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Furniture Leasing: Some New Light on an Old Subject
Carl F. Barron       Page 252

Dispelling visions of rooms crowded with second-hand furniture supplied for Depression-struck tenants of the 30's, Mr. Barron points up some of the differences in today's tenants who desire furnished apartments. Besides keeping the occupancy rate up, furniture leasing can be arranged directly between tenant and furnishing rental agency so that the tenant can select the styles he prefers. In this way the management firm never has to worry about battered and beaten furniture lowering the income potential of its furnished apartments.

The Pitfalls and Profits of Older Buildings
William Brauer, CPM       Page 258

The "older properties" that still abound in most cities and towns may be the key to the regeneration of downtown and central business areas. Despite some architectural disadvantages, many of these buildings are structurally sound and can be given new lives with programs of careful renovation. Mr. Brauer reviews several such examples of commercial and residential buildings that now compete favorably with newer structures.

PR Program Wins Smiles During Office Building Remodelling
A. K. Moore       Page 262

When a new heating and air conditioning system was prescribed for a Tacoma, Wash., office building, the management faced the usual problem of how to keep the tenants happy while their offices were being ripped apart. A highly successful answer was achieved by the creation of a cartoon character named Fenwick who provided comic interest to keep the tenants' minds off the disruptions.

Control Where It Counts: The Management Purchase Order
Edward N. Metzner, CPM       Page 265

Regulating inventory and controlling costs are two of the important functions that a purchasing system for the management office can provide. Mr. Metzner details how the use of the simple form can keep maintenance crews on their toes as well as providing meaningful reminders to the manager of jobs tenants may request.

Management Memos
Louis A. Leone, CPM       Page 269

Touching on several key points of any property management agency, Mr. Leone describes basic systems of handling rent collection and lease renewals. He also supplies a checklist of points to review with the owner on a monthly basis which assure him of the manager's concern and interest for his investment.
Shopping Center Feasibility Study: Its Methods and Techniques (This Month's Cover)
Michael Birnkrant Page 272

Mr. Birnkrant discusses the economic guidelines that form the basis for determining the feasibility of a shopping center. Among the components are population statistics, per capita income and trade area preferences, all of which must be surveyed to obtain a complete picture of the type and amount of buying potential a prospective center might have. Shown on the cover as well as on pages 272-279 are some scenes of the College Grove Shopping Center in San Diego, California.

Communications Alone Not the Answer to Real Estate Problems
Bernard E. Ury Page 280

As a professional in the field of public relations, Mr. Ury explores some of the conflicts facing real estate practitioners today and the reasons behind the attitudes of the public. He offers his suggestions as to ways real estate professionals can help to put old images to rest and begin anew.

The Joys and Woes of Managing Three-Story Walkups
Herbert H. Sieber, CPM Page 286

Mr. Sieber relates the problems his firm faced in managing older walkup apartments where maintenance help was hard to find (and keep) and where remodelling often ran into major (and costly) renovation. Offsetting this, however, was the successful conclusion of a participation agreement with the local housing authority, in which the buildings were designated as housing for the elderly and retired, many of whom were already residents of the buildings.

Editorial: Analyzing Your Management Business
Lloyd D. Hanford, Sr., CPM Page 288

It is the duty of every management executive to once in a while take a careful and objective look at the services and capabilities his business is providing. Mr. Hanford presents some guidelines in accomplishing such a survey.
The concept of leasing is not new. It dates back to the days of the Sumerians, about 3000 B.C. or approximately 5000 years ago, and references have been deciphered from the cuneiform inscriptions on clay tablets about agreements made between tenants and landlords. Down through the ages, the leasing of houses and fields has been a recognized form of business activity.

However, the idea of leasing—the use of someone else's property for a period of time, in return for a mutually agreed upon fee—has been refined, particularly during the past decade. Leasing concepts have developed to the point where almost everything in the home, in industry and in commerce is available on that basis. Today, you may lease an apartment, an office, an automobile, furs and jewelry for your wife, famous works of art, hand tools, earth-moving equipment, office equipment, and furniture to supply the needs of those living in apartments and homes on a one-to-two year length of time.

Furniture leasing has grown into a huge industry, closely allied to the apartment building phase in the real estate field. As a matter of fact, in some sections of the United States the relationship is so intimate that more apartments are being rented furnished than unfurnished. Houston, Dallas and Washington, D.C., have 25 to 40 percent or more of all apartments on a furnished basis. Up to 55 percent of all newly constructed apartments in the South and Midwest are in the category of furnished apartments.

The above figures indicate a heavy demand already in existence for furnished apartments. This is true, particularly in some areas more than others, but (and it's a big "but") the surface of the demand has hardly been scratched. With the U.S. population in excess of 200 million people, and with one out of every four people (men, women and children) changing his residence every year, you may now have a better idea of how much our total population is on the move.
Add to this the basic changes in the economy, research and development, transportation and even family life and the fact is that we are rapidly becoming a nation of transients to a very substantial degree. This is a radical departure from the fixed population of one or two generations ago where each segment—farm dweller or city dweller—remained relatively permanent. Today, people are literally on the move and all this adds up to the creation of a tremendous demand for apartment housing rather than permanent one-family houses.

In 1968 in metropolitan Boston for the first time in history, multi-unit apartment construction exceeded that of single-family homes. In one of the most conservative cities in the country, the demand for apartment living has become so tremendous that the amount of single-family homes constructed will undoubtedly drop by another 50 percent in the next year or so.

Land is becoming scarce in most of our cities, construction costs are astronomical, interest rates are at an extremely high level and our population has a longer life span than even before. Per dwelling unit, it costs less to build a highrise apartment building than a single home. Young couples can’t afford to buy single-family homes and many older couples want to rid themselves of the expense and physical problems of maintaining large homes after their children are married.

All these facts point to the growing transient nature of a high percentage of our population and to the reason why the demands for both apartment living and furnished apartments have mushroomed and changed the mode of living of so many millions of people.

Many older apartment owners can remember the Depression years when an apartment was furnished out of frustration by the building owner to decrease his vacancy ratio. He was desperate; real estate was in the doldrums. Both money and tenants were scarce and he employed any means, such as rent concessions and the supplying of furniture, to provide himself with badly needed income. Further, the owner usually resurrected such furniture from his cellar or attic or from the nearest source of badly used furniture.

Then, out of sheer desperation, the owner who needed tenants so badly often neglected to check credit references on his supposed savior, the tenant. More often than not, the tenant was a good salesman but a poor risk and often disappeared between dusk and dawn with his suitcase, leaving a substantial amount of overdue rent still unpaid behind him.

These bitter memories still create a barrier to the development of a highly useful and practical means of tapping the second of the two demands for apartments, i.e., furnished, as well as unfurnished. They are different demands and this should be clearly understood.

For purposes of this article, apartment dwellers are divided into two main categories: 1) permanent; and 2) transient or semi-transient.

The first category consists of the elderly who have given up their homes for less work and lower expense of an apartment; the young who haven’t yet had time to accumulate sufficient money to make a downpayment on a house; and those in all age brackets who have a preference to avoid all the responsibility that goes with owning a home.

The transient category covers a wide range of people of whom the list below is characteristic:

- Staff and faculty members of colleges and universities
- Graduate students
- Top company executives
- Research scientists
- Professional people in many categories
- Government officials
- Diplomatic representatives

Members of the first category are largely
self-explanatory and so we will deal now only with those in the second category. The term “transient” is actually a misnomer since the people in this class usually want a lease of one to two years but some with terms as short as three months.

With over 30 years of experience in the field of leasing furniture, this writer has found that those who fall into the above groupings are far above average in integrity, financial ability and cooperativeness. They require an attractive home, want a prestige location, but are intelligent enough to recognize the financial impracticability of either buying furniture for a one or two year period or having furniture shipped any distance.

These people are not “fly-by-nights,” thieves or just undesirable. They constitute a top-notch source of tenants for even the most exclusive apartment buildings. They should be sought, eagerly, by the most discriminating apartment owner or manager since they usually settle quickly, provide fast income and supplement the demand for unfurnished apartments rather than replace it. As indicated above, if the apartment owner is capable of recognizing that today's furnished apartment tenant is not the same type of person as those of a generation or more ago, he will rent his apartments more quickly, more easily and more profitably.

Now let's assume that the idea of having furnished apartments appeals to an owner. Should he immediately go out and buy furniture for all or a great number of his apartments? After all, if the furniture rental firm is in this business, it must be profitable. It is, if conducted by experts in the furniture business who are experienced in obtaining exactly the proper types of furniture for the purpose from reputable sources and at the best prices. In other words, by those who possess the know-how in the furniture field.

The simple conclusion is: stay in your own backyard and save yourself money, goodwill and a nervous breakdown.

To be more serious and specific, let us assume that a basic three-room apartment, consisting of a living room, bedroom and kitchen would require the expenditure of approximately $1000 to furnish. Let us further assume that 100 apartments are involved, thus requiring an investment of $100,000 for furnishings.

Figuring an average five-year lifespan for the furniture, the apartment owner's investment would be worth nothing at the end of this time, with the possible exception of a limited salvage value of solid wooden pieces which have probably been out-moded by style changes and are of practically no real value. He would have a certain tax value to the extent of $20,000 worth of depreciation per year on a straight line basis—that is all.

After the first year's use of the furniture, the landlord suddenly finds that he is the owner of less attractive furniture. To his great distress, he is downgrading his apartments—the basic source of his income—through the use of aging furniture. Further, as the furniture continues in use, he discovers new problems. He has a greater difficulty in re-renting the apartment at the original rental because the furniture, particularly in the living room, has continued to grow shabbier as time goes on. There may be a longer interval between the expiration of a lease and the occupancy of the same apartment by a new tenant—at a loss in gross income.

Certain items of a highly fragile nature, such as bedding and rugs, will probably need replacement before five years are up, at an increase in expense and a reduction in gross income. This year's tenant needs a desk but next year's wants a bar or a storage cabinet. A newly married couple will insist on a double bed but two single renters occupying the same apartment the following year will prefer twin beds.

Assume that the apartment owner preferred to stay in his own bailiwick, the ownership of real estate. What could he have done with the same $100,000? Invest it in real estate and do much better partially because he is in his own specialized field where he is the expert, and partially because he isn't equipped to service the furniture.

The $100,000 would probably be adequate to serve as an equity payment on an apartment building with a value of, say, $500,000. Unlike the depreciating value on the furniture investment, the apartment building would undoubtedly appreciate in value at the rate of approximately 6 percent per year on the $500,000 value, or $30,000 a year. Additionally, there would be the tax value of depreciation on the building of about $12,000 per year computed on the
Renting furnished apartments need not prove a burden to management if furnishings are supplied directly to tenants from a furniture rental firm that can offer a variety of styles and settings.
basis of 3 percent (assuming the land value is fixed at $100,000 and is non-depreciable).

At the end of five years, the original value of the building (including land) would be $500,000, plus $150,000 in appreciation, giving a total value of $650,000. Furthermore, the owner would have received depreciation valued at $60,000. He really has a tangible value. Contrast this with the same $100,000 invested in furniture, which at the end of five years would have given $40,000 more in tax deductions, due to total depreciation, but would be worth zero in tangible existing value. (These are simplified computations but basically will serve to prove the point.)

Why can a furniture rental operation be profitable in the light of the above? Why shouldn’t the furniture rental dealer forget the rental business and become a real estate owner instead? Again, each to his own. If the furniture rental dealer has all the prerequisites, he will do all right. This means that he should have a thorough knowledge of the furniture field in all its varying aspects of buying, color coordination, style trends, furniture construction and marketing. He should have the skills necessary to maintain the used furniture at optimum appearance by means of refinishing, repairing and cleaning facilities. Warehouse space must be available on an extensive basis because of certain peak seasonal demands.

For example, on a national basis, as a result of a survey conducted by the Furniture Rental Association of America, 54 percent of the average year's business is done in three months: July, August and September. Trucking arrangements to take care of the peak work are a must, as is the skilled office and labor force to service furniture under these conditions.

By supplying the necessary experience and skills, an efficient furniture rental operation can make a reasonable profit whereas the novice in the field will either actually lose money or do much better by using the same money elsewhere.

Hopefully, now that you are discouraged from going into the furniture rental business yourself, why bother with furnished apartments? Simply this—you lose a golden opportunity to keep your buildings rented faster. You must become aware of the fantastically growing market for apartments created by this demand. You are, hopefully and with good reason, desirous of keeping your apartments rented at 100 percent occupancy, probably with tenants who will not move for many years. This, however, is the market of yesteryear and one that is shrinking.

By combining the two demands, you may still achieve the same goal, supplying your apartments on an unfurnished basis to both groups but providing the facilities for furnishing a required number of units through the medium of a professional furniture rental service. You make your money by means of fewer vacancies and avoid the pitfalls of going into another highly specialized business.

The following constitute the major advantages to the apartment owner to lease furniture:

- No heavy capital investment
- No maintenance
- No storage costs
- No moving or handling costs
- Low rental rates
- 100 percent tax deductible as operating expense
- Wide choice of styles
- Easily adaptable to changing tenants
- Prompt delivery
- May serve as model apartment without additional cost
- Makes your apartment more competitive—clean, fresh furniture
- Advertising value—furnished and unfurnished
- Replacement or repair of items that are non-usable through normal wear and tear without charge to the landlord or tenant

Basically there are two principal schools of thought in leasing furniture, with numerous variations:

- Direct lease to building owner by furniture rental dealer.

This method is pursued in many parts of the South, Midwest and Western states but it is gradually diminishing in popularity. However, there still is a tremendous volume of business being done in this category. For example, one Pacific Coast furniture rental dealer had over 9500 apartments furnished in April 1969 and expected to exceed the 10,000 unit figure by the end of the year.

Basically, the furniture rental dealer signs a lease directly with the building owners to supply furniture for a given period of time—12, 24 or even 36 months—on an exclusive basis, sometimes with no deposit required. The terms often provide that the building management collect all installments from individual tenants and remit monthly, by one check.

Frequently, the furniture may be left with a minimum guarantee of payments, say, 12
out of 24 months with no payments if the apartment is vacant (except for the minimum guarantee). Any changes required in furniture combinations would be made upon payment of a small trucking fee or sometimes with the only extra cost being the rental charge for the additional furniture itself.

The building management has furnished apartments available at all times with no heavy capital investment and with only a small amount of managerial services and some contingent liability of the value of the furniture itself. In a large building complex with the need to furnish many apartments quickly in a certain type of semitransient community, this plan has worked well. For the small investment of either no deposit or approximately $50-$100, the building management has the furnishings for a three-room apartment, bedroom, living room and kitchen, made available (usually all trucking costs).

- **Direct lease to tenant by furniture rental dealer.**

This variation is becoming increasingly more popular and is probably a fairer arrangement to all three parties—tenants, building management and furniture rental dealer. A very important feature is the complete absence of any responsibility of any kind on the part of the building management. The latter's sole function is to refer the tenant to the furniture rental firm to select his own furniture in accordance with his own needs and taste. It is no longer a cut and dried affair as in the case of furnished apartments per se, but a highly individual matter tending to create a greater permanency in occupation and a more satisfied tenant without complaints since he makes his own selection.

This method permits catering to all financial extremes including luxury-type apartments with the cost adjusted accordingly. Better and more varied furniture is made available than any real estate management firm could ever possibly offer. Here the furniture rental dealer must provide a choice of styles and prices, tastefully displayed in a showroom as attractively decorated as most retail showrooms.

A lease would be signed directly between tenant and the furniture rental firm, for a pre-agreed upon term (usually 12 months but ranging from 6-24 months). Payments are made monthly. All delivery and pickup costs are included (except in short-term leases). Both new and/or used furniture is available at corresponding adjustments for condition. A variety of styles would be offered which today would probably include Contemporary, Italian Provincial, Mediterranean and even Early American. A reliable furniture rental dealer would be qualified to give decorating suggestions on colors and room sizes, to make recommendations of all kinds, exactly as would his counterpart, the furniture retailer.

Invariably, any tentative list of furniture would be subject to revision as many times as is necessary in order to give the prospective tenant—your tenant—every incentive to take both apartment and furniture. The original list would be subject to revision until both price and furniture style were completely satisfactory—and thereby producing a longer-staying tenant.

In the Northeastern parts of this country this method of renting furniture is rapidly taking hold and spreading quickly elsewhere. The prospective tenant often upgrades an average apartment by the simple expedient of selecting better furniture at only a nominal differential in cost.

As indicated earlier in this article, the greatest obstacle to even greater utilization of this service is the outdated and erroneous impression that only poor risks and bad tenants would be interested. In summary, may I suggest a serious analysis of the existing and potential composition of your tenant lists? Where are they from? What strata in life? Permanent or semi-transient? Have you 100 percent occupancy at all times? (Theoretically possible but not usual.) Have you tapped all the potential sources of tenants, including those mentioned in this article? Have you taken aggressive steps to reach both kinds of demand—furnished and unfurnished?

The results of such a survey may have far-reaching and profitable consequences for you, particularly when the supply of housing catches up with the demand and competition may result in more vacancies than now. However, now is the time to think.

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Carl F. Barron is president of Putnam Furniture Leasing Company of Cambridge, Mass., the largest and oldest furniture rental firm in New England. He has been in the furniture rental business for 32 years. He has served as national vice president of the Furniture Rental Association of America and is presently serving as president of the Cambridge Property Owners Association. He is also active in local civic activities.
There is a significant field of enrichment for property managers in older properties—maybe because there are so many of them. In fact, the tremendous number of properties that were built before 1930 is going to be the salvation of whatever cities we have in the future. With today's interest in urban renewal, there isn't enough money in the world to rebuild one major city in the United States. We don't have housing facilities today that are reasonable in cost or large in size unless we go back to the older properties.

We must exercise our creativity, imagination, intelligence and expertise in helping to solve the great shortage of dwelling units and office space in our cities and promote the regeneration of our central business districts that have become a sore spot with us. Strangely enough, this becomes an operation bootstrap.

We all complain constantly about the real estate tax burden and say that we can no longer afford to pay these amounts because many of the purposes for which the money is going were never designed to be supported by real estate taxes. Unfortunately, in the absence of other kinds of palliative relief, we still have to rely to a great degree on the real estate tax revenue to support all of the social problems that have come upon us in this modern day and age.

The maintenance of tax structures in our cities, rather than the continuous decline in the tax base of the community, will help at least to a very miniscule degree to stop this
ever-continuing decline spiral of people leaving the city, abandoning property, the property worsening and more people leaving. This is the cancer which erodes at the very fabric of our urban society.

An older property, by my arbitrary definition, is one built prior to 1930. Basically, this has to do with conceptual changes; with the start of the Depression in 1930, we went from a very stylized form of architecture to a somewhat clean-cut "contemporary" look.

The older building has many problems. The first of these has to deal with structural integrity. If the building isn't structurally sound, forget it. On the other hand, while these buildings lack interior flexibility and some of the amenities of today's new projects, they do have something we're all striving for: a look of solidity. Most of these buildings have a gracious appearance and really look like they are architecturally designed.

Today's buildings designed from the so-called Bauhaus School of architecture must "over decorate" their interiors to get a gracious feeling. If we saw some of these decorative fixtures in an old building, we'd say, throw them out, they don't look good, they're too expensive to maintain. The older building designed before 1930 usually has a feature that is getting increasingly scarce to find today in our market of new buildings: individuality of design.

Some people are difficult to convince that new methods in wall systems are just as good as the old ones. You always find someone who says "they don't build them like they used to." This becomes an important point of saleability in an old building.

There is much in these buildings to be saved. First, there's that look of solidity and certainly the intelligent and creative manager might like to salvage some of this because it's there for the asking—it's something you really don't have to pay extra for. Many times you find a lot of marble which will look good if it is cleaned up. Today we spend vast amounts of money for marble veneer when we want a new building to achieve this gracious look of the 30's or even the 1880's and 90's. Older buildings also have heavy doors, solid ones that don't transmit too much sound, and they have a lot of ornate decor.

Of course, these things give us tremendous maintenance problems. The marble on the floor is probably gouged out from 45 or 50 years worth of traffic. Painting costs are high because you've got to gild the little cherubs on the ornamental plaster soffits.

Our problem as creative managers is to know what to save or to change, and the best way to do that is to start with an expert. As property managers we are supposed to be the generalists, which is a rarity in this day and age of specialization. We call in the experts—the architect and the engineer—and find out the structural problems of the building. If it is sound, the interior decorators and designers can be called in. They
can determine what to salvage and what to keep and the property manager can determine whether it's worthwhile as far as the costs are concerned.

The first judgment you have to make deals with how much ornateness and solidity and beauty and graciousness you are going to keep. Keep in style, obviously. Don't try to make a silk purse out of a sow's ear. If you are going to change the style of the building, then change it. Use slab doors but cut out all the gingerbread.

If you have a good looking, old-fashioned building, then don't try to put on slab doors and bring it up to the standards for contemporary architecture because the two do not go together. Refinish, clean, modernize—but don't mutilate. This is one of the biggest problems; when we get creative, we get so creative that we almost kill the patient in the process.

Here are a couple examples of what I mean. We had two office buildings located in the same block, both dating from the same period. One we had stripped down to its core and became a brand new, contemporary-looking building. The other was left in the condition in which it was built, except that we didn't keep the old-fashioned elevators. The only things we had to concern ourselves with were the electrical load, air conditioning, better illumination, refinishing doors and putting down carpeting to get away from the tile-hall look.

Both cases represent older buildings coming into a high degree of utility for the purposes, needs and requirements of the owner.

This is something we often forget: what do you want to accomplish with this building for this person?

In one case, our client was a new bank. They had what is now referred to as the swinger image. They wanted a building that represented the new era in banking. Therefore, it was a matter of converting what was one of the few downtown locations at that time into the swinging image required—the mirror glass and brass mullions, etc.

The other building was bought by an owner who was looking for depreciation. (It's very hard to get depreciation in an old building downtown with high land values.) On the other hand, he was the president of a public company that wanted to use the space to enhance their image. They wanted to build stability and a reputation of a long-term business practice. Consequently, the exterior did not have to be remodelled and the money was spent on the interior.

By these two examples I don't mean to imply that we are talking only about commercial buildings, especially since this article started out on the basis that we ought to have more housing. The only reason I mentioned them is that they represent a return to downtown by companies and tenants who could just as well have been accommodated in the outlying business districts without any problems as far as the user of the property was concerned. But it did represent a return to downtown, a regeneration of interest in the downtown area, and an increased tax base for downtown. Consequently, everybody in the central business
district ultimately benefited even if it was to an extremely small degree.

The preservation of downtown is extremely important. Therefore, the creative thinking and application of good management principles to older buildings that are structurally sound and have some degree of rehabilitation possibility are most important in helping your own real estate tax picture.

It's also very profitable from a management point of view because we do get fees out of these things. In one of the above-mentioned buildings the average rental income was approximately $2.50 a square foot. That building is now in the range of $4.50 to $5.00 a square foot with a minimal amount of work.

Here's another example, this time of a residential unit. In its original concept there were two three-story, free-standing, 12-family buildings with very narrow side yards. Our first analysis of the building was that it was getting the same rents as everybody else—the rents went down as you went up.

An architect determined an elevator shaft and fire stairs could be placed in the area between the two buildings. We had the front entrances changed and we came out with a single free-standing 24-unit apartment building at not too bad a cost. We were fortunate in having a good architect for this project. He wasn’t interested in only putting his 6 or 8 percent on some kind of renovation that would not prove economical in the long run.

This building now competes in rentals with virtually brand new buildings, built at two and three times the total cost per square foot of what it cost—whole building and renovation. We are still actually under the market and there is no maintenance to speak of and no vacancy.

It is a very popular building since it gives space for the dollar. Its typical one-bedroom apartment is almost 50 or 60 percent larger than in new apartments found on today's market. People can live here with some degree of dignity. They are paying for a larger space in a structurally sound building brought up to date so they have the amenities they feel should be included in the rental dollar asked of them.

Going into older buildings is one of great potential for professional property managers who should know the answers. It is a vast source of untapped business and a source for exercising creativity, ingenuity, intelligence and experience. There are so many of them, I think we should do something about them.

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Disrupting occupants of a building with a major remodeling project makes a tenant-oriented public relations program desirable. But—expecting the renters to renegotiate their leases to pay for the project makes such a program absolutely essential!

The management of the Washington Building in Tacoma, Wash., was faced with just this problem when it was decided to install a $700,000 air conditioning and heating system throughout the building. This was no small undertaking. Involved in the remodeling, which began in March of this year and was to have been completed in mid-September, were the installation of refrigeration and heating units, along with their components, in each office. We installed over four miles of pipe throughout the 17-story building, from ground floor to top, to circulate about 60,000 gallons of water each hour.

To install these pipes, holes were drilled in floors and ceilings of each floor. The pipes go through the offices that occupy the eight corners of the Washington Building, which is shaped like a square "U". This means that partitions or parts of walls had to be ripped out and then replaced after the pipes are installed.

Although the majority of the work was done after office hours, physical evidence remained to be seen the following day. During the work days, the construction men and their equipment moved around on the floors and this, of course, was sometimes noisy and disruptive.

At the onset, we realized that there would be inconvenience, noise and an upsetting of routine. Our tenants, we knew, could reasonably become irritated at times during the renovation. So we decided to approach the turmoil with a smile and to invite the tenants to join in.

We developed a public relations campaign based on humor. There were four major goals to the campaign: 1) To create in the tenants a favorable attitude toward renegotiating their leases to pay for the air conditioning; 2) To keep them fully informed of the renovation's progress; 3) To persuade them to regard the inconvenience and disruption with humor; and 4) To involve them even further in the project by providing them with a scapegoat upon whom to vent their irritation and frustrations.

This scapegoat was the basis of our tenant-oriented program, which was developed by the building's public relations firm. They created a mythical character named "Fenwick" who was established as the villain behind the disruption. Fenwick became the target of our tenants' irritations and frustrations.

The campaign operated in the following manner:

Before construction began in March, I wrote a letter to each of the tenants describing the work which was soon to begin. Included with the letter was unique calendar for March, 1970. It had 199 days, which was the time estimated to complete the installation of the air conditioning and heating systems. Tenants were invited to post the calendar prominently and mark off each day.
As the installation of a new air conditioning and heating system progressed in a Tacoma, Wash., office building, tenants were kept amused by the weekly memorandum and antics of a character named Fenwick.
A few days later, the campaign's second phase started with the introduction of Fenwick. Over the weekend, cards announcing "Cooler Times is Coming" were slipped under the door of each of the building's 70 offices. This card referred not only to the object of the remodeling but also to a one-page, newspaper-like publication called "The Cooler Times." It was written and edited by Fenwick. The first issue was dated March 45. (All correspondence and other communication with the tenants by Fenwick were dated according to the 199-day March.)

This was one of the two print pieces by which we communicated with our tenants. The other was called "Fenwick's Flyer." Each newsletter was distributed on alternate weeks so that the tenants were kept in constant communication as to the work's progress. Both publications were distinctly light-hearted in style.

For instance, the March 66 issue of "The Cooler Times" announced that it "is not for File 13. If we had meant it for File 13, we would have thrown it away in the first place and saved a few bucks." Each issue offered a "letters to the editor" column and a captionless cartoon—thereby permitting tenants to talk back to Fenwick.

If things got too rough during the renovation, Washington Building manager A. K. Moore could always retreat to his "padded cell."

 Readers were invited to submit captions to "The Cooler Times" for such prizes as "a gift-wrapped box of nerve ends" or "a personally-conducted tour of the West Tacoma Memorial Garbage Dump." From 15 to 20 captions were turned in following each issue of the newsletter.

As workmen moved to new floors of the building, Fenwick placed signs reading, "Caution—Men and Equipment on this Floor." The 11 x 14 inch signs became covered with tenant-written grafitti referring to Fenwick, his heritage and the mess he created.

The 650 to 700 people working in the Washington Building responded marvelously to the noise and mess and inconvenience the remodeling created. For instance when the waterlines were cut accidentally on the fourth floor, we had a great amount of water sloshing around but no grumbling from tenants. Other mishaps include a two-hour power failure, which was somewhat of a trial for people working on the top floors who suddenly found themselves without elevator service. We had to shut down the heat in the building on May 15 and it wasn't to be turned on until September. Since this part of the country does not have sizzling summers, there were a number of chilly days without heat—but no gripes.

Things like this have been greeted with a "Well, here we go again!" attitude. In fact, the humor-based campaign worked so well that we were able to eliminate some of the things we were planning to do. The most pleasant aspect was the tenants' attitude in regard to lease negotiations. We experienced very little difficulty. The general attitude can be summed up in one man's comment, "That lousy Fenwick!" All in all, the campaign was a tremendous success.

A. K. Moore has been building manager for the Washington Building in Tacoma, Wash., for the past 4½ years. Prior to this he was western division sales manager for Weyerhaeuser Company, for which firm he worked 38 years.
Control Where It Counts:  
The Management Purchase Order

by Edward S. Metzner, CPM

The use of management purchase orders is regarded by some property managers as bureaucratic clagtrap best left to clerks and janitors and certainly below the level—not to mention dignity—of a truly productive, creative manager.

I've witnessed some unusual payoffs to this kind of thinking, such as seeing 17 tons of surplus coal purchased by an employee who was not aware of an impending fuel conversion; a series of drains clogged by wax poured out by janitors looking for silver dollars placed in wax drums as a special incentive by hotshot salesmen; and a rewarding little black market in hand tools. To our way of thinking, purchasing procedures go far beyond issues of dignity. They go right to the pocketbook.

The only way a management organization—and its executives—can prosper and grow is to increase the total number of properties managed per man and this can only be done by simplifying his work. The use of the management purchase order is one such simplifying procedure. Among the benefits of its use that we have experienced have been:

- Absolute and complete control of all purchases within the office, no matter how small.
- Savings in purchasing.
- Assurance of quality in the goods ordered.
- Standardization of the materials used, building-wide or company-wide.
- Control of day-to-day purchases.

The management purchase order puts an effective stop to pilfering on the part of maintenance men and janitors who may be so inclined, or who deal with a buddy who kicks back under the table. It also relieves the management office of liability if a building goes under or is sold. On a practical and immediate scale, it enables the manager to service his buildings effectively.

The scope of responsibility today demands a systematic approach to purchasing. The present day property management office purchases large volumes of both goods and services for their buildings and owners. A property manager must know enough about the various items which he wishes to purchase and their relative price and be able to spot variances in prices, both in quality and in quantity, to make his decisions valid.

In all management operations one man has total control over one building. When any compliments or barbs are thrown, he will catch them. Therefore, he must be sure that he has total and complete control over the purchases that are made within that particular building. If he handles a number of buildings, which is generally the case, he must be responsible for each one individually to the owner.

Most organizations have a standardized method of paying bills but few have a standardized method of purchasing goods and services. Therefore, we propose some points that can be of use to any management organization, both as controls over purchasing policies and as a way of adding efficiency and follow-up capability on any purchasing program.

The first consideration in a purchasing program is how much should be ordered. For instance, if a gas conversion is being planned, the property manager should know when it is to occur to be able to determine the volume of coal required to run the boilers until the conversion is made. This is why we suggest that only the manager have the power to purchase any supplies within the building since he must live within a budget set up for that building and know which items are mandatory and which discretionary. The question of what to buy or the quality of merchandise to be selected is a matter of economics relating to price. Both price and quality must be taken into consideration by the manager before he puts his name on any order.

Any management organization worth its salt is engaged in a program of mass purchasing, dealing with suppliers on the basis of obtaining large quantities of materials to
be used in many buildings. For instance, salt for water softeners or for ice-melting purposes in winter should be ordered in quantity. There is a considerable difference in price between ordering 100 pounds and 50 tons, and most suppliers will offer a discount or some reduction if the manager can estimate the quantity to be used in a particular season or year and can guarantee the supplier a fixed market for the materials. The same thing is true for fertilizer, grass seed and other lawn-care materials.

When purchasing is done through the manager alone, standardization can take place within the buildings. Standardized plumbing fixtures will allow the janitor or maintenance man to stock washers that fit all faucets in the building or the mechanisms that operate the flush toilets or the pop-ups on lavatory wastes. Other such building-to-building or company-wide standardization procedures can prove equally beneficial. There are, of course, conditions and circumstances that require special handling and the manager is the one who should be doing that special handling.

A standard purchase order form is a must in any well-run management department. It should be used for all purchases—namely, everything from nuts and bolts to a large furnace, from roofing and paving to light bulbs and floor wax. Day-to-day utility bills and contracts that each office is responsible for do not need direct purchase orders but a form of control can be added by keeping careful card-file records. When utility invoices arrive at the office, the amounts can be checked against previous bills so that unusual charges will be immediately spotted by the designated party who approves invoices for payment. A 20-percent increase in the water bill in the dead of winter can mean one of several things—but always trouble. Such items can easily be spotted on a card file.

The purchase order should have several parts: the name, address and telephone number of the organization doing the purchasing together with an order number that can be used for invoicing purposes or for tracking lost orders. Also included should be the date, the party to whom the purchase order is made out, the place where the work is to be done, the apartment or office suite number and the tenant or occupant of the space and his telephone number.

A space is usually left for a specification of the work to be done or the goods purchased, together with the fact that it may or may not be a confirming order; also included here is space to list prices. There should be a space for the manager's signature along with a notice to the vendor executing the order that the management firm holds no personal liability at any time for the payment of the bill and that it is acting in the capacity of an agent and will disclose the name of the building owner upon request.

The purchase order is usually a three-part form: one part is retained for the management office's files and two are sent to the vendor. The vendor keeps one for his files and returns one with his duplicate invoice. It must always be emphasized to the vendor that no invoices will be paid unless accompanied by the purchase order. The underlying reason for this is that the manager must maintain control of the building's purchasing policies and not let them fall into the hands of the janitor.
This is your authority to deliver to or do the following work at:

TO:

This is a confirming order.

BAIRD & WARNER, INC., Agent

Price not to exceed $__________

Per: ________________

NOTE:-Render INVOICE IN DUPLICATE, itemizing labor and material (when not for contract price) accompanied by white copy of this order.

SEND INVOICE TO OFFICE FROM WHICH ORDER ORIGINATED, UPON COMPLETION OF WORK.

TO THE TENANT:-Kindly sign below if work has been done satisfactorily and you are entirely satisfied and indicate time spent by mechanic.

Mechanic Arrived__________ Tenant or Janitor Signature__________ Date__________ 19

Mechanic Left__________ Required when work is in tenant premises.

Guaranteed to provide purchasing control over everything from light bulbs to furnace equipment, the simple and quick to fill out purchase order is an indispensable aid for the well-run property management office.
Most janitors are quite honest; however, in the past we have found vendors who were not and, for example, would oversell the janitor. As mentioned earlier, one distributor found it quite to his benefit to immerse silver dollars inside its 50-gallon wax drums. The only way the janitor could get them out was to turn the wax drum upside down, ostensibly when the wax was used up but we found several drains clogged with wax that had been poured into them. We have also been the victims of maintenance men who were buying large quantities of tools from hardware suppliers and then reselling them to their friends in the neighborhood.

Since the janitor has no responsibility over the payment of bills, he tends to buy on the basis of convenience rather than price or quality. Vendors must be notified that without a purchase order, there will be no payment. If the maintenance man needs immediate supplies, he may call the office and have a purchase order issued by the manager after he has purchased them; but if items are over a specified price, the order must come first and the merchandise delivered later.

It is also wise for the managing agent to use purchase orders in conjunction with bids received for work to be done in his buildings. There are two reasons for this policy. First, any modification of the specifications in the bid can be changed in the body of the purchase order together with a price not to exceed a specified amount. Secondly, most bids contain an acceptance line at the bottom. When you accept it as an individual or as a management agency, there is no place to put the limit of personal liability that the purchase order already contains.

One additional advantage that accrues to the organization using purchase orders is their convenience in answering most telephone complaints. When a tenant telephones and complains there is a problem in apartment 2-D, the manager can pick up a purchase order, write down the address, unit number, tenant's name and telephone number and the problem. He ordinarily might do this on a scrap of paper and may find himself at the end of the day with not much accomplished but with a great many slips of paper.

It becomes very easy to overlook such items as telephone numbers, apartment numbers and even the type of repair or service to be rendered. By using a purchase order, the decision as to whether or not the job will be done and who is to get the contract for the work can be made after you have finished the call, merely filling out the balance of the order. The third copy of the purchase order is generally kept in the management office.

When invoices come in, they are matched to the copy in the office and filed in the correct building folder. The file of purchase order copies can be checked to see that jobs are completed and that invoices have been received. In the case of buildings that are sold or where the management is revoked, a complete record of outstanding purchases is immediately available to the new management personnel.

Turning over the control of purchasing to someone other than the manager is an open invitation for them to take advantage of the manager and the building account. Ordering over the telephone becomes a very hazardous undertaking since there is no written record of what was ordered and what price was to be paid. You should no more buy a can of wax without a purchase order than pay rent on an apartment without a signed lease. Telephone orders for emergencies can be followed up with written purchase orders.

An interesting side feature of the purchase order is that it sits on the supplier's desk and stares at him until the order is filled—the order doesn't become one of the scraps of paper on his desk.

In buildings having resident managers, a carefull policy must be established in allowing them to use the purchase order for goods and services within the building. They should be instructed that large purchases, either in quantity or in price, are to be left to the building manager. Their use of the purchase order should be limited to acquiring supplies for their day-to-day operations. A dollar value should be set on its use.

The days of managing purchases more or less by the seat of one's pants have long since passed—except for those managers who have failed to recognize that science has come to modern management and found themselves out, more or less, on the seat of their pants.

Edward N. Metzner, CPM, is an assistant vice president in the management division of Baird & Warner, Inc., and manager of the firm's Oak Park office in west suburban Chicago. He joined the firm in 1966 and was named to his present office in 1969. Formerly he operated his own firm in Louisville, Kentucky. Mr. Metzner is presently a member of the Journal Board and the Experience Exchange Committee of the Institute of Real Estate Management.
Management Memos

by Louis A. Leone, CPM

In an age of ever-increasing technological knowledge, property management is emerging as a vital force in the building industry. The skills required to perform effectively in this field are many and varied.

The era of stuffing an apartment building with bodies and sitting back to collect rent has long passed. It is hopeful self-deception on the part of some owner/investors who feel that because of demand for housing, an apartment will run itself and who relegate management to a position of secondary importance.

There presently are properties in the Cleveland area, for instance, that are enduring a 10 percent or more vacancy factor, based on actual rents uncollected. The properties are basically sound, locations are good, yet there is a high vacancy. Why? Principally because of poor management.

In most cases the owner/manager fails to fully realize that excessive turnover is a financial killer. Not being a professional property manager, he has no real program to reduce turnover and thereby increase profits.

What are some things that the organized management company does to maintain a high stability level?

In our firm we have a computerized tickler system that gives our office and field staff 90-days advance notice on lease expiration dates. When the notice appears, a warm, friendly letter goes to the resident telling him his lease will be expiring soon and that we are glad he is in our apartment community and that we would like him to renew his stay. If there is a change in rent, this is the time to state it.

The letter indicates a date by which an answer is expected. If the resident does not respond, he is personally contacted and the new lease is negotiated in the privacy of the resident's unit.

Lease renewal time also presents a good opportunity to weed out undesirables.

Some property owners have leases that contain self-renewal clauses. They feel it is not wise to remind residents that the lease will expire for fear that the resident will move. This type of owner/manager feels he may be rocking the boat and that it is better to leave everything as is and just kind of sneak through another lease term.

However, this attitude has numerous pitfalls. For one thing, it is a negative approach which often backfires when irate residents discover they are launched into a new term without some notice other than what is mentioned in the lease. Additionally, notice of expiration will in advance give management ample time to find new occupants. A good control on turnover enables management to forecast vacancies intelligently. It is not businesslike nor profitable to handle lease renewals negatively.

In addition to our lease renewal efforts, we have well-organized social, educational and recreational programs for residents of our apartments. These are designed to help develop a sense of community and belonging among the residents in an apartment development. While it is true that most people move from apartment to apartment for personal reasons, it is also true that turnover is cut down when residents are made to feel they are not just another number.

A good indication of sound management
GENERAL SUMMARY
(Date)
(Apartment Development)

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME</td>
<td></td>
</tr>
<tr>
<td>Gross Rent Income</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td></td>
</tr>
<tr>
<td>Total Income</td>
<td></td>
</tr>
<tr>
<td>DISBURSEMENTS</td>
<td></td>
</tr>
<tr>
<td>Operating Expense</td>
<td></td>
</tr>
<tr>
<td>Other Disbursements</td>
<td></td>
</tr>
<tr>
<td>Net Difference</td>
<td></td>
</tr>
<tr>
<td>VACANCIES</td>
<td></td>
</tr>
<tr>
<td>Unrented</td>
<td></td>
</tr>
<tr>
<td>Rented but unoccupied full month</td>
<td></td>
</tr>
<tr>
<td>Total dollars lost due to vacancy</td>
<td></td>
</tr>
<tr>
<td>COLLECTION</td>
<td></td>
</tr>
<tr>
<td>Unpaid per monthly statement</td>
<td></td>
</tr>
<tr>
<td>Collected too late for report</td>
<td></td>
</tr>
<tr>
<td>Security deposits transferred to rent</td>
<td></td>
</tr>
<tr>
<td>Actually uncollected and written off</td>
<td></td>
</tr>
</tbody>
</table>

is if turnover is held to around 25 percent or less a year. When a resident does not renew his lease, there is a potential dollar loss in not being able to have the unit painted and redecorated quickly so that a new resident can move in immediately. We have frequently had a suite ready for a new occupant within 12 hours after the departure of the previous tenant.

These are only a few of the functions that a professional management organization offers. It is a dynamic and growing field. The demand for management skills is high.

One of the most important aspects of professional management is the reporting of activities to property owners. This is where confidence is established and, with a good monthly reporting procedure, confidence is maintained.

What does an owner want to know? Basically, he wants to know how much income has come in for the period, how much was spent and what is left—and why. This can be presented on a general summary sheet, a sample of which is illustrated here.

The general summary can be for one building or for summarizing activities of several buildings on one property. The summary gives the owner a quick statement of essentials. However, each building must have its own individual operating statement for each month so that an owner (or an auditor at the end of the fiscal year) can check income and expenses in detail.

The operating statement should itemize receipts as well as all expenditures from all sources. A portion of the report should show the names of all prepaid accounts as well as the delinquent accounts. The last page of the detailed operating statement
should list cash disbursements, giving dates, check numbers, payee designations, the type of expenditure by code, the description and the amount. At the time the month’s operations are reviewed with owners, all actual paid invoices should be on hand for examination, if called for.

If for any reason there are bills which were due and payable for that month but were not paid, the owner should be advised. Otherwise, the statement will not reflect a true financial picture. As an example, if a building shows a $5,000 cash flow for the month but there is $1,500 in unpaid bills, the real cash flow is only $3,500. The investor should be so informed. Good business procedure requires payment of bills within 30 days.

Another vital area in correct and accurate reporting is that which involves vacancies and turnover in relation to dollars lost. A building may report 100 percent occupancy but upon examination of the maximum collectible rent income, it may show several hundred dollars short. This indicates that the true percentage of units occupied is something less than 100 percent. Therefore, the only real basis for establishing the percentage of occupancy is by comparing the amount of actual dollars collected with the maximum amount collectible if all units were occupied.

In order to achieve the best possible results for the owner/investor, it is necessary to direct the bookkeeping, collection and resident screening efforts toward this end. We very carefully and systematically review all phases of the business monthly and, in some cases, daily.

The following are some of the items we prepare, analyze and submit to the owner each month:
- General Summary (per property)
- Operating Statement (per building)
- Statement of income and expense by dollars and by percentage both monthly and to date
- Monthly report on unit turnover
- Monthly report on rent charges and collections
- Monthly report on payment habits of residents
- Daily collection report (for our office)
- Tickler system giving 90-days notice on lease renewals
- Reminder notices and arrears report
- Periodic neighborhood assessment and property profile

In order to present this and related information to the owner, intelligently, an agenda should be made up from which items that are old business and new business can be discussed in sequence.

The owner/investor is paying a fee for the management of his apartment business. Along with the fee goes his trust and confidence that his property is receiving the best possible care and attention. It is our responsibility in management to faithfully provide it.

Louis A. Leone, CPM, is president of the John David Management Company, the property management subsidiary of Building Systems, Inc., a Cleveland, Ohio, based company engaged in the manufacturing, development and management of housing. Mr. Leone was appointed to his present office in July, 1970, following the introduction of BSI as a publicly held company. The firm presently has 6,500 apartment units in its portfolio.
Shopping Center Feasibility Study: Its

by Michael Birnkrant

Perhaps the most crucial question that confronts a mortgagee, institutional investor, real estate developer or major retailer in evaluating the feasibility of investing in a potential real estate project is a common one that applies to any sort of investment: do the returns justify the risks? Obviously, in the final analysis, the answer to this question involves the differing needs and specific objectives of the individual investor. Yet in the decision-making process, a knowledgeable investor attempts to employ as many objective criteria as possible, along with subjective and intuitive judgments, in order to identify the risks and probable returns of any particular investment.

As the decision-making process for analyzing a real estate investment has become increasingly sophisticated and quantitatively oriented, the use of economic feasibility studies has increased correspondingly. A feasibility study helps to imbue a modicum of objectivity and quantification to an area of investment that is inherently fraught with so many uncertainties and intangibles, thus assisting the investor in more rationally assessing the risks and the probability of success of a contemplated project.

In today's money market, the financing of a regional shopping center would be an almost impossible task without an economic feasibility study. This article will discuss re-
Methods and Techniques

regional shopping center feasibility studies restricting itself to the objectives, methodology and limitations of these studies.¹

¹For the purpose of this report, a regional shopping center is defined as a retailing complex which is generally designed to serve a trade area population of at least 200,000 people. The size of this type of center may range from 400,000 to over 2,000,000 square feet. Department stores are the dominant tenants and normally occupy about 35 to 50 percent of the total area. The function of such a center is to create complete comparison shopping facilities with a strong attraction for customers living as much as 10 to 15 miles from the site, depending upon such considerations as the existing and planned competitive facilities, access routes, etc. The area of strongest influence is normally three to six miles from the site.

OBJECTIVES

The primary objectives of the feasibility study are:

1. To estimate the sales which could be achieved at a particular location in selected future years.
2. To categorize the sales projections into those types of retail facilities which generally comprise the tenants of a regional shopping center.
3. To recommend the optimal size for the center and the most desirable distribution of the total space into various retail categories.

In order to achieve these objectives, a study characteristically includes the following data and considerations as the basis for its methodology:

1. The trade area which could be served by the center and the present and future population therein.
2. The estimated incomes and retail expenditures of trade area residents.
3. The total sales potential generated by trade area residents and the share that could be expected to be spent at the proposed shopping center.
4. The strength of competing facilities now operating or planned in or immediately outside of the trade area.
5. The share of the unsatisfied potential which could be attracted to the subject property.

These five considerations comprise the basic framework of the study which leads to the recommendations. The following section will discuss the methodology, its sequence of development and how the data interrelate. To exemplify how the data evolves, fictitious tables and charts, which are substantially similar to those actually used in feasibility studies, will be presented.

IDENTIFICATION OF THE TRADE AREA

A shopping center's trading area is the
region from which it derives the bulk or as much as 85 percent of its total sales volume. The remaining 15 percent can be expected to come from customers who are not residents of the trade area: tourists, commercial transients and other occasional shoppers.

A trade area is divided into primary and secondary trading zones. The primary trading zone is that portion of the trade area within which the center will have its greatest impact, while the secondary trading zone is the remainder of the total trade area from which the center will derive business. In identifying the total trade area and delineating the primary and secondary zones, typical considerations include driving time; existing and planned local and regional roads serving the property; topography; natural and man-made barriers, such as coastlines, rivers, swamps and railroad tracks. Also examined are the location, size and strength of competitive retail facilities and the expected drawing power of the major department stores of the center.

**PROJECTION OF TRADE AREA POPULATION**

After the boundaries of the trade area have been established, historic, current and projected population estimates (which differentiate between the trade area's primary and secondary zones) are calculated. Generally, population forecasts are based upon historic performance and data prepared by local agencies as well as state and national bodies. An examination of the area by field research and the use of aerial photographs will determine the unabsorbed land remaining for future residential development.

It should be emphasized that any population projection is an estimate and is only as accurate as the base data used. Many factors which are unmeasurable at the time a study is undertaken could substantially distort the population forecasts.

Several methods or a combination of them are used in projecting future growth trends. The examination of historic growth trends and the most recent population levels of a trade area are used in all three methods. The U.S. Census Bureau publishes state-by-state population estimates. In case a particular trade area's boundaries are not identical to those of a township, reasonably historic population levels can be derived by determining the proportionate share of a township which a trading zone occupies and then interpolating accordingly. Other useful sources of past or current population can sometimes be obtained from local or state planning bodies, chambers of commerce, state universities and county or state highway departments.

After gathering all the available historic population statistics, the three most commonly used methods of predicting future growth rates are numerical increase, percentage increase, and percentage share of a larger area.

In using the numerical increase method, the population levels of the past two or three decades for the total trade area and its primary and secondary zones are estimated. It is assumed that future as well as current population levels will stimulate the historic numerical growth increases. For the sake of illustration of both this method and the other two methods, it will be assumed that Trade Area A had a 1960 population of 500,000 with 300,000 people residing in the primary trading zone and 200,000 people in the secondary zone; in 1950 the trade area had a population of 400,000 with 240,000 in the primary zone and 160,000 in
TABLE 1: TRADE AREA POPULATION GROWTH AND POPULATION PROJECTIONS
1950-1960

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<thead>
<tr>
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<th></th>
<th></th>
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<tbody>
<tr>
<td>Primary</td>
<td>240,000</td>
<td>300,000</td>
<td>60,000</td>
<td>354,000</td>
<td>390,000</td>
<td>420,000</td>
</tr>
<tr>
<td>Secondary</td>
<td>160,000</td>
<td>200,000</td>
<td>40,000</td>
<td>236,000</td>
<td>260,000</td>
<td>280,000</td>
</tr>
<tr>
<td>Total Trade Area</td>
<td>400,000</td>
<td>500,000</td>
<td>100,000</td>
<td>590,000</td>
<td>650,000</td>
<td>700,000</td>
</tr>
</tbody>
</table>

TABLE 2: TRADE AREA POPULATION GROWTH AND POPULATION PROJECTIONS

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>240,000</td>
<td>300,000</td>
<td>25%</td>
<td>367,500</td>
<td>422,625</td>
<td>528,280</td>
</tr>
<tr>
<td>Secondary</td>
<td>160,000</td>
<td>200,000</td>
<td>25%</td>
<td>245,000</td>
<td>281,750</td>
<td>352,180</td>
</tr>
<tr>
<td>Total Trade Area</td>
<td>400,000</td>
<td>500,000</td>
<td>25%</td>
<td>612,500</td>
<td>704,375</td>
<td>880,468</td>
</tr>
</tbody>
</table>

the secondary zone. (See Table 1.)

The percentage increase method presupposes that current and future growth trends of Trade Area A will be proportionately similar to its past percentage increases as demonstrated in Table 2. The percentage increase of historic growth is interpolated to forecast future growth and the preceding base year is used as the index from which the percentage increase for the subsequent forecast is estimated.

In the percentage share of a larger area method, it is assumed that the trade area’s percentage share of its county or state will either recede, remain constant or increase, based upon past trends.

For example, if Trade Area A represented 2.0 percent of its total state population in 1950 and 2.1 percent in 1960, a 2.2 percentage share of the state’s population would be used for 1970 and 2.3 share would be estimated for 1980. The advantage of this method is that extremely accurate population projections, derived from a computerized method which would be prohibitively expensive for the purposes of an individual study, are often available through universities or statewide planning bodies for the majority of states and many counties.

After deriving a population projection from the three methods, it is sometimes advisable to average two or three of the estimates to make the final population forecast or to only use one of the three estimates. This, of course, is a judgment decision which varies with the differing circumstances of a particular trade area.

DETERMINING INCOME AND EXPENSE PATTERNS

The sales which can be achieved in a proposed shopping center depend to a major extent on the amount and pattern of retail expenditures made by trade area residents. In turn, expenditures are a function of the income levels prevailing in a trade area.

The technique of determining the per capita income of a trading area is similar to that used in estimating the current population levels. The U.S. Census Bureau publishes the per capita incomes of every county in the United States at the end of each decade. Income information, obtained from this material, can then be corrected for under-reporting and updated to the current levels on the basis of information published periodically by the Survey of Current Business and Sales Management.

After obtaining the current income levels,
the average per capita expenditure for comparison goods are calculated. This category includes department stores, variety stores, apparel shops, furniture and appliance outlets and other comparison goods stores normally selling department store type merchandise (DSTM). The average retail expenditures for the Comparison Goods Category related to differing per capita income levels can be derived from the Census of Retail Trade, which is published every four years (latest is 1967), and from the Survey of Current Business and Sales Management.

It will be assumed that the per capita income of Trade Area A is $3,000 per year. At this level, the average national per capita expenditure for the Comparison Goods Category would be as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>1969</th>
<th>1975</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Store</td>
<td>$180</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variety</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apparel</td>
<td>125</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture &amp; Appliances</td>
<td>105</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other DSTM</td>
<td>80</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total DSTM</strong></td>
<td><strong>520</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In evaluating the table shown above, it should be noted that the expenditures represent spending patterns by trade area residents in all facilities of this type both within and beyond the trade area of the proposed shopping center. Specifically, these expenditures include those made in other counties or even other states.

The above-mentioned expenditure patterns and the population expected to reside within each zone of the trade area are basic factors in the subsequent analysis.

**ASSESSING THE SALES POTENTIAL**

This section estimates the total retail sales within Trade Area A and the potential which is projected for the proposed center, both currently and in selected future years. There are two basic methods of evaluating the sales potential which will be available to any particular project: the “share of the market” method and the “residual” method.

The share of the market method evaluates the department store volume opportunities at a proposed center and is generally used by a large department store organization in deciding on the suitability of a particular
Experience has shown that the development of a two-or-three-store regional shopping center can create a situation in which the branches can achieve a share of the total trade potential as much as twice the overall organization share on a statewide or multistate basis. The actual trade area share achieved depends on the general influence and degree to which the organization is accepted in the trading area, the location of the store, the size and character of the project and the strength of competing national department store facilities serving the same market area.

For the purposes of this article, the "residual" method is more relevant and will be used for projecting the total retail sales of the proposed center in Trade Area A.

Unlike the share of the market method, the residual method comprehensively considers the extent of all existing comparison goods retail facilities serving the market. This method provides an indication of the degree to which existing stores serve the trade area and the ease or difficulty of market entry by new facilities into the new project.

As may be noted in Table 3, the total potential retail expenditures for current and future years are obtained by multiplying the projected trade area population, as earlier discussed, by the average per capita expenditures for shoppers with an annual per capita income of $3,000.

As already mentioned, even when a wide array of comparison goods retail stores exist in a particular trade area, some portion of the total expenditures made by trade area residents can be expected to go to retail competition located outside of the trade area. Therefore, the total expenditure estimates do not necessarily represent potential which will be available solely to retail facilities within the trade area or in the proposed shopping center.

Existing retail facilities, operating both within and beyond the trade area, will continue to absorb some of the sales potential generated by trade area residents. In order to evaluate the extent of a trade area's potential retail expenditures that flow to stores in other trade areas, it is necessary to determine the actual volume which retailers in a particular trade area generate.

The subtraction of the actual volumes for each retail category in a trade area from the total expenditures of the trade area residents results in an estimate of the total unsatisfied DSTM potential for each category. The level of this unsatisfied potential is a measure of the need for additional facilities to serve the trade area population.

In estimating the actual volume of retailers in a trade area, it is necessary to conduct a detailed field survey to determine the size, condition and estimated sales volume of these retailers in conjunction with the use of published material such as the Survey of Current Business and Sales Management which gives retail volume estimates for all regions of the county.

In Table 4 volume estimates for Trade Area A are given and then subtracted from the estimated total retail expenditures (shown in Table 3) to derive the unsatisfied potential in this trade area.

While Table 4 gives an indication of the unsatisfied sales potential within the trade area, it is unrealistic to assume that a single commercial development such as a proposed shopping center could attract all of this potential. Other modern shopping facilities are likely to be built in the future. Furthermore, store preferences and shoppers' normal reluctance to patronize the same group of merchants continuously are factors which must be considered when estimating the patronage a single retail complex would be able to attract on a consistent basis.

Therefore, in evaluating the center's sales potential, it is necessary to estimate what percentage of the total unsatisfied demand it could reasonably expect to attract. Table 5 makes the appropriate adjustments by estimating what shares of this demand the center could capture in its trading area.

In evaluating the sales potential of a proposed shopping center, several factors should be considered:

* In the residual analysis it is impossible to give consideration to major retail developments which may be planned in any particu-
lar trade area. To a certain extent, the development of a successful shopping center limits the future development of additional shopping centers within the trade area but there are many actual cases where this does not apply.

- The entire methodology of an economic feasibility study and the final sales estimates derived from it depend to a large extent upon the accuracy of the population estimates. While reasonably accurate estimates can generally be calculated, it should be stressed that future variances from the population projections will directly alter the accuracy of the sales volume projections.
- If major variations in these assumptions should occur, the conclusions and recommendations should be reviewed in context of the changed conditions and be revised and modified if necessary.

On the basis of the retail potential available to the site as shown in the preceding tables, an economic feasibility study assesses the ease or difficulty of entry of a proposed development into a particular market and recommends the most suitable square footage space allocations for the different retail categories. This area schedule is developed largely on the basis of the sales potential analysis and partly in consideration of the need to provide a proper balance between the various store types in the center in order to make the project financially feasible. The suggested mix is preliminary in nature and changes inevitably become necessary during the development process.

The total size of the center as well as the amounts of space allocated to individual retail categories may change once discussions with major tenants commence and the leasing market has been tested. Since a preliminary feasibility study generally precedes the leasing or financial negotiations, a pro forma financial analysis of the project is generally not included in a market study. Calculating the economics of a development is meaningless until the developer has a reasonably firm idea of the total square footage of the project, the rentals and construction requirements of the major tenants and the expected opening date of the center.

**CONCLUSION**

The value of an economic feasibility study depends to a large extent upon how its findings and recommendations are interpreted and utilized in the subsequent stages of development. Since a market study is generally one of the first steps in the development of a regional shopping center, certain unpredictable market conditions can significantly alter the market demands between the time when a study is completed and actual construction begins. Such changes can include new competitive retailing complexes within the primary trade area or changing macro-economic conditions. Therefore, the conclusions should be regarded as general guidelines open to change and be constantly re-evaluated in the context of shifting conditions rather than deified as something sacrosanct.

Furthermore, even excluding the possibility of shifting conditions, it should be stressed that a market study generally restricts itself to a project’s feasibility in terms of a market’s existing retail demand. Even though a proposed shopping center might be theoretically feasible, it is conceivable that subsequent stages of development might invalidate its feasibility due to such factors as not being able to obtain satis-
A SHOPPING CENTER READING LIST

The following list of selected readings was compiled by the National Association of Real Estate Boards Department of Information.


Guide to site planning and layout of a shopping center. REAL ESTATE INVESTMENT IDEAS, June 11, 1968, p. 3-5.


How to figure what the trading area of your shopping center will be and what kind of customers it will provide. REAL ESTATE INVESTMENT IDEAS, June 24, 1969, p. 5-6.


Regional and neighborhood shopping centers—the favorites of the 70's. REAL ESTATE INVESTMENT IDEAS, June 23, 1970, p. 3-5.


factory rental levels in relation to construction costs, the failure of leasing negotiations or the unsuccessful attempt to arrange financing, all of which are unrelated to latent market demand.

If interpreted within the proper perspective, a market study helps to direct the development of the proposed center by giving a general indication of whether a trading area can supply sufficient retail demand to support a regional shopping center, a consideration which is integral to and underlies all of the subsequent development stages. To expect more precise, consummate answers not only deviates from the intent of the market study, but can prove to be a counter-productive security blanket for one to crawl under.

In the final analysis, the feasibility of a regional shopping center fluctuates in different points of time, both before and after its development, and a market study is only a link in a chain which tightens the efficiency of development and, by so doing, helps to maximize the success of the project.

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Communications
Alone
Not the Answer
To Real Estate Problems

by Bernard F. Ury

Irate residents pack a zoning board hearing, determined to prevent a developer from acquiring land for a large apartment community...

Tenants form a union and confront a property manager with a list of non-negotiable demands, backed by the threat of a rent strike...

Neighbors cordon off a house to prevent sheriff's deputies from evicting the resident who has failed to meet payments on his contract to buy the house...

Activist groups picket the local office of a real estate broker, claiming he practices discrimination in sales and leasing...

In all of these very real and very current situations, the harassed real estate executive is apt to say, "If only these people understood our problems; if only we were able to communicate better. That's at the heart of our problem."

As a professional public relations person, I wish the answers were that easy. Communications may be part of the answer but its only a small part. And communications may be entirely worthless if not supported by a change in the facts that give rise to a troublesome situation.

If real estate people could change the facts, I'm sure most of them would gladly do so. Unfortunately, in many respects, the facts are out of the control of the real estate profession. Some of the facts are rooted in history beyond anyone's power to change, others stem from the policies and actions of diverse groups, and still others grow out of inexorable economic and social circumstances.

The notion that words alone can alter cases dies hard. A developer recently lamented:

"Unless we can get better housing in the central city, there's nothing but trouble ahead. The only way we can get this housing is to go in, clear out the blighted and slum buildings and put up large apartment buildings. But the minute we declare our plans, the neighborhood groups attack us, protest-
ing that they'll only accept single-family housing or else the character of their neighborhood will be destroyed. Can't these people understand the economics of the situation? We just can't build single-family housing on that expensive land. And even if we got the land for nothing, construction costs would make houses much too expensive for the people in that neighborhood to afford. We need better communications!"

A similar difficulty was voiced by the manager of a large urban renewal community that was successful in attracting a well-balanced, integrated tenancy.

"But now these people have turned on us," he said. "They say our management decisions are all one-sided, that we don't consult the tenants. They complain about security, and when we try to do something about it, they say we're harrassing the minorities. They say we have no right to raise rents. No matter what we try to do to please, they say it's not enough. We just can't communicate."

To those real estate people who think the problems are the concern of just one segment of the profession—"that's a management problem, not sales"—I say, think again. No segment of the profession is without its public relations problems and these problems, furthermore, spill over to affect real estate as a whole.

Alarming as it may seem, I think the situation is going to get worse. Confrontation strategies plus economic and social trends will combine to put real estate interests on the defensive. Communications—in the form of charges and countercharges—will reach a fever pitch. Yet very little of the message will get through to change attitudes and behavior unless basic conditions are altered on both sides.

While the situation has not yet reached crisis proportions, it might be well if the real estate profession took stock of what factors are contributing to the situation and then consider how some of these factors might be modified.

Viewing the problem as a professional communicator, I can single out a number of elements that are influential:

* The historical portrayal of the property owner or landlord.

The landowner has always been portrayed as the villain and many people still regard him as such no matter how philanthropic he tries to be. As a landowner he represents great wealth, even though the property he owns may be a money-losing two-flat. In fact, if he appears to be too penurious, people will suspect him of hoarding a treasure-trove of ill-gotten rents.

In the theater, the melodrama of Little Nell covering before the mustachioed villain who growls, "I must have the rent or you and your sick mother go out into the cold!" still casts a shadow on the reputation of the modern property owner and all who represent him, including the real estate broker and property manager.

Property rights are among the foundations of American democracy. Yet the authors of the Declaration of Independence were sensitive to the criticism attached to the word "property," and so the originally written rights of "life, liberty and property" were changed to "life, liberty and the pursuit of happiness." There is little that real estate people can do about historical precedent. "The gods visit the sins of the fathers upon the children" is aptly applied here, making it harder for the real estate professional today to create a desirable image.

* The trend toward absentee ownership by large, impersonal investors.

"Absentee ownership" has been prone to criticism in all fields; people who must use or buy the services of absentee owners often feel that personal concern is missing. In the case of the property owner whose motives are suspect in the first place, this lack of concern is even more damning.

In feudal times when it came time to give the lord of the manor his due, those who lived on the land at least knew who the lord was. Today, the owner may not be a single person. "He" may be a land trust or a giant
corporation located half-way across the continent. Those who live on the property may now feel that the absentee owner really doesn't care and that his hired agents are instructed only to keep the property paying a good return, regardless of how the people feel.

This feeling may be accentuated today because of the development of large-scale multi-family residences. A person living in a highrise apartment with 200 or 300 units or in an apartment community with 2,000 or 3,000 other families may think he's the victim of faceless, uncaring, impersonal management. Bureaucratic methods proliferate in proportion to the size of the development. One layer of management is placed on another. The tenant is further and further removed from the person or party who can do something about a leaky faucet or an inoperative elevator. Everything that goes wrong adds to the fires of his resentment. What seems to be needed here is some way of making the property owner and manager visible to the tenants—and more responsive and human in the bargain.

- **The development and removal of slums.**

Slums are not a recent phenomenon. Upton Sinclair and Lincoln Steffens wrote about poor housing at the turn of the century. Whether crowded five-story tenements or ramshackle huts at the edge of town, poor housing has been a part of America's way of accommodating rapid growth.

The ill-repute of those who profited from slums, and still continue to profit from them, casts a pall over everyone in real estate. The idea that professional real estate people could profit from the sale and management of slum properties is increasingly abhorrent to many people who believe that decent housing is everyone's right.

Let's face it: citizens' groups have unmasked slum conditions which are truly unbearable. Though these examples may be rare, they indicate the extent to which a minority of unscrupulous real estate people can go.

Slums are bad enough but when the proposal is made to raze them and build anew, trouble of another kind erupts. Urban renewal was a brilliant concept when first announced but it has since led to charges that profiteering developers with City Hall connections get in on the ground floor; that the new developments are out of character with the neighborhood; that urban renewal means Negro removal; that people suffer widespread dislocation; and that people who lived in the area before can't afford the new housing that's built to replace the slums.

Laudatory publicity given to urban renewal developments may convince those outside the neighborhood that a change for the better has taken place; however, the amount of neighborhood resistance to urban renewal has made many real estate professionals realize that changes are in order.

- Speculative practices that keep land off the market until the price skyrockets.

The stockmarket and commodity-market speculative suffers no comparable criticism. But the land speculator who buys and holds vacant farm land or risks huge sums on land which he guesses may be in the path of an expressway is termed an unconscionable profiteer.

From society's point of view, any practice that stands in the way of the public good is bad. If speculators stayed out of the picture, then perhaps the city could buy land for expressways at more reasonable prices. If farmers wouldn't sell vast tracts to speculators who hold on to them until urban growth is at their doors—and then resell at substantial profits—perhaps the cost of housing could be kept down.

There may be something to be said for new tax policies that would penalize vacant or under-developed land not being used for more productive purposes. With land getting more scarce all the time, speculation based on the economics of shrinking resources becomes less and less defensible. In short, communications designed to portray the speculator as a risk-taker whose efforts are vital to our economy may sound hollow as more and more people understand that profits in certain types of real estate are almost a sure thing.

- **Block-busting.**

Like the ambulance-chasing lawyer and the quack physician, the block-busting real estate broker is a pox on his profession. All the protestations of "free enterprise" and "helping people face up to a changing neighborhood" are not enough to escape the opprobrium of anti-social money-making. The block-busting real estate man is one powerful reason why real estate people in general are suspect, at least by some segments of the citizenry, if not by all.

- Contract buying and methods of enforcement.

Lately, the evils of contract buying have come into public prominence as many contract buyers who miss payments learn they have a ready press willing to make a cause celebre of their grievances.

Some contract buyers simply don't have...
the down-payment but could get a mortgage otherwise. The most outspoken criticism of contract buying is made on behalf of buyers—usually minority groups—who are denied mortgages by virtue of their race, occupation, background or a number of other factors. Contract buying is the only way they can get a home of their own. On the other side is the avaricious property owner who sees a way to keep "selling" the same home over and over and still retain ownership.

Regardless of the legalities of the contract, the public's sympathies are with the buyer who has paid several thousand dollars on the property and still is a long way off from obtaining a mortgage. When he misses one payment and stands to lose everything, it's hard to find anyone who will take the side of the seller.

As incidents like this increase, they tend to make people think that the law is on the side of the property owner—and the law, therefore must be changed. In this case, the public may be right. At least communications can't justify the actions of the contract seller.

- **Lease forms and provisions which frighten the tenant.**

Most apartment dwellers consider a lease to be the most formidable-looking document they ever have to sign in their lifetime and they have a point. Most real estate professionals admit the lease is all in favor of the property owner—which the tenants guess as much.

Lease forms in many cases are so traditional that management agents are reluctant to tamper with them. "We hardly ever bother to enforce the provisions; it would be too much trouble to do so, actually, but they have an effect on the tenants," confided one property manager.

What tenants seem to object to most of all are the confession clause and the security deposit. Apparently, the confession clause is the only suitable quick-action weapon left to the agent to deal with a tenant who falls behind in the rent. Conceivably this clause would be less onerous if other parts of the lease were made more attractive—in appearance, if not in fact.

The security deposit is another matter. The idea of tying up a month's rent for years at a time and getting no interest for it, and then perhaps hassling with the agent over who should be responsible for repairs, goes against the grain of tenants who consider themselves upstanding citizens. "In effect, the security deposit tells me that I'm not responsible and can't be trusted," says the typical tenant. With that as a starting attitude, it's no wonder that he holds a grudge against the landlord in particular and the real estate profession in general.

- **The economics of renting and property management, which most laymen can't understand and couldn't care less about.**

Conceivably, this is one area where better communications could do some good but few property managers evidently feel it's worth trying. The typical renter is accustomed to yearly rent increases and he attributes them to the owner's greed. All he knows is that a new lease is presented to him with a higher rent figure than he's seen before. If he learns about higher taxes, higher maintenance costs, higher insurance rates, higher fuel expenses and similar increases, it's from the press, not from his agent or landlord.

At the same time, the renter continues to view property ownership as an investment which produces a return of anywhere from 10 to 20 percent. He can't understand why it's necessary for him to pay higher rents simply to justify a high income on a property which has already been fully paid for.

Perhaps some of the ire of tenants could be toned down if the management explained some of the economics behind rent increases. Perhaps, too, the management agent could point out the maintenance and improvement expenses involved in keeping the property in top condition (if, indeed, this is the case). Unless communication steps of this sort are taken, tenants will continue to view real estate as a heartless, greedy business.

- **The dimming of the American dream.**

Home ownership is part of the American dream. The millions who fled here from Europe and the millions who trekked westward across the prairies were looking for more than freedom—they were looking for a chance to own a home of their own. No other nation in history has made home ownership the goal that America has.

Until recently, government policy has echoed this dream. First with FHA-insured home financing, then with VA-insured home loans for servicemen, the U.S. government stated its belief in home ownership as a national and individual goal.

This goal is now in serious doubt. Tight money has limited the availability of mortgages. Land, material and labor costs have raised the cost of homes beyond the reach of many who yearn for them. Even townhouses and condominiums may be priced out of the market eventually.
construction appears to be the only feasible way of meeting ever-growing housing needs. Thus, while many people have dreamed of home ownership, they find the dream unattainable. They then turn to apartment living with a grudge gnawing within them. Instead of realizing that they are victims of economic and social circumstances, they may blame real estate speculators, investors, brokers and managers for their plight, becoming even harder to deal with as tenants then they ever were before. If by some good chance they are able to afford home ownership and can get a mortgage, they still may feel that real estate mechanics have forced them to pay more than they wanted to.

Damned if it does and damned if it doesn't, the real estate profession finds itself the goat for a condition that is essentially not of its own making.

*The age of militant consumerism.*

The individual has found his voice. Starting with the battle for civil liberties in the mid-1950s, the individual has found that he and others like him can band together to make their views known. The power of the individual has now spilled over into a nationwide battle for consumer rights.

The consumers of real estate services—home buyers and renters—realize they no longer are at a disadvantage in dealing with owners and agents. All they have to do is stage a protest rally, join a picket line, form a tenant union, or block a bulldozer with a chain of human bodies and they'll have a ready press to let the world know about their grievances.

These people have been making their influence felt in city councils, legislative halls and in Washington. Wary politicians have sensed the votes to be won in taking the consumer's side and so they, too, are starting to question traditional business practices. Truth-in-lending laws are just the start of what may become a torrent of business regulations. The real estate business can expect its full share.

Measured against this background, the contribution of communications must be weak and it is. However, communications can play a role if its dual nature is understood and applied. Communications talks—but it also listens. Too often, organizations think only of the first role: "if we could only get our message across so that people would understand." But the organization should also be willing to listen, to find out what may be causing the problem and the misunderstanding.

Communications functions best when it seeks to get a better understanding of facts that are in the public interest but which are misunderstood for one reason or another. Where the facts do not square with the individual's or public's interest, then all communications can do is paper over a symptom of an underlying disturbance; it can't cure the disturbance itself.

"God grant me the courage to accept what I cannot change; the strength to change what can be changed; and the wisdom to know the difference"—this might well be the credo of the real estate profession in establishing a better public image by altering some of its traditions and practices. Among the things that cannot be changed are the history of the profession and its relations with the public; like any other historical record, this belongs to the ages.

Likewise, the economics of property ownership can't be changed; it follows the same rules of profit and loss as any other type of ownership. Short of government subsidies to cover losses, owners must keep pace with expenses by raising prices (rents), reducing profit, cutting expenditures or all three.

Everything else in the picture can be changed:

- Property ownership can be made more personal and responsible, even where large investing groups are concerned. The image of the "absentee owner" can be ameliorated by so simple an act as the appearance of the owner(s) on the property and demonstrating their interest in the well-being of the residents.
- Slums can be prevented in the first place and removed where necessary by a more public-spirited attitude shown by real estate professionals, individually and as a group. The slum problem won't go away by itself; it will require a foresighted, humanistic ap-
approach by concerned people. If the real estate profession won't face the challenge, someone else will and then real estate people will simply have to do what they're told.

- Speculative practices can be discouraged by legal and ethical means. Perhaps ethical restraints by the profession can do the job fast enough before legal regulation from the outside is imposed.
- Block-busting, too, can be curbed or eliminated altogether.
- Contract buying can be made more workable; conceivably some form of insurance can be worked out to protect both buyer and seller. At the same time, the real estate profession should be able to work out more liberal forms of standard mortgage financing so that contract buying can be reduced.
- Simplified lease forms can be developed for apartment tenants, and provisions for security deposits should be eliminated wherever possible.
- Agents and brokers can do a better job of educating people about the economics of owning and renting property. Assuming that exorbitant profits are not involved, communications can stress the matter of covering taxes, maintenance, refuse removal, insurance and similar costs. Where home purchases are concerned, the matter of mortgage discounts, closing costs and broker's fees should be properly explained in advance.

Never underestimate the consumer's intelligence but never overestimate his information is a good policy to follow in communicating.

Effective communications can take many forms, among them:

1. Personalized letters (never form letters) explaining basic changes; this is especially useful in tenant relations.
2. Booklets and brochures, preferably adapted to the individual situation and written in an understandable manner. Humor, if properly handled, can be effective.
3. Publicity, meaning use of local newspapers, radio and television, can get across the significance of real estate developments.
5. Individual meetings with persons who have questions or complaints. Group meetings should be avoided, if possible; they provide a platform for malcontents preoccupied with publicity for themselves without addressing themselves to individual problems.

- Newsletters to deal with news of a property development of broad interest to the tenant or owner community and outside parties.

Finally, is the real estate profession ready to write "finis" to the American dream of home ownership? If the single-family home is really on the way to extinction—at least as far as new construction is concerned—can the real estate people, perhaps in combination with banks, insurance companies and contractors, develop a program to ease the transition from a home-owning to an apartment-renting society? Or is there a chance that creative financing and development can save the dream of property ownership for future generations? Can the townhouse and the condominium be made acceptable substitutes for the single-family home?

Perhaps this is the challenge which, if fully met, can turn the real estate person from villain to champion. For if through universal home ownership each man could be a landlord in his own right, there would be less criticism of the larger property owners and a greater understanding of the problems and opportunities that real estate poses.

Should such a turn of events be brought about, that, indeed, would be a fit subject for communications—and a welcome one most decidedly in the public interest.

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Many prospective tenants call and ask, "How old is the building?" To those of us in real estate management, there are only two specific ages. One category covers buildings put up before 1929 and the other includes those constructed after 1950, which are considered new buildings. No building of any consequence was constructed in the 20 years intervening.

Older walk-ups (some of them going back to before World War I) create many problems to the property manager, even though most of them have been modernized somewhat. Among the major repairs these buildings need are replacement of boilers, repair of common brick on the backside of the buildings, and rewiring to bring up to today's standards otherwise inadequate electric supply lines. With such repairs, together with ever-increasing taxes and rising monthly operating expenses, the net profit to the investor can dwindle to nothing.

Building owners who had foresight and began modernization programs 10 or 12 years ago have had no problem in getting suitable tenants at a rental rate which gives them a very fine return on their invested dollar. They also saved money because now the cost of remodeling is almost prohibitive.

In some of our older buildings, the owners were willing to remodel but we ran into more trouble than we expected. For instance, in order to replace bathroom tubs (that stood on legs) and one-legged basins, we were forced to move the drum traps under the floor and ran into lead piping. The tile flooring could not be replaced with the same type and new flooring had to be installed. After finishing one tier, the owners decided to give up the idea because it was too costly even with an increase in rental. We decided to keep the tubs, tile out the bathrooms and put in new basins and medicine cabinets. As these apartments came up for rental, we advised prospective tenants of the problem we had had in installing new bathtubs and pointed out that the existing tubs were much easier to get in and out of, especially for elderly people.

Another problem for these buildings in particular is that of obtaining experienced janitors. People with hardly any training whatsoever must be hired, putting a burden on the property manager who has to practically show these people what to do. The result is that many services are either overlooked or forgotten. Janitors resent walking up and down three flights of stairs all morning to collect garbage and refuse. As soon
as they get a certain amount of experience, they quit and go into a newer building where there is no refuse to be collected.

Every year these older buildings show more and more wear and tear. Hot water risers break or clog up; there are insufficient outlets for modern appliances (which are a necessity to comfortable living); and common brick flakes on rear stairwells. All these things, not to mention shoveling coal and cleaning boilers create extra work and effort.

We must economize and find new ways to eliminate some services whereby janitors need only service the heating systems, do light repair work for the public part of the building only and the landscaping. The tenants should be trained to keep their apartments in a clean and healthy condition and take care of their own refuse, decorating and repair work. In addition the tenants should share the responsibility of keeping all the public parts of the building in good condition. In walkups (normally six families per tier), each family can rotate in caring for the common areas weekly. A list should be posted in the halls of each building for the chores to be done.

In addition to all these problems, an even newer and bigger problem has arisen in our locale. The Council of the City of Chicago has a very strict air pollution control ordinance. The limits of sulphur content in coal and oil must be less than 2.5 percent by weight. Since much of the coal supplied to this area does not meet this standard, it will mean higher coal prices. The ordinance also bans garbage burning or leaf burning in boilers and unapproved incinerators.

The choice we had was to install approved incinerators or have all garbage hauled three or four times a week which will run an additional monthly expense.

To solve this problem, we opted for gas conversion of these buildings. In one building, which contains 60 apartments, the cost of converting two boilers was $6,000. There was a subsequent reduction of the janitor’s salary by 15 percent ($90 monthly or $1,080 yearly). The conversion will pay for itself in six years. Fuel bills are about the same as coal or even a little less. Increase in scavenger service from $56 to $76 monthly is well-covered by lower decorating costs because gas heat is cleaner. Also there are no more stoker repairs.

Building owners should be very interested when approached with such figures. It takes only the initial investment and solves much of the air pollution problem.

These buildings must adhere to a strict budget. As more and more of the better tenants move out of these older buildings, methods have to be found to keep tenant ratings up and the apartments rented. We discovered we were losing quite a few of our best senior citizens who had registered with the Chicago Housing Authority to get into low-rental housing. Although its waiting lists were from two to four years, many moved out and others were waiting to move.

We finally approached the C.H.A. and told them our problems and pointed out we would like to keep these tenants as long as they had no living quarters ready for them. A plan was worked out which was called a Participation Agreement. The building in question was registered with the Chicago Housing Authority with the following three options:

1. Tenants are selected by housing authority subject to the approval of the owner.
2. Tenants are selected by housing authority without owner right of approval.
3. Tenants are selected by the owner subject to the approval of the housing authority in accordance with its eligibility requirements.

We notified all eligible tenants and mailed applications. All those approved receive a rent supplement of approximately 50 percent. For example, the tenant pays C.H.A. $41 on an $82.50 apartment and C.H.A. signs the leases with us for the full amount.

We have had a very fine mutual arrangement with C.H.A. whereby we registered six more buildings. In each building one-third of the apartments can be rented to senior citizens. These people with low incomes are very happy with this arrangement. They would rather stay in their own apartments than move out to a strange neighborhood. People have their own set ways and don’t like to change. One of the satisfying things about managing these buildings is derived from the many calls of thanks we received from these tenants who have been able to remain in their “home.”

Herbert H. Sieber, CPM, has been general manager of all residential and commercial units for Arthur Kruggel & Company, Chicago, for the last 17 years. Mr. Sieber has served on many IREM committees and is presently Director of the Chicago Real Estate Board.
Analyzing Your Management Business

by Lloyd D. Hanford, Sr., CPM

Managing real estate must be a profitable enterprise by itself. It must not become a “loss leader” for other real estate business. It calls for top echelon direction and interest. It is an essential segment of real estate service, aiding the critical need of the client.

If we accept the importance of management as an essential part of our business on the above mentioned terms, we should repeatedly ask ourselves some revealing questions:

1. Are we honestly dedicated to management as an important part of our business?
2. Does our service justify the fees we charge?
3. Is our management business growing? Static? Declining?
4. Are our management costs normal? Subnormal? Excessive?
5. Is our management staff competence fair? Good? Superior?
6. Have we organized our management department for excellence in leadership and performance?

These questions must be answered honestly, without rationalization or wishful thinking, and our response must be in terms of affirmative action rather than good intentions or even excuses.

In the process of evaluating our management business we scrutinize two main areas: 1) organization and 2) operation.

The management department of the average real estate organization must have an executive whose management qualifications are unquestioned. He may not necessarily be tied to the management department exclusively but he must be available for direction and supervision of the department and for important decision-making.

A management director should plan and supervise the day-to-day management process in accord with adopted policies. Beyond his supervisory duties, it should be his responsibility to plan and implement effective programs for soliciting and securing new accounts. He should be assisted and directed in this regard by the executive.

A management secretary should be assigned all stenographic and filing responsibilities. An accounting section should implement and control all financial processes in compliance with a written accounting manual.

The department should have a comprehensive operating manual, containing, among other things, a detailed job description for each person in the department.

Operation analysis is the test of profitable enterprise. To accomplish this, two major quantities are explored in exacting detail: gross management fee income and total chargeable operating expenses. On the income side, a grid should be prepared with the following headings:

1. Address of property.
2. Number of units (or separate tenancies).
4. Annual management fee.
5. Percentage ratio of fee to gross income.
6. Distance of property from office.
7. Number of monthly supervisor visits normally required.
8. Name of assigned supervisor.
This same grid could be sectionalized for apartments, offices, stores, industrials, shopping centers, etc., depending upon the type of properties managed. The bottom line should recapitulate grand totals. This grid plan will demonstrate the statistical data as it relates to fee income, and the total fee income becomes the base from which final profit (or loss) is calculated.

The general classification of operating expense must include details of the following:
1. Total gross personnel compensation, including salaries, salary taxes and other salary charges, compensation insurance, profit-sharing and bonuses, incentive payments, vehicle allowances and any other fringe benefits.
2. Equipment costs, including depreciation, repair and replacement.
3. Allocated space rental cost (or value).
4. Insurance (all types except compensation).
5. Furniture and furnishings depreciation, repair and replacement.
6. Postage and express.
7. Telephone and telegraph.
8. Memberships, subscriptions and donations.
10. Travel, gifts and entertainment.
11. Stationery, forms and supplies.
12. Outside assistance, consultants and contracted services.
14. Meetings and education.
15. Legal and accounting.
16. Miscellaneous and contingencies.

The difference between income and expenses should be a positive number approximating 25 percent of gross income before income taxes. If this figure is appreciably less than 25 percent, one of three things must be carefully considered: 1) re-assessment of the fee schedule for each property; 2) re-evaluation of operating costs; 3) the necessity to increase the size of the management portfolio.

It can be extremely beneficial to employ an outside consultant for this type of analysis; he can be totally objective without concern over personalities and without resistance to necessary change or innovation. Objectivity is the key, regardless of who conducts the study. The purpose is profit for valuable services rendered. Running our own business effectively is the showcase of our management competence.

Lloyd D. Hanford, Sr., CPM, is one of the principals of Hanford-Freund & Co., San Francisco. He was 1958 national president of IREM, and he is currently faculty director of IREM's Course II and Editor of the Journal of Property Management.
Profitable Real Estate Management Starts Here:

The real estate practitioner who believes that property management is little more than collecting rent is living in the past. We hope he isn't beyond help, but we realize that while our book, The Real Estate Management Department, may produce a wonderful revolution in some offices, it can't work miracles. What it can do, however, is provide you with a step-by-step, “how to do it” procedure when you find that you must or should set up a real estate management department. The cost is only $6.50.

Did you know that a properly operating management department in a brokerage office is a real source of benefit to the broker in ways other than the tangible management fees? Are you aware of benefits available to the client whose property is placed under the care of a professional manager? Your office can't really offer complete real estate service to the public unless you are grounded in this subject.

After you decide to set up a management department to augment your present services, will you be aware of the ethical responsibilities of the manager and the tested objectives and policies of the well-run management business? A “no” to any of these questions shows a need for the professional education available to you at modest cost—$6.50—in The Real Estate Management Department.

A bonus to the educational chapters is the extensive collection of business forms which has been reproduced at the end of the book. These forms are in use today by many successful offices in the real estate management field. A discussion of the use of time-saving, standardized forms in management is also included as the single topic of an entire chapter.

Other chapters included are: Budgeting the Operation of a Management Department, Management Procedures, Management Contracts and Fees, Insurance for the Property Manager, Management Policies, and Building a Management Business.

Because of the overwhelming demand for an updated book of this nature, this new and revised edition of The Real Estate Management Department is destined to follow its predecessor in becoming a desktop guidebook for the profession and a constant source of practical reference material. We know you'll use and appreciate the latest word in professional property management, The Real Estate Management Department.

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New Products

When Requesting Information, Please Refer to Key Number.
Send Inquiries to: Journal of Property Management, 155 East Superior, Chicago 60611

11-1 SNOW THROWERS

The Ariens Company offers its line of "Sno-Thro" snow removal equipment. All models feature two-stage, self-propelled design. Included are four, five and seven h.p. Sno-Thros and Manorway Riding Tractors with Sno-Thro attachments. The Ariens four h.p. Sno-Thro clears a 20' path, throwing snow up to 25' away through a 240-degree rotating discharge chute. All models have safety guard.

11-2 INFORMATION RETRIEVAL SYSTEM

A bulletin is available describing "Access System 60," an automatic card-filing and selector system. Consisting of a pushbutton console, a selector unit containing a 2,000-card tray, and a coder, System 60 can select cards from the deck in one second, manufacturer claims. Since the system is random, cards can be refilled anywhere in the tray. System can be adapted to storing and speeding the flow of office records and data for many organizational functions.

11-3 LAUNDRY DETERGENT

The Hadco Corporation has developed a phosphate-free detergent called Savus, which is being introduced for use in hospitals, hotels, motels, nursing homes and institutional laundries. Bio-degradable, an ingredient called "KLM 0001 PF Polyelectrolite" has been substituted for the phosphates.

11-4 HEATING-COOLING-VENTILATING UNIT

Mammoth Division of Lear Siegler, Inc., makes available Catalog AT-770, outlining its line of Adapta-Temp rooftop heating-cooling-ventilating equipment. Capacity ranges have been extended to 3-10 ton cooling and 100-350 MBH heating in rooftop units suited to smaller applications such as retail stores, restaurants, and small commercial buildings. The catalog lists standard and optional features, performance and selection data, operation information, electrical and dimensional data, and mechanical and engineering specifications.

11-5 TOWNHOUSE INTERCOM

Auth Electric Company announces the introduction of an intercom system made specifically for townhouses. Designed to provide security and save steps, it permits communication with callers at the door. Several options are available—a remote speaker for an upper or lower floor, an outside speaker for the rear door, and an electrical door release (front and rear).

11-6 INCINERATOR

A dual-chamber incinerator system introduced by Environmental Control Products, Inc., features an electrically operated loading door. The door's built-in safety interlock is designed to prevent continuous over-loading and keep emission of smoke, odor and visible fly ash within accepted standards. The system is available in five standard sizes with disposal capacities ranging from 300 to 1,500 pounds of waste per hour. Multiple units may be installed to accommodate higher requirements.

11-7 COLORED KEY TAGS

In large building complexes, key identification and filing can be simplified through the use of color-coded key tags, available from the Lund Equipment Co., Inc. in 12 colors. A specific color can indicate a particular building, floor, or function for immediate identification of keys for any lock location. Color-coded keys are available in either octagon or oval shape.

11-8 CONSTRUCTION COMPONENTS SYSTEM

A Swiss-designed construction system of over 50 interchangeable aluminum profiles for partition walls, ceilings, store interiors, displays and enclosures of various kinds is being distributed in this country by Syma Structures, Inc. Its basic components are aluminum profiles in four shapes—triangular, rectangular, hexagonal, and octagonal. These provide
for 45-, 60-, 90-, 120- and 135-degree connections which may be horizontal or vertical. A uniform groove size permits joining or attachment by means of a concealed spring-action lock.

11-9 SOFFIT TRIM
C/S Colortrim Soffit aluminum panels are available for canopies, overhangs and roof eaves. Two styles are offered, one in an 18-gauge aluminum with a 2 5/8" face separated by 3/4" reveals, the other a 16-gauge aluminum with an 8" face with 3/4" reveals. Both styles have a compatible joint system and can be intermixed. Lighting and access doors may be installed as required. The soffit panels come in 18 standard colors.

11-10 MAINTENANCE SERVICE PLAN
The Crest/Good Manufacturing Co. has a line of over 5,000 plumbing and heating specialties and replacement parts for all types of plumbing fixtures. The company provides as a service a "Visible Inventory Plan" jar rack containing the necessary parts and quantities required. Each jar is labelled and is regularly serviced to maintain adequate quantity.

11-11 INTERLOCKING CONCRETE BLOCKS
Mortarless construction of exterior walls and interior partitions can be achieved through a technique developed by Interlock, Inc. Featuring light-weight concrete blocks of interlocking structural design, only four components are used—a stringer block, a half block, a combination block for corners and interior partitions, and an insert plug that locks the blocks both horizontally and vertically. Exteriors are sealed with a Latex-based mortar that dries to a stucco finish.

11-12 ALUMINUM CLEANER
A cleaner for restoring aluminum surfaces has been developed by Devcon Corp. Devcon Zip Bright is applied to the oxidized area and washed away with clean water. It can be used on aluminum doors and windows, display signs, and industrial equipment as well as in cleaning brass, nickel, bronze, copper and stainless steel. Zip Bright is available in 1/2-pint and quart polyethylene containers.

11-13 BINDER-PADDER
The Michael Binder/Padder is designed to permanently bind or pad computer print-outs, booklets, reference materials, etc. According to the manufacturer, Michael Business Machines Corp., any combination of paper or card stock in any variety of sizes can be bound together and finished in less than four minutes by the welding action of infrared rays on the Michael Plastic Adhesive Solution. Material is clamped to the binding table, the binding solution is applied, and the automatic dryer is turned on—then off when the work is finished. Continuous forms can be bound without bursting, punching or stitching.

11-14 SELF-CLOSING FAUCET
The Chicago Faucet Company introduces a self-closing faucet called the Tip-Tap. A hinged cap on the operating unit provides it with added leverage for ease of operation. This standard faucet has a slow-closing operating unit that can be adjusted for a two to 15 second flow cycle. It is available in a single-basin faucet, combination lavatory fitting or lavatory fitting for pre-tempered water. It can be used in schools, institutions and public washrooms.

11-15 CONCRETE PRESERVATIVE
A mini-pamphlet from PPG Industries explains its Deegard Concrete Preservative designed to prevent concrete damage by de-icing salts and freeze-thaw cycles. This linseed oil product forms a protective film over concrete, reducing scaling and flaking caused by water penetrating pores with subsequent freezing and thawing. According to the manufacturer, Deegard dries in 2 1/2 hours, allowing patios, sidewalks, parking lots and other treated concrete areas to be put back into service in the same day.
PLEASE TURN THE PAGE...

UNLESS YOUR MAINTENANCE STAFF NEEDS HELP

Help is available through IREM’s monthly research report, REAL ESTATE MANAGEMENT OPERATING TECHNIQUES AND PRODUCTS.

These reports contain a wealth of operating data and product information collected and presented specifically for managers in the real estate field and their maintenance personnel.

Each month a different topic is discussed in detail, often using comparative data on the many products, processes or methods available which apply to the topic; illustrations are used.

These research reports are now in their 25th year of publication, and our years of experience have led us to the consistent selection of topics vital to property management. The subject matter is discussed in meaningful terms, in the language of the real estate industry.

The reports are published on sturdy paper stock (8 to 16 pages each month) with saddle stitching, making them durable enough to withstand hand-to-hand circulation among the management and maintenance staffs. Pre-punched holes facilitate easy binder storage for quick reference.

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Enclosed is a check for Bulletins marked below, at cost of $1 each (U.S. funds)

Return to: Institute of Real Estate Management, 155 East Superior St., Chicago, Ill. 60611

☐ #229 SAFETY GUIDELINES FOR SELF-SERVICE PARKING LOTS
☐ #233 GUIDELINES FOR PLANNING LAUNDRY ROOMS
☐ #237 THE CARE OF YOUR APARTMENT—THE TENANT’S HANDBOOK
☐ #240 WHAT IS NEW IN FLOORING & PAINTING
☐ #241 FLUORESCENT LIGHTING SYSTEMS
☐ #242 NEW DIMENSIONS IN THE USE OF HARDBOARD PANELING AND VINYL PIPE
☐ #243 TOTAL ENERGY SYSTEMS—WHERE DO WE STAND?
☐ #244 FIVE PRODUCTS—FUNCTIONS AND APPLICATIONS FOR MANAGEMENT
☐ #246 THE AUDITOR’S REPORT—ITS MEANING AND SIGNIFICANCE
☐ #247 THE ALTERNATIVES FOR FIRE DETECTION AND ALARM
☐ FREE: SEND COMPLETE BULLETIN INDEX FREE OF CHARGE

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A new book by Lloyd D. Hanford, Sr., CPM, author of INVESTING IN REAL ESTATE and DEVELOPMENT AND MANAGEMENT OF INVESTMENT PROPERTY

Think in terms of pounds or pesos, dollars or drachmas, rubles or rupees, and you're still on the same subject... money... how to get the most out of what you've got or simply how to earn more of it.

THE REAL ESTATE DOLLAR—which is uppermost in your mind if you're reading this—is a new book by Lloyd D. Hanford, Sr., CPM, San Francisco. The knowledgeable Mr. Hanford is a past president of the Institute of Real Estate Management as well as the Editor of the Journal of Property Management.

In 23 terse chapters, THE REAL ESTATE DOLLAR outlines today's real estate story—the main subjects:

- Changing Investment Philosophy
- Inventory of Land
- Posture of Real Estate Management
- Cash Flow and Feasibility Studies

After laying these foundations, a topical study of what's happening today in real estate is presented in chapters relating to tax burden, computers, mergers, appraising, the growing role of government, piece-of-the-action financing, inflation and equity dynamics.

The novice or the veteran can profit from this eminently sensible manuscript specifically written for the person who puts his dollars in the fascinating, challenging field of real estate investment.

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Available from:
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11-16 PARKING BROCHURE

Marathon Manufacturing Co. offers its solution to parking problems in a 12-page illustrated brochure, which describes RelocaDeck Parking Systems. Technical data and specifications are included for this all-steel modular deck system designed to offer flexibility, low cost and operational efficiency while requiring minimum on-site labor and maintenance.

11-17 WAX STRIPPER

"Super Strip Ammoniated" is a heavy-duty stripper for removing multiple applications of waxes or resinous finishes, introduced by Multi-Clean Products, Inc.

A low-foaming, phosphate-free biodegradable liquid, "Super Strip" attacks both positively and negatively-charged dirt film particles. It re-emulsifies wax or resinous finishes for removal with either mop or vacuum. Used on all types of floors not normally affected by water, "Super Strip" can also serve as an everyday maintenance cleaner, manufacturer states.

11-18 "SEWER SNOOPER"

Aqua-Tronics has developed a "Sewer Snooper," a non-metallic pipe locator, designed for locating and tracing the paths and depths of non-metallic pipes such as concrete, plastic, tile and wood down to 50' below the surface. The rocket-shaped tool is pushed into pipe by means of attached rod or tape; an independent above-ground receiver plots path and progress of detector. The unit is made of a shock-protected solid-state transmitter enclosed in a plastic case.

11-19 OFFICE FORMS

Samples are available of two office forms from Laurel Office Aids, Inc. The "Collection Control Sheet" can be used to keep track of overdue accounts and all collection efforts. The "Running Inventory" enables the user to maintain a record of all stock. Both forms are 8½ x 11, padded in 100's, and the "Running Inventory" is punched for ring-binder use.

11-20 THEFT-PREVENTION CHECKLIST

A 60-point procedure for deterring plant and office theft has been prepared by Management Safeguards, Inc., nationwide loss-prevention consultants and investigators. Among the subjects covered by the checklist are: physical security including use of alarms, locks, lighting, motion detectors and central station warning systems; nighttime and daytime security procedures; precautions to take in the shipping and servicing areas.

11-21 WATER TREATMENT BROCHURE

Berdell Industries offers a brochure as a guide to common water-caused problems of varied equipment, their causes and recommended methods of treatment. Included are chemical treatment of boiler feed water, cooling water and process water requirements including waste treatment, potable treatment and pollution control.
Cut floor maintenance 45%

Trap dirt outside and inside the door
80% of all building operating costs go into floor maintenance. Reduce this costly expense up to 45% by using dirt-trapping Grass mats/matting both inside and outside your doors. Brush action of rugged weather-resistant polypropylene fibers literally wipes shoe soles clean... Keeps dirt, mud, slush outside your buildings. Beautifies doorways inside too! Smooth vinyl back lies skin-tight on most floors, reducing accidents.

Wear surface guaranteed 3 years!

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MANAGEMENT AND CIRCULATION
(Act of October 23, 1962; Section 4369, Title 39, United States Code)

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1. Date of filing: September 30, 1970.
2. Title of publication: Journal of Property Management.
5. Location of the headquarters or general business offices of the publishers (Not printers): 155 East Superior Street, Chicago, Ill. 60611.
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      ☐ Have not changed during preceding 12 months.
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| A. Total no. copies printed (Net Press Run) | 8,294 | 8,280 |
| B. Paid circulation | | |
| 1. Sales through dealers and carriers, street vendors and counter sales | 194 | 204 |
| 2. Mail subscriptions | 5,804 | 5,907 |
| C. Total paid circulation | 5,997 | 6,111 |
| D. Free distribution (including samples) by mail, carrier or other means | 1,082 | 1,007 |
| E. Total distribution (Sum of C and D) | 7,079 | 7,618 |
| F. Office use, left-over, unaccounted, spoiled after printing | 1,215 | 662 |
| G. Total (Sum of E & F—should equal net press run shown in A) | 8,294 | 8,280 |

I certify that the statements made by me above are correct and complete.

JANET SEEFE LD
Managing Editor

11-22 DESK-TOP CALCULATOR
A 3½ lb. desk-top electronic calculator is available from Sharp Electronics Corp. The Sharp Micro QT-8D calculator measures 4¼" x 2¼" x 9½" and performs addition, subtraction, multiplication, division, mixed calculations and features an automatic credit balance.

When requesting information, please refer to key number.

Address inquiries to: Journal of Property Management, 155 E. Superior St., Chicago, Illinois, 60611.
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Topics include: □ Management Agreement & Fees □ Maintenance □ Accounting & Insurance □ Merchandising □ Rental Space & Leasing □ Real Estate Economics & Finance □ Neighborhood & Property Analysis □ Rehabilitation, Modernization & Conversion. $225

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Office Building Development, Leasing, and Management 
The development of an office building from the “idea” stage to the leasing, merchandising, and management of the complete working unit. Topics include: □ Developing a Management Plan □ Standard Operating Procedures □ Employee Relations □ Maintenance □ Tenant Relations □ Office Design □ Financing. $225

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As an integral part of appraisals, management surveys, investment considerations in the residential field... the 1970 Apartment Building Income-Expense Analysis represents more cities, buildings, apartments, and rooms than you can afford to miss... Find out.

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