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Briefing This Issue

The President's Letter: IREM/The "Voice of Real Estate Management"
William Walters Jr., CPM Page 157

The 1971 President of the Institute of Real Estate Management comments on the professional nature of the membership of the Institute.

The Shopping Center as Condominium
C. W. (Bill) March Page 158

Mr. March describes the development of Country Club Plaza, a 60,000 square foot shopping center in Willingboro, N. J., which took shape as a condominium venture on the part of local merchants who desired to locate in the center. Through special mortgage and lease insurance programs, merchants were able to either purchase space outright or arrange a lease-purchase program, which will entitle them to their store space in 15 years.

Students: Yes or No?
Jon Carrol Stovall Page 163

Mr. Stovall outlines some of the major considerations to be taken into account if students are an obvious rental market for apartment space. He discusses opportunities for increasing profits by catering to the student market and in addition covers its special needs in regard to leasing, furnishing, and general management procedures.

Managing for FHA
J. Molton Smith III, CPM Page 166

Mr. Smith offers his knowledge and experience in this field of property management for those managers who may not be acquainted with the intricacies of FHA properties. He covers what the manager can expect from the time he bids for the management of the property, through filing the monthly management reports, to the time the property is sold to a private investor.

Trends in Tenant Movements
Shepard Brown, CPM Page 169

This article alerts property managers to the various positions tenant organizations are taking around the country and offers suggestions and opinions as to how these situations can be met.

Understanding the Tenant
Sidney Glassman, CPM Page 171

Mr. Glassman is also concerned with current trends in management-tenant relations and urges management toward a closer understanding and consideration of tenant requests. Since most people feel reassured when they discuss problems with the "man in charge," top management personnel must become involved in resident problems and personally discuss with individual tenants or tenant groups what action can be taken.
The Occupancy Gap
Paul J. Farrell, CPM Page 174

Mr. Farrell comments on one area that can secretly erode the cash flow of a project: the time lag between when a tenant vacates an apartment and the new lease takes effect. By programming leasing procedures and maintenance and decorating efforts, the astute property manager can avoid this time lag and thus improve the profitability of the building.

Profits on the Green (This Month’s Cover)
C. E. Robinson Page 176

With today’s growing enthusiasm for and interest in golf, adding a golf course to a residential development can prove the key attraction in promoting the project. Mr. Robinson, president of the American Society of Golf Course Architects, describes how a typical golf course is designed, utilizing land features which are often unsuitable for other development. He also offers an estimate on the construction and maintenance costs for an average 18-hole course. On the cover this month, a view of the Prestwick Country Club, Frankfort, Illinois, near Chicago (photo courtesy of Arthur T. McIntosh & Company).

The In-House Automated Management System
Edwin A. Joseph Page 180

The major advantage of having an “in-house” computer program as opposed to working with a service bureau, writes Mr. Joseph, is control: control in planning the program, and having it function when you want it to function. He describes a system his firm has established and illustrates his article with some of the program’s print-outs.

Coordinating Leasing and Management
James L. Eichberg Page 188

As an office building leasing specialist, Mr. Eichberg comments on the conflicts and disputes that sometime arise between leasing agents and management people for a new office building. He urges cooperation and coordination in rental procedures with new tenants so that the building can be successfully rented and smoothly operated.

The Meaning of Vacancy
Robert C. Moore Page 190

The word “vacancy” means different things to different people, and Mr. Moore’s article attempts to define these various interpretations. By distinguishing “true vacancy,” the manager, appraiser and market analyst will all be working from the same understanding of the term when preparing reports and surveys.

Editorial: Profile of a Manager
Lloyd D. Hanford, Sr., CPM Page 192

Mr. Hanford sketches the character, habits and actions belonging to the successful property manager and offers his comments to both the manager and the owner as to what to expect of the professional manager.
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IREM/The "Voice of Real Estate Management"

The annual membership roster of the Institute of Real Estate Management is much more than just a list of the names of individuals who have qualified for the CPM designation. Its significance lies in the fact that it describes the breadth and quality of the members who make up this professional organization.

A quick glance at its listings shows that there are over 2100 Certified Property Managers in 43 of the 50 states, five Canadian provinces, Mexico, Puerto Rico, the Virgin Islands, and the Philippines. CPMs are located in over 450 communities.

In addition to its wide geographic representation, IREM membership is held by practicing real estate managers in small, individually-owned firms as well as in major real estate corporations across the country. Also included in its membership are people associated with colleges and universities, industrial firms, major banks, savings and loan institutions and insurance companies and people holding positions of high responsibility with both the United States and Canadian governments.

These details highlight the extent to which the Institute of Real Estate Management has grown since its founding in 1934 to provide a recognizable symbol of professional excellence in the field of real estate management. For over 37 years, more than 2100 men and women have earned the CPM designation and presently 600 Candidates have applied for membership in the Institute. All of them are bound by IREM's Code of Professional Ethics, the objective of which is the continuing enhancement of professional performance in the management of real estate. Those who have earned this professional award are, through IREM, the "voice of real estate management."

William Walters, Jr., CPM, is 1971 President of the Institute of Real Estate Management. He heads the William Walters Company and the Capital Real Estate Management Company, both of Los Angeles. Additionally, he serves as a consultant to several corporations and institutions for the development of apartment houses and office buildings. For more than 12 years, Mr. Walters has been a member of IREM's courses faculty, serving as chairman of the Education Division during 1968-69. He is a past president of the IREM Los Angeles Chapter, a member of IREM's Executive and Finance Committees and, as 1970 President-Elect, he supervised the Institute's financial affairs. He is a graduate of the University of Southern California, with a degree in business administration.
The rising population in the United States, income growth among American citizens, and the increasing demands of consumers all point to the need for new shopping facilities in the years ahead. New techniques in lease and mortgage financing, coupled with the demand for these additional retail outlets, mean that unprecedented profit opportunities are on the horizon for astute shopping center developers.

Experience has shown us that shopping center developers can increase their customary profit margins through the imaginative use of new financial tools which provide investment security to mortgage lenders and greater flexibility in leasing opportunities.

Private insurance for commercial leases and mortgages helped our firm, March Realty, successfully develop Country Club Plaza, a condominium shopping center in Willingboro, New Jersey. With the development of this shopping center, we believe a new dimension has been introduced to shopping center growth. Local merchants were given the opportunity to either purchase their stores outright or lease space with an option to purchase the store for $1 after a 15-year lease expires.

Commercial Loan Insurance Corporation (CLIC) provided insurance for mortgages used to purchase some of the stores. New York Guaranty Corporation (NYGC) is insuring the leases negotiated by some of the tenants who moved into Country Club Plaza under a unique "lease-purchase" program. Both CLIC and NYGC are subsidiaries of MGIC Investment Corporation, a holding company based in Milwaukee, Wisconsin.
whose subsidiaries specialize in financial guarantees.

Mortgage insurance, which is available for all types of commercial and industrial property, guarantees the monthly payments, including principal and interest, to the lender in case of default by the borrower. Under a shared risk concept, the top 20 percent of a loan is insured. Thus, on a mortgage with a 75 percent loan-to-value ratio, the lender's exposure to loss is substantially reduced to 60 percent, generally considered a risk-free investment by most mortgage lenders. All policies are for five years and are non-cancellable.

Lease insurance guarantees all or a portion of the fixed rental payments due from the lessee to the lessor on commercial leases negotiated for a wide variety of business and industrial properties. Coverage is available for periods of 5 to 20 years and the policies are non-cancellable. The premium is based on a percent of the total guaranteed rental.

The idea for Country Club Plaza began in the fall of 1965 when we had the opportunity to buy and develop a strategically located tract of land in Willingboro. While our firm had been primarily residential brokers up until that time, we felt that a shopping center would be the best development for the land.

We decided that a condominium form of ownership would be much more appealing to the independent local merchant who often is frozen out of many shopping centers because of his lack of AAA rating. Also influencing our decision to use a condominium concept was the fact that the firm considered itself a neophyte in a field already dominated by much larger companies. If we were successful in establishing this concept in shopping center developments, we would develop a valuable expertise and increase the center's competitive strength.

While the concept seemed to be a good one and bound to appeal to many local merchants, it was realized that the bold plan contained several obstacles. By the time a sufficient number of stores had been sold to start building the center, the credit crunch of 1966 was being felt by developers. We spent countless hours trying to arrange the permanent financing for the individual condominium loans. The average sales price of the stores was approximately $45,000 and we were seeking 15-year mortgages with a loan-to-value ratio of 70 percent for their buyers.

Almost every major broker in the city of Philadelphia and in New York was contacted without success. Finally, after months of scouring the mortgage market, we were able to place the mortgages with Clearfield Federal Savings and Loan Association of Philadelphia. The lending institution agreed to make the loans only upon condition that private mortgage insurance be used.

While we were in the process of finding mortgage financing for the center's buyers, Congress passed legislation authorizing the Small Business Administration to work with private insurance carriers in setting up a lease insurance program. We realized that this program could be very advantageous to us.

During the course of building the first section of Country Club Plaza we received inquiries from many local merchants who were unable to purchase a store because they did not have sufficient capital to make the 30 percent downpayment, stock the store with merchandise and fixtures, and have sufficient funds left over for working capital. It was felt that the lease guaranty program would solve this problem very nicely for these merchants and create customers out of them for us.

A 15-year "lease-purchase" program was developed. The program called for establishing a fair market annual rental fee at a sufficient rate to amortize over 15 years a mortgage amount equivalent to the purchase price of the store. The rent also was sufficient to cover the first year's taxes and insurance.
The lease also included a tax stop and insurance stop after the first year and a provision that the lease purchasers were responsible for all interior maintenance and the condominium common area maintenance charges.

Lease guarantee insurance was then obtained at the tenant's expense in order to strengthen the lease. By putting the financial strength of NYGC behind a lease, we were able to capitalize the store at a sufficiently low rate in order to give the developers a fairly high economic value for the facility. With an increased economic value, savings and loan associations were able to make the 70 percent loans, which enabled us to mortgage out at the inception date of the lease for the same amount of money that the developers would normally have sold the stores for on a conventional purchase basis.

Lease insurance provided us with a much wider market for tenants and facilitated the obtaining of necessary financing for the purchasers of stores in Country Club Plaza.

The center has a total of 22 stores on an eight acre site, containing 61,000 square feet of shopping space. Parking is provided for 414 vehicles. Among the tenants of Country Club Plaza are a veterinarian, photographer, gift shop, ice cream parlor, dry cleaner, hardware store, beauty salon, barber shop, family shoe store and a neighborhood 5 and 10 cent store. The center's key tenant is a national grocery chain.

The same principles which served us in implementing this condominium concept can be applied to developers who aim for a suitable tenant mix in a conventional shopping center. Besides a more varied tenant mix and improved cash flow, developers probably can obtain more mortgage dollars through the use of lease insurance.

National lenders traditionally require that about 90 percent of the funds necessary to meet debt service and operating expenses come from national tenants. This usually results in 70 percent of the space being allocated to national tenants and the remaining 30 percent to good local tenants.

Using this formula for a 500,000 square foot shopping center, the developer would allocate 350,000 square feet to national tenants, which at a rate of $3 per square foot would bring the landlord an income of $1,050,000. Renting the remaining 150,000 square feet to local tenants who pay about $5.50 per square foot would bring an additional $825,000 to the landlord for a gross income of $1,875,000.

The astute shopping center developer
wished to locate in Country Club Plaza, a condominium shopping center having 22 stores and shops.

could alter his tenant mix and boost his gross income $125,000 per year by using lease insurance for 10 percent of the space rented to local tenants. He could reserve only 60 percent of the space for national tenants, which would pay a rental income of $900,000. The remaining 40 percent of space could be rented to local tenants, which would bring in $1,100,000 in rental income. The developer's total gross income would be $2,000,000.

Over a 10-year period the developer can increase his annual gross $1,125,000. In 15 years it amounts to $1,875,000 with a total premium cost of $115,000 for a 15-year guarantee of $4,125,000 in rental income.

It is obvious that a shopping center developer with a gross income of $2 million can obtain a larger first mortgage than one with a $1,875,000 rent roll. Hence, a developer could obtain more mortgage dollars with the help of lease insurance.

Lease insurance brings in more local tenants who usually are willing to pay higher rentals per square foot to obtain key traffic locations. The credit status of smaller tenants is elevated with lease insurance, enabling them to compete on a more equal basis for desirable space and locations. A lease guarantee insurance policy serves as a substitute for a larger net worth statement.

Both short-term and long-term lenders benefit from the income stream which is assured to the developer. The lender is assured that there will be sufficient and continuing rental income to provide for the prompt payment of debt service.

We are happy to report that the condominium concept has been welcomed by local tenants in the Willingboro area. Twenty of the 22 stores are now complete and have either been purchased outright or leased with an option to purchase the store for $1 after the 15-year lease expires. Construction has started on the last two stores in Country Club Plaza which were scheduled to be ready for occupancy by this June.

Seven of the first nine stores purchased outright in Country Club Plaza were financed by CLIC-insured mortgages totalling more than $180,000. In the second phase of Country Club Plaza, we retained ownership of eight stores and obtained lease insurance on four other properties. Under this arrangement, NYGC is guaranteeing the payment of $337,500 in rentals from our tenants for the next 15 years.

Work is now almost complete on Plaza 70 East, another condominium shopping center in Marlton, New Jersey. It totals 51,000
square feet and contains 12 stores and parking for 242 cars. Like Country Club Plaza, it will be anchored by a 25,000 square foot supermarket, to be developed by a large Philadelphia-based grocery chain. The list of other tenants includes a drug store, dry cleaner, men's clothing store, Italian restaurant, optometrist, radio components shop and a gift shop.

We have developed a flexible lease or purchase program for Plaza 70 East also. Local merchants can either purchase a store outright or enter into a "lease-purchase" agreement with us.

Under the "lease-purchase" agreement, a merchant signs a 15-year lease at a monthly rental of $550 for a 1,600 square foot store. The rent amounts to $4.13 per square foot, which is comparable to what a small merchant would pay under a standard lease arrangement for commercial space, but less than the amount he would normally pay without his lease being guaranteed.

We are selling 1,600-square-foot stores for $37,600 under the outright purchase plan. Merchants are asked to make an $11,300 downpayment, leaving a 15-year mortgage of $26,300. Monthly mortgage payments are $370, which covers interest, amortization, insurance and taxes. It is estimated that comparable rented space would cost about $512 a month.

A total of eight stores have been sold in Plaza 70 East, three of which were purchased outright. The lease-purchase agreement is being used for five other stores, with NYGC guaranteeing close to $650,000 in rental payments. A merchant moving into Plaza 70 East on the lease-purchase plan is asked to pay one month's rent in advance and a security deposit of three months' rent.

The lease payments are sufficient to cover the debt service, taxes and insurance premiums, with enough left over for a profit to March Realty. After 15 years the merchant receives a deed to the property free and clear, leaving him to pay real estate taxes and a fee for maintenance of the center.

With the successful development of Country Club Plaza and the near completion of Plaza 70 East, we have selected sites for the development of two more condominium shopping centers. It is also anticipated at this time that lease and mortgage insurance will be used again for the development of these centers.

The introduction of the condominium shopping center concept, made possible to a large extent by the availability of new financing techniques like lease and mortgage insurance, will play an increasingly significant role in the commercial development of our country in the years ahead.

Real estate economist Homer Hoyt points out that our country is going to need 3,000 more neighborhood shopping centers and more than 100 new regional shopping centers in the next decade. Based on population and income growth, this country will be able to support 400 more new regional centers of one million square feet or more by the year 2000. It is also expected that there will be a market within the next 30 years for 10,000 new neighborhood shopping centers of 50,000 to 100,000 square feet.

Mr. Hoyt points out that the typical regional mall will contain three or four leading department stores and 40 to 50 specialty stores in air-conditioned surroundings. Apartments and office buildings will be constructed on adjacent sites. Large supermarkets will continue to anchor the typical neighborhood shopping center. It will contain various convenience outlets such as drug stores, barber and beauty shops, food service outlets, branch banks and a post office.

The opportunities for shopping center developers have never been greater if the forecasts of real estate economists and land planners prove correct.

C. W. (Bill) March has been involved in the sale and development of real estate for more than 13 years. He formed the C. W. March Realty Company, Willingboro, N.J., in 1959 to engage primarily in residential real estate development. March Condominium Enterprises, Inc., was formed in 1966 as a wholly-owned subsidiary of March Realty to engage in commercial and condominium developments. Mr. March is a member of the Burlington County Board of Realtors and the International Council of Shopping Centers.
Students: Yes or No?

by Jon Carrol Stovall

Can the housing of college-age young adults generate a brighter profit picture for your multi-unit dwelling? Before you shout a resounding "NOT IN MY BUILDING," give the idea a chance. With today's liberal university regulations many college students are now afforded the opportunity to live "off-campus." What students have wanted for years—co-ed dorms—the owner/investor is in a position to provide and at a handsome profit to boot.

The following article analyzes some of the pertinent questions that a prudent owner/investor should contemplate when planning to enter the student market arena. Since most student apartment projects have been developed around the four-man, two-bedroom concept, I will use this arrangement as the base for this analysis.

LOCATION

Is the building or property within walking distance of a college or university? Do any buildings in the area aim for the student market? Does the building suit itself to the housing of students (mostly two-bedroom apartments)? If the building is not within five minutes walking time of campus, will there be adequate parking spaces (plan two to three parking spaces for every four beds)? Does the university have a written policy regarding off-campus housing? Does the university have an off-campus housing officer or directory? Does the university allow all students to live off-campus or just seniors and graduate students? Is the university administration consistent with its policies or likely to change the off-campus policy if vacancies arise in the dormitory system? If the
university suddenly makes it mandatory for all students to live on-campus, the student market could evaporate overnight.

INCOME AND LEASES

Can the owner realize more income from the student market than from the non-student or married market? Most university communities are capable of supporting per-month/per-man rents of from $60.00 to $80.00 a month. With the typical four-man occupancy, this generates rents of $240-$320 per month. That's not bad considering the same three-story walk-up or garden-type apartment would typically generate $175-$200 per month if rented unfurnished to marrieds or other non-students. This difference can mean $1000-$1500 extra income per unit each year.

Multiply the difference between the two rent figures by the number of units available or being planned and it becomes readily apparent why many owners are climbing on the “student market bandwagon.”

It's best to check around in your own area and see if the same type of price structure exists. The figures I have given here are typical of many midwestern college towns. It might be noted that I mentioned towns and not major metropolitan areas where this price difference is very likely to be much smaller.

The student lease has typically been the standard one-year lease. It should be noted that these leases usually begin and end in September, the month that school begins. There are exceptions to this rule.

Since many students do not go to summer sessions, owners have been pressured into signing a nine-month (school-year) lease. This lease usually carries with it an increased price tag of $10-$20 per month. These apartments are then rented at a reduced rate during the summer term. The owner/manager should verify that there will be students at the university during the summer before signing any nine-month leases.

The leasing season is a short one, usually the last few weeks of the spring term and the three or four weeks preceding the fall term.

During this period the model apartment must be available with someone to show it and sign leases practically around the clock. If 100 percent occupancy is reached during this period—and a great many student buildings do—then leasing expenses are over for the next 9-12 month period. If apartments are not rented by the end of the first week of the school term, it is probable that they will be vacant until the next term begins.

One problem in renting to students will be signing leases with minors. The usual procedure is to have the parent co-sign or guarantee the lease. Damage and security deposits are usually at least one month's rent. Many owners have gone to the procedure of collecting a damage deposit plus both last and first month's rent as a hedge against broken leases and property damage.

EXPENSES AND MANAGEMENT

The extra income from housing students is not all gravy. Expenses are higher than they would be in a comparable non-student building. The "use" factor alone contributes substantially to this increase in expenses. Housing four young adults in a two-bedroom apartment guarantees maximum usage of the facilities.

Your water bill will be one-third higher. Drains get plugged more often. Apartments need painting with greater frequency. The lawn will get trampled every season by impromptu football and baseball games. Students are just not as careful as the average married couple. They are rough on furniture and carpets and replacement time always arrives sooner than anticipated.

The list of increased expenses can go on and on. It doesn't have to: firm, yet responsive management is the key to keeping expenses under control. The manager of a student complex must be able to communicate with his tenants. He must act as liaison between the "establishment" orientation of the owner and the more liberal orientation of his tenants. Management must be permissive enough to win the confidence of the students while at the same time be fair and
furniture is not worth the investment in the long run. A few dollars more that it takes to hire one is well worth the investment in the long run.

COSTS

What does it cost to enter the student market? Many builders have tried to skimp and cut corners during construction of student buildings under the guise that “students” were going to live in it and that it would just get torn up anyway. They were right—those that were built cheaply got torn up in a hurry. The owners were the ones that got caught when the building started to come apart after a few years of occupancy.

These builders seem to be unaware of the “use” factor that occurs when four college students are housed in the same two-bedroom apartment. You cannot build a building for students cheaper than you can for an adult market. If you try, you will end up paying for it in the long run. A few dollars extra spent for soundproofing can go a long way to keep the building competitive (students do have record players and they do have parties).

Furnished apartments are a must since most students have no furniture of their own. Here again, the first impulse is to buy cheap because it will be ruined in four or five years. DON'T DO IT. If the furniture is junk to begin with, it won't stand a chance to make it through the second year.

The correct decision should be toward strong, tough furniture that can be readily repaired. A wood-type sofa with a solid bottom instead of legs makes a great deal of sense. This type of sofa should have vinyl cushions instead of upholstery so that a burn hole means replacing only one cushion, and not the whole sofa. Avoid legs wherever possible. Square cubes make great looking end tables with no legs to break. Bedroom dressers that sit on the carpet, rather than on legs, are a good investment also.

Having mentioned carpets, I might say that from a repair standpoint the shag type is better than regular carpet. Cutting out burn holes becomes a relatively simple matter and besides, college kids think shag is “really groovy!”

Dishwashers and air conditioners are probably not mandatory if you are the first student-oriented building in your particular area, but they can very well become the deciding factors in the student's mind when you have competition.

CONCLUSION

There are many other questions regarding student housing, such as pets, overnight guests, mixing students and non-students (most owners believe this is not advisable) that must also be considered. Another factor that must be taken into account is the large turnover occurring within the period of a few days each fall. These are the types of questions that an owner will want to answer before he enters the student market. Projected profit and loss and cash flow statements can shed a great deal of information on the feasibility of entering the student market arena. Try working up a pro-forma statement today—your “pot of gold” may just be the “halls of ivy.”

Jon Carrol Stovall is a student apartment building manager for Meadows Investment, Inc., a Grand Rapids, Michigan, based firm dealing in shopping center and apartment ventures. Prior to joining Meadows, he was with The Aspen Corporation in Colorado. He has a bachelor’s degree in hotel and institution management and is currently working toward an MBA from Michigan State University.
There appears to be no way to thoroughly convey the experience of managing FHA-owned properties to a property management firm. It would seem to be a unique experience in the field of property management because of the special requirements placed on the property manager by FHA.

It must first be realized that FHA does not wish to be in the rental business and acquires properties only when there is no alternative. As soon as FHA becomes aware of an impending property acquisition, qualified property management firms are invited to bid for the management. It is at this point that a firm must decide if it wishes to "get its feet wet" in representing FHA in the management of property.

The bid invitation will include some basic information about the property, but it is strongly recommended that the property be thoroughly inspected and discussed with anyone having knowledge of its previous history. The management firm should then be in a position to submit a bid, keeping in mind that the lowest bid will be awarded the management contract.

Although the property manager is advised as to the date of the bid opening, frequently FHA is not in a position to give much advance notice as to when the management contract will begin. For this reason, it is recommended that the management firm make some preliminary preparations in the event it is awarded the contract.

The property manager may have someone in the office set up the required files and paperwork without having to disrupt normal office procedure. In this way the management office is prepared to make a prompt initial contact with all tenants and employees of the property to relieve immediately any concern which they might naturally have under these circumstances. By having this preliminary work under way, the property manager is in a position to help the
project get off the ground under his leadership.

As soon as possible after being awarded the management contract, it is important to establish the line of communication with the local FHA office. Someone there will be assigned to the property and his job will be virtually the same as the property manager's—that of keeping the property running smoothly. Many of the decisions involving the property will be discussed with this FHA representative and he may well be the single most important link between the property manager's office and the FHA ownership.

FHA has certain requirements relating to procedures and paper work which must be followed to the letter by the property management firm. While the property manager may feel he has a better way of handling some of these details, there is no advantage in attempting to change the FHA formula. The quicker the property manager can learn the FHA way of doing things, the quicker he will be able to establish a smoothly running management operation for the property.

FHA will provide the property manager with innumerable instruction sheets and accounting manuals at the offset, which must be fully understood and followed to the letter. A property manager who has never worked with FHA before may find assistance in digesting the FHA procedures through a visit to another management firm that has had experience with FHA.

Whenever questions do arise as to how a certain procedure should be followed, the property manager should not guess but call the local FHA office and ask for an explanation. They are there to offer assistance and the fewer mistakes the property manager makes, the less work there will be for his office as well as for FHA. If the manager's reports to FHA are prepared incorrectly, he may be assured they will be returned to him for correction, which will add considerably to the overhead in the management of the property.

From time to time the property manager will be requested to make suggestions or recommendations to FHA relating to the property. These recommendations include salaries for the employees of the property, their vacation schedules, and other items which relate to local customs about which the property manager should have current knowledge by virtue of his experience. The property manager might also be requested to make some recommendations relating to the most effective type of advertising program to improve occupancy and possibly even offer an opinion as to establishing rental rates in the building.

After making these recommendations, the property manager may find himself summoned to the local FHA office for a conference with local FHA officers. Some of these FHA people are employed for the purpose of providing their recommendations and opinions, and the reason for such meetings is to combine the property manager's recommendations with FHA's to arrive at a satisfactory decision. It would appear that these meetings are frequently misunderstood by property managers, thinking that FHA is questioning them as to their recommendations. This is not the case. Rather, it is an attempt to combine the property manager's knowledge of the local situation with FHA's information on a national basis.

Another essential item is that the property manager realize the aim of FHA as to ownership of a property. Through the property manager, FHA wishes to improve the physical condition of the property and create a favorable occupancy situation so that the property can be placed on the market and readily attract a purchaser. Certainly, each property will vary as to how these goals might be reached and will depend upon the physical condition of the property at the
time it is acquired and the length of time needed to improve the occupancy, if this is a problem.

At this point, it might be noted that FHA officers meet regularly with their director, reporting to him on all operations relating to the director's jurisdiction. While it is not required by FHA, it is a good idea for the property manager to regularly report to FHA by letter developments relating to the property, its progress and future outlook. This type of communication prevents the property manager from being placed in the position of having FHA contact him to obtain specific information for the director.

As the property manager begins a program for placing the building in good physical condition, he should establish a definite schedule for the work to be accomplished and then discuss the program with FHA. Again, this is necessary to prevent the property manager from spending unnecessary time obtaining estimates and doing paper work which might not fall into the time schedule FHA has in mind.

After a program relating to the physical improvement of the property is determined, the property manager should obtain at least three estimates for any work costing over $50 for a specific job. These three estimates should accompany the FHA purchase order and payment authorization (FHA Form #2542), which is to be completed exactly as instructed in the accounting manual. While there is a small space on this purchase order form for a description of the work, it is recommended that a letter of explanation also accompany this purchase order if a thorough description cannot be typed into the space. All of this is necessary if the property manager hopes to receive prompt authorization and expedite the work to be accomplished.

It is all-important that the monthly accounting report to FHA be correct in every aspect in order to prevent FHA from taking exception to it and returning it for further corrections. Certainly it would be impossible for the property manager to have each monthly report errorless but every effort should be made toward this goal. FHA realizes that not all reports will be correct but it is their duty to double-check these reports and assist the property manager in rendering them as accurate as possible.

The management of FHA properties can be a profitable operation for the property manager, provided he fully understands what is expected of him by FHA and can create an efficient management operation with a minimum of duplication of work. The property manager should also realize that if he has assisted in establishing a well-run property that exhibits an attractive investment picture to a purchaser, he will also be the most likely candidate for the continued management of the property after it has been sold.

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Trends in Tenant Movements

by Shepard Brown, CPM

The tenant movement can be a frightening phenomena when you are confronted by an organized and unified group of unhappy tenants. There are very few people in the world who feel anything but discomfort and panic at a confrontation. Unfortunately, we have not been trained or prepared for this.

In the narrow sense, the “tenant movement” can mean a kind of organized activity by a group whose tactics are confrontation, fear and even property damage, which calls for us to marshal our defenses. In the broader and more significant sense, tenants are fighting for recognition as a consumer group. They have been able to develop impressive political impact because they outnumber the property owners; and the property owner is an easy whipping boy because of the traditional image brought to mind by cartoon fiction and fact about the “landlord.”

The glories of lower rent and better living conditions are irresistible to the elected official. It is hard to imagine the candidate rallying his voters with a promise of higher profits for every landlord. Reports from every part of the country confirm the national trend toward public sympathy for the tenant. Millions of dollars of public and private money are being spent to study the landlord-tenant contractual relationship, resulting in new model residential landlord-tenant codes.

Either the proposed new codes have influenced the courts or court decisions have encouraged people to draft new codes, but, regardless, the courts have recently rendered decisions that have pierced the traditional landlord-tenant basis of law. That, simply stated, has always allowed that the tenant takes the premises as he finds it.

Courts recently have upheld the opinion that an apartment was presumed to be in good shape when offered and accepted for rent. Later, when there was a substantial fault with the apartments or apartment building, it has been considered a breech of this “implied warranty of habitability” and a breech of the lease. Decisions of this kind are thinly scattered and represent a trend rather than a major national action. But who can feel secure that the trend won’t grow, given the inadequate housing in so many parts of the country.

My own State of Massachusetts clearly illustrates the national trend toward tenant sympathy. In August 1970, an Enabling Rent Control Act was passed by the Legislature and signed into law by the Governor. The provisions of the law are classic ones of this kind of legislation. The significant thing illustrating this growing national sentiment is that in the election year just passed, not one candidate for all the state offices said anything against rent control. Major candidates, both Republican and Democrat, made rent control part of their platform. They knew where the votes were.

(The law itself mentioned above excludes new apartments, luxury units and owner-occupied two- and three-family buildings. It establishes a rollback on controlled units to the rent six months before the adoption of the law; requires registration of all controlled units; sets up a hearing procedure for rent raises; requires a landlord to get a certificate of eviction before he can evict; and has the usual stiff penalties for violation of the law.)

National legislative and judicial action has been striking down exculpatory clauses in leases (they do this because a tenant has no bargaining position). There has been legislative action limiting security deposits in Massachusetts; and New Jersey now has an escrow law. The State of New York now requires security deposits to be put in interest-bearing accounts with the interest going to tenants. Both courts of law and legislators are frequently moving against retaliatory evictions.

It was publicly stated at the Urban America-IREM course in Baltimore last year by
the executive director of the National Tenants Organization, Anthony Henry, that adequate and proper services and maintenance in apartment buildings be provided at all costs. Stated another way, in a project with a government mortgage or government-insured mortgage, this may result in defaulted mortgage payments. If that happens, the government has to take title to the property with full upkeep responsibility and it will be forced to supply the services and maintenance. This justifies subsidy by default.

It is still a long way before the philosophy of "landlord" and that of "tenant" can come close enough together to be discussed with a rational expectation of compromise.

At the moment the landlord's attempt toward compromise is to produce attentive management and to communicate more sensibly. Compromise on the tenant's part would be to recognize and agree to a profit motive. The tenant philosophy, however, does not allow for a profit at the sacrifice of decent apartments at rent they can afford. For all the reasons we know so well, rents have to be higher than a great many people can afford and, therefore, there is a chasm between the two philosophies that really cannot be bridged at the moment.

Last year the tenants of a 30-unit apartment building in Chicago held a rent strike against the owner. The building was rundown and the new owner either did not want to or did not know how to take care of it. The tenants gained recognition in the community, which aided them to organize a union, and they were able to obtain community-funded legal advice. They withheld rent for a while and then drew up an agreement for the owner to sign.

The agreement in effect gave the union entire control of the building. To the tenants' surprise, the owner signed it. They then released the money but the landlord ignored the agreement (which, apparently, he intended to do from the beginning). The union then struck, withheld rent again and called in the American Arbitration Association. The arbitrator decided that a portion of the escrow go to needed repairs, that rentals be made uniform, that rent raises be limited to 10 percent a year and that the owner drop a retaliatory eviction.

Taken by themselves, the arbitration terms are not that unreasonable. However, the decision also bound the owner to uphold the earlier contract with the tenant union. This contract contained provisions such as: owner recognizes union as sole bargaining agent for all tenants; all records of expenses to be available monthly for inspection by tenants; owner agrees to give union two working days' written notice of its intention to rent any apartment and the union then has the right to inspect the apartment to determine its suitability for renting. "No agreement or lease between the landlord and any tenant of the building shall be effective to the extent that it contradicts the provisions of this agreement and no provision of such lease shall be construed in contradiction." In plain words, the owner might just as well hand over the deed!

Another interesting example is the case of a beautifully cared for, middle-rent garden apartment near Washington, D.C. Rents were raised in 1970, some well over 10 percent, and the tenants pulled together and organized a protest. Tenant representatives eventually had a direct confrontation with the owner and manager. The owner backed down only a little to the extent of stretching out the raise which took the steam out of the tenants and accord was reached.

The situation didn't go further because the good quality of management together with the high income level of the tenant removed two of the essential ingredients of absolute discontent. This example is significant, however, because a privileged group of tenants protested in a fully organized way.

These are isolated cases but most definitely indicate a trend. As long as a tenant feels he has no alternative because of the housing shortage, he is beginning to feel the right to pull together for strength and public sympathy is on his side. Managers must understand and face this trend because it has already resulted in extensive legislative and judicial action.

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Understanding the Tenant

by Sidney Glassman, CPM

For many years I have emphasized both verbally and in print that there has to be developed in the industry a new breed of property manager. This person is a professional, career-oriented man who takes pride in his chosen field and is trained in the economic, physical and control aspects of property management. He is truly a manager of property rather than just an inspector or rent collector. To that we have now added a further important requirement—one that has always been more or less taken for granted but has now sprung to the forefront—a new sensitivity and more intimate knowledge of tenant problems and tenant-management relations.

The field of tenant-management relations has sprung to the foreground mainly because of two factors: the relatively tight rental market in many areas and the increased concern of tenants, municipalities, municipal agencies and the courts with the traditional landlord-tenant relationship.

In many jurisdictions today new legislation is being considered, or has already been enacted, which reflects this concern for tenants’ rights. In the metropolitan Washington area there are six major jurisdictions and a number of smaller city jurisdictions that have taken up this problem in one respect or another.

In the District of Columbia a new housing regulation was enacted in 1970 which, among many other things, forbade retaliatory evictions, exculpatory clauses in leases, or letting of habitations that are unsafe or unsanitary and included in each lease an implied warranty of habitability. The regulations make it mandatory for each landlord to give each tenant a copy of the regulations and written receipts of leases, rents, etc. These regulations also have a section on tenant responsibility for keeping the leased premises in good condition. At the present time, the D.C. government has an Advisory Landlord-Tenant Commission that is working on a model lease.

In the Maryland jurisdiction a Landlord-Tenant Commission, appointed by the Governor, is studying all aspects of tenant-management relations. For the past few years, at each annual session of the legislature, more and more bills have been introduced on every aspect of apartment rental—security deposits, retaliatory evictions, rent increases, warranties of habitability, etc. While not all of these bills have been passed and a great number of them have been greatly changed, they are indicative of the continuing pressure to change the existing landlord-tenant relationship.

In the Virginia jurisdictions, both Arlington County and the City of Alexandria have appointed Landlord-Tenant Commissions to look into problems of apartment tenants as well as the problems of the supply and management of low- and moderate-income housing.

The increased concern of all these jurisdictions with the problems of rental housing reflects, I believe, a nation-wide trend. Apartment House Councils and other industry spokesmen from Real Estate Boards as well as individual apartment owners have to be more and more involved in the legislative and social aspects of the rental housing market.

Responsible landlords, either individually or through their associations, cannot take the attitude that any and all new legislation or regulations affecting tenant-landlord are necessarily bad and must be opposed. All new legislation must be carefully evaluated and the industry’s response to the law-makers and the tenant groups supporting such legislation must be reasoned and responsible.

In many cases in the metropolitan Washington area this approach has been relatively successful. However, it demands constant attention and alertness on the part of the
industry because the thrust on the part of the tenant is continuous and becoming stronger each year as the percentage of apartment dwellers increases.

In those urban areas where tenants have become more numerous and the supply of new housing has not and is not now increasing as rapidly as the demand, the political weight of tenants is being seized upon by political candidates as a lever to get into or stay in office. This trend can be expected to continue—after all, there are more voters who are tenants than landlords. Add to this the fact that in most court cases involving tenant-landlord problems which go to trial in large cities, there are also more jurors who are tenants than landlords.

Reinforcing this trend is the fact that in some areas there have been some landlords who have taken undue advantage of the tight rental market and also completely ignored legitimate complaints and needs of tenants. This has resulted in a reaction against all landlords, both the majority of so-called “good” landlords and the few “bad” landlords.

Immediate tenant reaction in middle and upper income buildings in which problems have arisen usually is stimulated by rent increases or by declines in service, or by both. The tight market in many areas has prompted some landlords to raise rents substantially and frequently—first, to take advantage of the market and second to try to recoup too quickly any losses or lack of profit in previous years. This cannot help but result in increasing tenant resistance, tenant organization and action as well as legislative action.

The prudent manager will exercise great restraint in his rental increase policy, particularly in regard to existing tenants. He will relate rent increases to cost increases and will not increase rents more frequently than annually. He should also exercise restraint in establishing rent schedules for new tenants.

In all cases where rents are increased, services and maintenance of buildings must be maintained at high levels and even increased in some cases. A rise in rents accompanied by a decrease in services is asking for well-deserved trouble. Remember, always, that we are in a service business. In many cases a “reading” and analysis of the building’s mood and its operation should be carefully done. It may be desirable to tell the tenants what is happening and why—whether there have been sharp increases in taxes, wage rates, utility costs, etc. If capital improvements are necessary, this program and need should be communicated to tenants.

It should be emphasized, particularly in agency management, the professional manager can steer his owners on a true path by understanding the mood of his tenants and resisting the actions of owners that may result in unhappy situations for the owners. The owner should carefully weigh the advice of the professional manager.

In this connection a further word about communication is in order. The resident manager and the property manager, as well as the top administrative people concerned, must be constantly made aware of suggestions and fears of tenants. These must be discussed and carefully considered even if they turn out not to be feasible for owners to implement. In either case tenants should be told what management thinks, what complaints are reasonable and will be taken care of and what complaints are not reasonable and will not be acted upon and why. Tenant calls and complaints should be answered and top management should always be receptive to answering tenant calls. A courteous and sympathetic hearing goes a long way to dissipate the anger—sometimes justifiable—of a frustrated tenant or group of tenants.

Beware of those resident managers and property managers who never have problems because they sit on tenants like a dictator, making the tenant afraid of retaliatory action if he goes higher up. At some time the lid may blow off with disastrous and surprising consequences. Upper echelons of management must make a serious effort to understand and find out about the problems. They can and may take action where lower ranking employees may be afraid to act; it’s always easier for the owner or boss to be
developed the necessity for about siveness. 

Tenant calls to top management should always be answered promptly. If the matter requires investigation, a call should be returned without fail to the tenant after the investigation. In many cases where tenants have gone through all the lower channels, they will have a legitimate complaint that management has either been slow to respond or have failed to respond. Top management can resolve the problem and also determine whether the tenant has registered his complaint with the proper field people. It can also get a feel for the way field people respond to complaints whether legitimate or frivolous.

It should be clearly understood, however, that responsiveness on the part of management should not be confused with permissiveness. In many cases, management can and will respond to legitimate complaints positively. In other cases management may have to explain to tenants that their demands or requests are unreasonable and cannot be accomplished.

A case in point is a large middle-income garden project in Southeast Washington where maintenance and other conditions are relatively good but tenants are concerned about security. This project at one time had no security force but over the years had developed the necessity for about $25,000-$35,000 worth of security patrols plus many thousands of dollars in fencing, locks and other security measures.

The tenants demanded, among other things, what amounted to a full-time police force for a small town—six full-time, 24-hour guards. This would have cost about $200,000 per annum. The matter was discussed with a number of representative tenants and the reasons given why this could not be done. However, we could and did outline some additional possible positive measures with regard to security that we were prepared to consider and implement over a short period of time. The approach was acceptable to tenants and the implementation of those measures enhanced the credibility of the landlord.

A very important key to bettering tenant-management relations is proper training and orientation of field and office personnel. It is necessary to communicate and inculcate into all personnel levels the basic company management objectives and policies. The development of good tenant-management relations is the result of effort and hard work on the part of day-to-day management and continuous supervision and evaluation on the part of higher management.

While the problems in low-income properties may be more delicate and time-consuming, the middle and higher income properties are not immune to tenant problems. This can be seen from the confrontations at some middle and higher income properties that have made the news in recent months in many cities.

We feel that every effort must be made to minimize the possibility of this type of confrontation. We try to take the same in-depth approach to all our properties. The management of property is not what it was five or 10 years ago. Today it is fraught with potential economic and social problems as well as physical and financial and only a professional, reasonable and relevant approach has a good chance for success.

Sidney Glassman, CPM, is vice president of Charles E. Smith Management Company, Washington, D.C., and is in charge of its residential management department. A frequent contributor to the Journal of Property Management, Mr. Glassman is an economic and real estate market consultant as well as a lecturer in real estate market analysis at American University.
Although referred to by various names, the “occupancy gap” is that period of time an apartment is vacant and non-income producing, after the expiration of the outgoing tenant’s lease but prior to the inception of the incoming tenant’s lease. The apartment is usually not counted as a vacancy because a new lease has been signed before the outgoing tenant vacates the unit. However, unless the rental reporting system is refined, the apartment may be shown as “rented” when it is actually a non-income producing unit.

The occupancy gap is said to be a villain because it robs apartment owners of thousands of dollars, doing so in small amounts over a period of months or years. A quick calculation of 20 units, vacant five days each at an average daily rent of $6.00 for 12 months, amounts to a loss in cash flow of $7,200. The figures can be altered to fit any property but the results will still show the danger of this villain.

Application of the following four-step procedure can almost totally eliminate the occupancy gap:

- Special Lease Provisions. Leases allowing a premature termination because of employment transfer should require the tenant to vacate five days prior to the end of the notice period without any rebate of rent.
- All other leases should contain a clause allowing the lessor free access to the premises for repairs or redecorating during the last 10 days of the lease term. If the tenant then vacates during this period, there is no question as to the owner’s right to perform this work even though the lease has not expired.
- It is also desirable to have some leases expire on the 15th of each month as opposed to having all leases expire on the last day of
the month. This allows the work load of the maintenance crew to be more evenly distributed throughout the month.

• Preliminary Inspections. As soon as a notice of intention to vacate is received, the resident manager should make a preliminary inspection of the apartment. The tenant is given a copy of the inspection report and is thereby made aware of his responsibilities with respect to cleaning and damages. He will often leave the apartment in better condition if he knows exactly what he must do to be eligible for a security deposit refund.

The maintenance superintendent is given a copy of the inspection so that he can estimate in advance the labor and materials required to prepare the apartment for the next tenant. This information is invaluable in scheduling the work of the maintenance crew and in ordering replacement items requiring several weeks' delivery time.

The preliminary inspection also enables the resident manager to ascertain which apartments are suitable for showing to prospects. He should avoid showing any units which lack eye appeal because of a need for decorating or because of poor housekeeping practices by the present tenant. These units can still be rented by showing similar apartments or models.

• Effective Communication. The resident manager should keep in close contact with the outgoing tenant to determine the exact date of the move-out. A satisfied tenant will often schedule the move a few days before the lease expiration if asked to do so by the resident manager.

When the actual moving date is determined, the resident manager should immediately relay this information to the maintenance superintendent so that the final inspection and decorating work can be scheduled. They should have a regular meeting, at least once a week, to review the status of the vacate notices and the commitments for move-in dates to new tenants. This will reduce the danger of the resident manager's making promises which cannot be fulfilled.

• Flexibility. Depending on local labor conditions and practices, it is sometimes possible to work the decorating and cleaning crews at night and on weekends during peak move-in periods. Often the personnel are agreeable to taking time off later in the week as opposed to overtime rates of pay. This practice can result in substantial payroll savings.

If necessary, and as a last resort, it is also possible to make arrangements with the incoming tenant to do the painting after he moves into the apartment. Caution must be exercised to see that the painters are neat and that the work is completed promptly as promised. If the new tenant agrees to this procedure, every effort should be made to see that the painters do a first-class job.

The effective property manager must first recognize the potential losses caused by the occupancy gap and be sure that the resident manager and maintenance superintendent are aware of this problem. Weekly rental reports from the resident manager should not only list vacant units but also detail those apartments that are rented for the future but currently vacant and non-income producing.

Monthly rental collection statements should set forth all units not producing the full month's rent, showing the number of days of the occupancy gap and the dollar loss on each apartment. Of course, as is true of any system, the procedures and methods are only as good as the people who execute them. Therefore, elimination of the occupancy gap further depends on a consistent effort on the part of the resident manager to see that each new lease commences as early as possible and to strive at all times for 100 percent occupancy.

Paul J. Farrell, CPM, is executive property manager with S & C Company, Virginia Beach, Va. His responsibilities include the management of 2,000 apartment units in four cities in Virginia and North Carolina. He was previously associated with Morton G. Thalhimier, Inc., of Richmond, Va. for four years. He has taught property management courses in the Richmond Public School's Adult Education Division. Mr. Farrell holds a BS degree from Virginia Polytechnic Institute.
Profits on the Green

Golf and property development are enjoying one of the happiest marriages in the world. Well-planned golf courses have given new life to older resorts, provided the impetus for the development of entire communities, and opened up areas that previously were considered underdeveloped.

The dedicated golfer is a powerful economic force—whether he wants his golf within a few hundred yards of his front door, adjacent to his second home or condominium, or at a sun-filled vacationland that is only hours from home via a nonstop jet.

All of these factors come into play when weighing the effect of golf courses on property development. It is quite apparent, too, that we are talking about a great number of people, especially as a percentage of the upper middle and high income groups. Statistics show that about 12 million people played golf last year on the more than 10,000 golf courses in the United States alone. In Canada there are more than 900,000 golfers and 1,000 courses.

The tremendous popularity of the game is attributable to several factors:

- Both men and women derive enjoyment from golf. In fact, the increasing number of women playing golf has given rise to a shorter, "powder puff" course in some areas.
- Age is no limitation to participation. Take a look at the many senior citizens playing golf daily in Florida, the Carolinas, Arizona and California, and you’ll see the backbone for many real estate developments.
- Golf provides a change of pace from the office for the businessman, the routine of the house for the homemaker, and the monotony of indoor life for those retired.
- Golf facilities provide a social center for many people of all ages.

by C. E. Robinson
• Shorter work days, and possibly four-day work weeks, make for more available leisure time. Golf courses are busier today than ever before; seldom do you see holes that aren't in play.

• Newspapers, magazines, and television have brought golf into the living room of practically every home in the country. Golf no longer is a sport of a few but of the public.

Statistics show that development of new courses is lagging behind the demand caused by increased participation. This is the main reason that combination housing-recreational developments have been so successful in recent years. Possibly a third of the new golf courses built this year will be associated with residential developments including vacation resorts.

New community development is being spurred by strengthened federal incentives that stimulate the creation of "new towns" throughout the U.S. The law provides expanded loan guarantees so developers can borrow at cheaper rates, offers government loans to help developers pay interest on their private borrowings and makes money available for many public facilities. This program is being formulated by the U.S. Department of Housing and Urban Development.

A good golf course represents a sizable investment, from $300,000 to $3 million for an 18-hole layout. Most developers budget at least $500,000 for the course and this does not include the cost of the land or the clubhouse. When housing and golf are combined in a development, the design of the course takes on greater importance. In addition to all other considerations, safety and esthetics require special attention. Only an experienced golf course architect who has encountered these problems and developed satisfactory solutions in the past can produce a master plan that will prove feasible over the years.*

It has been said that the three basic components of a first-rate golf course are woods, wind and water. The golf architect takes these physical aspects and works to design a playing field that will furnish the greatest possible pleasure to the average golfer.

Factors that affect the design of a new golf course include:

• Number of acres available. A good 18-hole layout needs about 150 acres.

• Type of ground—flat, hilly, stoney, swampy, or fertile. A golf course architect can often utilize land that could not be used for housing; in effect, he takes unproductive swamp or rugged cliff and turns it into a focal point of the course.

• Tree cover. The number and placement of trees not only will enhance the beauty of the layout and direct player movement but also serve as a protective factor in many areas.

• Available water. An adequate water supply is necessary not only for the club's operation but for the design of strategic areas on the course.

• Financing. The residents of a development may own a proprietary interest (equity type club) or the course may be owned by a private enterprise that leases the facility to

* The American Society of Golf Course Architects (221 N. LaSalle St., Chicago, Illinois 60601), whose members live and work in the U.S., Canada and Mexico, provides information and background material to those interested in building or remodeling a golf course. A list of the Society's members also is available on request.
A well-designed 18-hole golf course is the nucleus of a new residential development at St. George, Utah. Homesites not only surround the outer perimeter of the course but are located on "islands" within the course.
members. The Small Business Administration provides loans for some golf courses. The maximum loan is $350,000 and the developer must provide 50 percent of the financing himself.

Once all of the significant factors have been researched and the information assembled, the golf course architect examines the data and begins his preliminary work. This process results in the development of a preliminary master plan that pinpoints activity location (golf course, clubhouse, tennis courts, pool, putting green, driving range, etc.), circulation (roads, walkways, etc.) and form as well as building location, surface treatment of the ground and a comprehensive planting scheme.

After discussion and possible adjustments, this comprehensive master plan, the working drawings of detailed design intentions and a set of specifications serve as a guide to construction.

The golf course architect's awareness of how a course is to be maintained may spell the success or failure of a project. Maintenance significantly influences design. Rapidly changing maintenance systems, which now are being influenced by sophisticated technology, are being utilized as trained personnel becomes more difficult to find and hold.

Maintenance considerations are vital because the annual maintenance budget may run 20 percent of the total cost of construction. Here is a breakdown on the construction of a typical 18-hole course:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>$300,000</td>
</tr>
<tr>
<td>Shelters, bridges, pathways</td>
<td>30,000</td>
</tr>
<tr>
<td>Automatic irrigation system</td>
<td>125,000</td>
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<tr>
<td>Service road</td>
<td>10,000</td>
</tr>
<tr>
<td>Maintenance equipment</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$545,000</strong></td>
</tr>
</tbody>
</table>

The maintenance budget on this course could run from $75,000 to $100,000 or more a year.

Often a good golf course will stimulate growth in areas that have had difficulty in attracting new businesses, churches and schools. Lots adjoining a golf course may increase in value anywhere from $1,000 to $5,000.

In Illinois, developers purchased land for $2,000 an acre in an underdeveloped area. After adding a well-designed golf course, the area was divided into one-third acre parcels which sold for $35,000 each.

In an eastern project, a developer with only 200 acres of undeveloped land created a highly successful residential-golf course development. Since he needed 150 acres for the golf course, he requested and was granted the highest density zoning possible. Multi-family units were constructed surrounding the course, providing more residents as well as lower construction and utility costs.

Growing concern for the preservation of green-belt areas should stimulate additional golf course development. Future plans of land use for the proposed golf course site as well as for the surrounding area should be carefully studied before construction. Consideration of this factor will eliminate future conflicts of land usage that might threaten the existence of the course. Community master plans, regional plans, highway department studies and local conservation commission and state and federal plans for park development should be reviewed.

To design a course that will blend in with the overall development, the golf course architect must be an integral part of the planning team. Changes that are made in one area may affect the course and the best possible solutions must be charted.

A study of golf course development statistics for the past 40 years will show why a course is so important today. There were 5,691 courses in 1931. In 1961, there were 6,623 courses, an increase of only about 16 percent in 30 years. But during the past 10 years, the total has climbed to 10,188, an increase of 65 percent. With golf now ranking as the fastest growing competitive outdoor sport, it's no wonder that the golf course boom is just beginning to build momentum.

Whether duffer or club champion, today's golfer wants to be able to enjoy himself on a beautiful well-maintained and safe course. In short, he wants a country-club atmosphere at home, on the road or while on vacation.

C. E. Robinson, Toronto, Ontario, is president of the American Society of Golf Course Architects. He has designed many courses in Canada, the United States, Jamaica, South America and Mexico. He is also a member of the Canadian Society of Landscape Architects and has studied agriculture and land use at the University of Toronto, Cornell University and the University of Massachusetts.
The In-House Automated Management System

by Edwin A. Joseph

The problem of reporting has probably occupied more magazine space and seminar time in the last few years than any other area of property management. Discussions have always concluded that 1) the property manager must automate and 2) he can only do so by using large equipment on a time-sharing basis, either on-line or in batch processing through a service center.

That the property manager must automate is a conclusion some of us reached long ago. That he must use a service center was our original conclusion, too; but experience and a little research and experimentation led us to what we consider a much more workable alternative: the “in-house” automated system using an advanced electronic bookkeeping machine. How and why we arrived at that conclusion can best be shown by tracing our bookkeeping and reporting growth.

Our first venture into computers was with a rent collection system via lock box and print-outs prepared by the bank’s service center. We reasoned that:

1. The service center had expertise that we did not and could not afford on a full-time basis.
2. The bank and service center together would eliminate the peak clerical loads caused by the fact that collection and accounting only take about seven working days a month.
3. We would not have to be concerned with breakdowns and sick employees.
4. The final print-out would not require any manual modification.

In practice, we discovered that the programmers were not willing and/or able to learn our business; nor were they willing to make later changes to the program. Their computer could break down, their employees could get sick, and the one man in the center who understood our program could be on vacation. So instead of not having to do anything about these problems, we found we were not able to do anything about them.

No matter how accurate the print-out, it still required manual checking and updating, which was aggravated by turn-around time. The fact that our program took only 40 minutes of keypunch and computer time twice a month was little consolation when it took two days to get the batches to the center and a day or more to get the print-out back.

While we struggled with the service center on rent collections, we were also faced with the problem of how to automate payables and the monthly statements.

Despite our experience with the service center, we were still convinced that some form of automation was necessary to keep clerical costs from increasing at the same rate as our volume of business and to lessen the effects of clerical turnover. It is easier to teach clerks to code a bill than to make journal entries.

Our first step was with a standard electromechanical bookkeeping machine. Checks were written on the machine with ledger entries made at the same time and stored in magnetic strips on the back of the ledger cards. Totals were accumulated on a monthly and year-to-date basis, and at the end of the month income data were entered and statements produced by the machine on pre-printed forms.

The system worked but as we added new business, we found it to be too slow. At the
level of 15 projects and 2,500 units, we started searching for a new system for payables.

Unfortunately, loads on rental accounting and payables increase at different rates: Rental accounting clerical and machine time is based on the number of units and turnover. We presently have over 5,000 active units, but our area is heavily military and turnover approaches 100 percent in some projects. Thus, instead of accounting for 5,000 units, we are accounting for more than 8,000 units in a year.

On the other hand, payables and statement time increases are based on the number of projects. Those 5,000 units are located in 30 projects. If those 30 projects had 9,000 units, it would call for a very small increase in bill-paying time and no increase in statement production time.

In deciding the next step to take, we set down several basic points. Assuming, of course, that the system would be accurate from a bookkeeping standpoint, it would be first and foremost a management tool and second a means of reporting to our clients, the project owners. Therefore, we consulted with our accountants but never let them lead us into confusing bookkeeping niceties with management information (note: this article refers to a management system, not a bookkeeping system).

To obtain information useful to management, we needed until the fifth of the month to produce the statement and get it to the client with his check. Some other companies about the same size as ours use an IBM 1401 with punch cards for both rentals and payables and are able to get statements and checks to clients by the first of the month, after cutting off on the 25th as we do. However, they achieve this speed simply by listing all of the rents collected and the checks written and sending a check for the difference.

It is vital to management that monthly statements show rent receipts analyzed by updated potential, vacancy, uncollected and past due paid; and expenses categorized in terms of the action that can be taken to control them. For instance, one might attempt to categorize painting expenses by apartment interiors, hallways, exterior, etc., prorating labor and materials among the categories. It is much more sensible to break down maintenance costs into payroll, materials used by the men on payroll, and contract work including both labor and parts. These major areas are broken down into just enough categories to manage sensibly by exception. You can always pull items to scrutinize specifics.

Faced with these requirements, we still considered a service center. We were aware that several companies had available the service we needed but none were in our geographic area. Thus, to go to a service center meant having a new program written at a cost of many thousands of dollars.

Either we could pay for the program on the front end, in which case we would own it, giving us leverage with the service center and reducing the monthly cost; or we could amortize the cost as part of the monthly service fee, in which case the center would own the program and do (or not do) with it as it pleased. The latter course was what we had chosen the first time for rental accounting. Since we had a contract for a fixed monthly item cost, the center was not anx-
The GAMS computer system for property management consists of various print-outs which supply rental and leasing information as well as income and expense data; Figure 1 shows a portion of the roster of tenants. Changes in the rent roll are made by the Litton 1231 operator who takes the data directly from move-in or move-out cards prepared by the personnel on the project, eliminating the necessity to copy data more than once.

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- Monthly print-out of tenants and rents paid by apartment and by project includes uncollected and prepaid balances, late charges and miscellaneous income.
Security deposits are recorded on the move-in cards prepared at the project and filed by apartment. All new deposits and refunds or forfeits are accumulated on the 1231 and the balance brought up to date on a ledger card.

ious to make changes to the program without charging large fees.

Any controller of any company who has gone to EDP will tell you that it takes months of revision and parallel systems to get a program working. Faced with the prospect of dollars, time and nervous and other breakdowns, we opted to set up our own service center with an automated bookkeeping system that was not only as sophisticated as an IBM 360 but which gave us the one thing we considered most vital: control.

Control came in two areas: programming and continuing operation.

The machine we selected was the Litton 1231. Briefly, it is an electronic system, using punched paper tape. It reads tape at 50 characters per second. The photo-electric keyboard prints at 35 eps. The processor has 500 storage registers, 64 variable registers, 128 program registers and 2 arithmetic registers. The registers are fully addressable.

What all of this meant to us is that the machine could produce the print-outs we wanted, when we wanted them. The 1231 has alpha capability, which means it can store names and addresses, vital to rental accounting.

The system we developed is called GAMS (for Great Atlantic Management Services). During programming, we had control because the programmer worked directly for us and took the time to learn our business. Also, he had access to the 1231 whenever he wanted, without paying for time. As we thought of improvements to each program,
it was easy to make changes.

An additional bonus was that we designed the system with a visual audit trail; it was not necessary to run the new system parallel to the old. We made the change in one month, at one time. This money-saving factor also applies to someone who buys a packaged system such as ours.

In continuing operation, we found that the greatest area of control was in correcting mistakes. If you get a cash flow statement from a service center and discover a mistake, in order to get it to a client on time you have to send a note along explaining the mistake and assuring him that it will be corrected next month. Or, you can pay the service center extra money to re-run the statement when they have time. With our present system, we can correct the mistakes and rerun the statement immediately.

An in-house operation reduces errors by reducing the number of times information is translated. For instance, a service center enters the information on a check by punching it from the voucher portion. In our system, the data is entered and stored at the time the check is written. No translation, little chance for error.

To give another example, say a rent check is returned after it has been processed by the service center. The print-out indicates the tenant has paid but you have a separate record showing him not paid. Because we have an in-house system, we can enter a debit for the returned check at will and the print-out is accurate.

The Litton 1231 cannot print as fast as the IBM 360—it takes two days to produce what the 360 can do in 10 minutes. But if turn-around time is 48 hours at the least, you've gained nothing and lost control. On the rental print-out in particular, turn-around time means time lag and many more manual adjustments.

Whether you develop your own system, or purchase a package one such as ours, there are things to remember:

No matter what machine you have, or how much money you spend, you can't have everything. For instance, we realize that an analysis of expenses as a percent of potential would be useful in addition to the per-unit...
A program for payables provides for checks to be written on the 1231 by the operator and data put on ledger cards for a visual record; account totals are stored on punched tape for later use in the production of the cash flow statement.

Monthly cash flow statements analyze expenses by payroll, supplies, and contract work, etc.
In the same vein, having an in-house system makes it possible to separate programs. Instead of attempting to store tenant name and address, lease expiration, market analysis, and security deposit in one program, we separated them; this makes it much easier to modify a program or update information and get it when we need it.

Don't be afraid to do something by hand. Even after we worked out a program for security deposits, we found it easier to do the bulk of the work by hand, given the timing and nature of the workload. And it's still accurate.

We are currently handling 30 projects with over 5,000 units on the 1231, with a schedule as shown in the accompanying chart. The cost of our in-house system compares favorably with service center charges, which usually run $.70 to $1.00 per unit per month.

A new Litton 1231 will cost about $19,000 but it can be leased for as little as $500 per month. Adding operation costs of $500 per month, with 1,500 units you can operate for $.67 per unit per month, plus paper which is negligible in making cost decisions.

As your business grows, your overhead decreases relative to income, whereas service center costs continue to grow. We became bookkeepers not because we wanted to but because we found it necessary to do our job. We became good bookkeepers because we never lost sight of why we were doing it. It told us what kind of management job we were doing and how to do it better.

Edwin A. Joseph is president of Great Atlantic Real Estate—Property Management of Newport News, Virginia. The firm entered the property management field in 1965 and presently manages over 6,000 units in eight Southeastern cities.
1970 Journal Award Goes to CPM Edward Kelley

Today's multi-structure residential complexes not only need careful advance planning as to construction: an equally vital phase for the success of the development is the scheduling of its merchandising program. This theme was developed in a two-part article, "Apartment Marketing: Timetable for Success," which has won for its author, CPM Edward N. Kelley, the 1970 Journal of Property Management Award.

Presenting a grand opening timetable for a residential project, the year's outstanding article explored the various requirements of publicity and public relations, the advertising program, establishing a graphic image, the model apartment, recruiting the rental staff as well as setting the rental schedule and budgets. The series appeared in the July/August and September/October 1970 issues and is presently available from IREM in reprint form.

Mr. Kelley has recently been appointed senior vice president in charge of property management for the Kassuba Development Corp. of Oakbrook, Illinois, and Palm Beach, Florida. The firm owns and operates 40,000 apartment units in 64 cities and 20 states. Until the beginning of this year, Mr. Kelley was vice president and general manager for the Chicago real estate firm of Baird & Warner, Inc., which he joined in 1958. There he had total responsibility for the operation of 21,000 rental apartments, 4,000 condominiums and a number of shopping centers.

Mr. Kelley has been a frequent contributor to the Journal of Property Management on the subject of residential management. He is the 1971 Regional Vice President of IREM for Illinois, Indiana and Wisconsin and has served the Institute on various committees and on its Governing Council.

The Journal Award Committee which selected the year's outstanding article was composed of Alex H. Fitzsimmons, CPM, Ottawa, Ont., Chairman of the IREM Publications Division Council; John E. Free, CPM, Santa Barbara, Calif., Chairman of the Journal Committee; and O. A. Talmage, CPM, San Francisco, Calif., Chairman of the Publishing Committee.

The winning article was chosen from the following categories:

1. The article that most effectively alerts property managers to new trends and techniques and their influence on the management of real estate.
2. The article that makes the most original contribution to the improvement of property management techniques.
3. The article that does the best job of explaining a particular aspect of the property management field.
4. The article that most effectively helps property managers to improve their service to the public.
The old days are gone when the property manager used to lease office space and then saw to it the tenant occupied it promptly on the commencement date of the lease. With specialization becoming an integral part of our lives, the "jack of all trades" approach has been limited to the daily problems of managing the tenants and property already secured.

Leasing "salesmen" have come forward to play a large role in the successful operation of commercial real estate and the leasing agent has become a full-time position. The industry as a whole certainly benefits as more individuals strive to become leaders within their particular job function. The result is increased professionalism.

This does not mean to say there aren't any problems as a result of the increased specialization. As more people are involved in any particular field of endeavor where cooperation is essential, friction of some type is bound to be created. Leasing specialists often look down on property managers with the slogan, "Where would you be without a tenant... No tenant, no management." Speaking as a leasing specialist, there is a certain degree of truth to this statement. However, to overcome the personality and job function clash, an administrator must create teamwork to properly coordinate leasing and management.

I can best illustrate this concept by describing what transpires during typical negotiations with a prospective tenant. First, the prospect is secured by whatever means, i.e., solicitation, response to advertisement in local papers, sign on building. The prospect's requirements are ascertained, and assuming the lease term and rental amounts are agreed upon, property management is immediately brought into the picture. This may be prior to the execution of the lease agreement. Management reviews with the prospective tenant partitioning layout (most important if the building is old and remodeling is necessary), mechanical and electrical specifications, hours of operation and any special requirements.

With the above steps in mind, we have found it absolutely essential and, of course, extremely helpful to have management review and discuss with the tenant their individual problems. A one-to-one relationship is developed and hopefully respect for each other's position is established. Management thus becomes a face with a body and not just a voice over the telephone. The results of bringing management into play prior to lease execution will in all likelihood nip many problems prior to occurrence.

Upon execution of the lease, leasing and management work closely with the tenant to assure occupancy as stated in the lease. Approval of construction costs, if any, is the responsibility of management; however, in most instances both the leasing agent and property manager seek acceptance. The coordination and proper timing is all-important, and with the leasing "salesman" and manager working together, most approvals are easily obtainable.

On occupancy day, both leasing and management men are available to assist the tenant moving in. Keys are turned over and assurance given that touch-up painting, fluorescent tubes not installed, duplex receptacles not working, etc., will be taken care of at the earliest possible date. The first day and week of occupancy is an important one.

The idea behind coordinating leasing and management is to create a smoothly operating team that acts and reacts in a unified effort. Too often one will blame the other for...
To be successful, today's office buildings need coordinated planning by leasing specialists and building management as soon as they take shape. Mistakes or oversights, which confuses and disillusion the new tenant as to the efficiency of building operation. True management—i.e., total involvement with the tenant—is absolutely essential to properly coordinate leasing and management functions.

In addition to the above, we find it important that leasing specialists learn and understand mechanical systems, cleaning crew operations, how expense budgets are prepared and other pertinent items management deals with on a daily basis but leasing agents only hear about. This enables leasing agents to assist in giving a complete picture to the tenant. It is important to educate one another.

Forms also assist in coordinating leasing and management agents. At the time of lease execution, it is pertinent to request from the tenant such information as names for directory board, parking assignments, and contact within the office to be dealt with, etc. This information can be written on interoffice forms for permanent records and then transmitted to management for necessary follow-through. The major stress is on communication—without it, coordination is impossible.

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The Meaning of Vacancy

There is both the term “vacancy” and the concept of vacancy; this article will attempt to discuss both the term and the concept. The term “vacancy,” “vacancy allowance” or sometimes referred to as “estimated vacancy” means different things to different people. It is difficult to understand an appraisal report or market survey that uses the term “vacancy” when it doesn’t always mean the same thing to everyone. Those involved in surveys of vacancies or of vacancy ratios use different measurements which result in specific rates. To the degree that terminology differs, the survey results will also differ.

In the broadest of terminology, vacancy has come to mean all rent losses; this may include:

1. Loss from unoccupied units available for occupancy—this is true vacancy.
2. Loss from non-available but non-revenue producing units, i.e., those unavailable for rental because of refurbishing. This is downtime and these losses are not truly vacancy losses but more a problem of maintenance planning and management than one of lack of demand for space.
3. Loss from occupied but non-revenue producing units arising from tenants not paying rent. To lump this loss under vacancy indicates a lack of demand while, in fact, this is not true. It is impossible to rent an already occupied unit. This loss is attributable to poor management or normal business loss.

The term “vacancy” should perhaps be labeled “rent loss” since it covers such items as non-collected rent or maintenance downtime.

MISLEADING FACTORS

When the FHA obtains a vacancy survey from the Federal Post Office, this survey does not indicate rent loss or even vacancy. It indicates the number of mailboxes without names which may be the same thing as unoccupied units—but then again, it may not.

When a market survey is made by property managers, the resident managers interviewed may tend to eliminate as vacant any unit on which a deposit is held even though it is presently non-income-producing. This practice imputes an unrealistically low vacancy rate.

Newspaper reporters searching for a news article and college real estate department surveys of rental vacancies are often publicized. They are frequently inaccurate but take on the cloak of accuracy because of the imagined infallibility of the printed word. Such surveys can be creditable only when they explain the approach used to determine the vacancy rate and when the survey is broad and representative.

Most professional property managers show as income an amount of collected rent plus some miscellaneous collections such as laundry, cleaning deposits or security deposits. A truer picture would be shown if these latter items are subtracted from the monthly rent roll. This approach would accurately reflect rent losses and allow the professional manager and owner to pinpoint weaknesses and work on them.

The real estate manager or consultant will consider the market survey results and the FHA survey and realize that from 1 to 7 or 8 percent must be added for other types of uncollected rents, depending on the affluency of the tenancy and the rent collection policy and expertise of the rent collectors.

A friend of mine who is a real estate manager recently took over the management of a large apartment house. He was told that occupancy was averaging about 92 percent. The owner didn’t think 8 percent vacancy was out of line but was unhappy because the overall performance seemed unaccountably disappointing. My friend informed me that despite the 8 percent vacancy rate, the rent loss was actually 20 percent, the problem being uncollected rents. Without the breakdown of the three rent loss factors, effective management cannot be analyzed.
If downtime (cleaning, repairs, replacements, etc.) equals 4 percent of the rent roll and delinquent tenant rent losses another 3 percent, it would be foolish and wasteful to increase the advertising budget. If apartments are unoccupied and available, they are truly vacant and lack of demand must be examined. The problem might be in advertising or lack of coverage. But if the units are occupied but not producing rent, make sure in writing a report whether the term "vacancy" does or does not mean rent loss.

DETERMINING LACK OF DEMAND

Vacant units are thought vacant because of a lack of demand. This is true. It must be further stipulated, however, to be not just demand but more properly termed "effective demand." Demand can exist but if the resident isn't on the premises to show units, the demand is not effective. If a resident manager is addicted to Tuesday and Thursday golf games, has Wednesday visitation rights with the children living with his divorced spouse and considers Saturday shopping day and Sunday worship day, vacancies will be relatively high despite anything but the most insistent demand. Insistent demand usually occurs only from unrealistically low rent rolls.

If rents are higher than the available tenants can pay, there will be an actual or real lack of demand. If rents are set significantly above competitive rents, there will be an artificial lack of demand.

A knowledgeable manager recognizes that he can reconstruct the rent roll of $150 per unit with an 8 percent rent loss to $145 and logically reduce the rent rate loss to perhaps 6 or 7 percent. The actual receipts would remain the same. If rents were further reduced to, say, $135, theoretically the rent loss would be reduced to 1 or 2 percent. However, because his training and experience tell him that an apartment building whose total rent losses are just 1 or 2 percent is probably a violation of the law of diminishing returns, the manager should conclude that this practice is indicative of inferior property management.

When the rent is increased, it is reasonable to assume that a temporary increase in rent loss or in maintenance cost (or both) will ensue. A larger rent increase logically would result in even higher rent losses and maintenance costs. In making conclusions of effective rent as distinguished from contract rent, the property manager or appraiser must understand the principle of diminishing returns and will reconstruct rents or recommend rent adjustments in fine tuning with variation of rent loss and maintenance costs.

When improved real estate is subject to short-term rental agreements, lack of proper maintenance will result in a lack of effective demand. While a significant reduction in maintenance will cause the immediate net operating income as well as taxable income to temporarily increase, the net income will probably soon begin to constrict, thereby reducing the value of the property. If the property is highly leveraged, a small reduction in price is equal to a larger reduction in equity—a poor way of enriching an owner.

A third possible, characteristic in lack of demand lies in poor management. When maintenance is performed reluctantly and/or delayed, the tenant may move out before the repair is made, thereby causing vacancy and refurbishing costs that may have been avoidable.

Vacancy should be analyzed as to lack of real demand or existing effective demand. Vacancy rates are not individually important; they must be considered in relation to length of the rent roll, effective maintenance and adequate management.Vacancy should be more often referred to as a part of rent loss which gives management an opportunity to examine accomplishments by allocation of maintenance downtime and uncollected accounts receivable. If we all speak the same language and compare oranges with oranges, we can improve our achievements and understand our accomplishments.

Robert C. Moore is a Realtor in San Jose, Calif., and has been in the real estate profession for 24 years. He is a graduate of the University of San Francisco School of Law (LLB) and is a member of the San Jose Real Estate Board, the Los Gatos-Saratoga Board of Realtors, the Real Estate Certificate Institute, and the California Association of Real Estate Teachers, among others.
Editorial:
Profile of a Manager

by Lloyd D. Hanford, Sr., CPM

As property managers our chief concern is aimed at being successful for our clients and ourselves in the operation of investment real estate. Success for our clients is measured in terms of maximum economic benefits over the longest foreseeable period of time without impairment of invested capital.

The management effort is not an assignment for the inexperienced individual nor does it adapt itself to the part-time or occasional practitioner. To appreciate the necessary qualifications for expert effective management, we must examine and evaluate the anatomy of the successful professional.

First of all, he must be enthusiastically dedicated to the fact that all of his efforts are in one way or another productive of benefits. He must accept the fact that in order to be effective, he must devote his attention to a continuing flow of major and minor situations. He must be immune to frustration from details even though these often troublesome decisions may be assigned to others in his organization.

He must have a clear concept of essential accounting procedures and although he may not be personally involved in the day-to-day processes, he creates the framework and evaluates the results. He responds constructively to the necessity for orderliness in maintaining office records and files which are available for ready reference. He establishes and directs the efficient and productive performance of each of his employees and/or the several departments of his management organization. He is adaptable to change or improvements which will enhance the economy, efficiency and productiveness of every aspect of management performance.

The management executive is self-disciplined to the point that he is unruffled by annoyances or disappointments which he accepts as integral parts of his professional activities. He retains a cheerful attitude toward his clients, employees, tenants and all others who come in contact with him in the conduct of his business. However, he is pleasantly uncompromising when it comes to matters of established policy. He uses diplomacy and his lines of communication are always open. He responds promptly to all inquiries and makes certain that his organization is always available to handle emergencies. He enjoys an unblemished reputation for integrity, honesty and capability.

As an innovator and creator, he uses his unique talents and skills to insure maximum income and minimum expense consistent with the long-term economic and physical welfare of properties entrusted to his care. He keeps abreast of current trends and developments related to the use, occupancy and value factors of investment real estate. He understands the basic limitations imposed by government laws, regulations and ordinances but whenever indicated he seeks the competent advice of lawyers, accountants and other outside professionals.

In summation, the property manager knows what to do, why it should be done, when it should be done and how it should be programmed. He recognizes problems in time in order to minimize serious difficulties.
and he is alert to potentials indicated by developing trends. He and his organization are always available for prompt and effective decision-making, which is based upon informed judgment and not subject to blind guesses, emotion or wishful thinking. He never loses sight of the fact he is committed to the best interests of his client and "stands in the owner's shoes" as his agent and advisor.

This discussion cannot be concluded without some special comments to both the manager and the owner:

The manager must never undertake a job in which he does not define his responsibilities clearly and eliminate those which he will not assume. He must carefully analyze all of his costs involved in the performance of a written management agreement to which a reasonable profit is added for determination of his fee. Finally, he must never accept an account where limitations imposed by ownership can adversely reflect on his competence or integrity.

The owner must realize that investment property is a living business requiring constant availability and a high level of expertise. No successful business runs itself nor can maximum benefits accrue from part-time attention. It is management's responsibility to avoid deferred maintenance, to correct curable obsolescence, to make economically sound capital improvements and to analyze continuously income and operating expense statements. Competent management is costly to perform and it must allow a reasonable profit to the management organization.

It is not an expense, in effect, but an investment returnable at a profit to the owner.

The owner should select a manager in whom he has implicit confidence and give him full authority to act in his behalf without unreasonable or impractical restrictions. He must remember, however, that the appointed manager is not a lawyer, a CPA, an architect, an engineer or any other outside professional although he is possessed of some basic knowledge in all fields related to property use.

Of greatest importance, the owner should keep in mind that a CPM designated by the Institute of Real Estate Management has a mark of excellence for his training and experience in the management of investment properties.

Lloyd D. Hanford, Sr., CPM, was IREM national president in 1958. He is currently a member of the faculty for IREM Course II and Course III. He also serves IREM as Editor of the Journal of Property Management. Mr. Hanford holds the CRE and CCIM designations of the American Society of Real Estate Counselors and the National Institute of Real Estate Brokers, respectively. He is a member of Lambda Alpha, honorary land economics fraternity, and of the San Francisco Advisory Council of the American Arbitration Association.
We think not! At least not as it applies to the operating data on apartment buildings. We think that property managers, investors, trustees of estates, government housing officials and anybody else concerned with operating costs and income standards wants to know the whole truth.

If you're willing to submit your apartment buildings to our third degree, we'll be able to publish the whole truth about income/expense ratios in the 1971 Apartment Building Income-Expense Analysis.

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155 East Superior, Chicago 60611

7-1 FIBERGLASS SPA
Aqua-Swirl Spa announces a series of automotive fiberglass pools and spas for home and commercial installation. The spa measures 7-ft., 10-in. and is 28-in. deep; it holds 450 gallons of water and has a seating area for seven persons. Unit is equipped with four adjustable aerators, two located at shoulder level and two at the lower back level when seated in the spa. Unit can be installed above or below ground, either indoors or outdoors.

7-2 MESSAGE CENTER
Code-A-Phone, from Ford Industries, Inc., is a message-taking and transmitting communications system that attaches to most telephone installations. Various models are equipped to record telephone messages as calls come in to unoccupied office and play them back to office personnel at remote locations via a special remote command key. Office caller can then leave message after listening to all calls received. Office personnel can communicate with each other through the recording and remote play-back capabilities of the message center.

7-3 SOLAR SCREEN KIT
A solar screen kit has been introduced by VIMCO Corporation. The VIMCO® Solar Control Screen Kit is designed for on-site installation over sun-exposed windows and doors to reduce heat, glare and fading. The fiber glass screen is guaranteed by manufacturer for 10 years not to scratch, shrink or corrode; it can be brushed, washed or vacuumed. Stock sizes are 30-, 36- and 48-in. widths and 5- and 8-ft. heights.

7-4 NYLON SEALANT
Web-A-Lon, a liquid nylon coating material from Flexco of Florida, Inc., is formulated for waterproofing masonry walls, refinishing stucco or painted block walls or top-coating and waterproofing patios and roof decks. It can be applied to asphalt shingles, roll roofing, cement tile, cement/asbestos, galvanized metal, aluminum, plywood, stucco and all types of masonry. Web-A-Lon is available in one and five gallon cans in white only.

7-5 EMERGENCY ELEVATOR LIGHT
A self-contained emergency lighting unit for elevators has been announced by Standby Systems, Inc. The unit measures 8 3/16 x 4 1/2 x 3 7/8 inches and contains a solid state battery and two incandescent bulbs producing 0.2 candle power at a point 4 feet above the floor and 1 1/2 feet in front of the operating panel when mounted in elevator ceiling. It can provide up to three hours of visibility in event of power failures, states manufacturer.

7-6 PARTITIONS CATALOG
A 12-page, fully-illustrated catalog of its partitions systems is available from Masonite Corp. Described are the four standard heights available in the two movable partitions systems—1 1/4-in. thickness and 2 1/4-in. thickness with hollow-cavity walls. Panel surfaces of pre-finished Royalcote woodgrains, vinyl woodgrains and vinyl decorator colors are illustrated. Technical data on installations are also included.

7-7 POWER SWEEPER
A tow-type power sweeper for parking lots, shopping centers, parks, picnic areas, streets and drive-ins is available from Multi-Clean Products, Inc. The "Tag-A-Long" Model T-4800 power sweeper has a 48-in. swath width which permits sweeping of four acres per hour at 10 miles per hour. Features include an adjustment lever to change broom height while broom is in motion; an optional curb-broom attachment; and an automatic clutch which keeps the broom disengaged until engine is completely revved up, allowing operator to unload hopper while engine is idling. Hopper capacity is 25 cu. ft. or 400 lbs.
7-8 COMMERCIAL CARPETING

Armstrong Cork Company announces its "Stalwart" line of carpeting for use in heavy trafficked areas, including shopping center malls, lobbies and entrance-ways. The carpeting has an extra-dense construction of soil-hiding nylon with anti-static metallic fiber. It comes in 12 two-color, two-ply construction in a 12-ft. width. It has a synthetic primary backing of woven polypropylene and a 12-18 ft. width. It has an extra-dense construction of soil-hiding nylon with anti-static metallic fiber. It comes in 12 two-color, two-ply construction in a 12-ft. width. It has a synthetic primary backing of woven polypropylene and a choice of jute or high-density latex foam secondary backings.

7-9 FAUCET KIT

Crest/Good Manufacturing Co. has introduced a rebuilding kit for single-lever faucets. It makes available an assortment of Gold Pak rebuilding kits for use on most popular style faucets. The kits are housed in a sturdy metal carrying case and contain a selection of washers, screws, "O" rings, packing, brass rings, gaskets, etc., to rebuild the fixture.

7-10 EMERGENCY LIGHT FIXTURES

Prudential Light Corp. announces the availability of its line of emergency fluorescent lighting fixtures. A one- or two-lamp, 48-in. rapid start luminaire contains a normal A.C. ballast and solid state D.C. ballast and battery pack which will operate one lamp up to three hours during power failure. Units are surface mounted with an injection-molded wrap-around acrylic lens.

7-11 EVACUATOR VACUUM CLEANER

Pullman Vacuum Cleaner Corp. announces its Evacuator Vacuum Cleaner that cleans floors of water from spills, floods or washing. Water is collected in a tank which can be wheeled to nearest drain for emptying. The unit pumps the water out of the tank. Stainless steel container is resistant to most industrial fluids. Automatic shut-off prevents over-filling.

7-12 MOP BUCKET

A 26-quart, seamless, oval-shaped bucket molded of polyethylene plastic is available from Geerpres Wringer Co. The bucket features a wide, rolled upper lip equipped with four stainless steel wear plates to support all sizes and styles of mop wringers. The seamless design eliminates leakage, and all commonly used cleaning compounds are compatible with the "Polyline-10" plastic, manufacturer states.

7-13 WASTE COMPACTOR

The Anchorpac Division of Kysor Industrial Corporation has added the Model P-710 to its line of stationary waste compactors. It has a rated packing capacity of .63 cubic yards, suitable for use in hotel, restaurant, apartment complex, and similar operations. It has a hydraulically-operated ram which forces refuse into a locked-on, closed container under 11 tons of force, crushing material—boxes, bottles, cans, glass, etc.—to approximately 20 percent of its original volume.

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7-14 MORTGAGE ESTIMATOR
A mortgage computer measuring 14 x 2 x 3/4 inches and weighing less than 1 1/2 lbs. is available from A. C. Specialties, Inc. Interest rates are variable from 4 to 12 percent in 1/4 percent increments; time schedules range from 2 to 30 years. The tool is designed to compute balances due at any time during the life of a mortgage contract; compute payments required to amortize a loan; and the length of time required to amortize loans with a set interest rate and monthly payment.

7-15 PARTITIONS SYSTEM
Conwed Corp. announces its 7000 Series Partition System for office use. The unit consists of two 5 x 4 ft. acoustical panels on four freestanding T-legs hinged with vinyl. Two tubular steel desk legs are bolted to the panel framing, and a 2 1/2 x 5 ft. plastic laminate desktop attaches to these legs. The unit can be adapted to support special accessories and hide communications and electric wiring. The panels are available in a variety of colors and surfaces.

7-16 ROOF REPAIR TAPE
A roof and flashing repair material in pressure-sensitive tape form has been announced by Parr, Inc. Called "Flash-Patch," the tape is made from hydrocarbon and plasticizing resins. It can be applied by hand pressure. Tape comes in 25-ft. rolls, 8-in. wide and 1/8-in. thick. Temperature range is —65° F to 180° F.

7-17 TREE WELL COVER
A porous and permeable concrete tree well cover is available from Brooks Products Company, Inc. The Agriperm® units are designed to permit the free passage of water and fertilizer yet inhibit weed growth. They are supplied in two sections and come in a wide range of colors and sizes. Stock sizes include 36-, 42- and 48-inch squares with 12- and 18-inch center holes. Other sizes and center hole diameters are available.

7-18 BUSINESS FORMS CATALOG
The 1971 edition of the Watts Stock Business Forms Catalog is available. The catalog illustrates over 60 categories of standard forms for general business use. These include pre-printed, carbon interleaved, snap-apart and continuous forms. All forms conform to current regulations.

7-19 MAINTENANCE BRUSHES
S. A. Felton & Son Company make available a line of over 135 types of brushes, including floor sweeps, garage and patio sweeps, auto wash brushes, and others. Metal tip handles are standard on all floor sweeps over 14-in. long.

7-20 WATER HEATER GUIDE
A manual on estimating water heater size for residential water heaters is available from A. O. Smith Corp. "Sizing Gas and Electric Residential Water Heaters" examines the factors commonly used in such estimating and suggested approaches to obtain adequate hot water at minimum cost. Hot water required, peak usage, heat input, recovery and storage tank size are covered in detail.

7-21 EXIT SIGNS
A line of exit signs and illuminated directional graphics is available from Basic Lighting. The signs are designed to provide long-life circuitry and lamp life. Units incorporate polished crystal acrylic panels which can be removed for maintenance. A variety of type sizes and styles are available.

7-22 WIRING GUIDE
A ready reference guide for wiring air conditioning and refrigerator equipment has been published by Leviton Manufacturing Co., Inc. Designed for use as a pin-up chart or as an insert in a three-ring binder, the guide shows what devices to use for every air conditioning and refrigeration installment. Products featured in the guide include Leviton receptacles, wall plates, power supply cords, extension cords, plugs and connectors.
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7-23 LINE MARKER

The "Easy Striper," from Fox Valley Marking Systems, stripes lines 2 to 5 inches wide. The manually operated unit holds aerosol cans of specially formulated paint that mark lines and corners around and between cars with no mist hazard, claims manufacturer; there is no necessity to clear areas to be painted. Width of stripe can be changed by adjusting screws.

7-24 DRAIN CLEARING TOOL

"Air-Ram", a drain clearing gun, is being manufactured by Engineering Unlimited, Inc. The unit uses the principle of kinetic energy to force sediment, foreign objects, grease and other insoluble matter from clogged drains. The unit consists of a pressure cylinder filled to the desired air pressure with a foot pump supplied with each unit. The cylinder is fitted at the opening of the drain and a trigger releases the air, causing a kinetic force to travel through the drain. This force acts on the obstruction and does not damage drain, claims manufacturer.

7-25 INCINERATOR POLLUTION CONTROL

The Hydro-Filter wet scrubber, designed by Vari-Systems, Inc., uses a combination of water and glass marble filters to remove particulate and odor from incinerated matter. Contaminants are transferred to water while clean gas passes upward. The unit is factory-wired and factory-piped. Several models are available, with up to 1500 pounds per hour rating and up to 15,000 cubic feet per minute air movement.

7-26 INSULATING FOAM

UFC Foam is a thermal and sound insulating material for application into floors, walls, partitions, pipe chases and other building cavities. It is cold-setting and forms a low-density, non-combustible, non-toxic resilient plastic foam that does not expand further after it leaves the spray gun, according to manufacturer. Setting takes place 10 to 60 seconds after it leaves applicator gun. It can be used to fill existing voids through holes as small as one inch, or between open frames—floor, wall or ceiling—or foamed through metal lath.

7-27 TRASH COMPACTORS

A line of residential trash compactors, including one model designed for use in garden apartments, has been announced by In-Sink-Erator Division, Emerson Electric Co. Models use a ram mechanism to compress enough trash to fill four garbage cans into a 1.5 ft. cube that weighs 25 lbs. Both built-in and free-standing models are available. Dimensions are 15-in. wide, 24-in. deep and 34½-in. high. No plumbing is required and ISE compactors use standard 120-volt outlets.

7-28 LOUVER WASHER

A portable louver washer has been introduced by Electro Magic, for washing cube louvers, glass panels, plastics and metal louvers up to 2 ft. wide and any length. Unit consists of a 35-gal. holding tank and 14 spray nozzles, which clean louvers. Also included in the package are three racks to move louvers from fixture to washer and back; they also serve as drying racks and storage space for components.

7-29 REPLACEMENT WINDOWS

An 8-page brochure on institutional and commercial replacement windows is offered by the Georgia-Pacific Corporation. These windows can be custom manufactured to fit odd size openings and are available in four acrylic colors: bronze, black, white, and gray. All windows feature tilt-in sash for facility of cleaning, smooth operation, and programmed installation. The pamphlet contains photographs, drawings, and complete specifications.

7-30 TILE INSTALLATION HANDBOOK

The 1971 Handbook for Ceramic Tile Installation is available from the Tile Council of America, Inc. Included are installation details for all types of interior and exterior floors and walls, as well as such specialized areas as countertops, shower receptors, swimming pools, refrigerator and steam rooms, and renovations utilizing the tiling-over-tile method. The book is provided as a means of simplifying and standardizing installation specifications.

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