Don't skimp on your elevator system unless you can afford the expense of unhappy tenants

When an elevator isn’t operating, everybody in the building knows about it. Tenants get unhappy. They cuss management, not the elevator manufacturer.

A building can get a bad reputation in a hurry. And there’s little you can do about it because once an elevator system is installed it’s almost impossible to upgrade except at tremendous expense.

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This publication is provided as a medium for the expression of individual opinion concerning management practice, procedure and topics allied thereto. The articles printed herein do not necessarily represent the endorsement of the Institute or of the majority of the members excepting as such statements may be designated as approved by the Governing Council. The editors exercise only a general supervision of the material and assume no responsibility for opinions expressed by contributors whether or not the articles are signed.

Volume 36, Number 3, May–June 1971
Briefing This Issue

**Investment Potential in Mobile Homes (This Month's Cover)**
*Lewis D. Tooker, Jr.* Page 108

Mr. Tooker outlines some of the aspects of today's mobile home developments, spotlighting the growing trend toward the use of modular units as one of the answers to current housing demands. The days of the trailer camp have about vanished and in its place is the permanently-located mobile home community with spacious living units and accompanying recreation and community facilities. The article touches on site selection, zoning, planning community facilities and types of investment. The idyllic scene on the cover is a view of Sunrise Lakes mobile home community, located near Atlanta, Georgia.

**Beating Vacancies to the Draw**
*Edward S. Metzner, CPM* Page 117

An effective leasing program is planned well in advance of anticipated expirations and is a chief method of assuring steady occupancy of apartment units. Mr. Metzner details a step-by-step program in maintaining such a system, which includes charting leasing progress of each tenant, establishing a leasing calendar and the use of letters to the tenant regarding lease renewal.

**Modernizing a Neighborhood Shopping Center**
*Phillip M. Nye, CPM* Page 122

Mr. Nye describes the problems a small neighborhood center near Cleveland faced several years ago when it became almost 40 percent vacant. After 15 years of operation, it was apparent that a modernization program would assist in renegotiating leases. Through this program of re-leasing and renovation, the center updated its image and brought in new tenants.

**Counseling and the Property Manager**
*Henry G. Beaumont, CPM* Page 127

The relation between real estate management and real estate counseling is discussed in this article by Mr. Beaumont, a leading member of both the Institute of Real Estate Management and the American Society of Real Estate Counselors. He points out that the manager's day-to-day experience with real estate economics provides him with the background needed to be a real estate counselor. The major difference of the two groups is that while a manager is concerned with the outcome of recommended procedures, the counselor acts in a totally disinterested, advisory capacity to the investor.

**Marketing Industrial Parks**
*Thomas C. Wolff, Jr.* Page 129

The developer who becomes involved in industrial parks must be constantly alert to possible sources of investors and space users for such facilities. Based on a talk presented to the National Association of Industrial Parks, Mr. Wolff's article describes several types of investor/user and how to cultivate them. Among these are the investor/builder, real estate syndicates and federal and local governments.
Rating Your Residents
Herman C. Idler       Page 134

Mr. Idler offers a technique his firm has developed in determining the stability of prospective residents, based on the use of a rating chart. The chart is divided into five categories; inquiries are made as to the applicant's marital status, employment, credit and rental references, housekeeping habits, and reasons for moving. By applying certain points to this information, the management agent has a fair and equitable means of selecting tenants.

Prospecting for Profitability with Building Remodelling
James E. Patrick II       Page 138

The problem of what to do with an aging, two-story commercial/residential building was answered in this particular instance, detailed by Mr. Patrick, with a face-lifting, remodelling job on the building's exterior and on its second-floor interior. These procedures led to an increased profitability for management and owners.

Elements of Management Planning
Jack L. Moyer, CPM       Page 140

Mr. Moyer comments on several facets of management planning. First, he discusses the need for management to become involved with a project at its inception in order to make sure that the building's profitability continues long after the developer and builder have stepped aside. He also discusses the need for lower-income communities to develop a feeling of participation in the operation of their housing. He advocates a new school of community management where residents will be expected to collectively care for their apartments and no longer be expected to sit back and leave the problem-solving to the management agent.

City Planning: Job for the Realtor
Eugene Van Cleef, Ph.D.       Page 143

Dr. Van Cleef points out that because of their close connection with land values and land use, the Realtor and property manager must have an awareness and interest in the total development of a community as a pleasing and well-balanced place to live. He urges them to become involved in this area of improving the environment.

Editorial: Cost Accounting the Management Fee
Lloyd D. Hanford, Sr., CPM       Page 145

The question of management fees is always a basic one and Mr. Hanford outlines some procedures on which to base a realistic cost for full management service. He emphasizes that no two properties require the same management time and attention, and therefore each property must be analyzed as to its individual demands.

CORRECTION: Two Views of the Federal Wage and Hour Law

In the article by Mr. Ben P. Robertson on the Federal Wage and Hour Law which appeared in the March/April 1971 issue of the Journal, one sentence was misquoted. On page 93, the article read: "It is necessary only that such commerce be engaged in within the enterprise; that there be such employees within each establishment of the enterprise." It should have read: "It is necessary only that such commerce be engaged in within the enterprise—it is not necessary that there be such employees within each establishment of the enterprise."
Investment Potential in Mobile Homes
by Lewis D. Tooker, Jr.
There is a revolution going on in the American housing market. It was spawned during the turbulent years of World War II and it grew, almost unnoticed by serious real estate developers, through the '50s and '60s. Now, in the inchoate decade of the '70s, everyone, it seems, is talking about the growth of mobile homes.

The U. S. Census Bureau reports that mobile home production accounted for 18.6 percent of new housing starts, including apartments, in 1969, and for virtually all housing starts in the under-$15,000 price range. Of single-family dwellings, mobile homes accounted for close to 50 percent.

How this is viewed by an industry that depends upon housing was shown in a recent article in Home Furnishings Daily, which said, "The mobile housing industry is a great luscious plum . . . that will grow riper and juicier as time goes on."

Just how ripe and juicy the "plum" will be for land developers depends to a great extent on how fast the developers—and bankers and government officials—can drop their pre-conceived ideas and align their thinking with that of those Americans who see mobile homes as an alternative to high-priced conventional houses. In a nation with its economic roots in the assembly line, it seems ludicrous to cling to the notion that a home, the costliest item most people will ever buy, must be built as Noah built the ark—plank-by-plank, from the ground up. Yet, the notion persists.

A CHANGING IMAGE

The term "mobile home" is an anachronism. Mobile homes simply aren't very mobile anymore. Surveys show that mobile home dwellers don't move any more often than people who live in conventional houses; and even when they do move, they usually sell their homes rather than take them to a new location. Still, the term evokes in many minds the image of a "trailer camp," packed with transients who have a propensity for hitching up their trailers in the dark of night and disappearing, leaving behind a collection of unsatisfied creditors.

There are, unfortunately, trailer camps still around, just as there are rundown apartments and shoddy houses. There are also house trailers of various sizes that are towed behind the automobiles of their owners. But these are not mobile homes. Mobile, yes; homes, no. The trailer image is fading but at times its journey into oblivion seems as slow as the prairie-crossing of its venerated ancestor, the covered wagon.

More than 400,000 mobile homes were manufactured last year in the United States. Industry sources say manufacturing capability is virtually unlimited but that further growth is hampered by a lack of quality communities in which to place the homes. Thus, the opportunities for sophisticated developers and investors are outstanding.

A mobile home development can take one of two forms: a subdivision, in which residents own their homes and lots; or a park, in which residents own their homes but lease lots from the developer.

There are advantages to both. The developer should make his choice only after a careful study to determine economic conditions of his market, public attitudes, competitive housing, zoning ordinances, and other factors. The long and short term financial goals of the investor also should be considered.

The subdivision generates greater cash flows and quicker profits; but leasing lots, as in the park, makes it possible for the owner to benefit from land appreciation and tax shelter. The park operator with a good land-reclamation plan could derive a good income from a park for many years and then possibly sell the land for much more than the original investment.
In either case—park or subdivision—inelligent and innovative land use is important though perhaps more so in the park than in the subdivision. Unless the park operator has a far-reaching land-use plan, obsolescence can work against him. His tenants can be easily attracted to the newer park that may be built nearby.

Today, there are far more parks than subdivisions—a fact that harks back to the “trailer camp.” But the trend is clearly toward the latter. Subdivisions usually offer more amenities—golf courses, swimming pools, club houses, and other recreational facilities—and therefore attract more stable residents.

There is a third method of developing a mobile home community but it is not usually recommended except as a means of accelerating the occupancy rate. This is the fully-rental park in which tenants own neither the homes nor the land. The operator of the fully-rental park is faced with many of the management and maintenance problems common to apartments. Traditional financing is not adequate for this kind of development. Longer term mortgages are necessary to keep rents competitive with apartments.

In one of the communities of Mobile Townes Corporation, we have fully rental sections. To obtain the financing we needed to open these sections, we had to convince the lenders that our homes, designed by our architect and manufactured to our specifications, were qualified for long-term loans. Our firm has attempted to eliminate guesswork from the very start. Evaluation of a proposed site is made in several steps, each dependent on the outcome of the preceding one.

Typically, the site is examined and basic engineering and topographical data are gathered. This initial evaluation is made by our staff, using standard checklists. If it meets several basic criteria, an in-depth marketing analysis is made to determine the market potential—the probable absorption pace.

Only sites in areas where the marketing study reveals a clear need for a mobile home community are considered further. Of course, in markets where the need is already established, where existing parks are filled or are filling rapidly, the marketing study may be abbreviated or omitted, but never in a new, untested market.

Next comes an engineering feasibility study, which may precede the marketing study when our staff evaluation has indicated unusual problems might be encountered. At this point, landscape architects, engineers and site planners are consulted. Then an initial pro forma analysis is made by computer; this analysis, which makes use of a program written especially for this purpose, tells us whether the project would work or, more precisely, what combination of factors would make it work.

Of the pre-development work, the marketing studies are most important. Some months ago the owners of a very impressive tract of land approached us with a joint ven-
Today's not-so-mobile home developments require intelligent and innovative land use to create the variety of amenities and attractions that draw residents to these communities.

WOULD YOUR GREEN THUMB BE HAPPIER IN A YARD?

Your green thumb deserves more growing room than flower pots and window boxes. Don't keep it cooped up in an apartment... give it room to grow... tulips, roses, daffodils... all your favorites. OAK RIDGE gives you that space and a luxurious mobile home that you can make individually yours.

We do the hard work of basic landscaping and maintaining the yard. That leaves you free to add your own personal touches. All that space around you means privacy, too... where neighbors are close enough to enjoy but not near enough to annoy.

For your comfort and convenience, we sell and rent luxurious mobile homes with every modern feature for complete community living... there are wide, lighted streets... full-time security protection and underground utilities. For relaxation, we offer a country club with clubhouse, lounge, heated indoor Olympic-size pool, saunas baths, exercise and game rooms. And soon to be completed... tennis courts and a golf course.

All yours for monthly payments less than rent for a cramped apartment. See for yourself. Take Route 37 to OAK RIDGE. Sales hours, Monday through Friday, 10 AM - 9 PM. Saturday, 9:30 AM - 6 PM. Sunday, 12 - 8 PM. Telephone (315) 652-6844.

Two bedroom homes start at $7,000 with rentals as low as $145.00.

OAK RIDGE

A Division of Mobile Townes Corporation

Volume 36, Number 3, May-June 1971
As the trailer-camp image fades from the mobile home picture, it is being replaced by completely developed communities which offer community centers and clubhouses as well as spacious living facilities. Pictured above, right, is the clubhouse at the Oak Ridge mobile home park near Syracuse, N.Y.
tue proposal. They were convinced that their property was perfect for a mobile home community; we agreed that it looked promising. They were in a hurry; we insisted on taking time for marketing studies. Our economic consultant made the studies and concluded that the project was not feasible. In the months that have passed, we have watched that property and are more convinced than ever of the wisdom of our decision not to invest in it.

As in any venture, there are risks in a mobile home development. Economic conditions can change—dramatically, as recent history has shown. These changes cannot always be anticipated but in many cases they can. Sound business practices and professional techniques help the developer to manage the changes that come, rather than leaving him open to their possibly devastating effects.

**ZONING**

The ecology movement and the growing awareness by government at every level of the importance of long-range planning and orderly growth are making it more difficult to obtain zoning for mobile home parks. And rightly so: mobile homes crammed into poorly-planned parks can create slums that are as unsightly and demeaning as other slums that blight our cities.

There is also the strong feeling that mobile home dwellers bear less than their fair share of local tax burdens. Although this contention usually can be refuted, there is in it an element of truth especially in areas that rely heavily on ad valorem taxes. This problem is not the fault of the developer or of mobile home owners but of the taxing government. The same argument, incidentally, is often directed at apartment dwellers.

In spite of—or perhaps because of—more stringent standards, zoning boards are responding favorably to the efforts of developers who propose high quality mobile home developments. If all developers would take similar approaches, there would be less resistance from zoning officials.

In dealing with a zoning board, the developer should take great care in choosing a local attorney. A good lawyer will know what local situations affect zoning applications and can help overcome objections that are often based on prejudices rather than facts.

The responsible developer will look upon a zoning hearing not as a burden but as an opportunity to tell his story in a positive manner. Effective presentations before boards can help change the attitudes not only of board members but also of concerned citizens who might attend the hearings. A public relations program, thoughtfully planned and professionally executed, can be invaluable in helping gain community acceptance of a mobile home development.

Prejudices against mobile homes must be coped with. Better and more attractive homes and better communities in which to place them are helping bring down barriers.

**FINANCING BREAKTHROUGHS**

Obtaining adequate financing for park development, for inventories, and for homes and lots sold to individuals is another major problem confronting the developer. Lending institutions, generally conservative, have long considered mobile home financing to be feasible only on a chattel mortgage basis. This attitude is clearly restrictive and unrealistic in view of advances that have been made in home design and park development.

Here, again, there is evidence that changes are taking place, changes that can be expected to accelerate as the nation's money supply expands. Some banks have already begun to make longer term loans and to include homes and lots in the package. It is not enough for the developer to design a community that will stand the test of time and thus qualify for long term financing; he must also convince the lenders of the merit of what he is doing.
An important breakthrough in financing came late in 1970 when President Nixon signed the new Veterans Housing Act, which took the Veteran's Administration into mobile home financing for the first time. Under the provisions of the new law, a veteran can receive a VA-guaranteed loan of up to $17,500 on a mobile home and lot, with an amortization schedule of as long as 15 years. It is not known at this writing how the new law will affect mobile home financing. It is reasonable to expect FHA to follow the lead of the VA and thus open new avenues of financing.

Higher standards for the manufacture of homes should further ease financing restrictions. Recently, a bill was introduced in the Georgia Legislature (unpassed at this writing) that would set quality standards, not only for homes made in Georgia, but for homes brought in for sale. Other states already have such laws or will be considering them.

**PROFIT & LOSS PROJECTION**

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The financial projections on these two pages are taken from the summary sheet of an actual pro forma analysis of a proposed mobile home subdivision.

MANAGEMENT & MERCHANDISING

Once the park or subdivision is ready for occupancy, it must have competent, professional management if it is to reach its potential. Each of our communities has an experienced manager who supervises a staff of salesmen, maintenance crews, security guards and clerical people.

In staffing our developments, we do not necessarily look for people with experience in the mobile home industry. The reason for this is simple: our goal is to apply to our projects the generally higher standards found in conventional developments, rather than to do things the way they have always been done in mobile parks. A man with experience in any type of real estate development and management can easily adapt his thinking to mobile homes and will take a more objective approach.

It is difficult to offer more than generalizations about advertising and marketing be-
cause what will work with one project will not necessarily work with another. Advertising decisions must consider the location of the community, the economic conditions of the area, and the availability of other kinds of housing. In a partially developed community, a study of residents can reveal important information: Where do most of the residents work? How much do they earn? For what reasons did they choose the park? What news media do they read or listen to? What do they do for entertainment?

We have learned from experience. In advertising for one of our communities, we were stressing our very attractive amenity package and, unintentionally, were building the community's image as an expensive place in which to live. We changed our advertising to a more basic approach that featured price and began to draw more traffic. In advertising price, down payments and monthly notes, it is important to have the advice of an attorney in order to prevent violating federal and state truth in lending laws.

HOMEOWNER RELATIONS

A good relationship with homeowners is essential. Satisfied residents are a good source of referrals and, conversely, disgruntled residents can hamper even the best sales efforts. It is a good practice to pay modest referral fees to homeowners who bring in a prospect who buys.

Needless to say, a good project manager knows how to handle complaints fairly and realistically. He also lives up to his promises and gives sincere consideration to suggestions from residents. He makes a point to get to know the residents and to let them know him.

It is important to foster a community spirit. This can be done in a number of ways: by sponsoring social events for residents, assisting with community projects, and encouraging residents clubs. A mobile home subdivision, however, is not an island; it is a part of a larger community. Residents and employees of the developing company

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CASH FLOW PROJECTION

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| TOTAL DISBURSEMENTS| 3752300        | 3686300           | 3674550          | 3605700          | 3274700           |

| INFLOW OR (OUTFLOW)| -1216300       | -898300           | -634550          | -313700          | 269300            |
should be encouraged to become involved in local civic affairs.

In each of our communities we publish an informal, inexpensive newspaper. Management pays for the printing, but residents are encouraged to submit news and, in some cases, assist in the editing. Our company also publishes a quarterly magazine for residents of all of the communities. This publication, of professional quality, is edited by our corporate public relations counsel.

In subdivisions, it is important to have a workable, legally-binding owners association. The association customarily maintains the common grounds and recreational facilities and eventually becomes the owner of these facilities.

In organizing an association we follow generally the guidelines for FHA-approved projects. Membership is compulsory and homeowners are bound by the covenants and restrictions filed for the project.

Basically, the guidelines provide for control of the association by the developer in the early stages, with it gradually diminishing as development continues. When the project is 80 percent complete, voting control passes to the residents.

Management contributes to the association a funding fee for every lot sold. Residents pay a monthly assessment; they are protected from unfair assessments by a provision that requires a two-thirds vote of both Class A stock (residents) and Class B stock (management). This provision, of course, will afford similar protection to management when control of the association passes to residents.

EXTRA PROFIT POTENTIAL

In addition to sales or rentals of lots, sales of homes can contribute significantly to the income of the investor-developer. By selling homes, the developer not only earns an additional profit, he retains control over the quality of units that are placed in the community. A good inventory of homes ready for placement is perhaps the best sales stimulus available.

In our communities we have attractive sales plazas with several furnished homes for potential buyers to see. It is advisable also to consider off-site sales and display facilities, especially in cases where the park is not on a high-traffic artery.

The developer can profit also from sales of optional equipment, by offering home improvement service and from other ancillary goods and services.

THE FUTURE

What attracts people to mobile homes? Economy, obviously, because manufactured homes cost, on a square footage basis, less than half as much as conventional housing of comparable quality. Constantly rising construction costs have priced conventional housing out of reach of many people who nonetheless have a deepseated, almost universal, desire to own a home.

Many of the better mobile home parks and subdivisions being developed today have recreational facilities that are usually available only in luxury housing developments. This appeals to the person who no longer wants to spend a high percentage of his income for housing that provides nothing more than shelter.

Aside from the purely economic aspects, there is the growing tendency of Americans to simplify their lives—to spend less time on home maintenance and yard work, more on recreation. These people see mobile homes as a suitable compromise between apartments and conventional homes.

Even the most optimistic forecasts see the costs of building continuing to rise. Thus, the mobile home—and its slightly more prestigious cousin, the modular—is likely to be an increasing factor in the housing industry.

Lewis D. Tooker, Jr., is executive vice president of Mobile Townes Corporation, Atlanta, Georgia, a developer of subdivisions for mobile/modular homes which also provides consulting services to investors in this field. He has had over 20 years of experience in the shelter industry as a residential developer, builder, general contractor and development manager. Previous to joining Mobile Townes Corporation, he was an area manager for the Klingbeil Company and regional manager for Levitt & Sons.
Beating Vacancies to the Draw

A systematic approach to leasing or lease renewals is absolutely essential if you, as a property manager, are to meet one of your prime responsibilities: realizing a building's profit potential by keeping it leased. What could be more obvious? Yet, how often is this need for organization in the office ignored?

Take the case of the manager sitting serenely in his office admiring his latest work of art—a well-prepared income and expense statement. He's on top of the world. The next minute the telephone rings and a resident manager informs him that a resident in Apartment 101 is curing beef in his storage locker.

The manager rushes to his lease file and finds there is no lease or covenant to quote to the uncompliant tenant. Shrugging his shoulders, he rationalizes that he's been too busy to keep up the files and attempts to handle the problem the best way he can.

This manager has been foiled by the biggest bugaboo a management office can have: the lack of an organized way of handling leases. While an organized leasing system probably wouldn't have had much impact on the case of the cured beef, lack of one can have a crucial effect on the manager's ability to keep his file 100 percent full of enforceable leases.

A systematic approach is based on careful pre-planning, time-charting the steps to be taken during various stages of the leasing period, and use of special techniques designed to insure complete rentability.

Our system for handling lease renewals involves four major procedural elements: 1) the lease itself; 2) a system for obtaining renewals; 3) an approach for seeking new residents, and 4) procedures for handling completed leases.

LEASE AGREEMENTS

A systematized approach calls for paying attention to the lease itself before any consideration is even given to sending it out. Two points are most important:

Avoid automatic lease renewal. Let's handle this point at the start. Every city or town has a local custom of sending—or not sending—leases to residents who plan to renew. So-called automatically renewable leases used in many communities can lead to an infinite number of misunderstandings and problems. Such leases often have no real teeth when you want to hold a resident to the terms of a contract.

In some cases, these leases can lead to a loss of rent in a rising market due to sheer oversight. A manager forgets to inform a resident that a five percent rate hike is in the cards. Later, he is either unable to collect the increased rent or the resident moves out in the ensuing squabble.

It is safe to say that any tenancy—yearly, or even day-to-day—should be written. The arguments pro and con on automatic renewals have raged on for many years. Our view is to avoid such leases if at all possible.

Write workable leases. This may be the easiest point of all to implement. Although local customs vary, it is important to write leases that call for rent payments on the first day of every month. The change from one month to another is an unbeatable way to jog the memory of residents that another month's rent is due.

Second, especially in northern climates, avoid writing leases that expire in December, January and February. The Christmas rush and inclement weather can play havoc with even the most creative attempts to re-rent an apartment.

RENEWAL SYSTEM

There are five important elements in any good renewal system.

First, work well in advance. This avoids the last-minute panic that can scuttle your best intentions for organization and planning.
Dear Resident:

We are herewith enclosing your renewal lease.

We would like to take this opportunity to thank you for your past tenancy and to invite you to remain in the building.

You will notice that the term of the lease is for a two-year period. In this manner we can combine both years' decorating allowance at one time, saving you the inconvenience of upsetting your household twice. It also assures you of the same rental for the two years.

If you should have any questions about your lease or your apartment, please call us.

Please sign where indicated by red X's and return all copies of the lease in the enclosed self-addressed envelope within the next ten days.

Very truly yours,

BAIRD & WARNER, INC.

Management Department

April 20, 1971

Dear Resident:

We wish to draw your attention to the fact that your renewal lease, which was to have been returned to this office, has not as yet been received and is now past due.

Possibly this matter has escaped your attention; however, if you intend to remain in possession of your apartment, it is extremely important that your lease be signed and in our possession no later than April 25, 1971.

Should your lease not have been returned to us by the above date, we shall assume that you intend to vacate and shall accordingly advertise it as available for July 1, 1971, occupancy.

Very truly yours,

BAIRD & WARNER, INC.

Management Department
Among the systematic procedures of an efficient leasing program is the mailing of one or more letters to current residents, informing them a new lease period is approaching.

Five months before lease expiration, set the schedule of new rents based on a careful analysis of the market, contact the owners for a consent on raises, and type your leases. Schedule the sending of all leases for renewal approximately four months before the expiration of existing leases. Early mailing is a must so you will have adequate time to follow up or seek new tenants if your present resident says no to a renewal.

This advance planning is useful to the small office with only 20 to 30 leases a month to go out. It's vital for large offices where 4000 to 5000 leases must be sent during peak months of the year. We have gone a step beyond this and will shortly be turning out a computer-printed lease that cannot be produced without careful planning.

Send a friendly letter with the lease. Don’t merely send the lease by itself without explanation—thank the resident for his support during the past year. Explain any increases in rent that may be reflected in the lease and close with a request for a prompt return of the lease.

Schedule follow-up procedures in advance. Your peak period for lease renewal activity should be planned for the 90 to 60 day period before leases expire. Two weeks after you’ve sent out the new lease, send a second letter requesting action. If five more days pass without return of the signed lease, send still another letter.

Chart leasing progress. Be on top of the situation at all times—this is the key to any successful re-leasing program. One good way to insure that you are doing this is to keep an accurate chart of the rental status of every apartment.
Prepare a sheet including resident's name, address, apartment number, number of rooms, old rent, new rent, date lease was sent, first follow-up letter, second follow-up letter, date lease returned and a column for non-renewals.

Such a chart is at the heart of a systematic approach to re-leasing. It will force you to pre-plan and follow your schedule. It will gear you up for a re-rental program, especially when you see the exact number of apartments that should become vacant. It will also be an excellent resource for handling questions a resident may ask in a phone conversation about a rent raise.

Persuade reluctant renters. Successful re-leasing can also depend on artful handling of the resident who says "no" to your invitation to renew. This could have a bigger impact than you think on profitability. Our studies show it costs us two months' rent of the resident who says "no" to your invitation to renew. This could have a bigger impact than you think on profitability. Our studies show it costs us two months' rent.

When a resident says he has found a less expensive or better apartment, is being transferred, or is buying a house, be curious. Ask for more details. Often these replies are an excuse to hide dissatisfaction.

A quick phone conversation, or even a visit to the apartment, may uncover the reason for the renter's reluctance to sign. Perhaps extra decorating, a new refrigerator, or a similar concession will enable you to avoid turnover and possible loss of rent that would occur with a vacancy. If you visit an apartment before the lease expires, be sure to return again to inspect it if it becomes vacant before you return any security deposit.

SEEKING NEW RESIDENTS

Under a systemized approach, if all else fails, you still have 60 days to rent any apartments that are due to become vacant. Two points may be your key to success:

Know the market. Gear your re-renting to the market and the area where it is located so you can plan your efforts accordingly. Begin advertising immediately. If the market is firm, you may not need to take any special action other than to pursue prospects vigorously.

If the market is soft, a re-examination of the rent structure and an improvement program may be in order—immediately, and, at the latest, when the apartment becomes vacant.

Fix up apartments. Start the job of repainting, decorating or re-appliancing the apartment as quickly as it becomes evident you have a serious problem.

Avoid taking a prospective resident into a dirty, unattractive apartment accompanied
by promises of how nice it is going to be. Clean it up first. Install a new light fixture in a dining room or kitchen; plant flowers in the front yard of the building, fix up the halls and shine up the mail boxes.

Never forget that you are offering a product. Your competition may be the building down the street with a model apartment that features $10,000 worth of furniture, a full-time staff of pretty rental agents, and toys for the kiddies.

**COMPLETED LEASES**

Don't be tempted to feel your job is done when the leases come in.

First, check signed leases. A detail, but an important point, is to make sure that all leases are checked carefully after receipt from residents to see that they have been signed properly and not tampered with. To avoid problems later, be sure that price and terms remain unaltered and that no small print has been crossed out in the body of the lease.

Implement lease provisions. Leases should be countersigned and a copy sent back to the resident soon after it is received. If decorating or repairs are to be made to a particular unit based on the renewal, this activity should be set in motion at once. Purchase orders should be made out at this time and sent to contractors for implementation.

File the lease. Don't fall into the trap of the manager with a storage locker of cured beef on his hands. Keep an individual file on each resident containing the original lease application, latest lease, and any other documentation of agreements that may be in force. And file the leases immediately as part of standard practice.

Through these special procedures, including careful planning and follow-through, your lease file should be bulging with signed leases at an early date. If you run a tight ship, the word will soon be out to your residents. Stalling on returning leases will be a thing of the past. And you can go back to admiring that artful income and expense statement—until next rental season.

Edward S. Metzner, CPM, is an assistant vice president in the management division of Baird & Warner, Inc., and manager of the firm's Oak Park office in west suburban Chicago. He joined the firm in 1966 and was named to his present office in 1969. Formerly, he operated his own firm in Louisville, Ky. Mr. Metzner is presently a member of IREM's Journal Committee and the Experience Exchange Committee.
Modernizing a Neighborhood Shopping Center

by Phillip M. Nye, CPM

The Parkway Shops, built in 1951 in Berea, Ohio, a community near Cleveland, faced a major vacancy problem after more than 15 years of operation, and as a result a modernization program was put into effect which updated the center's appearance and gained new tenants for its facilities.
Since most shopping centers have been built since 1948, one might ask is modernization of a shopping center really necessary. Many small shopping centers under 200,000 sq. ft. of gross leaseable area that were built in the 1950s are currently suffering from vacancies brought on by competition from regional and sub-regional centers built more recently. The competition for the consumer dollar in shopping centers has never been greater than it is today. Can a smaller neighborhood or community center compete and survive against the larger enclosed mall regional center? In most cases the answer is, "yes," and it can be accomplished through modernization.

The Parkway Shops was built in 1951 in Berea, Ohio, a small town of 20,000 people. The original architects of the center had been far-sighted enough to plan for the future by arranging the 60,000 sq. ft. into a U-shaped open mall with superior landscaping. However, they were not quite so far-sighted when they placed the center on a main state highway, putting all customer parking in the rear.

In the summer of 1966, the center was doing business as usual with only one vacant space of about 600 sq. ft., which represented only one percent of the gross leaseable area. As fall approached, so did the end of the initial lease term of one of the key tenants, a food store. Their option had not been exercised and this meant to management that 12,000 sq. ft. of space would be available by the end of November.

We had attempted to lease this space to another food chain but their requirements demanded at least 15,000 sq. ft. of space. To complicate matters, the other food store in the center had a clause in their lease stating that no other food store could be larger than the space they occupied.

We next received a letter from F. W. Woolworth, which occupied an 8,500 sq. ft. store, that they were closing their operation as of December 31, 1966, even though their lease ran till April 30, 1967. They were paying only 77 cents per sq. ft. for this space.

What looked like a healthy, stable shopping center the summer before became a vast area of vacant space by January 1, 1967. Some of the smaller tenants joined the parade in leaving the ship and by the time the situation stabilized itself, the center was 40 percent vacant (24,000 sq. ft.). The morale of the remaining merchants was at an all-time low.

In addition to the vacancy factor, the center also faced the problem of the very nearby (200 yards) urban renewal of the downtown old triangle area; the state highway was to bypass the downtown area and go directly by the west side of the center. Many people had already written off the Parkway Shops.

KEY TENANT

A management survey of the center was in order. The first item of the survey dealt with obtaining a key tenant. For a center of this size a large food store makes an excellent key tenant. It was decided that this food store would have to be at least 25,000 sq. ft. to attract the amount of traffic needed to supply the balance of the tenants with potential customers.

The center originally had two small food stores, but as already mentioned, one of them had decided not to renew its lease. The remaining food store occupied 15,000 sq. ft. and was adjacent to the now vacant Wool-
worth space. Its lease was to expire May 31, 1968, but had a five-year option; as far as the center itself was concerned, the worst thing that could happen would be for them to accept this option and remain in the small space they now occupied.

Negotiations began immediately with this tenant to become the key tenant. They drew up completely new interior plans to include an additional 10,000 sq. ft. of space, including the entire area of the vacant F. W. Woolworth store. A new 15-year lease was signed, to be effective upon completion of these comprehensive interior design plans. This lease included many of the newer clauses, such as items referring to a merchants association, tax escalation, etc., which were not in the 1951 leases. Most importantly, a more realistic rental was set.

The key tenant became the cornerstone to the modernization of this center since 40 percent of the space would now be leased for a long period to an AA aggressive food store.

MODERNIZATION PROGRAM

With the key tenant thus secured, the next step was exterior modernization. A completely new exterior look was necessary to build a modern-day image and a local architect in Berea with offices adjacent to the shopping center was selected to complete the drawings and plans of the exterior.

It was decided to go as much as possible with local tradition which was a rustic style. Preliminary drawings were approved which incorporated a shake shingle mansard front over the original canopy that extended entirely around the front area of all stores. A local contracting company that had had experience in shopping center construction
Prior to the modernization program (opposite page), almost 40 percent of the Parkway Shops was vacant; the new look for the center (above) included a mansard canopy and a mini-mall of four shops, which occupies space vacated by a food store.
was given the complete contract for the center exterior and the supermarket interior. Since many variables existed in the rehabilitation, this contract had to be accomplished on a cost plus basis.

LEASING PROGRAM

At the same time the contracts were being let, an aggressive campaign was instigated to lease the remaining vacant 15,000 sq. ft. Tenant mix was a prime concern in this campaign and a complete list of acceptable merchants that would add to the groups of goods and services already available was compiled. Merchants in the downtown area of Berea were contacted as well as from Cleveland, and finally even some national chains were approached.

When construction on the enlarged food store was underway, many downtown Berea merchants became interested as did some Cleveland merchants; however, no national chain showed any interest. It would appear that the day of the national chain (except food) in a neighborhood center is over; their only interest is in the regional center.

The outcome of the leasing campaign was that six local merchants and one Cleveland merchant signed leases. A unique approach was used in selling the space left vacant by the one food store: a mini-mall was developed. The space was made into four dry goods specialty shops with their own separate front entrances on what was formerly the side of the food store. Even though they had their own partitions inside, sliding doors were built between the four stores so that customers might browse through all units without going outside. The units were leased by a quality shoe store, a women's casual shop, a children's apparel store and a men's shop. In the corner of this space, a 700 sq. ft. dry cleaning and laundry pick-up point was installed with a drive-in window. The complete space was modernized with dropped ceilings, fixtures, flooring, etc.

All new leases signed with the merchants contained tax escalation clauses, percentage rental clauses and gross sales reporting requirements, parking lot maintenance, and merchants association membership. The objective of these leases was to stabilize the owner's expenses as much as possible.

By April 1968, the food store was open and doing excellent gross sales, and by fall of the same year, only one space was still unrented—1,445 sq. ft. or 2 1/2 percent of the total square footage.

ECONOMICS OF INVESTMENT

The economics of the situation in 1967 were very poor; projected income for that year showed $67,766.64 for 60,545 sq. ft., of which 40 percent was vacant. Our average rental was just over $1.10 per square foot.

The complete cost of remodeling including labor, material and fees was approximately $300,000. The owner, due to tight money and a current loan interest rate of 4 1/2 percent, decided not to refinance and was able to obtain these funds from other corporations under his control.

The 1971 income projection is $124,282 with a vacancy factor of zero and an average per square foot rental of over $2.00. The new routing of Highway 237 is presently under way to the west of the center and when completed in 1972, the key tenant’s rent will increase $5,000 per year, which will almost double the 1967 projected income.

Economically speaking, the owner is receiving an annual return of $57,000 on his $300,000 investment to remodel which is equivalent of a 19 percent return on equity.

As manager of the center, I feel it is a classic example of what can be accomplished with a good management plan.

Phillip M. Nye, CPM, is assistant vice president of Fraser Management Company, Cleveland. He is a graduate of Ohio University. In addition to the CPM designation, he holds the CSM—Certified Shopping Center Manager, given by the International Council of Shopping Centers. Last year he was chosen "Manager of the Year" by the Cleveland Chapter of IREM and he presently serves as vice president to the chapter.
The property management profession is an excellent training ground for becoming a real estate counselor. For those who are not familiar with real estate counseling and/or the American Society of Real Estate Counselors, I hope in this brief article to acquaint you with both.

What is a real estate counselor? The definition adopted by the American Society of Real Estate Counselors is as follows:

"Providing competent, disinterested and unbiased advice, professional guidance and sound judgment on diversified problems in the broad field of real estate involving any and all segments of the business such as merchandising, leasing, management, planning, financing, appraising, court testimony and other similar services. Counseling may involve the utilization of any or all of these functions."

A real estate counselor performs his work as a separate and distinct undertaking, divorced from the other functions of the Realtor; he is not an agent in real estate transactions. In general terms, the real estate counselor's function embraces any conceivable service in which trained, seasoned real estate judgment is required.

The professional service of the counselor is his advice borne of experience, blended with wisdom, tempered by judgment and supported by fact. He must have a varied background of experience as well as a thorough knowledge of real property. In his consideration of a given analytical problem, the counselor's objectivity, knowledge and skill will enable him to choose from a multitude of approaches and determine those most beneficial to his client.

The counselor translates his knowledge of the past into projections of the future. Because he is concerned with the management and conservation of real estate and has a deep understanding of the diversified use and potentials of real property, he will be able to advise solutions not always readily apparent to others.

In addition to experience and skill, the real estate counselor must be known for his total integrity and high standards of business and personal conduct. He must hold the interests of clients as his own and maintain a professional, confidential relationship at all times. This relationship is similar to the professional bond existing between a lawyer and his client.

In addition to giving counsel on broad real estate matters, most counselors have had experience in one or more of the many specialized fields familiar to all Realtors. If the problem presented is one which the counselor considers to be within his competence, he will proceed with the assignment. If, on the other hand, it is outside his sphere, he will so advise the client and will recommend other services. He must be the first to recognize his limitations and either enlist the aid of others or decline an assignment which exceeds his capacity or is outside his experience.

There are many reasons why counseling and property management go hand in hand. The day-to-day activities of property management are an excellent training ground in becoming a real estate counselor.

The manager knows the actual (not estimated) financial rewards of his properties. He must prepare and pour over financial statements and he understands the nuances of such statements and the effect they have on the value, the benefits and the resultant management programs for improved real estate.

The property manager is involved in making neighborhood analyses, which he updates daily, keeping abreast of changes in those neighborhoods in order to compete in the marketplace. In fact, he is the only person in the real estate profession who most consistently keeps track of such changes. He must watch trends in population, business and construction and he is more apt to anticipate changes in the rental market (and sooner) than anyone else.
Other items with which the manager must be familiar include current maintenance systems and equipment; he also constantly experiments with new methods and evaluates their results. He is aware of good and bad types of construction and of the management problems faced in the case of poor construction.

The property manager must be familiar with layouts and unit mix and with methods of determining consumer pressure and resultant marketing techniques. He also has knowledge of ordinances concerning zoning and planning and other aspects of local building and zoning codes and regulations.

Lastly, he constantly reviews assessments for real estate taxes and must calculate their implications as to a building's profitability; where taxes are obviously out of line he must arrange for appeals.

Because of this background and experience, the property manager is well qualified to enter the field of real estate counseling. This is not to insinuate that only property managers can become counselors; it only shows how their training and activities lead naturally into counseling. The property manager can enhance his income and add to his stature in the profession by adding counseling to the services he offers to the investing public.

However, the property manager must be especially careful that as a good counselor, he is always unbiased in his decision. If his remuneration is dependent upon the consummation of a specific transaction such as his being selected as property manager of the project, or leasing agent or selling broker, he can no longer render an unprejudiced opinion. If a property manager or anyone else accepts an assignment as a counselor, he must have no personal interest or gain in the ultimate decision made by his client. As a professional, the counselor's services are rendered independently of any personal interest or contingent outcome in any matter which he serves. This is a difficult posture but one that must be inviolate.

The property manager, like all of his fellow Realtors, must realize that for years he has been supplying counseling service to his clients, friends and business acquaintances free of charge. Much of the time it has been snap judgment, worth exactly what was paid for it—nothing. To give fair, intelligent, unbiased advice requires experience, training, thought, investigation and many, many hours of intensive consideration. This cannot be done lightly or frivolously. It is worth many hundreds of dollars to your clients and you will be more respected if you charge according to the value of the time, effort and thought expended.

Counseling and management go hand in hand for a greater income to the property manager; in addition he provides a needed service for the client and has the satisfaction of a job well done. Fees range so widely throughout the country that they must be tailored to the area. Generally, they range from $25 to $50 an hour, $100 to $300 a day, or a specific total fee based on an assignment. Do not underestimate your value or hesitate to request a fee high enough to allow you to render expert counseling.

Now that I have detailed some of the activities in which a property manager engages that qualify him to become a counselor, some of you may be wondering what the difference is between counseling and management. The property manager is given a specific property and the amount of his fee, generally, is dependent upon results. A counselor, on the other hand, is asked for his opinion and his fee is set in advance with no consideration of results of the property; he only agrees to give an opinion based on his experience, knowledge, and study as well as on all the facts he can marshall. He may counsel for or against a project. Whether the client proceeds or not has no effect upon his decision or fee.

Naturally, all counselors will hope a project will be successful if they recommend certain procedures. But contrary to a property manager, they are not charged with the result nor are they receiving additional remuneration if it is successful. It is completely different from management but because of the property manager's experience, he is eminently qualified to do counseling.

Henry G. Beaumont, CPM, is the owner of The Beaumont Company, Los Angeles; the firm, established in 1936, specializes in sales, leasing and investment counseling. In addition to membership in IREM, he is a member of the American Society of Real Estate Counselors. In 1952, Mr. Beaumont served as national president of IREM and in 1967 was president of the Los Angeles Realty Board. He is a director of NAREB and of the Apartment Association of Los Angeles. Mr. Beaumont also holds membership in the Los Angeles Rotary Club and the American Chapter of the International Real Estate Federation.
Marketing Industrial Parks

by Thomas C. Wolff, Jr.*

Once you have bought a large tract of land and converted it into an industrial park, you have got yourself up a very big tree. Your money is spent and your whole effort has to be devoted to recovering what you’ve spent plus a margin of profit which represents the entrepreneurial risk you have taken.

While that profit margin varies, it is probably safe to say that the difference between what you paid for the land, the cost of getting it zoned, developed and sold—the difference between all these costs and what you sell it for is probably 30 to 40 percent before taxes. This is the gross profit margin on land only.

Our land in Columbia, Maryland, for instance, cost about $1,500 per acre in 1963; today, exclusive of marketing costs, it’s probably worth 10 times as much as an industrial park property. Our marketing costs, exclusive of brokerage commissions, run about 10 to 15 percent of the selling price (or roughly $2,500). Brokerage fees (if we have a broker involved, which we do on half our transactions) run 10 percent of the sale price—or another $2,500. Our approximate cost is probably $20,000 per acre and our selling price today is $26,000 to $30,000 per acre, depending on location.

For those industrial park developers who are not willing to sell the land and interested only in build/lease packages, the arithmetic is about the same. Financing on our own industrial buildings reflects a market value for the land; our rule of thumb is that equity in the deal should be only the land value. Some developers say they have no equity and that they have recovered the cost of the land. That usually bears some scrutiny because they are generally referring to the original cost of the land and not the other costs which made it ready for sale. Nevertheless, the problem is: how do you organize your marketing efforts to get into the happy position of having profits to count at all?

I view the industrial marketplace as being somewhat like the Chesapeake Bay (where I come from): very murky water covering a fortune in seafood. One of the things we like to do on the bay is catch the famous Chesapeake Blue Crab. The only way to catch one is to put over a small fishing line with a piece of salted eel on it and let it sink to the bottom. The crab, looking for food, catches hold of the eel and starts to eat it. Since you can’t see the bottom and the crab doesn’t tug on the line, you don’t really know whether or not you’ve got one on the line until you lift it up. And you have to lift it up very carefully because crabs are skittish and can swim away quickly. You must wait a while, pull up the line slowly so the crab keeps on eating, and then when you get it about three feet from the surface, you slip a big net in the water and swoop the crab into the boat.

No self-respecting crab man can catch enough crabs in a day on one line so he puts out many lines. Every hour he takes a careful look at each one. This way, in a good day he can catch several hundred crabs. In our area, we call this process “crab tending.”

I view the business of organizing yourself to sell industrial land just like crab tending. The industrial marketplace is a murky body of water. You can’t see the customers, but you know they’re there. So you put out your crab lines. You tend some of the lines and some are tended by your industrial broker

* This article is based on a speech presented by Mr. Wolff at the third annual meeting of the National Association of Industrial Parks in Chicago last November.
and your job is to encourage and nurture him. However, he's only going to catch a portion of your crabs. The real question is how do you tend your own lines, the ones your broker isn't watching? Let's name some of these "crab lines" you are watching yourself.

One of the "lines" is called "investor/builder." Some areas of the country, particularly Dallas, Los Angeles, Atlanta, etc., have quite a few investor/builders. These are companies who will buy land from the developer and build spec buildings or build-to-suit buildings for customers which they usually find on their own. Investor/builders usually don't have signs on their doors which say that's who they are (although the big ones do). More often they are general contractors who want to build an equity position through development.

One of the most important things you can do for yourself is to attract a few good investor/builders, which isn't easy. To attract them, you have to be where the action is. To encourage investor/builders, we have a policy which says that we will not charge an investor/builder for any business we send him. Our interest is in getting his buildings leased and then selling him more land.

The second line you can tend yourself is the syndicate line. These are people with money to invest who want tax shelter. The net cash flow on an industrial building averages a 15 to 20 percent return before taxes; but with a depreciation umbrella, that can be 15 to 20 percent after taxes.
Industrial park properties, such as the Oakland Ridge Industrial Center in Columbia, Maryland, require a concentrated program of marketing efforts to seek out potential investors and space users.
The investor will have a building after the mortgage expires which is worth at least what he paid for it and returning 60 to 70 percent on his original investment. Therefore, many industrial developers seek out groups of investors—often doctors and other professional men looking for a real estate investment who can provide the equity for one of their projects.

The third line we tend is the advertising/public relations line. The real issue is to make people remember you. In the bi-metropolitan area of Baltimore-Washington, we have identified about 2000 companies that occupy 20,000 square feet or more of industrial or office space. We also have a list of 2000 companies nationally representing the biggest companies in the United States who are occupiers of industrial and office space in multiple locations. The issue is how can we tell them about our industrial and office parks.

We do it by sending them information on our project—a project magazine, fliers on specific buildings we have for lease, reprints of magazine articles, etc. Much of what we send goes into the corporate wastebasket, I'm sure, but we spend about $60,000 per year (the selling price of two acres of land) to tell our regional and national prospects that we are alive and well and want them to become involved with us. We have never been able to tie anything we have done in advertising to a specific sale but everyone in our region knows us and, we think, remembers us with favor.

The fourth line we have is the federal and state government line. I'm not talking now about the economic development agencies, who, like the brokers, are business generators, but about the federal and state government as a buyer of land and the renter of space. We keep track of government space occupied in our area and make regular calls on GSA people, especially on the officers of agencies who seem to have inadequate space. We follow federal legislation and the bid awards by federal and state governments which many times result in new space requirements. We also follow urban renewal plans; any industry in danger of being swept aside by a new highway or an area renewal program is a good prospect.

The fifth line is one we work at the hardest; that is our "cold call" program. We suggest to our salesmen the kinds of companies who might be prospects: companies in obsolete buildings, companies who have been in industrial parks for five years or more and may be ready to expand, companies who are representative of growth-industry or firms who are in the same business as companies we've already established as tenants.

The salesman has two objectives. First, he must get to know his customers' needs and plan how he might meet these needs better than what the customer has currently. The second objective is to ask the prospect for the name of another prospect. We always need to have more prospects at the end of a week than we had at its beginning.

Our sales objectives in Columbia are 100 acres per year. This may sound modest, but in the Baltimore-Washington bi-metro, it is about 20 percent of everything that is getting sold. It is also more than our legitimate share. Therefore, we have a small sales force of five men. We pay full broker commissions and we encourage our brokers. However, we also make one-third of our sales without brokers. It has one other advantage: the brokers tend to bring their customers to see
us first. Even if we have called on the customers ourselves, we generally recognize the broker.

This program applies to regional "cold calls." Our main approach to national accounts is by direct mail, but we also make what we call one-week "blitzes" in major eastern and mid-eastern cities. We think this has helped us although we only know of two specific land sales we have made because of it. We don't spend a very significant portion of our time on national accounts but we feel that they need to know about us.

The only time you need a dynamic sales force is when you have to create a market for your product. In Columbia, we are outside the market area today; however, in a few years we'll probably be in it. Brokers tell us that it is difficult to get their customers to look at Columbia and yet we're only about 10 miles outside the Baltimore market and about 15 miles outside the Washington market. However, customers nearly always want Beltway exposure and/or Beltway accessibility and to be in the commercial zone, neither of which applies in our case. Therefore, you can see why we spend so much effort on sales.

We do have a major sales benefit which isn't available to every industrial park developer: we have the concept of Columbia to sell—a new quality of life for employers—and that has helped considerably.

Nevertheless, if you are outside the market, I would strongly advise investing in a sales force. It can be paid for out of the savings in carrying costs as land moves faster, out of higher-than-normal sales prices for a non-market location and out of brokerage commissions you may not have to pay.

It would be a truism to say, in this day and age, that it is the rare industrial park developer who can put a sign on the highway and settle back in his office and wait for the phone to ring. It just doesn't happen, at least not with us. Half of your business will come from brokers and government development agencies. But the other half will come from only one place—what you do for yourself.

The only answer is to "get out and hustle." Cover every base you can think of. Make a selective list and then make some calls. You'll be surprised how much more attention your brokers will pay to you and how much business you can bring in on your own. The only way you can make money in this business is by making sales; and the only way you can make sales is by making calls.

You can do a lot for yourself and get "lucky" by making sure you are doing everything you can to help yourself. Don't panic if you can't show consistent results year to year. Industrial sales is a feast-or-famine business. Do a proper and responsible job and over the long haul, you will be well rewarded and so will your community.

Thomas C. Wolff, Jr., is a vice president and director of industrial and office development for The Rouse Company, Columbia, Maryland. He joined the company in 1961 and in addition to his present position has been its director of leasing operations and of research and corporate planning. A graduate of Duke University, Mr. Wolff is a member of the American Marketing Association, the International Council of Shopping Centers, the Industrial Development Council of the Urban Land Institute, and a director of the National Association of Industrial Parks.
Rating Your Residents

by Herman C. Idler

Determining and analyzing the qualifications of a rental applicant has always been a difficult task. The manager must act promptly and prudently on behalf of the owner or landlord to fill vacancies, and a good job includes exposing the vacancy to the broadest market, selecting the most qualified applicant and negotiating a lease with the most equitable terms. The manager has an obligation both to the owner/landlord and to the prospective tenant in this regard.

What is the obligation of the manager toward the applicant? There are those who, quite innocently, think "none." I disagree; for 20 years I have heard guidelines for tenant selection such as "We don't accept applicants who are on relief or welfare," "Our office won't take a chance with young couples," "We don't accept persons who are separated or divorced," "Waitresses and bartenders are no good," "Persons with limited incomes such as retirement or Social Security aren't good because you can't readily raise rents," "No children permitted," etc. Young or old, rich or poor, black or white, there have always been reasons why certain persons would not make good tenants.

Today's responsible manager cannot conduct his business using such old rules of thumb. The housing shortage we are experiencing, inflation, concern for consumer protection and the social consciousness of the community toward minority groups have made the task of tenant selection difficult. It is not, however, impossible for the manager who is knowledgeable, honest with his owner/clients, concerned with the needs of the person seeking housing, and takes a uniform constructive approach to the over-all task. To this end, we have developed a belief in our social, moral and legal responsibility, together with a uniform and responsive procedure which we feel aids in properly discharging that responsibility.

Our office is concerned with the management of approximately 600 rental units near center city Philadelphia. Almost 80 percent of these units are single-family dwellings, with a market value between $4000 and $5000. The age of the units averages around 80 years, having originally been built with a coal pipeless heater and no inside plumbing. Over the years, the homes have been modernized on a piece-meal basis by the individual occupants.

One of our clients owns 103 units and has a regular maintenance staff; the balance of the units are owned by individuals who are not truly real estate investors. Many of these homes were unsalable several years ago, not due to their condition but to a lack of market. Thus, the individual owners turned to us seeking tenants.

A very large percentage of our tenants do not have a high school education and those who do have been graduated from a vocational type of school. The units are bounded on one side by a section of the city that has newer and more expensive housing and on another by a ghetto area. We have people who desire to move into our area to escape the ghetto; because the housing is relatively inexpensive compared with other types of housing; because of its location to center city; because of the accessibility of transportation, and because other family and friends reside there. Approximately 15 percent of our tenants are non-white and 85 percent white.

Every manager must take a constructive unprejudiced approach toward all persons who are seeking housing. Every human being must have a place to live, yet there are many persons in our society today who present themselves as something less than the ideal tenant.
Why are they "something less than ideal"? Because a high percentage of their daily actions are impulsive and their decisions are without regard to past experience or present and future needs. Their past actions are an indication of their future actions.

By proper analysis of these past actions, a manager can project how ideal the prospective tenant's future occupancy might be. We refer to this analysis and projection as determining their "degree of stability"—stability being defined as steadiness, firmness of character or purpose, permanence. Our experience clearly indicates this approach to be the most accurate and constructive as well as being the most equitable toward the applicant.

The individual's "degree of stability" consists of several facets which are weighted together to give one over-all measurement. Instability exists among all age groups, all economic levels and among all races. Therefore, all applicants must be treated on an individual basis, with a uniform method of processing each application. The process allows for an applicant to show weakness in one or two facets while strong points in other areas make up the difference.

In the system we have developed, there are five categories on which an applicant is rated. The first facet is family structure: marital status, length of time married, size of family, etc. A couple married five years would be considered in a more stable and mature position than newlyweds. The newlyweds may have a greater chance of stabilizing themselves than the woman whose husband has just deserted her and her child, and so on.

The second area involves the applicant's present employment, including education levels attained to determine prospects of future ability to earn. Quality of employment and length of time with one employer are key factors in determining one's income stability.

The third facet deals with the applicant's present and past housing record; rating includes length of time remained in one place, experience under commitment to a lease, motivation for moves, and experience with former landlords and payment record.

The fourth facet centers around the applicant's personal habits, in his home, in his attitude toward neighbors, and in his plans for future housekeeping and furnishings. The key step at this point in processing the application is an interview with the applicant in his present living quarters. (If an applicant's present living quarters are that of parents or relatives, the total credits from this category are halved before totalling.)

The fifth area encompasses the motivation for the move, its direction as compared with the present level of living, and the adequacy of the unit requested compared to the needs of the tenant.

The accompanying chart breaks down each facet into rateable levels. In keeping with the spirit of "screening in" applicants rather than "screening out," the tenant is always given the benefit of the doubt. If in a given facet the applicant's particular circumstances fall between two levels, the higher is chosen.

Using the scale as shown, we have found a total point level of 19 works out satisfactorily for us. It takes about two weeks to receive an acceptable application.

All applicants are advised of the disposition of their applications; this includes those persons whose applications are declined. They are advised of the general weaknesses in their applications.
RATING CHART FOR RENTAL APPLICATIONS

Of a possible 33 points, applicant must have 19 points and no minuses in any category (equals 55 percent of total possible score).

<table>
<thead>
<tr>
<th>CATEGORY I—Marital Status (maximum points: 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married more than 3 years, or single with parent</td>
</tr>
<tr>
<td>Married less than 3 years, single, or widow</td>
</tr>
<tr>
<td>Separated or divorced more than 3 years, or second marriage</td>
</tr>
<tr>
<td>Separated less than 3 years</td>
</tr>
<tr>
<td>About to be separated</td>
</tr>
<tr>
<td>Unmarried couples</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CATEGORY II—Employment (maximum points: 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled and more than 5 years with one employer</td>
</tr>
<tr>
<td>Unskilled and more than 5 years with one employer</td>
</tr>
<tr>
<td>Less than 5 years with one employer, but skilled or just out of military service or pension</td>
</tr>
<tr>
<td>Less than 5 years with one employer, unskilled, less than high school education, but employed</td>
</tr>
<tr>
<td>Unemployed, welfare or relief, etc</td>
</tr>
<tr>
<td>Derogatory report</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CATEGORY III—Credit, Rental Reference (maximum points: 10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part A: Presently under lease for more than 3 years with same landlord</td>
</tr>
<tr>
<td>Under lease for less than 3 years but more than 1 year</td>
</tr>
<tr>
<td>Live with parents for 3 years or more, or no lease and weekly rental payments, etc</td>
</tr>
<tr>
<td>Live with parents or friends less than 3 years</td>
</tr>
<tr>
<td>Numerous moves in last 5 years and no substantial references</td>
</tr>
<tr>
<td>Information wrong or derogatory</td>
</tr>
</tbody>
</table>
**Part B:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings account of more than 1 year with balance over $300</td>
<td>5</td>
</tr>
<tr>
<td>Major loan such as auto with excellent record of payment</td>
<td>4</td>
</tr>
<tr>
<td>None of above but no personal loans</td>
<td>3</td>
</tr>
<tr>
<td>Personal loans with good references</td>
<td>2</td>
</tr>
<tr>
<td>Obligations committed, with rent and utilities considered excessive</td>
<td>1</td>
</tr>
<tr>
<td>Derogatory report</td>
<td>(-)</td>
</tr>
</tbody>
</table>

**CATEGORY IV—Housekeeping and Habits** (maximum points: 9)

<table>
<thead>
<tr>
<th>Housekeeping:</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>2</td>
</tr>
<tr>
<td>Fair</td>
<td>1</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
</tr>
<tr>
<td>Habits Indicated</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>1</td>
</tr>
<tr>
<td>Fair</td>
<td>1/2</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
</tr>
<tr>
<td>Furnishings:</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>2</td>
</tr>
<tr>
<td>Fair</td>
<td>1</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
</tr>
<tr>
<td>Personal Appearance:</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>2</td>
</tr>
<tr>
<td>Fair</td>
<td>1</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
</tr>
<tr>
<td>Attitude and Manner:</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>2</td>
</tr>
<tr>
<td>Fair</td>
<td>1</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
</tr>
</tbody>
</table>

(Reduce points by one-half if present unit is that of relatives.)

**CATEGORY V—Size of Unit Needed** (maximum points: 4)

<table>
<thead>
<tr>
<th>Description</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upward Move—Better unit and better area</td>
<td>2</td>
</tr>
<tr>
<td>Better unit only</td>
<td>1</td>
</tr>
<tr>
<td>Sideward Move—Motive for move:</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>1(1/2)</td>
</tr>
<tr>
<td>Fair</td>
<td>1</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
</tr>
<tr>
<td>Downward Move—Motive for move:</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>1</td>
</tr>
<tr>
<td>Fair</td>
<td>1/2</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
</tr>
<tr>
<td>Unit Size:</td>
<td></td>
</tr>
<tr>
<td>Adequate</td>
<td>2</td>
</tr>
<tr>
<td>Inadequate</td>
<td>0</td>
</tr>
</tbody>
</table>

Those who are accepted are expected to come to the management office, by appointment, to review the lease in its entirety, pay advance rent and security deposit in full, and have a full understanding of what the agent and owner expect of them as well as what they should expect from the agent. The latter is just as important to a tenant as the "closing" is to a buyer of a home.

Accepted applications are placed with the lease and provide a great deal of help in resolving problems during the life of the lease. Those that are rejected are filed separately and provide us with a great deal of statistical data as well as a clear and concise record as to why an application was rejected in the event we must "show cause" on some future date.

Based on the attitudes and actions of our present tenants, we believe this system has proved itself. The breaking of leases is nil; 95 percent of security deposits are returned to the tenants because they have fulfilled their contractual obligations, and delinquencies are minimum. Tenants have added much to our business attributed to referrals and they frequently consult us first about buying a new home. Our tenants seem to feel that their relationship with us is much more equitable than that required by regulations.

I believe this type of system could have a much broader application and be useful throughout the entire spectrum of urban housing including government-owned housing.

Herman C. Idler is president of Herman C. Idler Co., Inc., Realtors, Philadelphia, Pa. The firm was originally established in 1891 by his grandfather, Charles C. W. Idler. Mr. Idler is a CPM Candidate and a member of the Philadelphia Board of Realtors.
Prospecting for Profitability with Building Remodelling

by James E. Patrick II

One of the richest gold mines in Arizona was discovered when a tired, old prospector in a moment of despair and anger over his failure to strike a mother lode started to throw a rock at his "blankety-blank" burro. As he picked up the rock, he realized it was heavy. It was gold bearing! The mine eventually produced over $20,000,000 in gold.

In a way this incident is comparable to a situation which we recently faced: one of despair as to how to make a decrepit old building produce maximum cash flow. We didn't throw rocks at it, although the temptation was there, but we did pitch some imagination in the face of the problem.

Among the properties we manage was a 30-year old, two-story, eye-sore building which was rapidly deteriorating; plumbing, maintenance and taxes were devouring the low gross income. Its location in the direct path of assured future growth and development would easily justify major highrise construction later but not at the present. The question was: what to do as an interim program pending complete redevelopment five to 10 years hence?

We had little difficulty with the building's ground floor. The installation of modern front doors, an attractive canopy and front, and a rearrangement of the parking area resulted in satisfactorily leasing all the space.

The second floor was a different matter. It comprised four ramshackle, third-rate housekeeping units, hardly deserved to be called apartments. They were grossing $2,400 annually and were a constant expense.

We were determined there was a better answer than the commonly accepted practice of letting a short-lived building continue to deteriorate while waiting for the right time to demolish and redevelop. We were convinced that a capital improvement investment, imaginatively and thriftily expended, could be safely amortized over a short term and with profit to the owner.

Unfortunately, many tenants and some owners are reluctant to try or are unable to visualize the ultimate appearance of proposed remodeling; every owner questions such an approach. Our owner, however, was reasonable, cooperative and displayed confidence in our recommendation.

With our construction supervisor, building manager, design architect and structural engineer, we prowled the apartments, determined bearing walls, debated closing off certain windows or tearing out part of walls, always trying to picture the results of these...
Practicing creative management often calls for building modernization, which in the case of a Phoenix commercial/residential building involved a new exterior facing and renovating the second-floor interior; left photos show original interiors and right the completed renovation.

options. After determining a general floor plan, we decided to hold decorating expense to a minimum by adapting a Spanish motif which permitted the use of rough lumber for all wood trim, which was simply stained black. Partitions and repaired walls were rough-plaster finished and painted one coat. The net result was surprising to the owner, the tenants and most of all to us.

We had spent $10,349 including modernization fee, and now came the moment of truth: Would our projections prove out? They did for we now have an annual gross revenue of $7,380. What did this mean to the owner? The accompanying table will reveal the facts (for this purpose we have rounded out all figures in projecting operating costs, debt service, etc.).

<table>
<thead>
<tr>
<th></th>
<th>Annual Cash Flow Increase at 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-Year Life</td>
<td>$3,872</td>
</tr>
<tr>
<td>5-Year Life</td>
<td>$2,550</td>
</tr>
<tr>
<td>7-Year Life</td>
<td>$1,992</td>
</tr>
<tr>
<td>10-Year Life</td>
<td>$1,586</td>
</tr>
</tbody>
</table>

With this brief case history I have attempted to show that with a little imagination, courage and a sharp pencil, we were able to produce a profitable result. A building's life expectancy and capital expenditures are interrelated if one is to determine return on investment. It is at this point that one's creative abilities can help win friends and influence clients. Glamorous charts and tables are great, sometimes, but I suggest that once in a while we throw a rock or two at accepted practice and formula. We don't always have to follow the pattern. Try it. Maybe you'll strike at least a mini-mother lode.

James E. Patrick II is a Candidate for the CPM designation and is president of Diversified Investments of Arizona, Inc., of Phoenix, Ariz. He entered the real estate business in 1964. He is also a partner in the newly formed development company, Dru-Patrick Development Co., and a motel chain, Best Inn Towne.
Elements of Management Planning

by Jack L. Moyer, CPM

Good management is both fiscally oriented and people oriented and starts with a good management plan. Such a plan must be initiated as the feasibility of a project is being determined and not after the building is constructed. It should be developed alongside the architectural plans and eventually culminate in a long-range plan for continued site management.

All too often, a management plan, created only after a project has been completed, becomes impossible to administer because of the lack of good initial fiscal planning. Such a project brings on itself the problem on not having sufficient income potential to allow adequate staffing for the services that should have been included.

For some reason, many investors and builders place the provision for management at the bottom of their list of priorities and, as a result, pay many times over for their mistakes. Poor provision—or no provision at all—for good management can silently rob the owner/investor for many years because of deficiencies not readily apparent to the inexperienced in building operation.

Developers or packagers should protect their reputation by making sure their skillfully created project is passed on to investors free from built-in operating problems. Good developers will want to point with pride to their past efforts—not just to pretty pictures of buildings but to beautiful operating statements as well.

Early in the development of a project, a projected normal year’s budget should be prepared which covers all costs including monthly reserves to be impounded for taxes, insurance, equipment, replacements, etc. Also included should be provision for the owner’s dividend or equity allowance. This normal annual budget is then balanced with adequate budgeted income, and appropriate rent schedules can be established.

After a budget which depicts operating costs for several years has been completed and rents have been established accordingly, another budget should be prepared for the first year’s operation reflecting the special problems of initial occupancy: vacancy loss during the rent-up period; additional advertising cost for initial occupancy and other factors peculiar only to the first-year operation. This serves as a guide and control for the first year.

Income and expense may or may not balance during the first year, due to the projected vacancy factor and, therefore, some money should be available for initial operations from development capital. Care should be given to the preparation of the normal annual budget, making sure such things as turnover cleaning and painting, exterior painting and the pruning of trees and shrubs (representing expenses which may not occur for several years) are included at the time the rent schedule is prepared. This list of expense items should be used as a guide when making up a budget in order to assure that items not readily discernible during the first year are not overlooked.

We have seen examples where the developer’s projection of so-called normal operating expenses was nothing more than the cost of the first few months’ operation. No provisions were made for maintenance costs which gradually develop as the project ages. Investment programmed on this basis can be disastrous.

There is no more disheartening experience than one which results from having prepared a well-thought-out and documented budget for a newly acquired project, only to find that cost exceeds income by a substantial amount and that the market will not bear an increase in rents. If the income and expenses had been studied thoroughly before the project was built, possible alternative provisions could have been made at the outset which would have avoided disaster.

If the budget does not allow for the services needed for complete management con-
trol, such as leasing, collections, maintenance and community management, then it will become increasingly further out of line as the problems which cannot be coped with develop and increase beyond control. Neglected maintenance snowballs in cost and improper handling of collections and community relations do likewise.

A management plan must consider the character of the residents who will occupy the development. For instance, projects built primarily for large families must include recreation programs for children as well as adults, which may entail special maintenance problems. If the project involves elderly persons or families, management should be concerned with the availability of community services.

Large-scale housing for low-income families is dependent to a large extent on some form of government subsidy. The various programs for financial assistance contain different eligibility factors which tend to determine the character of the occupancy. All of the HUD-sponsored subsidy programs require a good deal of paper work to meet the legal requirements regarding tenant eligibility: processing applications, verifying income data, and computation of rents. All this requires special interviewing techniques, clerical assistance and time.

There are some personal observations relative to the management of modest and low-income housing that I would like to make here.

Looking back at the history of apartment living, a person residing in a privately-owned apartment complex has not had much reason to consider this apartment his home. By virtue of a carefully worded legal agreement, he has been given the right of occupancy for a temporary, fixed period provided for in a rental agreement or lease. In other words, he has been given a temporary permit to use the landlord's building under certain rules laid down by the landlord.

The so-called tenant has no obligations to anyone other than the landlord except to refrain from disturbing the peace of his neighbors. No encouragement has been given the tenant to participate with other tenants in activities beneficial to the apartment community.

The owner has been inclined to consider his own role as master and landlord. In many cases, he has conscientiously endeavored to set up rules of conduct which he feels will be beneficial to the community but without the benefit of community participation.

Accordingly, tenants also viewed the relationship as that of strictly tenant-landlord. When other tenants abused the property or conducted themselves in a manner adverse to the community, the individual tenant took the position that this problem was solely a matter for the owner or manager to solve. If the manager was incapable of coping with the situation and if the tenant could not tolerate the condition, the only alternative for the tenant has been to move.

In the future, more emphasis should be given to the encouragement and development of resident participation in matters affecting their place of residence. Maintenance problems which affect the rents of all occupants should be a matter of concern by all residents; it should be expected that occupants participate in planning and controlling the conduct of the community, just as would be expected in a cooperative or condominium or any other project where the occupants have a vested interest.

In reality, what is the difference in attitudes between families who own stock in a cooperative apartment or a condominium unit or families who pay by the month for the right to occupy an apartment? The difference is really a reflection of the way the apartment resident has been made to feel about his vested interest in something of value and whether or not he has reason to feel responsible for not only his own private
space but for the community space or facilities as well. He must be made to realize that his cost for housing is directly dependent upon the degree of his concern over cost-saving efforts and by cost-saving efforts made by the neighbors as well. Thus, an interest in community cooperation is born.

At the risk of sounding idealistic, I believe that with proper management renters can be encouraged to conduct themselves with the same regard for property as home owners do. It is idealistic to think that renters will ever regard property with the same attitude as owners unless they are encouraged to be responsible participants with management in solving mutual problems.

As a matter of practical management, rules and regulations are necessary but they should be kept to a minimum and should fill the needs of both the occupants and management—and not just of management. Management must have empathy with those being served and must constantly consider innovations which will provide the basis for the home environment. Let families have more to say about the interior of their home as long as interior deterioration is not involved. Let families develop as nearly as possible a feeling of pride, ownership and responsibility through community organization and participation.

I have seen the difference in attitudes between just plain renters and members of a cooperative as it relates to operating cost. The more we can develop a feeling of responsibility and desire for participation in the affairs of the community toward the end that operating costs can be kept to a minimum, the better the community will be.

Perhaps formulas can be developed which will relate cost of maintenance to rents, which will make residents more aware of the need to participate, particularly in cost-saving programs from which they directly benefit.

While collection policies must be adopted and adhered to fairly and equitably, part of the criteria used to measure "fair and equitable" must include a person's past performance and attitude. When temporary crises occur, as they may well in any home owners' community, every effort must be made to assist the family through recommendations and referrals to assisting agencies.

The design of an apartment should include, in addition to indoor privacy, some outdoor private space where the care and usage is a private matter and does not affect

the esthetics of the neighbors' view or that of the community at large. The apartment should be a place where the family can express its individuality and can consider it a home, to use as the family desires.

Conversely, an attitude must be developed among the residents that beyond the confines of the home is the community area. This is an area to be enjoyed by the entire community and as such must be shared and cared for by cooperative effort. Here, the individual's wants and desires may have to yield to the wants of the majority. It requires consideration of others and it is this area of community conduct that is a challenge to management.

Study and research is needed and new techniques will be born out of necessity. The problems of frustration and defeat which result when individuals try to do their part but cannot overcome the tide of apathy and carelessness of their neighbors will somehow have to be solved.

I am referring to such things as the care of community buildings, the proper handling of rubbish disposal and the joint usage and care of community parking space. Most families are responsible as individuals when it comes to caring for their own property, but as a part of a group, they fail to collectively achieve the same results.

We must find ways to develop a sense of community responsibility and the means for collective control and care of common facilities and public areas. A new school of management will be born out of the necessity for creating and stimulating effective group participation in solving community problems and, then, no longer will residents be expected to just sit back and leave the problem-solving to the manager.

Today's manager must not only be fiscally oriented and maintenance oriented; he must, if he expects to be tomorrow's manager, be people oriented as well.

Jack L. Moyer, CPM, is president of J. L. Moyer Company, Inc., Sherman Oaks, Calif. The firm has served as management agent for numerous low-income multifamily projects. Previous to forming his own management firm, Mr. Moyer served as director of management for the Los Angeles Housing Authority. He is a graduate of the University of California and a former director of the California Real Estate Association.
City Planning: Job for the Realtor

by Eugene Van Cleef, Ph.D.

For centuries the arts have been supported financially by businessmen; without the backing of the business world, it is doubtful that any of the performing arts would have made great progress. This interest on the whole has not been a vested one, in the sense of selfish monetary gain, but rather for personal esthetic satisfaction.

Planning, so necessary to the advancement of community life and the evolution of an environment yielding the good life, should also have the support of the businessman, not least of whom is the Realtor. In contrast with the backers of the arts who have given of their dollars in support of planning, the current situation calls primarily for contributions of time, of ideas and of moral encouragement to planners.

Of the many elements that constitute a home, one that is a significantly integral part of it is the land immediately roundabout—the physical environment. The most beautiful combination of rooms located in a neighborhood of unpaved streets, without trees and grass but with ramshackle buildings, is hardly the kind of home which would interest very many persons. Fundamentally, people enjoy beauty and sometimes travel far and wide to enjoy beautiful scenery. It is inconceivable that any person of sound mind and good standards would look askance at beauty in his home city.

Beauty of landscape is not the only factor to be considered in a city’s pattern. Order is of equal, if not greater significance for without orderliness there can be no beauty. There should be an appropriate set-back line for all buildings. In a given residential area houses ought to be of relatively the same size and avoid mixing diminutive homes with those of palatial size. They should not be all of the same size, either, which would be monotonous.

There should not be a miscellany or jumble of highrise apartment buildings and small homes. This does not mean the elimination of highrise structures in a locality of single-family homes but their judicious placement without a depreciative effect upon the other. None of this distribution can be achieved without a plan. The absence of a plan can be a critical deterrent to the creation of an appealing city. Herein may well lie the difficulty in maintaining property values and a handicap for the Realtor in the ready sale of some properties.

Unfortunately, few real estate people, the country over, are leaders in the campaign for planning; some in fact are indifferent or opposed to such planning. The old cliches come to mind: “It is my constitutional right to do what I want with my property.” “No one is going to tell me how to use my land.” “This is a free country and it is my prerogative to deal with my holdings as I see fit.”

However, those in real estate are heard loud and clear whenever they think a planning proposal may affect them adversely. Rarely, however, do they come forward to lead the battle in favor of a plan. Some make excuses such as “I favor the project but my company cannot afford to engage in public discussion,” or “In my business, we can’t take sides.”

Who should be more interested in good urban development than the businessmen who have a hand in distributing the population? Aside from professional city planners there are architects, engineers, developers, a few builders of isolated structures and some others who take a hand from time to time in advertising and supporting sound planning; but their numbers are still far too few. After all, it is not their province as much as that of the Realtor to take an overall look at cities.
The Realtor deals with considerable areas and serves as the retailer of the products of those who design buildings; hence, he should have an interest not only in what those individuals yield but in how they distribute physically the structures they erect. Are the structures well arranged to the end that they present a pleasing picture? Are they located in readily accessible places? Are the facilities which people require distributed efficiently? Does the whole complex contribute to good livability for all the people?

These and many more questions need to be raised and the right answers assured by those whose business it is to bring people in touch with the facilities they need and in proper juxtaposition to all of the elements that go to make up a city. If those in real estate, particularly in management, would follow this concept, they will be working not only in the interest of the community but also their own.

We must all recognize that in our society we have an obligation to our fellow men, just as they have an obligation to us. Socialism? No, merely cooperation in a society—cooperation to the end that everyone's rights are protected and all can earn a legitimate living, one that focuses upon high standards for all. We pay taxes for police and fire protection, for our water supply, for parks and playgrounds, for paved streets, all of which represent cooperation. Why not have cooperation in planning?

In recent years cities, states and individuals have advertised that "profit is not a dirty word." This is true so long as the profit is made without taking advantage of our fellow man. To make this profit justifiable and even easy to come by, only a well-planned city can achieve this end and satisfy everyone. No sane person will object to a Realtor making a profit. All that people ask is that while making a profit, which involves the lives of so many people, they improve the environment.

What does the foregoing philosophy have to do with management? It is management—on the community scale. Instead of working for himself alone, the Realtor and professional property manager will see it that what he does is, in a sense, communal. He will recognize that what is profitable for himself must also be for the community and accordingly will so manage his business to harmonize with the life of the community.

This is not to suggest that he become a public benefactor but that his business be so managed to fit the part of the city in which he operates and will reflect credit upon himself, yield a legitimate profit and contribute to the well-being of his customers.

Eugene Van Cleef, Ph.D., is a professor emeritus of Ohio State University. He retired from active teaching in 1957, after 36 years of service in the departments of geography and business organization. He is an honorary life member of the American Society of Planning Officials and the international trade committee of the Columbus Area Chamber of Commerce.
Editorial:

Cost Accounting the Management Fee
by Lloyd D. Hanford, Sr., CPM

How does the professional manager determine the fee that he should charge for his full management service? This is a question of vital interest to all experts in the management field and its answer can only be found in a comprehensive analysis of the management job.

Initially, it must be emphasized that regardless of limitations established by ownership, a complete service must be planned because the owner really expects top performance. More importantly, no professional manager should undertake the responsibility without full authority to pursue all of the policies and procedures essential to the continuing economic and physical welfare of the property.

Any curtailment of necessary management processes will greatly reduce management effectiveness and failure—excuses or reasons to the contrary notwithstanding—will severely downgrade the reputation of the professional manager.

Many of us, because of habit or inertia, have relied on the erroneous method of quoting a fee as a percentage of gross income collections. There are variations of this practice, such as use of minimums and sliding scales but these are not only basically wrong in many situations but also conducive to future ownership dissatisfaction. No two properties require the same management time and attention. Distance, physical condition, occupancy, the rental market, accounting requisites and ownership structure are all critical factors which determine the difference between a profit or a loss in management.

The manager must start with the premise that the concerned owner is willing to pay a fair fee for the job to be done and that expert management talent is not a non-profit benefit.

Management is not a loss-leader for brokerage, appraisals, counselling or any other real estate service; it is a continuing, costly and time-consuming effort which must stand on its own economic legs as a profitable enterprise.

With these facts in mind, how is a fee established that will show us a fair profit for our services? First of all, what is a fair profit? It has been demonstrated that a fair profit must be from 25 to 30 percent of the total cost for comprehensive management performance; without this much the service should be abandoned and efforts diverted to more productive sources.

The first procedure is a careful inspection of the property and its neighborhood so that we can form a very realistic opinion as to its physical and economic condition and the amount of time normally required for adequate management. Next, we must critically review the current itemized operating statement of the property or, lacking its availability, make some informed estimates. In essence, we are making an informal management survey which brings into focus the depth of our commitment and becomes the base for future planning. With this process completed, we are ready to commence cost accounting for fee determination.

The factors which make up our cost will vary slightly geographically but for all practical purposes are fairly uniform. The first factors to be considered deal with time and the persons involved.

The executive manager, if he is worth his salt, must value his time at not less than $20 per hour. His time should be devoted to administering the management process: re-
viewing periodic operating statements, analyzing all income and expense items and regular consultation with ownership.

An effective property supervisor is worth not less than $5.00 per hour. His time is devoted to regular property inspections, supervision of site personnel, purchasing necessary supplies and equipment, letting of necessary contract work, checking invoices, preparing annual operating budgets and some limited consultation with ownership.

The controller or head bookkeeper is valued at $5.00 per hour and his time is devoted to administering the entire operation of the accounting department. Assistants in the accounting department are valued at $3.00 per hour.

Secretarial work is valued at $2.50 per hour. They are involved in handling phone calls, correspondence, document preparation and administrative filing.

The final section for cost accounting relates to cost items including prorata shares of: office rent, telephone equipment rent or depreciation and amortization; postage and express (nonrefundable), stationery and printing (nonrefundable), office supplies, automobile use, insurance, taxes, licenses, memberships and subscriptions, business gifts and entertainment, fees paid to others, and repairs and replacements.

It is most practical if a basic per-unit cost to management is established for these items under the heading of "overhead," but it is necessary that the entire "overhead" be absorbed by the total management portfolio either current or reasonably anticipated.

To illustrate the format of cost accounting for a typical property, the following is an accounting chart for a 30-unit apartment building in good condition, 95 percent occupied and in a good neighborhood (all calculations are on a monthly basis):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Hours</th>
<th>Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive time</td>
<td>11/2 hrs</td>
<td>@ $20</td>
<td>$30.00</td>
</tr>
<tr>
<td>Supervisor time</td>
<td>21/2 hrs</td>
<td>@ $5</td>
<td>12.50</td>
</tr>
<tr>
<td>Controller time</td>
<td>11/2 hrs</td>
<td>@ $5</td>
<td>7.50</td>
</tr>
<tr>
<td>Assistant time</td>
<td>1 hr</td>
<td>@ $3</td>
<td>3.00</td>
</tr>
<tr>
<td>Secretarial time</td>
<td>2 hrs</td>
<td>@ $2.50</td>
<td>5.00</td>
</tr>
<tr>
<td>Overhead</td>
<td>@ $2.50 per unit</td>
<td></td>
<td>75.00</td>
</tr>
</tbody>
</table>

Net Cost: $133.00
Profit (30%): 40.00
Calculated fee: $173.00

The total projected gross monthly income is $4000. Using percentages only as a check, this indicates approximately a 4 percent management fee.

By contrast, the following is another chart for an old, 40-unit apartment building in a poor location and in bad condition:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Hours</th>
<th>Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive time</td>
<td>3 hrs</td>
<td>@ $20</td>
<td>$60.00</td>
</tr>
<tr>
<td>Supervisor time</td>
<td>6 hrs</td>
<td>@ $5</td>
<td>30.00</td>
</tr>
<tr>
<td>Controller time</td>
<td>3 hrs</td>
<td>@ $5</td>
<td>15.00</td>
</tr>
<tr>
<td>Assistant time</td>
<td>2 hrs</td>
<td>@ $3</td>
<td>6.00</td>
</tr>
<tr>
<td>Secretarial time</td>
<td>2 hrs</td>
<td>@ $2.50</td>
<td>5.00</td>
</tr>
<tr>
<td>Overhead</td>
<td>@ $2.50 per unit</td>
<td></td>
<td>100.00</td>
</tr>
</tbody>
</table>

Net Cost: $216.00
Profit (30%): 65.00
Calculated fee: $281.00

Again, the projected total gross monthly income is $4000 and, if you like percentages, the fee must be 7 percent of the gross collections.

These two illustrations demonstrate the wide percentage variations which can only be properly evaluated by comprehensive cost accounting. The only conclusion is that if you can't manage at a profit, don't manage!

Lloyd D. Hanford, Sr., CPM, is one of the principals of Hanford-Freund & Co., San Francisco. He was 1958 national president of IREM, and he is currently faculty director of IREM's Course II and Editor of the Journal of Property Management.
Carpeting, trash compaction, temperature control, fire detection, total energy systems, boiler maintenance... these are only a few of the pertinent topics that have been covered in recent issues of IREM's monthly OPERATING TECHNIQUES AND PRODUCTS BULLETIN. Each Bulletin covers an area of interest to those involved in the operation of a management office and in building maintenance. Every issue is carefully researched and prepared to bring new information on services and products designed to streamline office procedures and maintenance techniques. Running from 8 to 16 pages each issue, the Bulletin is published on sturdy paper stock, durable enough to withstand hand-to-hand circulation among management and maintenance staffs. Pre-punched holes facilitate easy binder storage for quick reference.

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☐ #256 Another Look at Refuse Disposal
☐ #255 Products—What Is New?
☐ #254 Aluminum—Identification and Care
☐ #253 The Boiler System: Water Treatment, Operating and Maintenance
☐ #252 A Planning Guide for Temperature Control
☐ #251 A Look at Humidification Control and Wall Washing Equipment
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5-1 MOBILE SERVICE POLE
A floor-to-ceiling "service pole" housing electrical, data, and communications terminals at desk level is available from Electro-Link Systems Limited. This completely contained pre-wired power distribution system is movable within an office, providing complete service for phones, office machines, typewriters, etc. Designated the 225-Series Service Pole, it has 120v., 15-amp pre-wired power circuits.

5-2 SIGN KITS
"Signs of the Times" is a do-it-yourself kit from the Pixiecraft Company, designed for making professional-looking signs to place around buildings or lawns. Kit includes six sheets of 14 x 18-inch white sign boards plus sheets of pre-cut alphabets, numerals, animals, zodiac signs, commonly-used symbols, sign language words, and bumper stickers—many in color. Also contained in kit is a guide for making signs.

5-3 PLANT SERVICE CATALOG
Parker Interior Plant Services offers a catalog outlining its plant maintenance services to the interior design market. A wide variety of plants and planters are supplied and complete responsibility is assumed by Parker for the feeding, watering, pruning, cleaning and spraying as well as the replacement of "shopworn" plants. Artificial plants are also available.

5-4 CLEANING ACOUSTICAL TILE
The Acoustical Materials Association has published an 8-page brochure of professional tips on the cleaning and maintenance of acoustical tile ceilings. Included are manufacturers' recommendations for general maintenance, heavy cleaning, and painting.

5-5 NON-CHEMICAL INSECT EXTERMINATOR
Rule-O-Tron utilizes ultra-violet rays to attract insects to a charged grid for extermination. From Westlund Industries, Inc., the Rule-O-Tron is designed to provide clean, odorless insect vaporization with no maintenance or chemicals required. Hardware and instructions are included for hanging in trees and mounting on pipes or posts.

5-6 PORTABLE HUMIDITY RECORDER
A portable humidity recorder that uses a treated nylon sensing element to provide a direct record of relative humidity has been announced by Honeywell's Industrial Division. The 12-lb. instrument can be used as a portable, panel, duct or surface-mounted unit. The recorder is useful in checking climate-controlled buildings such as shopping centers, office buildings and classrooms. A two-pan model is available which also records temperature.

5-7 PAINTING SPECIFICATIONS BROCHURE
A 16-page booklet containing master painting specifications and descriptions of painting systems most commonly used for industrial, commercial, and residential applications has been produced by PPG Industries, maker of Pittsburgh Paints. Alkyd, linseed oil, water-thinned latex, polyester-epoxy, two-component polyurethane, and alkyd, chlorinated paraffin-linseed oil systems are described and their major advantages and disadvantages discussed. Included are specification selectors for both interior and exterior surfaces.
5-8 SINGLE-CONTROL FAUCET
Cole Valve Corporation, subsidiary of Bradley Washfountain Co., introduces a single-handle lavatory faucet in five decorator colors: pastel blue, sand, avocado, harvest gold, and white. Major components of the Aurora faucets, including the shell, valve body, tube and aerator body, are injection molded Celcon. The colored outer shell and handle can be changed to accent a variety of decors without disconnecting water supplies.

5-9 BIRD DETERRENT
An illustrated brochure describes Nixalite's complete line of stainless steel barriers to deter birds, climbing animals and intruders. Used on buildings, fences, walls, utility poles, signs, etc., they are made of springy, needle-sharp points that form a 180-degree radius and resemble a porcupine. Barrier keeps animals from nesting and roosting in unwanted areas. Nixalite barriers come in 1-foot, 16-inch, 2 and 4 foot lengths and can be installed with clips.

5-10 ELEVATOR PLANNING GUIDE
"A Guide for Elevator Planning" is a 16-page booklet from Armor Elevator Co., Inc., containing step-by-step directions for specifying elevator systems for office buildings, hospitals, hotels and apartment buildings. Charts are included which list the optimum number of elevators, and speeds and capacities for various types of buildings, based on the size of the buildings and the number of floors. Armor's "Infinite Programming" control system is also described.

5-11 CITY LIGHTING BOOKLET
General Electric's Large Lamp Department has prepared a 20-page illustrated booklet on the subject of lighting. "See Your City in a New Light" treats problems in six categories: safety, protection, identification, attraction, beautification, and unification. It suggests what light sources to use and how to apply them.

5-12 SWIMMING POOL HEATER
The A. O. Smith Corporation has introduced its Mediterranean II swimming pool heater for outdoor installations. It features a round design and a copper heat exchanger dipped in lead. Outdoor installations need no vent stack so the unit can stand alone. Four outdoor and seven indoor models are available.

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The Apartment Building Income-Expense Analysis
5-13 MINI ADDRESSER
A manual addresser called Zipze has been introduced by Elliott Business Machines, Inc. Designed for small businesses with a mailing list of up to 100 names, it utilizes the lightweight Elliott stencil. Sold in kit form, it includes 100 stencils, ink, stencil tray, typewriter clamp, stylus and a linen writing sheet. The last two items enable the user to handwrite his stencils if no typewriter is available.

5-14 APARTMENT WASHER-DRYER
Hotpoint's Model DLC8000 combination washer-dryer provides laundry facilities in 30 inches of wall space. The front-loading machine features permanent-press and soak cycles and pushbutton controls for selecting combinations of wash and rinse temperatures and drying heat for any washable fabric. Also provided are automatic bleach and fabric softener dispensers.

5-15 LIMITED ACCESS "TURN"
Adams Rite Manufacturing Co. makes available its "1010 turn," a defense mechanism against unauthorized opening of windows in air-conditioned buildings. Developed for metal-framed sliding or pivoted windows, the unit is operated by a special spanner wrench which allows authorized personnel to open the windows for washing or emergency ventilation. The turn is permanently installed by hand-pressing it into a 3/8" hole in the window frame.

5-16 SCALE REMOVING COMPOUND
APA De-Scaler aids in the elimination of the scaling problems encountered in the operation of boilers, condensers, cooling towers, heat exchangers, jacketed equipment and mill scale in piping. A blend of acid, inhibitor, surfactant and dispersant, the compound is packaged in 60-lb. plastic waterproof drums.

5-17 SPRINKLER SYSTEM GUIDE
A 32-page Sprinkler System Guide has been published by the Viking Corporation, manufacturer of fire protection sprinkler systems and equipment. The guide explains sprinkler fire protection currently available and includes information on fire protection costs, insurance requirements, building codes, water supplies, hydraulic calculations, hazard evaluation, and sprinkler system design. Viking systems, devices, and capabilities are also listed.

NEW JOURNAL REPRINTS
Three new monographs based on articles from the Journal of Property Management are now available from IREM. Titles include:

- Apartment Marketing—Timetable for Success
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- Experience Profile: Management of Property for Lower-Income Residents
  A series of articles from JPM by property managers and others experienced in the facets of managing housing for low-income tenants.
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- Feasibility Study Techniques: Apartment—Office Building—Shopping Center—Condominium
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Some people react rather violently when they sense they've been had.

Like the guy who's had hard-surface flooring installed in his office or throughout his building. He's paying for daily maintenance. And what he's getting is traffic marks. A buildup of finish and dirt. And noise. So it's getting to him. Little does he know that carpeting—colorful, nice-under-foot carpeting—would cost him less to maintain. We could tell him. We're Stay New Carpet Systems. And we can lease you carpeting. Alexander Smith's handsome Narrator or Commentator carpeting. Made with Allied Chemical's ANTY® Nylon, the fiber that's guaranteed for five years.

And you get our guaranteed maintenance, too. Daily maintenance that keeps everything looking fresh and new. And it's all so inexpensive that in most cases in five years you've saved enough in maintenance to pay for the carpeting. In fact, you can purchase the carpeting in combination with our Stay New maintenance program.

So talk to Harry B. Cochenour, our President, 312-394-0234, or write us. You'll find it's a rewarding—and calming—experience.

*"This carpet is guaranteed by the Fibers Division of Allied Chemical Corp. If it is properly installed and maintained and the surface pile in any given area wears more than 10% within 5 years it will be replaced at our expense. The guarantee does not cover tears, burns, pulls, cuts or damage due to improper cleaning agents or methods."