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(Photo courtesy of Chicago Association of Commerce and Industry)

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Briefing This Issue

Coordinating the Professionals: Planning the Marketing Strategy for a New Apartment Development/Converting a Small Apartment Building to a Condominium  Page 4
(From the IREM National Convention, Chicago, November 1970)

Four experts in the field of communication present their views on how to plan a successful marketing program. Bernard E. Ury, Arnold Rosenthal, Albert Nader, and Jack Wozniak each speak to a distinct phase of establishing the image of an apartment project to the public. Another panel of qualified professionals discuss condominium conversion applied to a small apartment building. Participants include Harold L. Miller, William Epstein, Clarence A. Bruckner and William S. Everett, CPM.

Management '71: Problem Predictions  Page 47

The Journal's annual survey among IREM 1971 Chapter Presidents to take a look ahead and summarize their views and outlooks as to the major problems facing property managers around the country.

Editorial: The Futurama Game
Lloyd D. Hanford, Sr., CPM  Page 54

Mr. Hanford personally peers into the future—at least as far as 1971—and offers his thoughts on what might happen. He spotlights trends in government, industry, real estate, financing and investment.
Coordinating the Professionals

Cooperation and coordination among the experts—whether in property management, brokerage, appraisal, or the communication arts: this was the theme of two educational sessions held during the Institute of Real Estate Management's national convention in Chicago's Pick-Congress Hotel last November. One session was devoted to marketing a new apartment development, which calls for the professional services of public relations, advertising, graphics and interior design specialists who can gear a marketing program to the right audience. In a joint session sponsored by IREM and the American Institute of Real Estate Appraisers, the techniques of converting a small apartment building into a condominium were under analysis by lawyer, appraiser, broker and manager. The following pages contain the various presentations of these professionals. (Note: A third session on the Federal Wage and Hour Law will be summarized in the March/April issue.)

by Bernard E. Ury

Mention “public relations” to a builder, a developer, or a real estate man, and right away he’ll think of a photo in the paper showing a groundbreaking for a new building, a topping out, or the announcement of the opening of a model apartment. While public relations may include all of these, it is so much broader that most people associated with real estate developments haven’t scratched the surface with public relations.

I would like you to start viewing PR as both a philosophy and a technique of marketing. The philosophy starts with the entire orientation and thinking behind the development; the technique then takes over with a program designed to impress the public. Philosophy is really the beginning. It’s vital that everything connected with the development have a public relations orientation. Let me explain what I mean:

What we’re really trying to do via public
relations is win friends and influence people. Many people think that the right words and pictures will do the trick, but that's wrong. Public relations starts with the product—in this case, the development—and everyone associated with it. So the question we must constantly ask ourselves is, "Is what we are considering or doing the kind of thing that will win friends and influence people?" If the answer is "yes," then we're on the way to good public relations.

The development itself—the way it's designed, located, and built—has a direct impact on public relations. So do a lot of other things that you don't normally think of as public relations. For instance, the manners of your rental or sales staff; the appearance of your signs; the way your switchboard operator answers the phone; even the style of your overall promotion—these have public relations implications.

On the other side of the fence, there should be nothing about your development that would make bad reading in tomorrow's newspaper. None of us wants to be associated with developments that are slip-shod, second-rate, or an attempt to fool the public. If the developers and management see eye to eye on this, then we won't have to worry about negative public relations.

It should be very clear from this discussion that public relations can't be 100 percent delegated to a public relations firm or PR man on your staff. There's more to it than that. Public relations is part and parcel of your way of doing business. Every person, from the developer and manager on down, has a public relations aspect to his job which only he can fulfill.

However, just making sure that everything about our development has a favorable public relations impact is not enough. Virtue is seldom its own reward. If it were, people would come to our development in droves to buy or rent. But we know this doesn't happen, which is why the techniques of public relations have to be brought into play. Having planned a good development, we must make people aware of it and sold on it—which is truly a function of marketing.

DEVELOPING THE IDEA

To many laymen, and maybe to some professionals, too, there is a lot of sameness to today's apartment developments. Whether it's a highrise in the city or a garden apartment complex in the suburbs, developments tend to look like one another—and even to be like one another in prices, amenities, and other features.

Marketing must overcome this sameness and create the idea of a USP—a "unique selling proposition." Once the USP has been created, it's up to public relations as part of marketing to help capitalize on it. USP doesn't mean one single feature that stands out above all others but it does mean a
combination of features that add up to salability.

Every development, of course, is unique if only by virtue of its location but it also has many other distinctive attributes. The big challenge is to determine which attributes are important and which are not and, therefore, which ones should be featured.

Consider some of the attributes:

- First, the community in which your development is located. This gives you character of a sort—perhaps desirable, perhaps not. If you’re far away from any established community, you have a non-community image. You’re free to create your own.
- Second, there’s your market, determined in part by the buildings you put up and how much they cost, and in part by your own desires. Obviously, a condominium townhouse development in the suburbs has a different market than a Section 236 building in the inner city.
- Then there are the buildings themselves and their architecture. More than anything else, the buildings determine the image people have in their mind about your development.
- A fourth element is the features—the amenities, within the buildings and outside.
- Fifth, there’s your location, which is very important to some people, not so important to others. Proximity to schools means a lot to some people, while proximity to expressways is of greater priority to others.
- Then there’s also your reputation as a developer and/or a manager. This may be the first project you’ve put up, in which case you have no reputation as such, but perhaps your accomplishments in other fields can be spotlighted. Or perhaps you’ve engaged in other types of development—small apartments or homes, for example—and are attempting a large development for the first time. Or you may have a longstanding reputation as a manager or developer of a certain type of property, and this lastest one just continues the string. Whatever your background, it becomes a part of your development image.

These are just some of the more obvious attributes; the challenge of each development is to combine them in a unique manner. There is no formula for doing this. What is involved is a sifting of alternatives by those engaged in the marketing plan, plus the realization that the Unique Selling Proposition may change later on.

Let me give you some examples, drawn from developments with which we’ve had some contact here in Chicago:

Cornell Village—a condominium high-rise and townhouse complex. The developers stressed two ideas: 1) location in Chicago’s historic Hyde Park community, with its close ties to the University of Chicago and the art world, and 2) a raised and walled plaza which gave security in the city. Four Lakes Village—some 2,500 apartment units in a man-made setting west of Chicago. The original attraction here was a ski hill, and the first association was one of apartment living for ski lovers. The emphasis has since changed to year-round recreational living for young adults (and adults who think young).

Malibu—this is the latest highrise condominium by the developer who introduced condominiums in Chicago and who has built more of them than anyone else. The developer’s name and reputation receive prominent treatment in all promotion.

South Commons—unique in Chicago and perhaps the nation, this is a truly integrated urban renewal development by a single developer. Promotion has heavily stressed integration, not just of race, but of architectural types, dwelling units (including rental and for-sale), and economic and social classes. The attraction has been to people who like the cosmopolitan aspect of urban life.

Granville Beach—a highrise apartment building on the lake that was originally projected for young singles but has since switched to returning suburbanites and older persons.

I point these out because every one of them could have been presented as offering modern living conditions at a reasonable price. As such, they would have shared a sameness which would have been fatal. Instead, each has a different story to tell which, once decided on, should be repeated over and over.

PART I: YOU CAN’T START TOO EARLY

If you accept the idea that everything you do (or fail to do) concerning the develop-
ment has a public relations impact, then it's obvious that public relations thinking enters your plans at the very start. And that's as it should be.

All too often, however, we run into developers and managers who regard public relations strictly as a promotional tool to be brought into play after everything else has settled. They say, "Let's wait until we have something to talk about, then we'll get into public relations."

That's a mistake. Public relations can and should be brought into play early, not just when you're ready to start renting or selling. The right kind of public relations planning can go a long way toward making your development a success if you begin early enough.

By "early enough" I mean at the time when the public first gets an inkling of what your development is all about. If the project requires a public hearing, this is when people will learn about it. If no public hearing is involved, then the cat's out of the bag when construction begins.

Let me pause for a moment to consider the public hearing. As residential developments get larger and larger, public hearings to pass upon zoning changes become more and more common. These hearings can be crucial. Of course, they will determine whether or not the project is approved, but more than that, they give you your first chance to sell the community on your development.

Many, if not most, developers are reluctant to engage in any kind of public relations work during the hearing phase for several good reasons: First, they have nothing to sell, and they consider it foolish to use a "marketing" device at this time. Second, in most cases the financing isn't set at this point, and even if the zoning goes through, the project may never get off the ground. Third, the public hearings may turn out disastrously, in which case the developers may think they'll look foolish.

For these primary reasons, most developers muff the chance to use public relations to help their cause. They fail to grasp the opportunity to make a significant and favorable public impact at the hearings and continue to regard them strictly as a matter between the city fathers, themselves, the lawyers, the architects, and a handful of obstructionist citizens who are forever opposed to any changes.

But the local press is in on the hearings, and if properly approached, reporters can be instrumental in creating a favorable picture of the proposed development. Conversely, if they are mishandled, reporters can help torpedo the entire idea. Community relations start here.

I strongly urge developers to use public relations techniques at the planning stage to tell how the development will favorably affect the community. Here are some of the questions that you should anticipate and answer before they're asked:

1. How will the school be affected, and who will pay for expansion?
2. What will the effect be on drainage, sewage, and water?
3. How will the development change the character of the neighborhood?
4. What will the development do to traffic?
5. How much will taxes go up?
6. Will this mean any growth for local business?
7. What about fire and police protection?
8. Will parks and recreational facilities be provided?
9. Could the property be used better any other way?

Just presenting your case to the city fathers is not enough. You should make every effort to take your case to the public at the same time through a presentation to the press, interviews, continuing stories, and meetings with interested groups. A good effort here can help you get the approval you need to make the development a reality.

While many developers think this is too early to start the campaign, I believe many of the problems that later beset the development came about exactly because a poor public relations job was done in the first place. And those problems make the task of marketing the development that much harder.

Please don't misunderstand me: I'm not advocating that you make an all-out effort to market units in the proposed development at this time. It's much too early for that. But this is the time to sell the develop-
ment as a whole to the community at large. Sell the community on the idea and the rest of the program will fall into line more easily.

Since public hearings may go on for several weeks, possibly months, before decision is reached, it's helpful if you use the time to sell your cause to the public. The story you tell, of course, should conform to developments that take place during the hearings. Opposition groups, for instance, may confront you; it's important to deal with them fairly and promptly. This can be done through the press as well as at the hearings.

There are so many favorable opportunities for good public relations during the hearing stage—and so many traps for the unwary—that I would urge you to pay as much attention to sound public relations preparation as you do to legal work. It can be just as significant.

Suppose there is no public hearing. Then you have a choice: You can wait until construction is imminent and you have to say something, or you can make an advance announcement. This depends on the size of your development. The larger it is and the more unusual, the greater is the chance that the news will leak out and dissipate your chance to make an impressive announcement. Once the news starts to leak out, you've lost the initiative.

I feel strongly that you should make your opening announcement of the development plans as early as possible. How early depends on circumstances. In most cases, you want to make sure you have all the land needed so there's no chance an announcement will lead owners to hold out for higher prices. You also will want to have architectural plans drawn, a rendering or model ready, and a timetable ready to discuss.

The one big remaining question is whether you should wait until the financing is set. There are two schools of thought on this question. One says, let's wait until financing is set so we won't be embarrassed if we don't get the financing. The other says, let's make the announcement now in hopes that we'll attract some investors.

Which answer applies to you depends on what type of developer/manager you are—choose the one with which you feel the most comfortable. But under no circumstances should you delay making the announcement once the financing is obtained.

There are many ways to make your announcement. You should have professional public relations help to evaluate the situation and make your decision. For instance, if a public hearing is involved, you must time your announcement to break either simultaneously with the presentation at the hearing or shortly afterwards. Under no circumstances should you alienate officials by making your announcement publicly before it has been presented to them officially.

If your project is a major one in your city, and especially if it involves urban renewal land, an announcement in the office of the mayor or city manager is most appropriate. For example, if you can arrange an announcement in the mayor's office, you are virtually guaranteed coverage in the front part of the paper—maybe on Page One—along with radio and TV coverage. The chief official of a city is an automatic newsmaker, and by having him announce your project, you development becomes important city news.

Depending on the significance of your project, you may want to call a press conference or a press luncheon to announce the details. We recently held a luncheon press conference to announce the opening of a new housing development 35 miles outside of Chicago. Rather than term it a new housing development, we called it a new $80 million community of 10,000 people. And rather than beam it at the real estate editors only, we aimed it at all the real estate editors and the radio and TV reporters. The result was major news coverage in all four Chicago papers in the front of the paper, in space generally reserved for the most significant news of the day.

While a simple press release and copy of the rendering lacks a lot of apparent romance, it can result in as much good publicity as all of the above if you handle it right. But the chances of getting more coverage
with a more ambitious announcement are much greater. When you make your announcement, remember that you are making the development's first entry into the public arena, and that now is the time to bring your development to the attention of all media who may have an interest.

Certainly the real estate editors of the metropolitan papers are first and foremost, but don't ignore the community and neighborhood papers, the radio and TV stations, the local and national trade journals. And don't overlook the national news media, especially their local bureaus, which may have an interest in what you're doing.

All this is getting into the technicalities of public relations strategy and tactics, something which you as developers and managers should leave to the professionals. What I hope I've done thus far is further your understanding of the need for proper timing and the importance of starting your public relations program early.

PART II: FROM FIRST ANNOUNCEMENT TO GRAND OPENING

Between the time of the first announcement and the grand opening, there may be an interval of several months or even several years, in the case of a major building. During this time, your marketing people are going to be busy preparing for the opening. They'll be planning the model rooms, producing the rental or sales brochure, writing the ads, making arrangements for billboards, doing whatever else is needed to get ready for an all-out push once the development is ready.

During the same period, your public relations program can be actually at work, making contacts with key publics, starting the selling program, and keeping the development in the news.

This, too, is a critical period. It's a time when your development begins to take physical shape within the community, moving from plans and drawings to bricks, mortar, and steel. It's a time when relationships begin to form between the developers on the one hand and the larger community on the other.

If you seek to make the most of this period as a marketing opportunity, then there are three areas you should be concerned with:

First, start building direct contacts with neighborhood groups. Although this is, broadly speaking, a public relations function, it should be carried out by the management people, principally the people who will rent or sell units in the development.

Neighborhood groups include major institutions in the area, such as hospitals, churches, public and private schools. They include local businesses, too. These groups are important to cultivate for good-will purposes and also because they can be a source of prospect leads.

Another technique you might want to consider to build relationships with neighborhood groups and opinion leaders in the area is direct mail. I don't mean hard-sell direct mail; I mean informative direct mail. This can take the form of regular letters sent by the head of the property management company or the developer to keep groups informed of progress. Or they can be more formalized newsletters, which later can be the basis of a prospect and tenant communications program. Whatever method you use, the point is to keep your neighborhood informed of what's going on.

Second, focus attention on the construction site. The most obvious way to do this is by erecting eye-catching signs. These should be provocative, easy to read, a complement to the neighborhood, and constantly maintained in first-class order.

The site itself should also be in good order at all times. This requires the cooperation of the contractor who may not be sensitive to the subtleties of good neighborhood public relations. You should enlist his help in seeing to it that construction is not any messier or noisier than it has to be, that the site is properly fenced, that no debris is allowed to litter the streets, that there are no traps for young children, and that the workers behave reasonably well, especially if the site is adjacent to other developed
property from which they can be observed. There are obvious limits to how far you can go in keeping construction as neat as possible—but reach those limits as a gesture of good-will to the community.

Finally, generate news and interest every step of the way. If you have a good public relations program going for you, you can seize numerous opportunities to put your development into the news. Remember, the more you can keep yourself in the public eye, the easier it will be to rent or sell units in the development when you're finally open for business.

During the building of your development, there are many events which can be the occasion for press coverage. For instance, there's the issuance of the mortgage and the final financial arrangements. This is a good occasion for a photograph of the signing and an appropriate story.

The most obvious event during this period is the ground-breaking. This can be as simple as having a photo taken of several participants grouped around a shovel. Or it can be as elaborate as a ceremony involving the mayor of the city, a parade by neighborhood children, and a luncheon for dignitaries. Good media coverage by newspapers, radio, television, and TV can result if proper plans are laid.

Once the ground-breaking is over, you've got to rely on creative public relations thinking to keep your development in the news until grand opening day. It isn't easy, but it can be done if professionals are entrusted with the job.

For example, phases of construction can be newsworthy or picture-worthy, as in the case of the largest ducts ever installed in a Loop office building. The hoisting of very heavy equipment, such as a chiller, is another publicity possibility. Then there's the topping out, which can be gimmicked up with everything from a Santa Claus to a local blossom queen.

Feature angles can be researched for newspaper coverage. In one case, an architect adapted a serpentine pattern from the layout of Bath, England, to a major urban development; this was a natural story. Another possible story is the history of the community and how its fortunes are expected to change when the development is complete. The developers can be a source of story materials. Their backgrounds and accomplishments may be newsworthy, as can their views on current trends in real estate development and the future.

Major suppliers to the development should be contacted and invited to play up their roles in the development. The architect and general contractor are naturals for this part of the campaign, but so are the people who supply the kitchen cabinets, the structural steel, the windows and doors, and other materials. They may choose to wait until later to exploit their participation, but it won't harm you at all if they get into the act while the development is under construction.

Finally, what have you done with the rendering of the development or the scale model, if you have one? If you're not careful, they could wind up behind someone's desk. If you're alert, you'll use these devices as marketing tools. The model, for instance, might be a welcome display in a local bank or utility company lobby. The rendering could be displayed in local store windows.

I suggest you examine ways to get as much public mileage as you can out of these expensive items.

PART III: THE GRAND OPENING CAMPAIGN

Depending on the size of your development and the staging of construction phases, you may have one grand opening or you may have several. A single building obviously calls for only one opening. But if your development will be opened in phases over a period of several years, then you have the opportunity for a grand opening in connection with each phase.

We prefer to look upon the grand opening not as one event which is over and done with in a weekend or a week, but as a program carried out over several weeks. It's important to stretch out the excitement of a grand opening as long as possible. Remember, not everyone will be exposed to your grand opening campaign the first weekend. It may take several weekends to make the impact.

The public relations aspects of the grand opening should be tied in with the overall promotion—that is, with the launching of the advertising campaign, the opening of the model interiors, the start of direct mail, and other elements. There are several activities you can engage in as public relations vehicles during the grand opening period.

Stage a VIP and press reception some evening the week before the public grand opening. This gives you a good opportunity to show off your development to important individuals and the reporters before any wear and tear is caused by the public display.
At least five days before the weekend of your grand opening, visit the press with a complete kit of materials on the development. This is a task you should entrust to your public relations representatives. Most newspapers publish their real estate sections on the weekends, and they prepare these sections at the start of the week. So get to them early.

This is a good place to clear up a misconception about press relations. Some, if not many, developers and property managers make the mistake of expecting the press to come out to the development for the grand opening festivities, so they hold up on furnishing any press material until the reporter shows up.

There may be cases in the smaller and medium-sized cities where the real estate editor will find the time to do this, especially if he works closely with the advertising department. But in many other cases, the real estate editor is too busy. In a city like Chicago, for instance, the real estate editors seldom if ever go out to grand openings. You will do your cause more good if you go to the real estate editors rather than wait for them to come to you.

The one vital element is a good press package. Have it prepared by professionals who know what they're doing, and make sure it contains as many graphic elements—renderings, exterior photos, locating maps—as you can prepare for the occasion.

On the grand opening weekend, or even on a subsequent weekend when you anticipate large crowds, it often pays to have a photographer on hand to take shots of the visitors. These photos can be used in a follow-up story to the local papers to report on reaction to the opening.

Don't overlook TV and radio in making press contact. Some, but not all developments, are significant enough to merit TV and radio coverage. The way to determine this is to visit your local TV and radio stations—or have your PR representative do it—four or five days before the grand opening. Give them a press package and invite them out to cover the opening weekend. Make sure you have a representative of the developer or the property manager on hand to escort them if they do show up.

For the weekends immediately following the grand opening, we suggest developing stories featuring the model rooms. We assume that you have such rooms, all professionally furnished, as part of your total marketing effort. The story of these rooms—how they were decorated, the decorator's philosophy—along with photos can result in some impressive newspaper coverage.

Get good interior photos to begin with. These can often be used in other ways, such as in advertisements, brochures, and newsletters. Then develop a good decorating story to go with the photos. If possible, seek to give each newspaper in your area a different set of pictures. Editors prefer photos that are exclusive to them. Again, this is a project which a professional public relations firm can handle expertly.

Another good publicity idea that can be fitted into the grand opening campaign is what we call the "resident profile." This is a story describing the typical person for whom the development was designed—his age, family status, occupation, interests, previous residency characteristics—and a comparison of these aspects with the make-up of grand opening visitors. If this story is properly handled, it can help pinpoint exactly the type of people you want to reach and interest them in coming out to see your development.

Here's a thought for drawing special-interest traffic to your development on weekends. Send letters to persons affiliated with major organizations and institutions in your area—a hospital, school, industrial plant—inviting them to a weekend showing held especially for that organization. This is a good way of using direct mail in a pin-point fashion.

We've found that newsletters can be extremely effective during the grand opening and afterwards. The newsletter is basically an up-to-date brochure on your development, but it is written in editorial style and designed to be revised and updated with new material as often as need be. It can be a simple mimeographed or lithographed sheet that your own development or management office turns out; or it can be a more elaborate printed piece turned out by professionals.

A good newsletter does more than talk about the development per se; it tells the story of the community, the people, the developers, and many other interesting facets that can't be told any other way. That is why it is important to have the newsletter written with an editorial rather than an advertising slant.

As a minimum, a newsletter should be published each time you open a new phase of your development. Beyond this, it can be used as often as you wish. It may even
turn into an effective communications tool for residents after they have moved into your community. And it can be most helpful in informing your investors, suppliers, and other key publics of your progress.

These ideas are just a portion of what you can utilize for your grand opening campaign. No doubt you can evolve many more by using competent public relations help in connection with your particular development.

PART IV: THE FOLLOW-UP AND BEYOND

The life of a developer and property manager would be a lot simpler if the grand opening campaign produced all the momentum needed to rent or sell out a new development. But it seldom does. Continuing promotion is needed and public relations techniques can be used as part of this promotion.

Don't make the mistake of believing that public relations is useful only when you have something to announce or say. A good public relations person can find interesting material to write about in phases of your activity that may strike you as extremely prosaic. Good public relations can help keep your development in the news and help build a long-lasting image that will serve you favorably.

That brings up an important point. The image you establish for your development won't sustain itself automatically. It has to be maintained. This is especially important if yours is a rental development where turnover leads you to attract new residents on a year-round basis. Good public relations then becomes part of the cost of maintaining a desirable reputation.

Let's consider what sort of public relations activities might be useful in a follow-up and image-maintenance program:

- The progress of construction can lead itself to a variety of stories. Landscaping a major development, for instance, is a noteworthy subject, especially to garden editors.
- During construction, the completion of various phases can call for news reports. For instance, the opening of the swimming pool, the completion of a club-house or other community facilities, the opening of a shopping center are a few typical events.
- Sometimes by checking with your architects and contractors you can discover unusual features worth writing about. In one instance, we discovered that a tennis deck was being covered by a new type of surfacing material. We set up an unusual photo which featured the property managers trying out the new court, resulting in excellent coverage in the local papers.
- The move-in of the first residents is always newsworthy and shouldn't be ignored. You can easily stage a photo showing the first family receiving a bottle of champagne or a basket of fruit along with the keys to their new unit from the property manager.
- As your new community takes shape, it may be advisable to invite local school, club, and architectural groups to visit the development. The approach should be on an institutional, educational basis—"see what we're doing to improve our community"—rather than to rent or sell units.
- Again, depending on the significance and size of your development in your community, you might want to register with the local Chamber of Commerce and City Hall as a place for out-of-town dignitaries to visit. Frequently, groups of visitors from other cities, even from foreign countries, will come to town on conventions or to study certain subjects. If properly promoted, your development can be on the list of things to see and do—and you can capitalize on their visit by photographing them and sending out news releases to the local press.
- Around Christmas time, you might consider staging a decorating contest, a Christmas card drawing contest, or a tree-lighting ceremony for your development, all aimed at getting publicity in the local news media.
- The people who move into your development can be a rich source of publicity material. Be alert for unusual families, people with interesting occupations or moving from great distances, families moving from city to suburbs or vice versa, people with odd hobbies. If you have a person or PR consultant with a good eye for the interesting, he can develop good special stories focussed on your residents—all to the end of giving your development a human element that may otherwise not come through.
- Your residents may also start community projects—such as bird feeding activity, a drama club, or a bike riding group. Such projects can be the subject of publicity.
- At some point, your community will reach a stage where transformation of the area will really be noticeable. This may be occasion to interest the local press in a comprehensive progress report, pointing up the transformation and noting how much benefit has been brought to the area. A good series of before and after photos can help
with such a publicity project.

- During all of your public relations work, the person in charge of the public relations program should have been in touch with national media—including national consumer magazines, trade journals in the real estate and building field, and even national radio and television. "Being in contact" means at least seeing that these media receive the more significant news releases. If this has been done, there is a chance that one of these media will do a major story about your development as soon as the results are visible.

We have to be realistic. Most developments are not going to be featured in Life, Look, American Home, or any other major consumer magazine. But it pays to keep in touch with these publications in the event they are planning a story into which your development might possibly fit. The same thing goes for national radio and TV who may be interested in incorporating local developments as part of a round-up story on housing trends.

It's far more likely, though, that you can get feature treatment in trade publications serving the building and real estate field. In mentioning this, I know the first reaction of some developers and managers will be that these publications don't reach prospects and that we're not interested in impressing the competition.

However, a major story in a publication such as House & Home or Professional Builder, for instance, can be reprinted and used as an impressive piece of giveaway literature to prospects. In addition, such publicity can be valuable in impressing your supporting publics—investors, bankers, and suppliers—in the merits of your development.

Part of carrying out publicity is using it properly once it has appeared. In this regard, make sure your management office has a bulletin board where you can display the latest news stories, advertisements, and bulletins. Persons visiting the office will be reminded of what they read when they see the board and will reinforce the impact of your development.

Of course, publicity isn't all there is to follow-up public relations, although it's an important part. Equally important is resident relations, which becomes crucial when a community is first being occupied.

Keeping residents happy is a management responsibility, and I can't stress too much the importance of going all out to satisfy the first people who move in. These people usually must put up with the most abuse as a result of incomplete construction and the break-in woes that go with a new development. They are apt to be neglected because management may have many other pressing chores on its hands.

The reaction of these first residents can help set the tone for what follows. If they are kept happy, even if it costs extra money to do it, their satisfaction will be made known to other prospective residents. Conversely, if they are unhappy, their displeasure can be made known, too, with the result that your new development can acquire a bad reputation very quickly.

With the right combination of good publicity and good tenant relations carried out as a continuing responsibility of the developer and management, you can be assured that your development will have a good image that will attract prospects for years to come.

STAFFING AND BUDGETING

If you've gotten the idea that public relations is a highly complicated pursuit involving many aspects that you never thought out, that's good. All too often we run into developers and property managers who think that a quick news release is all that's needed which the advertising agency can handle. There are also those who think that the news media will provide publicity at no charge as part of an advertising contract. To us, it is axiomatic that you should spend as much effort planning your marketing public relations as you do on any other aspect of the program. The basic questions boil down to these: Who is going to do the work and how much will it cost?

The work should be left to a person who has demonstrated public relations talents. This person may be on the staff of the property management firm, the developer, or the advertising agency. We think it far more likely to find this person on the staff of a public relations consulting firm—which also provides enough thinking power, plus action power, to do parts of the job that at times are more than a single person can handle.

Whoever this person is, it's important to involve him in all phases of marketing planning, so he can contribute public relations ideas and also absorb the overall marketing thinking which is shaping the development. This is far better than confronting the public relations persons with a fait accompli and telling him, "Now go and promote it."
The person you select should be more than a public relations promoter. He should also be a critic, a sort of corporate conscience. He should be sensitive to aspects of your plans which will cause concern among the public and be tactfully outspoken in his recommendations to change things for the better. The larger your development, the more important it is to be on the lookout for negative public relations impact, for these can be more damaging to the larger development than to the smaller one.

You may be able to locate a competent free-lancer who can do the job, but if you work with a person, remember you’re at the mercy of one man. Staff capability is important in public relations just as it is in other aspects of business.

Budgeting for public relations is a wide-open area. There are no hard and fast rules to follow. The only generality safe to make is that your budget will be higher in larger cities than in smaller ones simply because talent is higher priced in the larger cities.

Your budget also depends on your timing and plan. If you attempt to cram a lot of promotion into a short period, you are going to pay more proportionately than if you spread out the effort. Cramming is often self-defeating. There is just so much information that news media will accept at any one time, and you may find that a lot of creative effort is going to waste.

As I’ve indicated in earlier sections, a good plan is not likely to produce results in less than three months, and if the plan is to have any lasting impact, it can’t be of less than a year’s duration. Ideally, the public relations plan should be timed to begin and end with the overall marketing plan.

With these points in mind, here’s what public relations can cost you:

A basic three-month program that is geared mainly to a grand opening announcement and nothing more should run around $2,000 in fees (perhaps less in smaller cities) and $750 in expenses. Expenses, by the way, include the costs of mimeographing and mailing ‘news releases, press photography, occasional press entertainment, transportation, telephone, and other incidentals. But don’t expect a long-lasting image for such a plan. It will get you off the ground and that is all.

A continuing program, which would cover most of the elements discussed earlier, could run as little as $6,000 per year in fees up to $18,000, depending on how much work the public relations people are expected to do.

For expenses, figure an average of $250 per month.

Please don’t take these figures as hard and fast rules. They can vary a lot, depending on the program and who carries it out. If you budget within this range, you should expect the following:

A first-rate and comprehensive analysis and understanding of your overall public relations situation—in words that you and your entire marketing team can grasp and relate to their own work. You want more than theory; you want tips on meaningful application.

An ability to develop and program a full range of activities for public relations, with an indication of who is responsible for doing what.

Unquestioned publicity talents, ranging from the ability to sense a story all the way through the ability to write it well and place it in the appropriate publication.

Abilities to carry out other phases of the public relations program besides publicity, such as production of newsletters and direct mail campaigns, arrangements for visits and presentations, etc.

Finally, constant feedback of public relations results to the developer and the management agent and adjustment of the program to meet new conditions and problems as the arise.

This is a lot to ask for, and it’s more than a non-professional can provide. However, if public relations is to fulfill its role to you, as developers, builders, and real estate professional—if you really want to maximize your marketing effort with the full range of tools and techniques at your disposal—if you want to get away from the outdated notion of public relations as a simple release to the paper and into the area where public relations becomes a powerful force for shaping the mind of your market, then this is what you should ask for, and it’s what you should receive.

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All of us have experienced the seemingly instant success of certain consumer products yet seldom do we assign that success to anything but the product itself. Those of us in the communicating arts are intimately aware of the planning and skills which help prepare a product for its successful introduction to the consumer. As the economy grows and life styles change, the role of the professional communicator in bringing the manufactured product to the public's attention takes on added importance.

The successful real estate developer knows that a product must be efficiently produced, distinctively packaged, creatively advertised to a specific buying audience, and dynamically promoted at the point of sale. This marketing process usually begins with a product that fulfills certain needs, priced right for its audience, and offered at the right time and place. The developer is aware that no team of communicators can successfully market a poor product that is poorly priced and badly timed.

What is the role of a communicator in planning and executing a rental campaign? Oversimplifying for the moment, his job first is to convey the character or personality of the product—cost efficiently—to its most appropriate audience. He must establish its uniqueness and desirability and also create enough interest to motivate prospects to take some kind of action. The developer and his management people must align themselves with a marketing team that understands this process and knows how to put it into practice.

In today's economy it is not enough simply to inform people of your product's features; that's an old concept. With competition and consumer sophistication as it is, you as a manufacturer must create an image in your campaign that goes beyond the product itself. In other words, by the very tone and quality of the promotional effort, your product should fulfill the prospect's needs for status, location, the type of neighbors he'd like to be associated with and, of course, the value he's looking for in his rental dollar.
Only when this is accomplished should you consider your chances for success valid. In my opinion, this is the real contribution of the professional communicator. Obviously, the better the product, the better your chances for a successful marriage of promise and fulfillment.

The people here today represent the four most important components of the marketing team as it relates to a rental campaign: public relations, graphic design, advertising, and interior design. I've been asked to discuss the role of the graphic designer, a role not fully understood by many property developers and managers and thus the least exploited.

From experience, I can tell you the less sophisticated the developer, the later the call for the designer. Since the total promotional effort includes the talents of several people, the correct time to consult with the graphic designer is when a project is being planned—the time when PR, signage, printed material, ads and merchandising concepts can be fully coordinated for maximum impact.

I've been involved in projects where as little as three months have been allocated for executing the major phases of a program. In others, such as the John Hancock center, planning began three years previous to completion. The important factor is to have adequate lead time in order to coordinate the program. (The ads must reflect the image of the signs and brochures and the model should give physical form to that image. The printed materials must be ready for grand opening and the rental agents armed with the proper tools.)

Once the prospect profile has been established, the designer can begin developing the graphic image—the symbol, the logo-type, the color scheme, etc., which will then be carried through on all property literature, signage and advertising, and even to the dress of the rental agents.

What are the applications of the graphic design? One of the very important applications and often one of the first is the construction sign or barricade. The treatment on this surface will identify the project and establish its character; more importantly, it will be the most cost efficient advertising vehicle in the whole campaign, since it usually remains standing until completion.

In multi-structure developments (e.g., planned unit developments) there are several categories of signs which become important in terms of traffic flow and identification, such as phase signs, product signs and directional signs.

Directional signage obviously gets people in and around the site, to and from parking areas, in and out of models and, in some cases, right back into the arms of the rental agent, depending on the nature of the audience.

Another category just short of permanent signage is the type for a project which might take a couple of years to rent or sell-out. In that case you have a kind of elaborate temporary signage using materials and surface treatments that appear permanent.

When you set a style of graphics, you are establishing more than just a color scheme or a logotype or a symbol; you're setting a style to be followed all the way down through letter forms and typefaces. It should be used on everything, even to the instructions on the door telling what the hours of the rental office are.

The next most important use of the graphic theme is on printed materials, primarily the sales brochure. There are many different ways to present your material in printed form. Here are just a couple of illustrations:

We did the graphics for a luxury condominium project on Lake Shore Drive in Chicago, where apartments sold for as high as $85,000. There was a certain approach we felt we had to take—very low-key and sophisticated. The brochure was of grey stock and printed with silver ink. Most of the illustrations were black and grey duotones on white stock; the only color in the brochure was a full-color fold-out of the architectural rendering. The logo was blind embossed on the cover. It was a very elegant way of presenting a story of this kind.

The major part of the brochure we designed for South Commons talked about the entire project yet the brochure was modular. Since the development was to be com-
The construction sign usually is the first visual means of identifying a project and sets the entire graphic image.

completed in stages, a four-page insert is bound in as each new phase was completed.

In another instance for a residential community created near Milwaukee, Lac du Cours, we created a crest that reflected all the recreational facilities. This was used on everything—all signage, brochures, ads, etc. We even went as far to make a drapery fabric of the design for use in the sales center.

The agent's stationery, floor plans, mailing pieces, newsletters, change of address cards, rental applications, price lists, space planning kits, etc., all must reinforce the image with consistency and integrity. The more coordinated your program appears to the public, the greater your chances for success.

One of the advantages in working with a graphic design firm is the kind of help it can bring in engineering promotional materials. For example, we were involved early enough on one project to know what kinds of pieces would be needed. We engineered all the pieces to be printed out of one sheet of paper as it went through the press: brochure, rate card, calling card, poster.

On-site sales promotion can take many forms depending on how much space you allocate for sales activity. Some projects require separate sales centers and others make use of one of the completed apartments. Most rental activity begins during construction, which creates an obvious situation: having to prove graphically what the finished product will look like. We often take graphic elements out of the brochure and display them in larger scale getting double use out of the art and/or photography and at the same time fulfilling the prospect's need to feel informed. It's simply good point of sale advertising.

There is one case history I must relate. The 1212 Lake Shore Drive building was the best example of a totally coordinated program of graphics. Our role was not only to create the printed materials but also to develop a sales center. The solution was a two-level structure connected to the construction barricade. As you walked in on ground level, you were met by a wall mural illustrating the finished building facade and entrance. You went up a flight of stairs and came into a very unlikely sort of situation,
An attractive and unique sales presentation for the display center of an elegant condominium was incorporated in a table, which slid open to reveal a light panel for showing transparencies of the building as well as sample building materials and accessories.
a kind of living room—not the typical buyer-seller looking room, but a very well-furnished living room with three conversation areas. The model of the building was displayed directly in the center of the room and each of the conversation areas was shielded by a smoked plexiglass panel.

We found that while people liked privacy in talking with the sales agents, they also liked the notion of seeing other people when they were there. They didn’t like to feel they were the only ones looking. The panels separated the conversation areas yet were translucent enough so prospects could see other people.

The high point of the room was our sales presentation. The original assignment was, as the developers put it, “to come up with some kind of album we can use to show the prospect the amenities of the building.” We took this assignment back to the office and decided it just wasn’t the kind of thing to do with a project of this caliber.

We designed a sales presentation in a table. It started out as a coffee table but it was tricky. There was a drawer on the side that when pulled out, housed about a dozen 12” x 17” transparencies, each one showing a different amenity—pool, lobby, etc. When the table was separated at the center, it tripped a light box on which the sales person could display these transparencies in the order he wanted. The other half of the table when slid open revealed a “busy box” of building materials. The prospect could actually examine the doorknob and feel its weight; he could see the tile and carpeting samples and get a feel for the quality of the building materials. When the show was over, the table was closed, slides returned, and presto—a handsome rosewood table.

Instead of buying expensive art for the sales center, which would go typically with the expensive furnishings, we took the architect’s discarded sketches and blew them up and framed them as one would a contemporary painting. This gave us some abstract art.

In the six-month period during which this sales center and presentation were used, 70 percent of the apartments were sold. This was before any models existed.

To express total consistency, permanent architectural signage can represent a meaningful and handsome use of visual identity. Good examples of this can be seen at Reston, Virginia, and Columbia, Maryland.

You can see from this cursory look at the graphic designer’s role that his contribution is limited only by his talent and his imagination and your attitude toward the consumer’s intelligence. No matter what level of involvement you allow him, here are some don’ts:

Don’t let your nephew who just finished art school design a logo for you. It’s not his fault but he’s just not ready to consider all the ramifications. And you won’t be ready to pay the consequences in wasted time and effort. That means don’t let your architect, painter or sign-printer take a crack at it either.

Don’t start any promotional effort until you have your best ammunition—a professional marketing team.

Don’t spend $5 million for a building and then allocate $20,000 for a promotional campaign.

Don’t let your purveyors’ co-op money determine what your graphic materials will look like. Show them how you intend to use their logos in your format.

Don’t wait until you are ready to open to crash out an ad campaign and brochure. If you do start too late, put your opening off rather than start with no sales support or poorly executed sales support.

Hopefully, you will have good things to say about your product, but if you don’t, don’t try to fool anyone with puffery. Design a simple brochure rather than a full-blown, full-color monument.

When dealing with designers, don’t assume you know more about printing than they do. Printing and related fabricating techniques are an intrinsic part of a designer’s craft.

Don’t proceed with any expenditures before you see cost projections, including printing estimates.

Don’t be afraid to experiment; believe in your consultant’s expertise. Assume he won’t recommend anything harmful to the campaign.

Don’t begin work without an equitable pay-out schedule. Your designer is most likely not in the finance business.

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Marketing III:

Don't Forget the Advertising Specifications

by Albert Nader

Prior to my first experience with the marketing and advertising of a real estate project, I had been carefully schooled in the theory that no one creates a need, but that a good marketing man finds a need and fills it. This lesson somehow proved to be right during my 15 years in advertising. The Edsel did not fill a need. The Nehru jacket went to great lengths for a short life. And the midi is fighting a counter revolution that is costing the manufacturers and retail stores considerable sums of money and valuable floor space. We continue to find pioneers who attempt to unlock the secret desires of the buying public. I wish them well for they will need more than money and luck.

However, in real estate I was introduced to an altogether different pioneer. He was neither innovative nor was he seeking to fill a need. For some 20 years, brick, mortar, flooring and doors made a home or an apartment a shelter. Because the population was booming and housing in short supply, the American people had no opportunity to choose, select or reflect upon their buying or renting decisions. They were given shelters and told that’s it: take it or leave it!

Sophisticated marketing and good advertising weren’t really necessary. Developers, architects, and rental agents could all create classified advertising or ads with pictures in them. Each copied the other and when the prospective tenant opened the pages, he found everyone saying the same thing. He made his choice by location, which every developer and architect always agreed was important. People just don’t move to places that aren’t convenient to whatever they want to be near. In fact, that theory is still expounded by many people in the industry today.

Advertising agencies, marketing consultants, designers and public relations specialists were doing other things while the real estate industry was doing its thing: building and renting more of anything that people would buy or rent.

Then came the word “lifestyle,” which is an interesting word. In fact, I consider it the beginning of the end for those in real estate that ignore it. Let me point out some interesting statistics that support this word.

- Rising costs of land and construction labor are forcing single-family homes out of reach for many middle-income families. Where and what will these families be looking for in place of a home which will at the same time be regarded as an investment?
- What about the overwhelming surge of young people, of a more mobile generation, who appear to be natural apartment dwellers? It is estimated that by 1985 the country will need 30 million housing units for the age group 20 to 34, which represents 60 percent of the nation’s total housing inventory as of today. Where and what are they looking for? Not in 1985, but in 1971, ’72 and ’73.
- What’s going to happen to older folks whose children have left home, who desire the leisure and maintenance-free living that luxury apartments and townhouses offer? There are approximately 19 million people over age 65. These people are interested in comfort yet greater mobility. Must they be forced to “swing” in downtown communities or retire in semi-sedate suburban atmospheres, many of whom are attempting to leave that type of life? What will they be looking for?
- The birth control pill. A factor for the real estate industry to think about? You bet it is. While marriages have increased, the national birth rate has dropped to an all-time low, from 23.7 births per 1,000 persons in 1960 to 17.4 births per 1,000 persons in 1968. More importantly, childbearing has been compressed into a briefer period of time. The average period between marriage and birth of the last child has decreased from over 11 years to about nine years. Where and how will the real estate industry build homes and apartments for this ever-changing market?
• The changing improvements in apartment design. More quality in construction, including apartment communities with nursery schools, tot yards, teen clubs and facilities for children as well as adults. Apartments and homes are getting larger in square footage than at any other time in our history. You are going to see more panelled doors, premium-priced wood windows, dishwashers, disposals, two-bath, fireplaces, wall paneling and other products once offered only in custom homes and apartments. How will the developer know when and how much to do to attract his market?

Where does this all lead? Obviously to one area. If you want to enjoy a successful project, share it with your architect, your rental agent, your developer, your marketing/advertising man and your public relations man.

It always interests me to meet a prospective client who comes in and says, “We're ready to advertise,” which, of course, I am happy to hear about. He continues by saying, “We've just completed a 33-floor highrise apartment building downtown. We've got studios, one- and two-bedroom apartments and a swimming pool. We've called it 'The Leaning Tower Apartment Arms.' Creative, don't you think?”

I ask a question: “Who's going to rent the apartments?” The developer quickly replies, “What do you mean, who's going to rent? People, that's who.” And where will they come from? “They're going to leave the guy next door who doesn't have a pool. They're going to come from the suburbs because their kids are leaving home. And we're going to get some professional people from the clinic. And, of course, some pilots and stewardesses from the airport. And some of those teachers and young executives who work downtown.”

Now, that may sound like an exaggeration but that is just how one developer told me why he built a $4 million highrise. Can you imagine what that place is going to look like? I defy you to tell me how an advertising agency can create an ad to appeal to all those profiles. Obviously, it can't. Millions of dollars each year are wasted on ads attempting to rent apartments in just that fashion—being everything to everybody and winding up being nothing to nobody.

Presently, that's the extent of most real estate marketing. Unfortunately, the insurance companies are financing people like this because the numbers all work out, but no one has thought about whether the people are going to work out or not.

I know a developer who called his building The Beach Apartments, right on Lake Michigan, but it didn't have a beach or access to a beach. He didn't even have a pool for the tenants and now he wants to know why he's having a hard time renting his apartments. He says his location is great, which it is, but the amenities are nonexistent.

However, there are signs of hope. In the October, 1970, issue of Apartment Construction News, planner Leon Ruderman of Goodkin-Ruderman-Valdivia, a Los Angeles based architectural firm, has developed a “cell system” of stacking apartment suites. Here is some interesting real estate marketing. Their surveys indicate that families with children are prepared to occupy apartments for a longer period of time in their life cycle if the accommodations contain elements found in single-family homes.

Using these basics, the planners developed the following optimum design criteria:
• Distinct architectural character. Now this is not a new requisite but note the explanation: “In a sense, the project design should serve a marketing function as its own most effective billboard.”
• Separation of tenant and guest parking instead of the back alley approach.
• Covered parking close to units—important to families with groceries, carriages, bicycles, etc.
• Utilization of the recreation facility as a...
merchandising center in order to sell the way of life by exposure to these facilities.

- Living rooms neither under nor over other apartments. An isolation for privacy was achieved in these designs.
- Storage adjacent to each unit to avoid objectionable treks to distant points and to provide places for wheeled toys, baby carriages, bikes, etc.
- Isolation of automobile traffic from children's traffic pattern.

This is marketing, pure and simple. It doesn't assure anybody that the development will be a success, but I can assure you the people responsible for this development aren't walking into a "blind alley" to the tune of $10 million, which is what it will cost. It is obvious from what has been done through research, attitude studies, and common sense that this development will be successful.

An experienced advertising agency assigned this project will have one objective: find the "buzz word" or creative phrase that will "turn on" prospective tenants. They certainly know where to start, and they know what the people want. Their research told them that. Now the trick is to get Mrs. Consumer to respond. That shouldn't be difficult with a product like Goodkin-Ruderman-Valdivia are developing.

When do you start talking to your advertising and public relations people? Right from the very day you and your architect begin discussing the plans for a new project. Certainly, the advertising and public relations firms need not attend every meeting from then on but they should be involved in those discussions that relate to the profile of your prospective buyers or tenants. Advertising and PR people may be useful to you during the development period.

Changing life-style patterns and influences are usually first picked up by the communications industry. Any information to help you keep your development current is valuable. More importantly, you can never have enough time to plan a sound campaign. Along the way, your advertising agency will give you information to help answer many of the questions that will be posed while final drawings are being made; items like nurseries, playgrounds, parking spaces, etc.

The agency can help you decide what might be attractive to new tenants and suggest features that will help you distinguish your property from the competition.

You have to trust your advertising and public relations people just as you would an architect or builder. Above all, let them do the advertising. Don't write copy. Don't set the theme. Let them present their ideas and establish sound reasons for doing such. If it doesn't make sense, then question them. If they can't give you sound logic, then determine whether you need another approach from them or another agency. Don't dismiss them because you don't like it. Remember, you're the last person on earth who can be objective.

Unfortunately, real estate is the only industry where I have found copywriters and art directors posing as architects, developers and rental agents. Even mortgage bankers can quickly tell you what will work. On the other hand, I have never been able to solve a problem in any of these areas—maybe it's because I have limited my horizons to advertising only.

Good advertising that produces results is what you should be interested in. Our clients and our staff spend many hours discussing what is to be done, working out a strategy directed at the market profile we are aiming at. After that it is our problem; the advertising program is achieved without one bit of interference by the client.

We spend time developing the creative strategies, the promotional program, signage, brochures, media strategy and work in close liaison with the public relations firm to coordinate our activities.

One very important point I'd like to make: Anytime you find an advertising agency criticizing your public relations firm, or vice versa, fire them both simultaneously. Then get yourself two companies or two people that will work together. You will profit from it tenfold. I've never seen a good advertising man who could do public relations and I am sure the reverse is true. You can't do two things well. Something has to suffer.

Once the program is ready to present, we call in the developer, the architect and the management firm to hear our presentation and the rationale for the program. We want
Move into a lifestyle apartment included An apartment in Four Lakes Village is more than a place to live. It's a way of life. It's clean air and country beauty ski slopes, trout-filled lakes, swimming pools, tennis, and wall balls. And your spacious apartment is as exciting as the surroundings. You'll enjoy a woodburning fireplace, your own balcony or patio, central air-conditioning and wall-to-wall carpeting. Here are 300 acres of nature's pleasures, where you can live close to the city, while enjoying all of the nature amenities of the resort area. Drive out and talk to the residents.

One bedroom from $210
Two bedroom from $315
Models open daily and Sunday from noon-8 P.M.

FOUR LAKES VILLAGE
Lisle, Illinois, only 30 minutes from the Loop.

Managed by BARTZ & WARNER

PREVIEW SHOWING TODAY

The Gold Coast's carriage trade didn't know what they started.

Potter Palmer started it all. Back at the turn-of-the-century he built a mansion on the Gold Coast. And everyone laughed. They thought that one mile north of the river was too far out for the site of a house. But before all the turrets and towers of Palmer's castle were completed, the city's well-to-do followed his lead. And they have been ever since. Today at Astor and Banks there is a new standard for the Gold Coast. The Astor House. A distinctively gracious apartment residence that's more than an address. It's thirty stories of luxuriously sized rooms in distinctive room layouts. It's an over-the-lake view away from all the traffic. It's convenient to Michigan Avenue, the park, the beach, private clubs and continental cuisines. Now why don't you jump into your carriage and see what we've started.

In the tradition of refined elegance, Astor House apartment residences include: Large, warm foyers, separate dining areas, tiled bathrooms with decorator fixtures and vanities, floor to ceiling living room windows, views of the city and lake, outside terraces, contemporary kitchens with wood cabinets and food preparation areas, a number of ample closets, and designer wall coverings.

* Two bedroom apartments, one bedroom apartments, intown studios * penthouse pool and sundeck * hospitality room * gourmet restaurant * individually controlled heat & air conditioning * 24 hour doorman service * attendant parking * resident storage * gracious Astor Street lobby *

MODELS NOW OPEN * Designed and furnished by Wilson-Jump of Chicago * Park free to visit models * Daily 10 A.M. to 6 P.M. * Sat. and Sun. 11 A.M. to 6 P.M. * MAY 1969 OCCUPANCY * Phone 937-0000.

ASTOR HOUSE
Apartments 1340 ASTOR STREET

By emphasizing the uniqueness of a development, well-planned, creative advertising aimed at specific markets can insure a successful renting program.
all three parties to think about what we are doing. If it doesn’t hold up under question-
ing, then maybe we ought to look it over and start again. While perhaps someone
doesn’t like the creative approach, that’s not
the point; if all three agree with the strategy, then the campaign has been approved.

There is a big difference as to strategy and creative approach. For too long the real es-
tate industry has not been able to separate the two. If the strategy is aimed at a certain
profile, it is the agency’s responsibility to present the most effective method of reaching
that profile through media or promotional efforts. The creative approach decision
should be left to the agency. They certainly
should have the ability and creative talent to
know what will generate response for a prod-
uct or service.

If the ad campaign isn’t working after
three or four weeks, then you have a right to
stop it and ask your agency to review it with
you. But don’t stop it after the first day.
When a campaign isn’t working, one of
three things is happening: bad media selec-
tion, creative is not turning on the people or,
if the people are coming out and you’re not
selling them, you either have a poor sales
force or a poor product. It’s just that simple.

I’ve selected several low budget projects
as samples of advertising that did work. All
of it was carefully thought out and carefully
prepared; much of it was inexpensively pro-
duced. I consider all of it creative and on
target.

The Astor House had an unusual problem.
Located on Chicago’s Near North Side in
what once was called the “Gold Coast,”
this new project had three new neighboring
highrises to contend with, all renting simul-
taneously. However, each was saying virtu-
ally the same thing in its ads: “Near Michigan
Avenue where all the action is.”

We chose another route. Our target audi-
ence was persons 35 and above, upper
income professional and business people,
some of whom maybe remembered the for-
mer elegance of the Astor Street area. We
ran a series of simple black and white dis-
play classified ads in the Chicago Tribune
exclusively. The opening ad brought in 180
people and succeeding advertisements gen-
erated from 50 to 100 people each weekend.
Within six months, we had a fully rented
project. While other buildings in the area
were renting long before we were, they
still had not achieved full occupancy with
their “me too” approach.

The Brittany, about a mile south of the
Astor House and east of Michigan Avenue,
posed a little different problem. Here was a
combination residential and commercial building; eight floors of commercial and 21
floors of apartments were attractively pack-
aged into a 29-story highrise. The market
profile indicated our prospective tenants to
be in the 22 to 40 age bracket, the young ex-
ecutives, young marrieds, single secretaries
and professional people, those to whom the
“swinging” atmosphere of the surrounding
neighborhood would appeal.

In this project we started from the very
beginning: the development of stationery,
residential and commercial brochures, sign-
age, outdoor advertising in the loop areas,
and the advertisements. It resulted in a very
successful project with the “right kind” of
young people who are very much interested
in their work, their apartment and the sur-
rounding neighborhood. Commercial ten-
ants were very impressed with the friendli-
ness of the building; they enjoyed the
feeling of not being a little tenant in a big,
impersonal office building.

My final illustration is an example of a
totally different way of life. Four Lakes is a
village—a village of young people who be-
lieve very much in apartment living but also
in an outdoor atmosphere. They want an
environment in which they can ski, swim,
play golf, fish, do practically everything that
is impossible to do in city-living without
planning for days. At Four Lakes they can do
it all just by stepping outside their door.

Our approach was to tell it exactly like it
was. We chose, again, classified newspaper
advertisements. Over 450 apartments were
rented within a five-month period. Adver-
tsising was the strong thrust here but public
relations also played an important part in
the program because it gave our advertising
believability—and that’s important.

Your client has invested a lot of money in
a piece of ground. Invest some of it in good
advertising. Believe me, you’ll make your
life easier, you’ll do a better job and the re-
sults will be productive. Above all, meet with
the advertising and public relations people
early; you’ll be glad you did. Whether you
believe it or not, advertising does work. In
fact, well-planned creative advertising works
even better.

Albert Nader is president of Nader-Lief Associates,
Advertising, Chicago. He began in corporate market-
ing and advertising with Sears, Roebuck and Co. and
then went to Montgomery Ward. He later joined
Rand McNally as director of advertising and sales
promotion for their educational products, and four
years ago he started his own advertising agency.

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Journal of Property Management
As a result of the promotional efforts of the publicity, advertising and graphics specialists, our prospective tenant has come to the new building, anticipating his new home in the form of the model apartment. If the design of the model is a letdown, all the work that has gone before is basically lost to the developer.

The first important aspect in putting together a set of successful model apartments is the choice of your designer. Often in the past developers have based their selection on the local furniture store. This practice usually has not been good for the model apartment because the quality of the design staff of the store is nil—if it has one at all. Also, it is usually very eager to push every old piece of furniture from the floor. You end up with a fairly inexpensive—if not totally inexpensive model. In most cases the store doesn't even charge because it feels it is going to get a great deal of traffic and new clients from the models itself.

In this case also, you seldom get someone who will try and feel out who the prospective tenants are going to be. They don't have the time nor is the staff designer that competent. It is important to find out who the people will be going through your models. It makes a difference if the building is a highrise full of one bedrooms and studios or is concentrated with two- and three-bedroom units for families. Usually a studio apartment appeals to a younger person so we try to design it in a way that is a little more "in" or a little more forward than we would for a unit aimed at families.

A really gutsy model is essential; it is very important to get something unusual. Having a prospective tenant bring someone else in just to see something wild promotes...
The completely decorated, well-accessorized model apartment can stimulate the prospect tenant's imagination and enable him to picture himself in such an apartment.

Traffic. It may promote a new prospective tenant by word of mouth since he might not have seen the advance publicity.

Designing a model that can photograph well is also important because if the photographer from your publicity firm can't take a decent angle showing what you have done, the editors of the papers aren't going to pick it up as quickly. Remember, you aren't doing a small house for someone to live in; you are setting a stage for publicity. This is totally different from doing a residence for someone who is a living, breathing client.

You will be dealing with more than one taste. You cannot successfully attempt to take one style and fit it to most everyone's feelings of style. We do a great deal of period mixing; often we will mix with period pieces two or three wild, classic contemporary pieces of furniture, combining steel, chrome, glass, and a little bit of leather. These pieces, designed in the 1920s by some of the famous architects like Mies van der Rohe, give a model a classic look, not just an "in" or "now" look.

Mixed with these pieces are a few antiques or decent antique reproductions. This softens the harsh steel and glass and will enable people who have a few good old pieces at home to feel they don't have to throw everything out when they move into this new apartment. At the same time, the young people who appreciate and probably understand most of the new exciting glass and steel pieces can relate to it also.

We try to hit most tastes when we put a
model together by having a combination of designs to it, not just an all English model or an all modern model, etc. What's being publicized today is a mixture of things. This doesn't give the room a static or stagnant look.

Unfortunately, one of the things that has held us back a great deal and much too long is the design of interiors. For some reason people felt they could only feel comfortable with what grandma had. A mixture is good. If grandma gave you a great piece of furniture, don't throw it out. It's great to combine with some of the new pieces and give the room a totally new look.

A model should be a complete room; it shouldn't be any kind of a mock-up or vignette. People cannot really relate to a little corner of a room with a chair, a piece of fabric draped over it, and two inches of wall papered. It's very important to be as complete as you can when you design the models.

Prospects should be able to feel it is a finished room when they walk into it. It should be totally accessoried; for example, the bed may be full of throw pillows which give a softening look. They should be able to sit down on the furniture and feel the apartment is comfortable. The vignette does nothing; it is a total waste of time and money because you cannot really tell how the room will look when most of it is just white plaster walls.

Color is very important to prospective tenants. Most of the earth colors as we call them—the warm colors: oranges, yellows, beiges, etc.—appeal to more prospective tenants coming in out of the cold than would a cool room, one done in blues and greens. We use blues and greens as accents but not as principal color tones.

When you walk into a room and see the bedroom from the corner of your eye, and the bedspread is a bright orange and the pillows are red and yellow, this has much more interest and warmth and will draw the prospective tenant into that room. Colorists have proven that cool colors are receding and warm colors come at you; they will draw the tenant into the space.

As with the other items discussed here, it is extremely important for the designer to get in very early in the project's development. When an architect begins to select materials for the interior of a highrise, for example, it is important if we can be involved with the standard appliance color for kitchen and plumbing fixtures, cabinet colors, etc.

No tenant plans to live forever in the rental unit; therefore, it has to be changed to suit the taste of the next tenant who lives there. You have to keep in mind when choosing color plumbing that these are pieces you cannot change easily. If you stick to the neutrals, you can always totally change the look of the room with strong papers and fabrics and other accessories. What if someone doesn't like pink and you have pink fixtures in the bathroom? If the wife really hates pink, she will probably try a different apartment complex. Kitchens and bathrooms are especially important to her since she will be the one spending much of her time in these two rooms.

The only color I suggest in kitchens and bathrooms is yellow because you can either cool yellow down or warm it up by the colors you use with it.

Another reason for having the interior designer involved early has to do with furniture deliveries. Three years ago when I started doing this type of design, our delivery wait was six to eight weeks after the client had okayed our design. It has now gone up to 12-16 weeks. It takes a great deal of time to get the furniture in, to make sure there aren't any scratches or damages, so we can put them in the model and be able to meet the opening day.

When you do a model apartment, you are not designing someone's home. You can't say, "I'm sorry, Mrs. Schmidt, but your cocktail party will have to wait another week because your sofa's not in yet." In most cases if the developer has spent several thousand dollars on publicity, the model has to be open on that date. Otherwise, you might as well forget it because everything is keyed to that opening date.

One project on which I was asked to bid involved a series of 18 or 20 townhouses. They asked a few design firms to give them a budget of costs for their fees and also estimate a furnishings budget for the level of their prospective tenant. I was much too high as far as they were concerned. They called in a local firm which was connected with one of the larger department stores.

After unsuccessfully renting the townhouses for about two or three months, they called me back. My fee had risen due to the problem of ultra-fast installation. They were unable to wait the 10-14 weeks to get furni-
ture so I had to beg furniture off of show-room floors and get something together that looked good. This involved an extra amount of money because of retail, not net costs. They rented the remaining 14 or 16 units in about a month after the models opened.

Accessories are also very important. I have found that sometimes accessories can take up one-fourth to one-third of the furnishings budget, depending on the level of people the developer expects to get into his particular models. We spend more of our time accessorizing than on any other design phase.

I try to encourage the client to allow me to epoxy every single accessory down, on tabletops, cabinets, on any surface. Most of my time is taken up choosing the right accessory that I think will make the glass table warm enough—such as an antique wood box, for example. The client does not usually look into the estimate but he may find out after the box is stolen that he paid $200 for a little box. It is much easier if you glue these items down and have someone refinish the table top if you expect to sell the table after the model is closed. No matter how many agents you have walking around with prospective tenants, a few pieces will be taken (especially if you have taken time to choose good ones).

One thing we like to use extensively and have found is fairly successful is live plants in the interiors. If you can keep the rental staff from over-caring for them, they really do grow. In most cases if a plant is left to dry, it will live longer than one that's moist all the time. Plants are important because they give a live-kind of softening into a harsh space where there is no one living. I never use plastic; if for some reason you want to give an effect and there is absolutely no light, I much prefer using some types of dried materials to soften the space. In some cities there are firms that will rent plants; you will be charged rental each month and have great looking plants the entire time the models are open.

The selection of furniture is also important. Again, we’re not doing somebody's home. When you choose a sofa, it doesn’t have to be made out of totally seasoned wood that will last a thousand years. In most cases, we buy the large seating pieces as inexpensively as possible because today you can get very good design for cheap money. It won’t last—the sides may be cardboard but nobody knows that when they just look at it or photograph it.

We do invest in the good pieces that will show—a couple of very good antique pieces that act as a good foil against the other simple pieces.

In some cases, especially in doing studio apartments for younger renters, tenants want some of the wild, interesting furniture they see in the model apartments. One of the greatest compliments we’ve ever had was when one of the bachelors bought every single item we had and moved it down to his own apartment.

Another thing we are involved with is doing public spaces. It’s important to coordinate as much as you can. If we can be involved on the developer in doing the public spaces, lobbies, corridors, even on setting colors for laundry rooms, etc., these can be coordinated with the model. If you can take a few of the ideas you’ve used in the models and bring them down—even in color—in the lobby, for instance, it really makes sense. If you can coordinate these items, there will be a total look.

Jack Wozniak has headed his own interior design firm in Chicago for the last three years. He formerly was an instructor at the Harrington Institute of Design in Chicago and was on the interior design staff for Perkins and Will.
Typical of apartment buildings suitable for conversion is this nine-flat in Chicago's Hyde Park.

The Legal Steps

by Harold L. Miller

What is a condominium?

A condominium is a legal ownership of a parcel of real estate in which one parcel is stacked on top of another. If you were the condominium buyer or owner, you would own the air space that exists between the floor, the ceiling and the walls of a unit on a certain floor; you would own this in fee simple ownership. You would also own a proportionate interest in the land below, the halls, the roof, the heating system and the many other items called the common elements since they are owned in common with the other occupants. This basically is a condominium.

Because there are many people living together in one structure, there must be rules and regulations setting out the individual's rights and obligations. Virtually all 50 states have now enacted a condominium property act in one form or another. The condominium property acts also require that a declaration of condominium be prepared and recorded which sets down in greater detail the operational aspects of the building.

Condominiums are ancient in nature. We have evidence that they were used by the Romans in ancient times. In Europe many countries have used a condominium type of ownership for hundreds of years and in this country, several western states have used condominiums for many years. In Illinois, they are relatively new; they came upon the scene approximately six years ago and from their inception they have tremendous success.

Many people inquire as to what the differences are between a condominium and a cooperative apartment building. They are similar creatures in many ways and yet also very different in very important aspects. They are similar in that they are various units grouped together in one building and there are rights, obligations and restrictions applied to both types of buildings.

In Illinois, a cooperative has one real estate tax bill applied to the entire structure. This means if your neighbor won't or can't pay his proportionate share of the tax bill, the other co-op owners must each come up
with additional funds so that the tax bill can be paid. Under a condominium, there are individual tax bills for each unit owner and, therefore, one is responsible only for his particular bill.

There is one mortgage on an entire cooperative structure. This presents a problem because as the mortgages mature, the equities are built up and if a co-op owner wants to sell his particular unit, the purchaser must come up with the difference between the selling price and the mortgage. In the Chicago area today, there are many co-ops where the mortgages have been paid down to extremely small sums of money, and a purchaser wishing to buy a unit must come up with a sizable down-payment, sometimes amounting to as much as $20,000 to $40,000. This affects the saleability of the co-op. In a condominium, there are individual mortgages; a buyer can go out and obtain a mortgage for his particular unit, which is a great advantage.

There is also a difference in the title. In a cooperative, the owner merely has an interest in a land trust or shares in a corporation. In a condominium he has fee simple ownership to air rights and also a proportionate interest in the common elements.

A building becomes a condominium when the owner records a declaration of condominium with the county recorder, having a survey attached showing where the land is located. It's as simple as that. However, the savings and loan industry has regulations and most other lenders have self-imposed regulations to the effect that they will not make any end loans to individual purchasers until at least 60 percent of the units have been sold. This protects them against having a building with a few condominium units and the balance rental units. However, it is incorrect to say it is not a condominium until 60 percent of the units are sold. It is a condominium as soon as the declaration is recorded.

The real estate sale contract shown here is a form I've used for a number of years in the Chicago area for use in condominiums. It may or may not be applicable to other sections of the country; however, there are provisions here which can be adapted to other situations.

Paragraph 1 sets out what the purchaser is buying; it gives a unit number and also states a purchase of an undivided interest in the common elements. Paragraph 2 sets out expressly that the purchaser is subject to the Condominium Property Act of Illinois. Paragraph 4 contains the various items to which the title will be subject, some of which are not normally found in real estate contract form.

In the last sentence of Paragraph 4, I have inserted a very important provision. When you file a declaration of condominium in Illinois, the county assessor then breaks down the tax bill for the individual units. However, this frequently takes a year. In the intervening time, a tax bill comes out for the entire structure. I've provided in this clause a method of determining what the taxes are for the individual unit owners. For one year, the developer or the broker will make a determination as to what the taxes are for the individual units. By the following year, the county assessor will have made a division by units.

Paragraph 5 deals with the fact that the buyers are buying something through the declaration of condominium and that they will assume the obligations contained in this particular declaration. This will preclude them from saying at a later date that they did not assume the obligations contained in the declaration. In the final sentence I also set up a reserve of three months' assessments to be held by the condominium association. We learned the assessments that were set up were frequently inadequate. One thing that people hate is when you tell them it will cost them so much a month and then
REAL ESTATE SALE CONTRACT

THIS AGREEMENT, made and entered into by and between (hereinafter referred to as "SELLER"), and ___________________________ (hereinafter referred to as "BUYER"), of_______, Illinois.

1. SELLER agrees to sell to BUYER and BUYER agrees to purchase from SELLER, pursuant to the terms and conditions hereinafter set forth, the premises hereinafter called ("UNIT OWNERSHIP") consisting of the exclusive ownership of Unit No., together with an undivided interest as tenant in common in the common elements. Building address, ____________________________.

2. It is agreed that the unit and common element ownership in the above described real estate and any permanent fixtures attached thereto, shall be owned by the BUYER and all other BUYERS and owners in the real estate subject to the terms of the Condominium Property Act of Illinois.

3. Price and Terms. The total purchase price shall be $____________________, upon execution of this Contract.

4. SELLER agrees to convey to the BUYER title to the above described premises by a Trustee's Deed, subject only to:
   (a) That he has procured for BUYER a written commitment for a mortgage loan upon these terms; or
   (b) That he will personally assume the obligations appurtenant to his premises under the Declaration of Condominium Ownership providing for the maintenance and upkeep of the Condominium Development, and BUYER does hereby subscribe to membership in THE CONDOMINIUM ASSOCIATION created for the purpose of administering the property in accordance with the Declaration of Condominium. Upon closing the BUYER agrees to deposit with THE CONDOMINIUM ASSOCIATION an amount equal to 3 months assessments which shall be prorated on the basis of the last ascertainable tax bill. If the last ascertainable tax bill is on this entire building then the taxes on the BUYER's unit shall be computed by multiplying the total tax bill by the BUYER's percentage in the common elements.

5. Prior to delivery of Trustee's Deed hereunder, SELLER shall cause to be recorded in the office of the Recorder of Deeds of Cook, Illinois, a Declaration of Condominium Ownership in the form available for inspection at SELLER's office. BUYER agrees that he will personally assume the obligations appurtenant to his premises under the Declaration of Condominium Ownership providing for the maintenance and upkeep of the Condominium Development, and BUYER does hereby subscribe to membership in THE CONDOMINIUM ASSOCIATION created for the purpose of administering the property in accordance with the Declaration of Condominium. Upon closing the BUYER agrees to deposit with THE CONDOMINIUM ASSOCIATION an amount equal to 3 months assessments which shall be used as a reserve for operation and management of said property as contained in the Declaration of Condominium.

6. If SELLER shall fail to notify BUYER within such 30 days as aforesaid, then this agreement shall be deemed terminated and the earnest money deposit shall be refunded.

7. In this matter BUYER will use his best efforts in connection with the execution of mortgage applications and instruments, issuance of financial statements, and the performance of all acts necessary to obtain such commitment and to consummate such loan, whether the same was obtained by himself or SELLER.

8. This transaction shall be closed and the payment of the price and delivery of deed shall be made at the office of SELLER at such place in the Chicago metropolitan area as the SELLER shall designate and shall be at such date as the SELLER shall designate, provided however that final closing shall not be set earlier than two weeks prior to the delivery of possession of the premises.

9. For the purpose of completing the sales promotion of this Condominium Development, SELLER and its agents are hereby given full power and authority to maintain on the subject premises until the sale or rental of the last unit, a sales office, together with the right of ingress and egress thereof.

10. If BUYER shall execute and deliver this agreement together with the down payment required hereunder without SELLER's execution hereof then this agreement shall be considered a firm offer by BUYER which shall remain open in consideration of the SELLER's reserving the premises for BUYER for a period of twenty (20) days from the date hereof, and may be accepted by SELLER and executed at any time during said period. Upon execution by SELLER the down payment shall be applied as part payment of the purchase price and an executed copy of this Contract shall be sent to BUYER, otherwise the agreement shall be considered rejected and shall be promptly returned to BUYER together with all funds deposited.
11. Either party may require the other party to convey the premises before the time hereof as soon as possible, and the time is of the essence of this contract. The provisions of this contract shall be controlling as between the parties hereto.

12. All notices and demands required shall be made in writing and the mailing of notice by Certified Mail to the address set forth above, shall be notice to the other party. Written notice to the effect at least 30 days prior to the designated closing date shall be required.

13. Purchaser shall not assign, transfer or otherwise convey the premises or any of the rights or interests hereunder without the prior written consent of the SELLER, and any such assignment shall not be effective.

14. This contract constitutes the entire agreement between the parties. No representations, warranties, undertakings, or promises, whether oral, implied or otherwise, can be made by either SELLER or Purchaser to the other unless expressly stated herein or unless mutually agreed to in writing by the parties. All amendments, supplements or riders hereto, if any, shall be in writing and executed by both parties. The SELLER shall not record this agreement or any memorandum thereof.

15. SELLER warrants that no broker, other than the one instrumental in submitting, showing or selling the property to him, BUYER agrees that he has inspected the premises and is buying them in their present condition without warranty or representation of any kind, express or implied, by SELLER, or any agent or broker of SELLER, not expressly stated herein.

16. That included in the Condominium Unit will be the appliances now in the Apartment, which include the following: range and refrigerator.

17. If BUYER'S are husband and wife, their interest hereunder shall be as joint tenants and not as tenants in common, and all conveyances made to them shall be in joint tenancy.

18. In the event that the matter shall not have been closed by the date of the delivery of the deed, because of the SELLER, then the SELLER shall return the deposits in escrow and this contract shall become null and void. The SELLER'S liability shall be limited to the return of the deposits.

19. If, prior to delivery of deed heretofore, the improvements on said premises shall be destroyed or damaged by fire, this contract shall, at the option of the purchaser, become null and void.

SELLER: ____________________________
BY: ____________________________
Authorized Agent

BUYER: ____________________________

DATED THIS ______________________, ___________ 196__________
DAY OF ____________________________

This form prepared by
HAROLD LOUIS MILLER, Attorney at Law
33 North Dearborn Street
Chicago, Illinois 60602

Come back later and say it will cost more than that. So if we keep a three-month reserve in advance, this can be used as a cushion for any unforeseen expenses which may arise.

Basically the balance of the contract is something most of you are probably familiar with. Paragraph 18, though, is not very clear—for a purpose. Suppose a developer had not been very successful with a project. He entered into four contracts and then couldn't sell any more. What does he say to the four people? Does he go back to them and say, "Look, I can't sell to you"? Some people can be very obstinate and say, "I have a contract to buy. You convey a condominium unit to me." The developer must because of the doctrine of equity; the moment a contract is signed the buyer has an interest in that property which cannot be taken away. However, by this particular provision, if at a certain date the developer ascertains the building will not be successful, he can merely invoke this provision, notify the buyer, return the earnest money, and he's home free.

The property survey is an extremely important document and should be done by
an experienced appraiser. This is not something that you hope you can come close to; it must be exact. The survey contains the horizontal planes—'ownership is at the top of the finished floor and the bottom of the plaster ceiling.' The cubic space as defined by the survey is what the unit owner actually owns.

The declaration of condominium is a very lengthy document, which most people feel is a lawyer's job to handle. Unfortunately, it is much more than the lawyer's job. You will learn when you start to sell condominiums that you are not selling a home and you are not selling an apartment building—you are selling a hybrid.

Many buyers will ask you questions which you must be able to answer; otherwise, you will be very much embarrassed. We hired a sales firm, which was very well established and qualified, to sell a highrise condominium building for us. The units didn't sell. I discovered the salesmen were inexperienced in condominiums and we had to undertake a training program for them.

These are some of the typical questions asked by the prospective owners:

- How do you determine the assessments?
- Who manages the building?
- How are the board of directors elected?
- What happens if I want to run a business out of my apartment?
- What happens if I want to keep more than one pet in the apartment?
- What about the use of garage space?
- The answers to these and others are contained in the declaration of condominium.

I will briefly run through some of the highlights of such a declaration and point out what should be in it and what the problems are.

Under Illinois law the management of the building is set up in a not-for-profit corporation and the board of directors is elected by the various unit owners. They in turn are entrusted with the job of managing the building. They can hire professional management but they are the ones that arbitrate disputes, set up various regulations for the use of the common areas, and they also determine the annual budget.

Then there is the question of the right of first refusal. Remember, the condominium unit owner doesn't have an absolute right to sell. If a unit owner wants to sell, he can enter into a contract to sell the unit; however, he must have an option whereby the not-for-profit corporation can buy the unit within a 30-day period of time. If the not-for-profit corporation does not buy the unit, then it can be sold to the purchaser.

Since the building is cooperatively organized, the other people in the building would like to know who the new owner is going to be. During the 30-day period, the proposed purchaser can be investigated and determined whether or not they are desirable people for the building—not because of race, religion or creed, but other factors.

If it is determined the proposed purchaser is not desirable, the unit owners can purchase that unit for their own benefit. They can then turn around and find a buyer for the unit and sell it. The unit owner wishing to sell suffers no loss because he is either going to sell it to the buyer with whom he is contracted or the building itself is going to buy it from him. This is spelled out in the declaration of condominium, along with restrictions on the right to lease the apartment.

Insurance is an important factor in a condominium building. Unit owners cannot have individual fire insurance; under our policy, you must have one policy for the entire structure.

Alterations, repairs, maintenance and decorating are all important items. You can have people do all sorts of way-out things unless there are controls. I remember one new building where there was a long corridor with apartments on both sides. One of the unit owners decided she would like to decorate her particular portion of the hallway outside her apartment.

She installed some flowers and planters and so on, and it was very pretty—but it was also dangerous. It created an insurance hazard and a number of the other people didn't like it. This was brought to the attention of the board and the owner was notified that this wasn't allowed. There must be controls on what can be done with the common elements. The same is true where there are balconies; the owners will want to maintain a certain degree of uniformity.

There are also restrictions that the apartments are to be used only as residences, not for the carrying out of a business. I had one
Building in the Hyde Park area with 18 units where there were nine psychiatrists and psychologists; most of these people ran their offices out of their apartments, and so in this particular case I had to change the language in the declaration, giving them the right to maintain offices in the building.

The declaration also contains ways of amending the declaration and the bylaws for the operation of the building. For instance, how many members are on the board? What are the duties and responsibilities of the officers? What about the managing agent? What are his responsibilities? To whom does he report?

It has been my experience in every one of the projects we have been involved with that we recommend people do not manage the building themselves on a day-to-day basis. They don’t know how, and it creates a great deal of animosity. Can you imagine being a member of the board of directors and one of the owners calls, “My faucet leaks. What shall I do?” Another unit owner will call, “There’s a broke window. Fix it for me.” We recommend they hire professional management. The manager will gain in additional revenue and the owners and lenders will benefit from professional management.

Condominium Conversion II: Value Before and After

by Clarence A. Bruckner

The appraisal of a condominium unit raises many new and interesting facets of valuation. The space cubical itself has no roof structure and no basement; it has no land and no exterior walls. In spite of these apparently strange conditions—a naked structure clothed by the jointly owned common corridors, lobbies, stairways, plumbing, utility lines, etc.—the condominium unit represents a parcel of real estate which is in demand and can be valued.

Its value is measured by the composite interplay of such factors as the value of the land which it uses, the physical size and arrangement of the unit or units, the location of the building, and its amenities such as the appeal of its architectural design and the social and economic level and status of its occupants. To successfully convert a small apartment building, you must have three primary factors: location, location, location.

Followed closely by these three primary factors, the property must be located in a community that is in extensive demand by homeowners and apartment dwellers alike. To be successful, the property must be located within close proximity to cultural, recreational, shopping and transportation facilities. There have been several areas within metropolitan Chicago that have had a degree of success in converting the small apartment building into a condominium but none to the extent that we have had in the community commonly known as Hyde Park. Our subject property is located near Lake Michigan, the University of Chicago, Jackson Park, the Museum of Science and Industry and is also close to excellent shopping facilities and within walking distance of major transportation facilities to downtown.

Harold L. Miller, attorney at law, Chicago, has specialized in real estate law since becoming a member of the bar in 1954. He is the attorney for the Universal Savings and Loan Association and for the Bank of Elmhurst. Since the Illinois Condominium Law was enacted in 1962, the greatest percentage of his legal services has been devoted to condominiums. He was also the first developer of a condominium conversion in the Chicago area and presently is president of Condominium Development Company, a consulting and development firm.
Briefly, here is a history of the community: Hyde Park became residentially mature by 1920; at that time the residents were principally Caucasian. By 1930, the population of this community had increased to 48,000 persons. The decade between 1920 and 1930 saw the beginning of residential conversions, many of which were within the University of Chicago area and were designed to provide housing for students. Between 1930 and 1950, the population increased another 15 percent but with the exception of several new apartment buildings, there was little new building in the community during this period.

From 1940 to 1950 the community began to experience an influx of nonwhites, which was accelerated after 1950. The total population declined rapidly during the '50s but this was a result of demolition for urban renewal projects. The nonwhite population has now increased unit it comprises some 38 percent of the total population.

In 1954 the Chicago Land Clearance Commission began drawing up plans for rehabilitation of this community. By 1962, as part of the Hyde Park Aid Project, a shopping center and highrise apartment building having 540 units had been completed as had a large group of townhouses. In 1956, the community conservation board authorized the Hyde Park-Kenwood conservation area which covers all of our community and the southern half of the community immediately adjacent to the north of the subject. This was the turning point of a community facing a downhill trend to one on the brink of an uphill rise.

Since 1960 additional demolition has occurred as well as the construction of many new highrise type of apartment buildings.

Within the same period, several of the older apartment buildings of the walkup variety, such as our subject property, were extensively modernized and updated. With the advent of the condominium law in 1962, many since have been converted into condominium units.

The demand for existing rental units not only by community residents but by people outside of the community who watched the rapid transition of the community became very prevalent. Presently within apartment building structures, vacancies are almost nil. Pride of ownership has continually increased since 1956, and I might add that this is probably the most successfully integrated community that any of us will ever see in the United States. An interesting fact, too, is that the median family income has increased tremendously: approximately 50 percent of the people are making incomes in excess of $12,000 and 70 percent make $10,000 upwards annually. Unemployment is almost nil as are substandard structures within the community.

All apartment buildings within a general community are not prime units for condominium conversion. In areas where home ownership is in demand, the building being considered for condominium conversion must have the major amenities desirable of typical home owners, especially with relationship to the living area. Typically, to have a building converted successfully—at least in the community we are referring to—there must be a minimum of three bedrooms and 1½ baths but preferably four bedrooms and two or three bathrooms. If our subject property meets these basic criteria of being spacious (and having location), it could possibly be successfully converted.
I will not illustrate all the steps used in the appraisal process in arriving at an indicated market value for the subject building as an apartment building; I can assure you as a professional real estate appraiser that all three approaches were used in arriving at my final opinion of value.

I next used the cost approach to value as a condominium project (see Figure 1). In addition to the market value estimate of the property as an apartment building, there are additional costs for which I had to make allowances. One of these was advertising. Based on other conversions in the area, the cost of advertising was figured to be approximately 4 percent of the purchase price.

The next step the appraiser must allow for is the cost of surveying the entire building, both vertically and horizontally, and for the cost of surveying each unit, which is a requirement of the Illinois condominium law.

We had additional legal fees for the attorneys who drafted the declaration of condominium and the cost of recording these declarations plus the cost of title expenses. Each one of the units that is sold must have its own individually guaranteed title insurance policy.

Another item to be considered is the additional interest during the conversion period—that is, from the date of purchase to the estimated time when all units will be 100 percent sold out as condominium units. This is the period when existing tenancies are vacated, all common elements are upgraded and extensive advertising is done for the sale of the units. The typical building in the Hyde Park area has taken six months. Therefore I figured six months’ interest at 9 1/2 percent for 75 percent of the purchase price as an apartment project.

The next step is to estimate the cost of upgrading all common elements. Within Hyde Park among those buildings that have been successfully converted, typically only the common elements are upgraded, and not the unit interiors. Such items normally include tuckpointing the exterior walls; caulking windows; replacing the roof, installing a new heating system if necessary, preferably of the type that is zone controlled and with individual unit thermostats; installing adequate electrical service, with the circuit breakers being located within the units themselves; cleaning and refurbishing stair halls, including new carpeting; painting exterior trim; repairing and painting all wood rear porches; and in many cases sandblasting at least the front of the building.

The reason for upgrading all common elements is that the typical purchaser within this community demands it. He is then relatively assured that, at least for the first few years of ownership, he will be financially trouble-free of any major expense which, if incurred, must be paid through an increase in the monthly assessment or by special assessment in proportion to his percentage of ownership. Since I am not a cost estimator, it was necessary for me to call on a profes-
The appraiser must go one step further to see if the cost, principal and interest as well as the assessment for the common area expenses does not exceed the cost for comparable rental housing within the community. Based on my market surveys, the indicated rental for six of the units in our building was $225 and $230 for three of the units.

I then estimated the expenses as a condominium (see Figure 2), which totalled $12,914. Assuming the market indicators are correct, these prices are then divided into the overall indicated market value of $183,000 to arrive at a percentage of ownership of the common elements. The estimated annual assessment for three of the units is 11.5 percent or $1,484 annually and for the remaining six, 10.9 percent or $1,408 annually.
Broken down to a monthly cost, it comes out to $123.67 for three of the units and $117.33 for the other six. Added to the mortgage payment of principal and interest, six of these units would have an overall monthly payment of $230.63 and three slightly higher.

One of the units in the building was not to be sold; the basement apartment was to be rented. Therefore, a monthly rental is coming in from that unit as well as from one garage stall located on the property. The basement apartment would rent for $115 a month and the garage stall for $15, or a total of $130 a month. This income must be pro-rated over the nine condominium owners, based on their percentage of ownership, thus reducing their total monthly expenses. For six units, this amounted to $14.17 a month, reducing their monthly expenses from $230.63 to $216.46, slightly less than the market indicated for a like rental unit.

There is one more important factor that you must not lose sight of whether you are a developer or an appraiser on a project like this. That is the tax advantage which is applicable for homeowners on the interest paid in the form of their mortgage payment but which is not applicable for a tenant. Based on the economics of the community, the typical purchaser would be in a 25 percent tax bracket.

With a $15,000 first mortgage for a period of 25 years, the interest on this mortgage amounts to $1,449.60 for the first year of ownership. Dividing this by 12 and again dividing it by 25 percent gives us an additional savings of $23.95 per month, again reducing the monthly expense from $216.46 to $192.51. This is considerably less than what a tenant would have to pay rent for in like quarters in a like building.

Based on what the market indicated for these units, with all common areas being rehabilitated vs. both principal and interest payments as well as common area expense, this conversion was more than feasible.

Condominium Conversion III:
A Sample Nine-Apartment Changeover

by William Epstein

Most of us are familiar with the new high-rise and townhouse types of condominiums going up across the country but few brokers have endeavored to develop the untapped market of condominium selling through the conversion of existing small apartment buildings into condominium homes. Here the broker has the opportunity of making multiple sales and, consequently, multiple commissions whereas prior to this he would have sold only one building and made one commission.

In the case at hand—a nine-unit, three-story, full-basement apartment building, we have not one sale but nine sales, not to mention the many sales that will follow over the years.

The first step in conversion is to find a party who is knowledgeable about converting an apartment building into condominium units. We'll call this person the developer; he will also need the services of a knowledgeable broker for success in the sales to follow.

In my more than 25 years as a broker, there has been no facet of selling which has been more pleasurable and rewarding than conversion selling. Everyone seems to make a profit and is happy about the situation. For example, the developer profits on the purchase because the property that he buys is
worth more when it is converted to a condominium; it is a case where the sum of the parts is greater than the whole. The tenant purchasers profit in most instances because they experience a smaller outgo of cash than with the rent they have been paying; they get a position of equity and are entitled to certain tax deductions; and they have a chance to voice expression in the management of the building. The broker, of course, is very happy because he makes extra sales where previously he had only one sale opportunity.

Our firm has been quite successful in making conversions in highrise buildings in the Hyde Park area. This area lends itself to changeover concepts because of the desire of people to own single-family residences in an area where there are few such residences available. Since home buyers in the area were looking for three- and four-bedroom homes, I thought if we were successful with the highrises we could also be successful with lowrise buildings that had three and four bedrooms.

The building we are using as an illustration here had 10 apartments—nine six-room, two-bath apartments; a basement four-room apartment; and a single garage. The building was in generally good condition for its age since the maintenance had been good. We believed it would lend itself very well to conversion to a condominium.

We contacted the owner of the building and asked him if he would be interested in selling the building and after convincing him that we could get a good price for it subsequent to its conversion, he agreed.

I then contacted a friend of mine who I thought would be amenable to making the condominium changeover. I told him that the units had three bedrooms each which were in demand in the community. Since he had a good line of credit, the interim financing of the building was no problem. Preliminary investigation had found a lender interested in making condominium loans on the basis of 7 3/4 percent for 25 years with 80 percent loan to value. When my friend heard that, he agreed to the project.

I proceeded to consummate the sale of the nine-flat building. After we had closed the sale, we arranged for an appraiser to conduct a feasibility study, which would indicate the marketability of the units and determine the market price of the units. I had indicated to my buyer that the nine apartments could be sold for $21,000 each. He had purchased the building for $135,000 and nine times $21,000 is $189,000, giving a gross profit of over $54,000.

My experience in selling this type of unit has taught me that to be successful, the broker has to be sure at least 50 to 60 percent of the existing tenants will buy their units. In the case at hand, I contacted all the people and I was happy and surprised that six out of the nine tenants were interested in buying. I also found out during this survey that they had some objections to the property. Principally they noted the halls were not kept up the way they would like, the carpeting wasn’t as good as they thought it should be, and the heating plant was antiquated.

So, before I did another thing, I procured responsible contractor bids to decorate the halls, install new carpeting and install a new heating plant. It is very important to clear deferred maintenance items before you start your selling program. While sometimes this is not possible, some developers think all you have to do is walk in and say to the tenants: buy or get out!

It isn’t that simple and you must get the confidence of the people who are in the building. I went back to the prospects and showed them on 3 x 5 file cards the necessary information about their assessments, mortgage payments, tax deductions, etc., as well as exhibiting bids from reliable contractors. I had established the confidence of
the tenants by these easy procedures.

If you observe the following three points in selling condominiums, you should have a successful program:

In analyzing a property for possible conversion to condominium use, make sure that the total cash outlay for the purchaser is less than the rent he is presently paying. A tenant who is paying $225 a month rent is just getting rent receipts in return; he will be very interested when you can point out to him that for the same amount or for $25 less per month, he can build up an ownership equity. When you add that he will also have a tax savings, he'll be further interested.

Be sure and get into situations where this is possible. Don't go into situations where after you have your mortgage payment, assessments, etc., the buyer will be paying $50 to $75 more than the rent he is paying now. It will be a much harder selling job.

Second, establish confidence in the prospect by illustrating how the assessments were arrived at. Don't go in with hypothetical figures. If you can show your prospect three years' operating statements, telling him exactly what you are going to buy, what the taxes are, heating costs, etc.—you've really got something to sell him. If you do this, you immediately gain the confidence of the prospect. It has worked for me every time. If you are a competent management agent as well as a broker, so much the better.

Third, eliminate all possible signs of deferred maintenance prior to starting the sales program. If this is not possible, set up an escrow where sums of money from the proceeds of the sale or from the developer's own funds commensurate with the amount of the bid you have obtained to complete the work. Many times this work can be completed before the sale program is finished. Sometimes, however, you have to wait until the closing to turn the funds over to the directors of the condominium association.

In the case at hand, at the end of four months I had sold the original nine-flat building and had completed the sale of all nine units. Six of the tenants who had indicated interest bought their units and a seventh followed suit. Two other sales were made to outsiders. There was very little advertising expended on this project—approximately $100.

Development costs were kept at a minimum because it only took four months to consummate the sales so the interim financing which had been estimated at six months was reduced. You will find that tenants who purchase are much less critical of the condition of their apartment—they are used to living it. They may know it better but when you present it to them, they are not so apt to be upset by a hairline crack in the tile or some plaster that isn't perfect. When an outsider comes in, he is going to look at all these things and want them repaired prior to purchase. Consequently, when you get into this situation, your rehab costs are going to go up.

After four months' work, my sales commission grossed $18,250. The developer also fared well; while our figures weren't exactly the same as the feasibility study, the report was quite close and the developer netted a profit of $26,000 on invested capital of four months.

William Epstein is vice president of McKey and Poague, Inc., one of Chicago's oldest real estate firms. He is in charge of investment sales and development programs. He is a past president of the South Central Real Estate Board, a member of the Chicago Real Estate Board and a former governor of the brokers, appraisers and management divisions of the board. Mr. Epstein is a graduate of the University of Illinois and has been in the brokerage business since 1946. He was also chief appraiser for the Hyde Park-Kenwood urban development area.
Condominium Conversion IV:

Opportunities in Condominium Management

by William S. Everett, CPM

The world of condominium management is different from that of rental units because you are dealing with great pride of ownership. The attitude of condominium owners is different from that of the rental tenant. They have an intense desire for participation in the administration of their building (which sometimes is more of a problem for the manager than the actual management itself!).

There is a lot less in maintenance; the wear and tear on the building is less. But there is a great demand upon the management staff for things that one doesn't ordinarily have to deal with in a rental building, and it takes a great deal of consideration and time in explaining every detail of management to every tenant in the building.

While owners desire to curtail expenses, they also want an expansion of their operation. When you have a 100-unit building, you have 100 bosses, and each one is going to let you know some time or another along the way that he is an owner and expects some special consideration.

Unless the developer has been very, very careful about the style of operation, a great deal of resentment can be formed against him in the early stages of operation of a new building. It is so easy for a salesman to make some misrepresentation to prospective buyers. We had such a problem in a new building. About six months or a year after the building had opened, several of the unit owners came to me with a sketch of the building. This had been drawn long before the plans had been finalized and it showed a putting green and shuffleboard courts on top of the garage. Of course, there were no such items; the developer had overlooked them completely. This sort of thing can happen and result in a great deal of resentment.

Because of simple things like these, there is an antipathy among many professional managers to take on the battles involved in condominium management of new buildings. I was recently in Ft. Lauderdale, Flordia, to talk to the real estate board about condominiums. They have 20 times as many condominiums in Florida than here in Chicago but in checking them over, there wasn't one that was actually managed by a professional management or agency type of operating firm. They are all managed by the "experts"—the people from Chicago, Detroit, and Cleveland who have retired and gone down there and bought an apartment. They may have owned a delicatessen before but now they believe they are experts in running their own buildings.

When you take on the management of a condominium, you find there are many unusual demands which come along. One thing all condominium owners seem to want is unlimited time of the manager. In a rental building the management executive can ration his time and that of the manager on the premises, but in a condominium there is a demand for personal management attention 24 hours a day.

Everyone is boss and each wants attention to his problem right now. You will find unit owners demanding immediate answers on all sorts of policy matters. The use of the laundry room, for example, is a simple little thing but it may require board action to solve a conflict; you may even have to hold it over to the end of the year and have an owner's meeting on the situation. This can become very cumbersome at times.

Certain answers you can work out by experience. One of the most helpful items we have found is the house letter, "communicating with the owners." Those of you who have had experience with tenant movements, ten-
ant unions, etc., have found the big problem has always been lack of communication. This is very important in large condominiums. You have to talk to the people through letters or frequent meetings.

We have one condominium that has meetings by floor; each floor’s tenants get together in the meeting room and talk over the problems of their floor. These may not always be serious—maybe they want a bridge tournament—but at least they do get together and talk. Then there is a meeting of the floor representatives. By means of communicating, you can get most of the little personality conflict problems out of the way.

As apartments are sold and resold, you lose touch with some of the items the developer originally took care of. There should be a house manual explaining such things as how to use the garbage disposer, how to park in the garage, etc. The question of insurance has to be explained and re-explained. An owner’s manual is a large help to the manager.

The manager has to establish certain hours during which he will be present—he cannot ignore the building nor the unit owners.

One of the problems we have had is in establishing an adequate reserve fund. We have used the three months’ assessment formula to create a working fund but found it isn’t enough. Six months’ assessment is much better. To begin with, the assessment is about 25 percent of the normal rental value of this unit because the formula doesn’t include anything for taxes or the service of the mortgage. It is just the straight operating requirements.

Of course every dollar added to this assessment on the initial subscription means more money to come up with before you get occupancy of your unit. The developer is not basically interested in this at all. He is going to ignore it if he possibly can. This is one of the reasons why a professional manager must get in on the job early enough to see that the declaration is drawn up right and that the sales representations are adequate to take care of the building.

There are problems in operating condominiums but there are some pleasant things about it, too. For example, apartment resales: without asking for an exclusive listing, 99 percent of the apartments will be listed through you as the manager of the building for resale. The resale business can be a very important part of the income from a condominium.

Let’s discuss for a moment the “first option” and how it works. In practice, how does it work to keep out undesirable owners? Well, it doesn’t! It’s a nice thing to talk about, to say that we’ll protect the building because we have the right of first option, that we’ll buy the apartment if someone else that we don’t like wants to move into the building.

The membership has to act within 30 days. If a man wants to sell his apartment, he gets a commitment to sell it and then furnishes the contract of sale and references to the board of managers. If they fail to act within 30 days, this automatically gives the seller an unrestricted right to sell his apartment. The board has to investigate the buyer’s references, decide if they want to buy, and then act—all within 30 days. They have to have 10 days notice to get a tenants’ meeting organized and 75 percent of the tenants must vote favorably. They have to assess themselves for first cost plus operating charges if they decide to buy.

Fortunately for all concerned, most people are nice folks anyway, and within the Chicago area, I’ve never heard of the first option being exercised. We have found the experience of most buildings has been quite satisfactory on the whole.

The worst problem from a management point of view is the amateur sellers, as we call them. Everyone has the right to sell his own house or the right to sell his own condominium—why should he pay a commission to a broker. This puts more of a load
on the broker or the manager since he must prove his worth by getting a better price than the seller himself. Usually, this is not too difficult. After a week or two of running an ad in the paper, at $15 a week for every insertion, the seller usually gets pretty scared and turns around and gives it to the professional.

Resales do come pretty readily and we have a built-in supply of commissions. The problem, of course, is in setting a realistic price because everybody is very vain about his own apartment—it's the best apartment in the world when he is trying to sell it. Of course, when he buys it, he has a different attitude.

A condominium can be sold as you would a house, on contract or with unpaid assessments; they represent a lien against the unit. However, if the seller hasn't paid his assessments, they have to be made up before he can sell or he has to sell them under lien rights. The broker has an obligation to disclose to the buyer any threatened litigation or pending lawsuits, etc.

You also have the problem of the first buyer who sets a price of $20,000 for his apartment, and he wants $387.15 more for "his contribution to the working fund." Well, he doesn't get it. This went into the fund at first; there should be no prorations of any sort—all value is reflected in the quoted price. Mortgage payments and taxes are the only items to be prorated.

The financing of a condominium is a real benefit. You can finance it, you can go out the following day and refinance it, and the day after and the day after that. In times of money shortage, as we have had recently, the savings and loans that finance most of these projects have been good about letting people assign the mortgage. They very often ask that the seller stay on the mortgage; it has not been a problem and we have not had very exorbitant refinancing charges.

Refinancing has been quite easy and good. You can take back the purchaser's money mortgage for the equity if the seller wants to; the exchange procedure of getting a new purchaser has been fairly simple and works out very well.

There are many opportunities in condominiums which haven't even been dreamed of yet. Any place where there are facilities used in common, it is a natural to use the condominium as the vehicle of organizing this use. We've talked here about the conversion of a used building; it certainly applies to all types of new apartment structures as well—the townhouse, the garden type, the highrise.

New buildings have been proposed which combine a commercial and residential complex in the same building. This can be developed along two different lines. In one instance, you can sell the commercial space. The stores on the first floor and the offices on the second, third and fourth floors can be sold just the same as you sell an apartment above them. There are a number of residential complexes that want to have stores and services—pantries, shoemakers, banks—within the building, and the space is owned by the group as a whole. When you buy your apartment, you also buy a share of the ownership of these commercial facilities which are then leased out.

This method works quite well in many areas and I think it works better than to try and sell the commercial space. It is too easy for commercial enterprises occasionally to get into financial trouble and have to be reorganized; finding a new buyer for the space is sometimes a difficult matter. A commercial-residential complex should be developed with the residential people holding title to the commercial space as well.

In certain states more and more projects are being developed on ground leases. This is not permitted in Illinois where you have to own the land in fee simple. But in Florida and other areas, you can put a condominium on leased land. The developer who is interested in maintaining an annuity year after
year will like the idea of the ground lease and rent coming in. Of course, it takes less equity money on the part of the buyers to get their apartments where there is a ground lease situation.

Condominium techniques are spreading to other types of developments, too. The residential complex having large recreational areas—swimming pool, tennis courts, or golf course—can be developed in several ways.

The first way is for the buildings grouped around a garden-type complex to own and jointly use the recreational facilities. In Florida special legislation was passed last year permitting a number of individual condominiums, all joining in maintaining a common condominium, to own the recreational facilities.

In some cases the developer will keep hold of such facilities and charge for their use. He may make an assessment or membership against individual buildings which themselves are condominiums. The law permits the residents to join the recreational condominium and all member buildings must pay in perpetuity in the maintenance of these facilities. It is a condominium on top of a condominium.

More and more commercial condominiums are being developed—the office, warehouse, exhibition halls, etc. In most office buildings, however, it is not a practical device. This has nothing to do with the failure of condominium but with the income tax laws available to corporations. A corporation that owns a building and has its money invested in it and gets no money from it doesn't want a condominium. On the other hand if it leases space, the entire rent they pay is tax deductible as an expense of the corporation. The favored device with family-owned corporations is where a person in the family will buy the condominium and lease it to his corporation. The rent paid by the corporation to himself is tax deductible and they get the benefit of both directions.

The medical or clinic building has been a favorite of condominium developers. Here the purchaser is not only buying office space for his medical practice but a franchise as well. He is guaranteed to be the exclusive radiologist or orthodontist, etc. He buys an exclusive privilege in this type of condominium and so we find they have been very successful.

One other source of good business is the residential management of resort property. An individual buys an apartment in a condominium in Aspen, Colorado. You manage it for 11 months out of the year; the owner will use it for one month. You get a management fee for renting it and he gets a tax deduction. The management agent not only makes a sales commission in selling the unit and a management fee in operating the property but he also operates the apartment for a 10 percent fee plus, say, a 10 percent leasing fee.

Marinas are one of the recent additions to the field of condominiums. They also have been contributing a great deal of new money to managers.

In the operation of any condominium, you must keep in mind certain principles: First, you should meter as many of the facilities as you possibly can so that the individual pays for whatever he uses and not for someone else too. In the Chicago area we have found it is much better to lease garages than to sell an individual stall with the apartment. Wherever possible, put in individual heat. The advent of electric heat in this area has proved very profitable in this regard, and now the gas company has developed new types of equipment to meet this competition.

All in all, it's a very wonderful world of condominiums. There are many sources of profit and there are many more types of development that will come into play. I urge all of you to get into the condominium business; it's going to grow and grow and be a wonderful world for the manager.

William S. Everett, CPM, is vice president of Browne & Storch, Inc., Chicago, supervising the firm's management department and specializing in the management of cooperative and condominium buildings. For many years he has served as a director and officer of the Chicago Real Estate Board, he is a past president and director of the Apartment Building Owners and Managers Association and past vice president of the North Side Real Estate Board. He has served as vice president of IREM and most recently has served as a member of its executive and finance committee and its education faculty. He has conducted many seminars on cooperative, condominiums, and development and management of investment property.
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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 $7.50.

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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.

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Management '71:

Problem Predictions

Looking ahead toward the next 12 months, IREM Chapter Presidents have consulted their crystal ball—or more likely, looked back on the activities of recent months—to predict the major problems professional property management faces in 1971. Continuing to lead the field, of course, is today's constant companion— inflation. How to deal with rising operating costs and yet give full service to both clients and tenants is of major importance. Chapter presidents from several metropolitan areas have given indication that prime office space is becoming more readily available and that a possible oversupply might be in the making. Apartment rentals in moderate and luxury buildings continue high; however, in the area of low-rental housing, the continuing lack of supply is an urgent matter. Additionally, the problems of rent control and wage and hour regulations, among others, have come to the fore and demand the watchful attention as well as the active participation of property managers in obtaining fair and beneficial legislation for all concerned.
WALTER J. CONN, CPM/Los Angeles Chapter
Our problems will consist of 1) vacant space in newer office buildings; 2) passage of new building codes against existing apartment buildings; and 3) the continual increases in operational expenses for all real property. We believe CPMs must work closely with owners and community leaders to insure that new laws pertaining to real property are both necessary and fair. In spite of these problems, 1971 will be a better year than 1970.

HAROLD G. HEWITT, CPM/Sacramento Valley Chapter
While the overproduction of multi-family rental units has offered (and is expected to continue to offer) a challenge to many managers, the necessity for creative problem-solving and more innovative management technique application is expected to apply to the burgeoning suburban office rental market as well. Locally, the CPM may be required to apply management skills to the more specialized areas of management including low-income housing as it applies to the elderly, ethnic minorities and student housing. It should be a greater opportunity for him to extend his image and the professionalism of his practice. One device becoming more relied upon as an accurate measurement of changing market conditions is the management survey, a tool whereby the CPM will become more prepared to provide his skills to the anticipated changes occurring within our industry.

DENNIS P. HILL, CPM/San Diego Chapter
In our area, with vacancy factors at relatively acceptable levels, we will be hard-pressed to maintain previous net operating income due to increased operating costs. Most notably, real property taxes (up 30-40 percent in some cases) and labor costs (due to the impact of the Federal Wage and Hour requirements) may erode gains made previously. As CPMs we must concentrate our short-term efforts on those expense items where control is possible.

MURRAY L. BECKER, CPM/San Francisco Bay Area Chapter
In 1971 the occupancy level will continue to remain high throughout the Bay Area except for some pocket areas directly affected by cutbacks in government defense spending. As always, increasing costs in labor and labor-related services will be reflected in increased rents. Speculation as to building in both downtown San Francisco and Oakland is attributed largely to the Bay Area Rapid Transit System which is scheduled to become operational soon.

RICHARD B. DUFFY, CPM/Northern Colorado Chapter
After several years of shortage in the prime office building category—primarily in downtown Denver—our biggest problem could well be an overabundance of this type of space. Due to national economic conditions, with the resultant cut-back of expansion by many firms, and with several large downtown office projects coming on the market in late 1971 or early 1972, Denver will probably experience a surplus of prime office space for several years.

EDMUND A. GORAB, CPM/Southern Colorado Chapter
The increasing availability of funds for apartment house financing has been responsible for the increased tempo in such construction and the number of projects on the drawing boards. We have a strong rental market now and expect this strong trend to continue throughout 1971. The higher costs of construction, money and land make professional counselling in preparing and submitting investment packages imperative.
JOHN P. WALSH, CPM/Greater Metropolitan Washington D.C. Chapter
Locally, we will have two main problems. One will affect all phases of our local real estate industry; that is, more realistic zoning, particularly in regard to higher densities. The other truly affects our management profession, and that is our local courts and city council. Both of these entities must be more realistic and fair. The trend in court—in fact, the actual operation today—is heavily anti-landlord. If the city council continues to seek rent controls, without other off-setting controls, it will wreck whatever housing programs exist or are contemplated.

GROVER C. BRYAN, CPM/Central Florida Chapter
We will continue to be faced with the problem of preparing for the anticipated growth in our population, which is placing unprecedented demands for new streets and highways, educational facilities and other public improvements to serve the area. Due to the new Disney World complex opening in October 1971, the traffic will place a burden on all of our highway facilities. It is anticipated we will have between eight and ten million visitors the first year it is open. This, along with the expansion of industry and other building activities, will create a need which is almost impossible to meet in time. One of the most critical areas is the reorganization of our governmental structure in order to consolidate the services provided by the county and various cities within the county.

JOHN H. ROGERS, CPM/North Florida Chapter
Jacksonville will have the normal problems such as dealing with old properties which are difficult to rent and expensive to maintain. However, next year will present more opportunities than usual and less problems. There have been many apartments built, most of which are full, but more will be announced in the coming year. Office space is short and will be for at least two years because none is under construction. Attempts are being made to give new growth to the downtown retail area but outlying shopping centers continue to get more trade. Except for the downtown stores, retail properties should have a good year.

HERBERT F. VALLETTE, CPM/Chicago Chapter
These are indeed the days which will separate the professional property manager from the amateur. Adding to the continuing problem of rising costs of taxes, materials, services and labor will be the new problems of restrictive legislation and the costs of reducing air pollution. The professional property manager will have to utilize all of his skill to produce the most efficient and economical system to conform to air pollution regulations. The cost of reducing air pollution is, of course, a difficult one to be borne but if this and other forms of pollution are not curtailed, future generations will have no properties to manage. To compensate for these added costs, the property manager must find the means of producing additional income or reducing other non-essential expenses.

JOSEPH B. FILIATREAU, CPM/Greater Louisville Chapter
The most serious problems to be faced by property owners and managers in this area will be economic in nature. While the rental market here is probably as strong as in most areas, it will be a real challenge to keep pace with continuing inflationary operating costs through comparable rental increases and improved efficiency. To accomplish this without lessening services to residents will demand real professionalism. I believe this problem will be doubly challenging for those among us who have developed properties in the past 18 months under high interest-rate financing involving participation or “kickers” by the investors. These properties carry a built-in burden which I believe will cause insurmountable problems for all but the very best operators.
ROBERT S. SHERMAN, CPM/Maryland Chapter
The economic conditions in the Baltimore area for 1970 have been good. However, in the last quarter, retail business turned downward due in part to industrial layoffs and strikes that have taken their toll on personal spendable income. I cannot foresee a continuation of this situation but it is my belief the administration will take steps to counter the present recession. The recent lowering of interest rates is a step in the right direction. The biggest problem will be to find ways of offsetting the high cost of doing business.

T. LYLE SCHRAMM, CPM/St. Louis Chapter
Government housing programs are still a sizable problem in the St. Louis area, primarily lower-income projects. Attempts to distribute these tenants throughout the area in existing quality buildings on the rent subsidy programs are meeting with some problems and creating many questions from apartment owners as to the feasibility of putting their buildings into these programs. The CPM must try to be conversant with these programs in order to serve the best interest of his client. Vacancy rates are low here as rehabilitation of older areas continues at a slow pace.

DONALD J. CAMPBELL, CPM/Michigan Chapter
Many of the problems facing us in 1970 will continue to challenge us in 1971. These include crime in the streets, vandalism and drug abuse; lack of decent low-income housing; rising costs of taxes, construction, maintenance, land and services and finance charges; improved educational and training programs; public transportation—rapid transit; shortages of natural gas, electricity and coal; shortages of trained management personnel; tenant unions. Needless to say, each of these problems directly affects every property manager and provide a challenge to work diligently with local, state and national government authorities and with each other to resolve them.

JONATHAN P. ABBOTT, CPM/Minnesota Chapter
The Minneapolis-St. Paul metropolitan area has been historically stable and is holding true to form. There are a few soft spots and general expansion has slowed, but these are expected to be temporary.

ERNEST F. FRUHBBAUER, CPM/Omaha Chapter
This year will see space in new office buildings coming on the market in quantities greater than the absorption rate in recent years. However, with a start on revitalizing the core area begun, we are hoping new space can be absorbed without an undue adverse effect on older buildings. New apartment construction continues at a good rate—mostly garden apartments—and occupancy percentages are generally good. While business in Omaha will be fairly good in 1971, our biggest problem will be a possible oversupply of new space, both office and multi-unit residential.

CHARLES KRAMER, CPM/New Jersey Chapter
In modern post-war buildings, we expect to see more rent-control pressure and tenant coalition groups caused by high sales prices to new purchasers, high debt service required by first, second (and third) mortgages, taxes between 25-30 percent of gross, all of which leave little return to equity owners and require an unreasonable increase in rents. In older buildings in large urban cities, especially where the percentage of nonwhites has steadily increased, we predict more and more owners will abandon their properties and mortgage companies forced to take over their mortgaged premises. There will be a steady loss of good livable housing units where it is needed most—in the lower-income, lower-rent older buildings which have a good physical life except for the following factors: municipal pressures, militant groups, tenant groups holding back rents, environmental law changes, all of which place a heavy burden on the harrassed property owner.
WILLIAM S. LORD, CPM/New Mexico Chapter
The biggest problem facing property managers and their clients here is obtaining the proper return on their properties. We have had a tremendous increase in ad valorem taxes in the past three years due to a change in assessment percentages. Coupled with increased insurance costs and inflation, the job of the property manager is that much more challenging. We are fortunate in having a very tight market for residential type rentals in Albuquerque so that property managers are in a good position to survey the properties in their portfolios and increase rentals to help meet increased costs.

NOMAN BUCHBINDER, CPM/Greater New York Chapter
The New York area is unique in that we are still burdened with complete rent control of both older and newly constructed apartments. This, together with the tremendous increase in mortgage interest rates, has caused an almost complete cessation of construction in this area. The political leaders in our city have completely disregarded the handwriting on the wall that unless landlords receive sufficient relief to enable them to make a reasonable profit on their investments, new construction will stop and old buildings will be abandoned, which is exactly what is already happening. Our vacancy rate is probably less than 1 percent because of this. There is no sign that restrictions will be eased and I can only foresee the situation here will remain chaotic for apartment owners. Although we have had several excellent years in office renting, 1970 began to show a definite easing trend; there is now office space available in prime locations. We expect this situation to extend during the coming year.

PERRIN Q. HENDON, CPM/Charlotte North Carolina Chapter
The push by civil rights groups for strict housing codes together with the growing pressures of tenant groups are forcing out many potential housing investors. High operating costs and high interest rates are other elements in the decline in investments in low- and medium-priced housing. Our area also faces the problem of labor disputes among refuse collectors. Rental occupancy, however, will remain high.

DAVID C. NILGES, CPM/Cleveland Chapter
The problems we see in the Cleveland area for 1971 involve the need for a complete reappraisal of the management industry’s relationship to the social climate of these turbulent times. Tenant unions, rent strikes, bomb threats, arson, assault, burglary, ad infinitum, are no longer strange terms to the knowledgeable property manager. Our area has had its share of all of these above-mentioned problems that most major metropolitan areas are experiencing today. Local management efforts in 1971 must be directed toward understanding the man in management.

ROBERT L. WIGOR, CPM/Cincinnati Chapter
Property managers and owners again will face the pressures brought against their profits, or in other words, their fair return on their investments, by ever higher charges for taxes, insurance, water-sewer assessments, materials and labor. There is only one solution and that is to pass on these increases to the tenants of the properties affected. The majority of such increases are favorably accepted if the notices include a daily cost breakdown with an explanation of their pro-rata share. Reasonable tenants will accept a rental increase quoted as 25¢ per day much faster than $7.50 per month because they see by comparison the daily increase in their housing cost of living is a real bargain to what they have had to pay for other major living cost increases. When they also figure they are earning more than at the time they signed their last lease, the rental increase is shown to be fair and that you are a fair manager or owner.

KENNETH F. WRIGHT, JR., CPM/Columbus Chapter
The most likely problems in this area will be a continuation of those of 1970, namely, spiraling operating costs causing a reduction in the return on invested capital in a highly competitive apartment market. We are also experiencing a boom in the construction of suburban office space which will quite likely bring about a softness in rates due to an oversupply.
DOUGLAS F. COLLINS, CPM/Tulsa Chapter
The problems facing our area are quite simple: how to accommodate the growth generated by the opening of the Arkansas River Waterway to northeast Oklahoma in early 1971. Real estate development has continued in spite of economic adversity and should explode with economic improvement. In short, the area’s future looks great.

CHARLES KAHN, JR., CPM/Philadelphia Chapter
During the past two years I have believed one of the greatest problems facing the real estate management office was the problem of security—both internal as well as external. I have suggested that the management office must realize the property they are responsible for is an integral part of the neighborhood and should become sensitive to and participate with community leadership. Today’s challenge for the management office is to become actively and visibly a part of community leadership so that the same feeling of stability and integrity inherent in the ownership and production of real estate will reflect itself in the way the management office relates to community efforts.

LOUIS ENGELBERG, CPM/Western Pennsylvania Chapter
The suburban areas are enjoying a 100-percent occupancy ratio in most buildings in the moderate housing segment which will continue through the year. There appears to be a more than adequate supply of semi-luxury and luxury units presently available but these should be absorbed during 1971. The housing market here will remain critical in both moderate and low-income needs. The impractical application of the local Housing Code Enforcement Agency has further reduced the housing inventory in our intercity neighborhoods. Daily more housing is being abandoned or closed down because of vandalism, excessive taxation or poor administration on the part of the Housing Code Enforcement Agency. There are many federally funded projects which hopefully will alleviate some of the urgent need for this type of shelter. For obvious reasons, the private builder continues to remain absent from this market.

GLENN DALE FREEMAN, CPM/Memphis Chapter
The general trend here will be toward a continuing high occupancy in apartments. The tendency of some owners to demand extravagant rent increases can invite rent controls or tenant rebellion and it will be the manager’s function to harmonize the interests of the owner to insure a proper return rather than being party to extracting the last dollar the market will bear. The office market here will be pulled in two directions. Rents must reflect increasing costs but rent price restraint will be necessary on the other hand because of new space coming on the market, especially the development of Memphis’ first large-scale office parks. Demand will continue to be high for luxury type of office space.

FRANK E. MONTGOMERY, CPM/Austin Chapter
Our most pressing problem is to try to retain the highest service possible to our clients without having to increase the cost of those services. With rising costs in every field of our endeavors, it will be very difficult to render the common daily services which our clients expect and are entitled to without some type of fee adjustment. Perhaps we should give the owner the choice of less service at less cost or maximum service at an increased cost.

A. ALEXANDER BUL, CPM/Dallas-Fort Worth Chapter
The apartment building surge of the last two years has now met the area demand and some soft spots are showing. Single apartment dwellers continue to be mobile and higher vacancy rates are being experienced as industries in general show signs of some belt-tightening. Shopping center construction is slow because of tight financing. Rentals in centers show a substantial rise in good market areas but marginal tenants and some franchise operations (free-standing) are experiencing difficulties. Office building leasing is slower in suburban areas because of a good supply and some retrenchment by major industries and their suppliers. A major downtown speculative office building under construction and the remodelling of several older structures under way should meet immediate downtown demands. Older buildings are having difficulty staying competitive.
RICHARD B. MOUGEY, CPM/Houston Chapter

With more money available Houston will continue its accelerated growth and general conditions will improve. Because multiple-family unit production was above predicted levels in 1970, there should be a slight softening in apartment rentals although the occupancy rate should remain high. Rental rates will increase in well-managed projects. There should be a continued demand in the office market through 1974 or '75. The maximum rental rate should increase, giving a wider spread between prime and average office space. Warehouse construction has not kept pace with the demand and 1971 should be a seller's market in this field. Many large tracts of land, too large for the average developer to handle, have recently been made available in smaller packages by land development companies. We expect several major community project developments to start this year.

H. R. COATES, Jr., CPM/Virginia Piedmont Chapter

The coming year will no doubt present some familiar problems and challenges as well as new ones. Among the continuing problems are rising maintenance and utility costs, the spiraling cost of government reflected in increased taxes, and the difficulty of finding and keeping good maintenance people. The rapid growth of tenant unions and tenants' rights groups should increase the demand for competent professional management as more owners find they are not equipped to deal with this problem. Helping to solve the shortage of housing for the low- and middle-income groups will be a big challenge for us.

GLENN L. GUIDINGER, CPM/Inland Empire Chapter

The Spokane area is experiencing a high rate of occupancy in office buildings, and apartment houses and a good rate of occupancy in the better type of commercial space. The outlook for the coming year should equal 1970. Multiple-family construction is showing a good trend. Office building and apartment rentals will be on the increase because of employee salary increases, construction costs, taxes and insurance. We find most tenants want more space planning. The CPM image is growing, which is reflected in our good occupancy rate.

EDGAR MERCY, CPM/Western Washington Chapter

In Seattle we now have areas with over 50 percent vacancy and yet the government is breaking ground for more "turnkey" projects, 235 and 236 programs and "blatantly" project more "need" based on the "desire" for $40.00 rentals in this area. I know of other areas where there are no vacancies or rentals for the poor and there no federal money is available. IREM should attempt to get all the relevant people and government agencies together to coordinate a housing program. We can't afford to sit on the sidelines as "experts" anymore. We need leadership as much as expertise on national and local levels.

EARL D. LILLYDAHL, CPM/Milwaukee Chapter

Rising real estate taxes and some resistance to rental increases in the luxury rental range will be two problems in 1971. However, another major problem for property managers here will be learning the many ramifications of our new landlord and tenant laws which have been extensively revised by our legislature and take effect on July 1.

LLOYD BOLAHOOD, CPM/Ontario Chapter

Land and housing prices appear to have levelled out and it appears that a very slow upswing has started. However, any significant momentum will not be evident until late summer or fall of this year. Money has eased both in interest and availability from banks for interim financing. However, the demand for mortgage money is keeping the interest rates firm and the expected drop is not significant yet. The inflation fighters have succumbed to unemployment and a slow release is on the way of many anti-inflationary tactics.

LUC D. BAUDOIN, CPM/Quebec Chapter

Having overcome the first shock of violence and terrorism recently visited upon us, we are adapting and have joined the world wide club of cities who have the additional battle to wage for peace and order. Fortunately as our three levels of government are strong, some constructive action has already been taken to combat the causes of malcontentment. Millions of dollars are committed to prime the economic pump and still more government projects are soon to be announced. All of this activity will be of great interest to the real estate industry.
Editorial:

The Futurama Game

by Lloyd D. Hanford, Sr., CPM

The time for crystal-ball gazing is with us again. As each year-end approaches, we usually take time to assess the pros and cons of our survival quotient as we enter a new stage—for better or for worse. The calendar year is a nice instrument for measuring change even though we know that things will be about the same on January 1 as they were on December 1—except for the debt we'll be in for Christmas' and New Year's indulgences and that we'll have to start searching for money to pay our income taxes in spring.

Each year I admonish readers that my amateur economic forecasts are only one man's opinion based upon his personal experiences and observations. This look at 1971 is no different, so with a full measure of humility, I present the following "guesstimates" on those matters affecting us in the real estate business.

THE PEOPLE

Unemployment will approach 6 percent and may go even higher until the approach of 1972 elections.

Credit for the average consumer will tighten.

Expense accounts will be increasingly restricted except for top executives.

Impulse buying will diminish and people will be more selective in spending their money—need rather than desire will be the motivating factor.

The population explosion will simmer down and family sizes will decrease.

Incomes for the employed will increase about 6 percent.

Medicare for everyone will approach reality.

Service costs and the cost of living will go up about 3 percent.

THE GOVERNMENT

Foreign military commitments will decrease.

Foreign aid will decrease.

Welfare programs will increase at all levels.

The army of civilian government employees will increase in selective geographic areas.

Tax avoidance will become increasingly difficult.

HOUSING

There will be a continued strong upward trend in construction of condominiums for all income levels and a corresponding decrease in single-family residences.

In selected areas of major communities the construction of highrise rental projects for middle- to high-income groups will dominate the residential market.

Prices for new houses will remain static. Prices for older houses will decline.

Residential land values will decline slightly.

Government-sponsored construction will dominate the market.

Rents will increase about 3 percent in spite of some increased vacancy percentages; the increases will be paced by rising costs, attributable to taxes and wages.

Many large developers will curtail their activities.

OFFICE BUILDINGS

New construction will be mostly institutional with some hoped-for private occupancy.

Vacancy percentages will increase and rents will decline. Free rent, tenant improvements and other gimmicks will become increasingly prevalent.
COMMERICAL
Little new construction of commercial properties in all categories will take place.
Rents will continue strong in major shopping areas and soften in secondary locations.

INDUSTRIAL
No speculative construction will occur. There will be probable rezoning of the over-supply of industrial lands.
Remodeling and renovation of older buildings will increase in desirable close-in areas.

MORTGAGE LOANS
Good credit will be a major requirement across the board.
Interest rates for conventional loans will decline to about 9 percent.
The supply of money will increase but a substantial amount will be invested in short-term commitments.
Major lenders in large investment or development projects will insist on maximum levels in "a piece of the action." "Track records" of developers will be a controlling factor.

INVESTMENT REAL ESTATE
Sales will continue to decline. Buyers will seek higher returns to compensate for loss of tax shelter and sellers will hold for above-market prices to compensate for capital gains taxes. This situation will adjust itself towards the end of the year when sales activity will start to increase from its low.
Good properties will drift into strong hands.
Marginal properties will be difficult to sell except at low prices with substantial seller financing at low interest rates.
Remodelling and renovation will increase.

GENERAL
Ecology and conservation will be on the front of the stage.
Demonstrations and confrontations will continue but violence will subside.
Crime will decrease with greatly enhanced police activity and much more severe court decisions.
Real estate brokers and salesmen will survive only if they have high levels of training and experience.
Professional managers, appraisers and other analytical specialists will be in increasing demand. Competence and reputation will be the determining factors.
This does not cover all the bases but these are a few guesses which should stimulate the reader's thinking. As I see it, the picture is not bright and we must not kid ourselves. We are in the midst of an economic and social upheaval that is world-wide. We are suffering from excesses of the past which will have to be adjusted by thoughtful innovation and hard work.

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.
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Professional property management demands encyclopedic knowledge, and the starting point for anyone seeking an essential background on the subject is a reading of PRINCIPLES OF REAL ESTATE MANAGEMENT. This primer, now in its 10th edition, continues to offer students an up-to-date review of the basics of real estate management: the real estate market, creating a management plan, merchandising, tenant selection, leasing, maintenance programs. Other topics covered include public relations, urban renewal, economic trends and cycles, syndication, tax procedures, owner relations, and new business programs. There are entire chapters devoted to managing specific property types such as office buildings, commercial properties, residential units, and special purpose buildings. PRINCIPLES is the compilation of many years' experience by its author James C. Downs, Jr., CPM, chairman of Real Estate Research Corporation, economic counselors, and vice-president of Downs, Mohl, and Company, one of the nation's largest management firms. As a standard reference of more than 50 universities and colleges, PRINCIPLES is an educational investment for those just entering this phase of real estate practice as well as for its seasoned professionals.

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