
5-7 CENTRAL VACUUM CLEANER SYSTEM

General Electric has announced its VS-600 Central Vacuum System for both residential and commercial structures. The system consists of a remotely-located vacuum power unit that may be installed in a basement, garage or utility room, connected by permanently-installed plastic tubing to vacuum hose receptacles located throughout the building. The portable part of the system consists of a 28’ hose, a 3’ cleaning wand, a “swivel tube,” and five cleaning attachments. The remote unit is powered by a 1 1/2 HP 115 volt motor and will hold up to six gallons of dirt in its detachable sediment tank.

5-8 EMERGENCY FIRE EQUIPMENT

Young Fire Equipment Corp. has announced its “Infighter” emergency vehicle, designed to carry fire extinguishers and safety equipment to the scene of a fire or other emergency. Back-to-back display compartments with double doors on each side provide 17 cu. ft. of space for equipment, including up to eight extinguishers, gloves, goggles, axe, pry bar, hard hats and lanterns. Other optional equipment includes breathing apparatus, gas detectors, asbestos blankets, protective clothing, resuscitator and additional first aid equipment. The unit is made of reinforced steel set on 8” casters. A warning gas horn mounted on top of the unit can be actuated to aid in clearing aisles.

5-9 GAS HEATING/ELECTRIC COOLING UNIT

A gas heating/electric cooling single-packaged unit, the Climatrol 750-1, has been introduced by Climatrol Industries. The unit is designed to eliminate the need for chimneys and can be recessed into an exterior wall and screened by bricks, grills or other decorative devices. Five models are available; two have 1 1/2-ton cooling capacities with gas heating inputs of 40,000 and 50,000 BTUH. Three others have 2-ton cooling capacities with heating inputs of
5-10 INDOOR-OUTDOOR CARPETING
Armstrong Cork Co. has announced two designs in its line of indoor-outdoor carpeting for commercial installation. A process known as reverse needling by which the fibers are interlocked provides durability, states manufacturer. Two weights of fiber of contrasting colors are used, creating a tweed pattern. The "Pageant" and "Praetorian" lines are available in 10 colors and in widths of 6' and 12'.

5-11 FLUORESCENT TUBE DISPOSAL
Safety Devices Development Company has announced its disposal unit for fluorescent light tubing. The unit, called the "Disposer," is built into a heavy-duty vinyl plastic 20-gallon storage can and tubes are fed into the "Disposer" through a protective tube in the interlocking cover. The fluorescent tube is disintegrated and the broken glass with its phosphor coating is retained in the storage can for later disposal. The unit is powered by a 110 volt AC motor.

5-12 PAINT STRIPPING GUIDE
A four-page brochure is available from Chemical Specialties Division of American-Ever Corp. on paint stripping procedures. The guide lists C.S.D.'s complete line of paint strippers for hot and cold tank application, available in liquid and powdered form as well as brush and spray-on types for vertical surfaces. A chart illustrates the paint strippers by type, method of application, recommended temperature and in-use concentration. Sixteen alkaline, solvent and solvent acid strippers are discussed in the guide.

5-13 STRUCTURAL CLAY
Structural clay products for interior and exterior masonry work are presented in a bulletin by Glen-Gery Corporation. The 8-page brochure describes and illustrates a variety of face brick and structural clay tile in various shapes, colors and textures. It includes Unival, a two-faced through-the-wall unit,
SCR Acoustile for applications requiring sound absorption qualities and other systems.

5-14 INSULATING GLASS

Multipane, Inc., has announced its “Sound Reduction” insulating glass units, designed to reduce noise levels in buildings near airports, expressways and heavy traffic areas. The unit consists of two lites of glass held apart by a patented aluminum frame with a hollow separator. It is hermetically sealed by butyl and/or polysulfide sealants. A silical gel dessicant, permanently present in the hollow separator, dehydrates the captive air. Sound intensity is regulated by varying the thickness of lites and airspace. The glass is available in a range of sizes and tints to meet specific applications.

5-15 BRUSH CATALOG

An illustrated bulletin from S. A. Felton & Sons provides specifications for 111 hand brushes used by industrial plants and maintenance operations. Included in Bulletin M-1 are 12 types of floor brushes for sweeping surfaces ranging from finely polished finishes to coarse cement. Scratch brushes, dusters and a variety of scrub and cleaning brushes are also shown.

5-16 WEATHERSTRIPPING

Weatherstripping designed for sound and light-proofing has been announced by PEMKO Manufacturing Co. It features a closed cell, 3/8" wide neoprene insert for sealing off light and sound. The seal can be adjusted to all variations in door and jamb. The anodized aluminum weatherstrip can be used as a stop or installed over an existing stop. It is fastened with countersunk Phillips Head screws and can be mounted on wood or metal doors, states manufacturer.

5-17 MEASUREMENT CONVERSION CHART

A reference table in wall chart form has been published by Precision Equipment Co., for use in converting various measuring units. Included are common conversions such as inches to centimeters or watts to HP as well as other conversions such as microns to meters and quintal to pounds.
Enlarged in scope and increased in numbers, the educational program of the Institute of Real Estate Management in 1969 will also include two presentations of a course devoted entirely to office building development and management. In addition, all three of IREM's time-tested courses will once again be offered throughout the country helping to keep today's professional manager in step with today and ready for tomorrow's challenges.

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Defining strategic problems of a property and development of the individual's judgment and skill in solving those problems are the goals of Course 2. This course has as its prerequisite satisfactory completion of Course 1, or the equivalent in training and experience.

Varied types of investment property are studied, including residential and commercial. Specially prepared workbooks and problem books are supplied to participants to assist them in developing practicable, workable feasibility studies and management surveys. Analysis includes management, valuation, market research, cash flow projections, financing, and the economics of alternates, all of which are oriented to active real estate practice. An invaluable sample feasibility study and management survey is also given the student which can be used as a long-term reference source.

Through lectures, reading, and group discussions, all assisted by experienced faculty, the student will learn to solve the many practical problems presented in the course. The examination will test the student not on his memory, but on how well he is able to solve the realistic problems presented.

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Teaching and perfecting the technique of preparing the all-important management survey is the prime objective of Course 3, truly the graduate course of the Institute's educational program. Completion of Courses 1 and 2 or equivalent experience and training are the prerequisites for Course 3. This program of study applies the case-study method to the analytical process and the preparation of the survey. First hand data-collecting experience is provided through a personal visit to a subject building—commercial, residential, or shopping center. Full data concerning the property, the immediate area, and the general region are supplied. In the overall skill-practice and education experience of the participant, the individual's problem-defining and solving facilities are tested and improved through group discussion in which national management experts take part.

The participant cannot help but benefit from learning objectives of the management survey; report preparation methods; application of market, neighborhood, and regional data; site inspections of the property, neighborhood, and comparables; identification of major problems and alternate solutions; economic analyses; writing the final report.

Attendance at the course and submission of a satisfactorily written survey earns 20 points toward Institute membership.

Limited to 60 participants. Tuition: $160.

COURSE 4: OFFICE BUILDING DEVELOPMENT, LEASING AND MANAGEMENT

The new IREM Course 4 is a down-to-earth study of the day-to-day problems faced by the man on the firing line in office building management as well as presenting the overall picture needed by executive management and owner-executive. In broad scope and in detail, the challenging concepts needed in developing an office building from its embryonic "idea" stage to a working unit complete with procedures and problems is presented in a realistic, practical manner. With lectures coupled with expertly-moderated discussion groups, and carefully selected supplemental material, the course will provide detailed data for every phase of office building development, leasing, and management.

The course of study will not only concern the historical development, style and functional changes, and criteria forming a base for office building demand in small, medium, and highrise office buildings, but also will include a comprehensive discussion and illustration of the feasibility study, site selection, preparation and all important areas of financing, and merchandising the new project.

Classes will be limited to 90 registrants to assure close-knit discussion groups of not more than 30 each. Written supplementary material will include numerous standard forms for efficient processing of paperwork, reprints of professionally written articles not available elsewhere, and original material. Tuition: $195.
Most building operators are just that when it comes to income/expense ratios. They insist on knowing which expenses are reasonable and which ones are out of line.

Of course you can sit down with your slide rule and adding machine and ferret out the important operating figures and per-unit costs that influence your apartment building's profit picture, but you'll still need a basis of comparison—preferably a basis which includes age, type of building and geographic locale. (Let's be picky about it.)

Why not let the Institute of Real Estate Management do the figuring for you, and provide you with the most complete basis of comparison available—the only basis of comparison available.

PICKY! PICKY! PICKY!

If you'll participate in the annual data collection for the 1969 Apartment Building Income-Expense Analysis, we'll send you a computed breakdown of expenses for your building. Then when the report is off the press, we'll send you a free copy so that you can compare your data with the averages for your locale, based on age and type of building. Your figures will take on new meaning when compared with operating experience of others; you can easily see where your buildings match up with local and national trends and where you might cast a wary eye on expenditures.

If you operate furnished or unfurnished elevator buildings, low-rise buildings (12 units or more), garden-type apartment complexes, let us put our computer on your staff and give you all the picky little details. You'll benefit personally from this effort, and you'll be aiding a unique project unduplicated in the management profession.

1969 Apartment Building Income-Expense Analysis

... pick up a piece of the action, contact:

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