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## CONTENTS

**NOVEMBER/DECEMBER 2015**

### COVER STORY

30. **2016 ECONOMIC FORECAST**  
What's on the Horizon for 2016?  
Joseph Dobrian

### 4 STRATEGIES TO STAY COMPETITIVE IN PROPERTY MANAGEMENT

37. **Appfolio, IREM Industry Partner**

### THE BUZZ

4. **NEWSFLASH**

5. **SOUNDBITES**

6. **KEEPING SOCIAL MEDIA SAFE**

7. **DOWNLOAD ME/FAST FACTS**

### INCOME/EXPENSE LABS

8. **Quick Tips for Being Green and Saving Green, Nicholas Dunlap, CPM**

### FEATURES

8. **MEASURE WHAT YOU MANAGE**  
Quick Tips for Being Green and Saving Green, Nicholas Dunlap, CPM

14. **IREM STUDENT ESSAY COMPETITION**  
A Property Manager is a Problem Solver, Andrew Steele

40. **A SNEAK PEEK AT THE INCOME/EXPENSE® ANALYSIS STUDIES BY IREM**  
Matthew O'Hara

39. **KILROY CONSERVES WITH AUTOMATED DEMAND RESPONSE**  
Yardi, IREM Industry Partner

### COLUMNS

12. **GREEN SCENE**  
Eye on Sustainability: 2016 Financial/Economic Forecast, John Klein

18. **MARKETING SOLUTIONS**  
Converting Fence-Sitters, Shannon Alter, CPM

45. **TRANSFORMATIONAL LEADERSHIP**  
Breaking Bad: Stop Deceptive Groupthink, Natalie D. Brecher, CPM

### SPOTLIGHT

18. **FAMOUS PROPERTIES**  
Rising Above: The John Hancock Center, Diana Mirel

24. **GLOBAL PRACTICES**  
Spotlight on Sao Paulo, Nancye J. Kirk

26. **NEW LEGISLATION**  
The Uniform Law Commission and New IREM Statement of Policy on Homelessness

28. **GADGETS**

29. **NEW PRODUCTS**

### IREM INSIDER

35. **STATEMENT OF OWNERSHIP**

46. **PERSONALLY SPEAKING**  
Micro Management, John Salustri

48. **IREM FOUNDATION**  
Never Underestimate the Value of Your Donation, Kim Holmes

49. **NEW CPM MEMBERS**

50. **ON THE ROAD**

51. **COURSE LISTINGS**

52. **REGIONAL OUTLOOK**  
Midwest, Beth Mattson-Teig

### CORRECTION:

Incorrect employment information was listed for David Barrett, CPM, ARM, PCAM, AMS, CMCA (d Barrett@rcmservices.com). His title is President of Clifton Management Co. Inc. and Rufo Cleaning and Maintenance Co. Inc. in the Boston area. JPM apologizes for the error.
MEASURE WHAT YOU MANAGE

As this year draws to a close, the focus is on tight management practices that yield the maximum ROI.

The 2016 Economic Forecast (p. 30) indicates that consumer confidence will have a direct impact on vacancies. And sometimes it’s going back to the basics that can have the biggest impact. According to Frank Sculco, CPM, “The way to prosper in this economy is to ensure your properties are staffed, supplied and cleaned the best they can be.”

Measure What You Manage (p. 8) offers quick tips for being green and saving green by encouraging property managers to take a closer look at operation costs. In a marriage of eco- and fiscal-friendly thinking, Nicholas Dunlap, CPM, offers simple examples, such as low-flow toilets and more efficient faucets and showerheads, as easy-to-implement steps toward savings.

A Sneak Peek at the Income/Expense® Analysis Studies by IREM (p. 40) contains highlights from the 2015 Income/Expense Analysis® reports, which have provided planning, budgeting and forecasting information to real estate professionals for over 60 years. These reports are the perfect tool to help you trim waste and optimize your building’s performance. Find out more at www.irem.org/incomeexpense.
INDOORATLAS OFFERS NAVIGATION INSIDE BUILDINGS, SO YOU CAN ALWAYS FIND THE MALL BATHROOM

VENTUREBEAT, 08/24/15, TAKAHASHI

Palo Alto-based IndoorAtlas has begun to deliver its services that allows consumers to navigate inside enclosed buildings such as shopping malls, airports, hotels and more. The company launched a beta test in San Francisco for its indoor positioning system (IPS). In mall settings, the technology allows shoppers to find specific stores, brands, products, promotions and even their friends. Retailers say they lose as much as 15 percent of sales annually because consumers are unable to find the store or product they are looking for. “We believe the IPS app will change the way people get around indoors, just like GPS did for outdoors,” said Janne Hayerinen, CEO and founder of IndoorAtlas. IPS uses the core IndoorAtlas magnetic positioning technology and a Smartphone compass to detect anomalies in the earth’s magnetic fields. The firm said the magnetic positioning works in every building with steel girders, to an accuracy of one to two meters. That makes it possible to do accurate indoor navigation, location-aware mobile search, location-based advertising, and online-to-offline commerce. This magnetic solution eliminates the need for cumbersome, costly and hard-to-maintain external infrastructures such as beacons and routers.

5 WAYS TO PRIORITIZE BIKE PARKING

BUILDINGS, 08/01/15, MORTON

While those who are not cycling enthusiasts may not think twice about the type, location or security of bike racks, riders could be alienated if no thought or effort is put into bike parking at the commercial buildings where they work. To avoid this, experts recommend several ways for owners and managers to turn their buildings into bike-friendly destinations. First, the owners and operators should invite a company’s bicyclists to a brainstorming session to ask them about their riding habits. Additionally, office landlords should give due consideration to which styles of bicycle storage will be the most effective and choose bike racks that allow bikes to be locked at both the wheel and the frame. Experts recommend that building owners consider locker rooms and bike storage rooms and select a good location for bike parking. Finally, owners and their management staff should collaborate with companies’ Human Resources departments, because wellness amenities have a direct impact on employee retention, recruiting, insurance premiums and absenteeism.
Before starting major renovations, owners and operators looking to keep their occupied properties running smoothly during major renovations are urged to do four things before the first hammer is lifted.

1. **Be sure to set expectations.** This means being as transparent as possible with residents about what they can expect throughout the renovation process. Explain that the renovations will be disruptive at times, but that, ultimately, the goal is to make the community a more-pleasant, more-comfortable place to live.

2. **Listen!** The second tip is a simple, but important one. Apartment managers need to have an open-door policy and make themselves available to residents who have questions, concerns and complaints.

3. **Keep residents updated** throughout the renovation process.

4. **Be proactive about media coverage.** A proactive media campaign can help create positive buzz about an apartment community undergoing major changes.

Owners and operators looking to keep their occupied properties running smoothly during major renovations are urged to do four things before the first hammer is lifted.

We become what we think about.
—Earl Nightingale

Winning isn’t everything, but wanting to win is.
—Vince Lombardi

Don’t raise your voice, improve your argument.
—Anonymous

Success is the sum of small efforts, repeated day-in and day-out.
—Robert Collier

Fortune sides with him who dares.
—Virgil

It is better to fail in originality than to succeed in imitation.
—Herman Melville

The successful warrior is the average man, with laser-like focus.
—Bruce Lee
HOLD THAT POST!
IS YOUR COMPANY SAFE FROM SOCIAL MEDIA HACKERS?

BY SUZANNE HAUSKNECHT

Social media presence is imperative for any business. Company or property pages on Facebook, Twitter, Google+ and the like are typically free and relatively easy to manage. But what happens when these sites open you and your business up to risk?

**CROSS-SITE SCRIPTING (XSS)**
Most often seen on Facebook, this scam refers to links or buttons taking you to an external webpage that prompts you to enter personal information or runs a background script on your machine. This malware can access cookies and other sensitive information and even rewrite the content of the HTML page. Scammers often take advantage of current trends and holidays to get your attention (think: “Create Your Presidential Name!”).

**CLICKJACKING.** Twitter, of course, is not immune. Hackers will take advantage of current events, say, the current refugee crisis, to tweet requests for money under false Red Cross and other charity accounts. Scammers will also post malware under links disguised as news videos or shortened URLs, given Twitter’s character limit.

**DATA-MINING.** This is most common on professional sites such as LinkedIn. Scammers take advantage of company data such as employee names and history to launch phishing scams. Cybercriminals masquerade as trustworthy sources in attempt to acquire additional sensitive information such as usernames, passwords, and credit card details.

**SO HOW CAN YOU PROTECT YOURSELF AND YOUR COMPANY?**

**Use common sense.** Bottom line, if you are unsure of the source of a link, or the topic or context seems strange, don’t click it. If a link ever brings you to a page in which you are asked for your password, abort immediately! And, never provide sensitive information via email or websites. Train your staff accordingly.

**Review social media site privacy policies and settings.** As a start, disable automatic social media sharing settings, then go back and select only those that work for your business. Most social networks also offer the ability to block certain followers or advertisers. Lastly, explore the site’s Security or Help Center for useful information. For example, your business can follow @safety on Twitter for the latest news.

**Implement a company social media policy.** Don’t ban social media entirely—employees who want access will get it, making your network more vulnerable. Instead, have a policy in place outlining expectations of staff including what can and cannot be posted on personal pages, and how to set up privacy options. Some companies even go so far as to request that employees do not link the business to their personal pages in any way. Any policies should be continuously updated, monitored, and enforced.

**Ensure IT staff is well-trained.** One of the best lines of defense is your company’s technical staff. Ensure that they are in-the-know on the latest social media scams and how to avert them. Keep operating systems and antivirus software up-to-date. Hold knowledge share sessions between IT and other company staff to share the latest information.
DOWNLOAD ME

GOOGLE KEEP
Looking for something more interactive and robust than the Notes app? Google Keep makes it easy for you to collect notes, lists, images and audio all in one place, which you can access no matter what device you’re on. If you find yourself in the car when inspiration hits, Google Keep has the option of transcribing voice memos. Best of all, your notes are organized and searchable, so you can retrieve them when you’re looking for it.

VERT
Are you a frequent traveler? Do you need access to money and conversion rates without the need of data connection? Vert compares metrics, sizes, weights or even currency, with a click and a swipe. And a nice bonus: If you leave the country, Vert will automatically adjust currencies to your current location.

LASTPASS
Stop wasting time mentally fumbling through your list of passwords, and get to work. Lastpass is a cross-platform manager with AES 256-bit encryption that allows you to access and manage passwords wherever you are, and sync those passwords between your devices. All sensitive data is encrypted and decrypted locally before syncing with LastPass.

MAGNET
Toggling from one app to another, copying and pasting content, and opening and comparing files can be a tedious task on your Smartphone. These processes are simplified with Magnet. In just one drag to the edge, you snap any window into left, right, top or bottom half of your screen. And you can also drag windows to the corners, snapping them into quarters, enhancing your productivity.

FAST FACTS

Monica's apartment from "Friends" is estimated to cost $3,500,000.

Warren Buffett, one of the richest men in the world, still lives in the same house he bought in 1958 for $31,000.

About 8,000 Americans are injured by musical instruments each year.

Rather than building up, millionaires in central London are building down, creating mega-basements that are nicknamed "iceberg homes" because there's more square footage under the ground than above.

Did you know?
Barns are red because 18th century farmers prevented mold by covering the wood with a mixture of milk, lime, iron and rust, which turned it red. Once mass-produced paint became available, red was not only a familiar color, but was also the least expensive.
**TOP 5
HIGHEST & LOWEST OPERATING E/I RATIO (EXPENSE/INCOME) FOR OFFICE BUILDINGS BY METRO**

<table>
<thead>
<tr>
<th>Highest E/I Ratio*</th>
<th>Lowest E/I Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUBURBAN OFFICE BUILDINGS</strong></td>
<td><strong>SUBURBAN OFFICE BUILDINGS</strong></td>
</tr>
<tr>
<td><strong>Metro</strong></td>
<td><strong>Median</strong></td>
</tr>
<tr>
<td>Chicago</td>
<td>0.69</td>
</tr>
<tr>
<td>Boston</td>
<td>0.64</td>
</tr>
<tr>
<td>Tampa-St Pete, Fla.</td>
<td>0.59</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>0.57</td>
</tr>
<tr>
<td>Saint Louis</td>
<td>0.54</td>
</tr>
</tbody>
</table>

*Minimum sample of 10

**E/I ratio is determined by dividing the Total Operating Costs (TOC) by the Total Actual Collections (TAC). Operating Expenses do not reflect such items as ground rent, mortgage interest, amortization, depreciation, income taxes or capital expenditures.

***Besides suburban office buildings, downtown data is available in Metro, Regional and National reports. Additionally, Income/Expense Analysis data is available for 4 other property types: Conventional Apartments, Shopping Centers, Federally Assisted Apartments, Condominiums, Coops & PUDs.

FIND MUCH MORE VALUABLE INFORMATION LIKE THIS IN THE FULL LINE OF INCOME/EXPENSE ANALYSIS® PRODUCTS, WHICH INCLUDES PRINT BOOKS, EBOOKS AND CUSTOMIZABLE ONLINE LABS. LEARN MORE AT WWW.IREM.ORG/INCOMEEXPENSE.
WHAT YOU MANAGE

QUICK TIPS FOR BEING GREEN & SAVING GREEN

BY NICHOLAS DUNLAP, CPM
Efficiency is a measure of production and effort. It is part science and part skill. Real estate investment is especially dependent upon efficiency and the ability to meet and exceed financial projections associated with the acquisition and operation of an asset. While many expense line items are easily controlled or curbed through competitive bidding and strategic negotiation, others require more detail and more effort. But it is through these efforts that we often realize the greatest results. Nowhere is this more noticeable than in the rising utility costs associated with operating multifamily and commercial real estate investments today.

Plagued by rising operating costs such as labor and pension benefits, or in some cases diminishing natural resources, continuous year-over-year cost increases of greater than 5 percent have become the norm and in some cases, increases of greater than 10 percent year-over-year are realized. Often times, these increases outpace the rent or income growth of the subject asset. And while we are professionally responsible and accountable for stewarding the asset from pro-forma to pay dirt for investors, we are socially responsible for the conservation efforts we must make for our fellow man. Through this marriage of eco- and fiscal-friendly thinking, we find what must become the new norm. Not just for saving cost, but for saving conscience.

STUDY WHAT YOU SPEND
Do you study your utility bills on a monthly basis? Sure, you likely review the line item and monitor the spikes in usage and upward, downward or seasonal trends, but do you look deeper to ensure that you are being billed appropriately? Studies show 10 to 15 percent of consumers are overbilled or charged inaccurately depending on the number of meters, municipalities, tariff rates and exemptions. How does this happen? Simple. Take your electric bill for example. If you own a multifamily complex, you can be billed through a residential rate plan. This will bill higher at every level of their tiered pricing in most jurisdictions; however, your common areas that incur the most usage qualify for commercial rates that are lower than those on the residential rate schedule. So, you are paying at a higher rate for things like your leasing office, workshops, elevators, interior and exterior common area lighting, garage or gate ingress and egress and more.

The same goes for gas, trash and water. Thoroughly review your bills, check with your city’s utility services department to obtain the necessary base rate information and then reach out to the utility service provider directly. Or, simply consult with a company who focuses on this type of analysis and cost savings. They will likely expect to split the savings with you for their services, but the research and analysis is free.

CURB YOUR CONSUMPTION

Water
With your billing issues resolved or right-sized, you are now able to make the changes that will yield the greatest results. These changes or updates also happen to be the most costly and labor intensive, though it ultimately depends on the utility consumption you are looking to curb. For water consumption, start with removing hose bibs around the exterior areas of your property. Next, replace older faucets and showerheads with newer, more efficient models equipped with aerators, in order to limit the amount of water flowing outward. Low-flush toilets are another great option as they cut the amount of water used in half from 3.2 gallons per flush to 1.6. This is still greater than the 0.6 gallons per flush standard that is in place across Europe. Commercial buildings will have even more options as there are also “no flush” options available. One famous case study is the 189 unit Mendelsohn House.
apartment complex in the City of San Francisco. Through the installation of low-flush toilets in every unit, they were able to save over four million gallons of water in year one alone.

Smartscaping your landscaping is another simple yet powerful efficiency measure. Whether you are removing grass, flowers, hedges and sprinklers to backfill with mulch or simply removing glass and installing turf, the savings can be dramatic. Not only are you taking steps to limit water usage onsite, you can lower your landscaping bill in the process. And there are also plenty of other options including xeriscape succulents like the AutumnJoy or Jovibarba plants.

**Electricity**

LED lighting is another great option. And unlike its predecessor, the CFL bulb, the bulbs are both cost effective to purchase and widely available making the switch and ongoing usage much more practical. While the initial implementation is not cheap, most LED renovations boast a return on investment of over X percent, making it a no brainer from a cost perspective. Exterior lighting can have a huge impact on your electricity expense as common area lighting, parking garages and interior hallways often run 24/7. Switching out the fixtures and lighting will not only brighten up the space, it will lighten up your bill.

**Fossil Fuels**

As if the high costs of water and electricity aren't bad enough, fossil fuels are rising at an even greater pace. Thus, it is just as important to ensure that appliances are updated and key systems such as boilers and water heaters are clean, tuned and maintained. Be sure to flush the sediment from your water heater to ensure that your residents enjoy a steady stream of hot water and that your systems do not burn out or require additional gas usage to heat water.

One of the best things about the retrofitting suggestions highlighted herein is that there are often rebates, tax credits or even free materials and labor available by State agencies or local municipalities to help update fixtures and appliances.

**MEASURE WHAT YOU MANAGE**

Now that your billing is accurate and your fixtures and appliances have been retrofitted, the heavy lifting has all been done. It is now time to monitor the changes in place. NWP Services Corporation offers a host of services, including the Utility Smart program. Utility Smart allows owners to outsource the management of their utility billing and usage to a third-party team of experts who monitor consumption and expense in real time. This means that your people get to focus on real estate and real results, not tracking down utility bills and spikes in consumption. Yes, one of the best parts of Utility Smart is that they track down increases in usage or potential leaks, obtain meter numbers and contact the utility provider before engaging your team in solving the problem. What's more, you receive a host of customized reports, charts and graphs highlighting the usage and trends of your properties and those most comparable to your properties.

At one point in time, it was difficult or more costly to conserve. Then it became cutting edge and hip. And now with costs on the rise and resources on the decline, it is not just the smart thing to do but the right thing to do. By taking the first steps and promoting utility consumption awareness amongst your tenants, you can help to amplify your results. Sub-metering or billing back costs is another excellent way to gain your tenants' cooperation. You've got all of the insight you need. Now it's time to follow through.

Nicholas Dunlap, CPM, (NDUNLAP@AVANATH.COM) is the Director of Property Management of Avanath Capital Management in Irvine, Calif. Follow him on Twitter: @NICHOLASDUNLAP.
**EYE ON SUSTAINABILITY:**
**2016 FINANCIAL/ECONOMIC FORECAST**

Sustainability forecasting for 2016 presents an adventurous challenge. Recent reports have shown us that climate change is occurring at an alarmingly faster rate than previously estimated, and we must recognize that adaptation is compulsory. That being said, we can still examine key trends within the realm of sustainability.

**ENERGY**
Energy consumption remains the most important opportunity for constructive change in how we think about, and impact, sustainability. Although fossil fuel prices are trending downward, electricity costs are still rising. It is critical to remember that regardless of fuel source, after electricity is produced, it must be sent through a transmission and distribution system. We have an aging utility infrastructure all over the United States which must be upgraded. As such, the cost of delivering electricity will continue to increase and your sustainability efforts will also continue to reap substantial rewards for reducing demand.

**WATER**
Many thousands of miles of gas, water and sewer lines are also in dire need of replacement. By some estimates, 30-40 percent of all water sent from treatment plants as potable to end users is lost in delivery somewhere in the system. Water costs have increased by almost 50 percent over the last five years in major markets. Look for this trend to continue, especially with the severe drought conditions affecting millions of Americans.

**WASTE**
We are doing a better job with waste management. Nationally, landfill capacity has not posed a problem in recent years, although some regional issues have occurred. Widespread recycling and composting has increased as well. In fact, New York City plans to go "zero waste" by 2030. Still, waste costs are increasing disproportionately to inflation.

**ON THE SUSTAINABILITY FRONT, WATCH FOR:**
- More time of use billing. Time-Of-Use (TOU) pricing is a variable rate structure that charges for energy, depending on the time of day and the season the energy is used. With TOU rates, your bill will be determined by both when you use electricity and how much you use.
- Increase in mandatory disclosures of energy consumption and efficiency. In the last year alone there has been a 40 percent increase in mandatory benchmarking in major markets.
- Tenant Star. As a companion to Energy Star, recently passed legislation will provide tenants with more incentives and motivation to embrace sustainability.

The silver lining in energy and water costs increasing is that sustainability is on the rise as well. Ultimately, rising energy and water costs make sustainability projects in all types of buildings easier to justify and sell, as payback periods will decrease and financial returns will increase.

Capital is attracted to organizations that demonstrate responsible investing, and organizations are attracted to asset and property managers that know how to better control costs. Although many of these energy, water and waste costs are passed through to tenants, the time is here where we must be vigilant about sustainability and its impact on your career and your company. IREM and its members are well positioned because in 2016, sustainability will continue to be a critical and increasingly important component in the operations and development of real estate.
CONGRATULATIONS!
We congratulate our 2016 leadership team installed during the IREM® Fall Leadership Conference

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IREM and the IREM Foundation sponsor an annual student writing competition.

The goals of the competition are to
1) Encourage and recognize excellence in the study of real estate property and asset management
2) Support the study of real estate property and asset management that has practical application to the industry and would benefit its practitioners
3) Promote the development of future real estate management professionals
Educatings the Property Managers of Tomorrow

Formally dedicated university programs in property management are seemingly infrequent in the United States today. As a student of Facility and Property Management at Brigham Young University, I have the unique opportunity to study property and asset management principles in the classroom before venturing off into industry full-time. I began taking dedicated facility and property management courses in the winter of 2014, and since that time have completed 48 credit hours in this discipline.

Given this background of academic course work and internship experience allows me to realize my most valuable classroom learning moments. This response will explore the nature of my academic program, the applicable value I have found in BYU’s Facility and Property Management (FPM) program, and the content and knowledge I believe will make me a competitive and competent property manager in the future. I will also reflect on my view of property managers, as I have interacted with them.

In my short tenure with the property and asset management industry, I find that many professionals did not receive much or any formal education dedicated to their field. The come from many different disciplines. They come from construction. They come from business. Some enter into property management as a complete shift in vocational direction as a second career. Despite these diverse backgrounds and informal training these professionals are flourishing. How can this be? Why do talented and motivated individuals transition into property management?

I submit this shift into property management can be attributed to the potential for professional achievement and personal growth. The industry is an exciting place.

Counterintuitively, these transitioned property professionals succeed in the industry because of their diverse backgrounds. Property management is about solving problems. Any mind trained in forward thinking can have a place in this industry. Certainly there are technical bits industry professionals must learn along the way in order to achieve success, but a mind that can problem solve masters these tasks quickly. This is the nature of property management, creating value in real estate by solving problems, by innovation. Because learning innovation brings success to property managers of today, it needs to be instilled in our property managers of tomorrow, the students. Through my experience, this is achieved by solving real world problems.

BYU’s facility and property management program blends a mix of financial, real estate and construction management. Although some tedious memorization is required, the classes tend to present a decent mix of projects. These projects allow for interpersonal collaboration and problem solving. BYU’s program will do well to focus on this approach. The world of property management is about solving unique problems on a frequent basis.
These problems are real and often never before seen. There is no one correct answer. Practicing finding solutions for these real life issues will increase the student's value. Companies will confidently seek to hire these students for they are proven problem solvers.

Reflecting on my own experience, I learned the most for those experiences where I was given a general outline of the requirements, but was forced to innovate. Cook-book style assignments are boring and tedious. There is little room for innovation and growth when the path is already partially paved before you. I am confident these partially paved paths rarely or even exist in industry. The student must forge their own path and cultivate their own ideas for deep and lasting learning.

This last semester, I took a course where the tasks and projects were unfamiliar on seemingly a weekly basis. A small amount of direction was given, but the instructor also expected us to think for ourselves, teamwork and sometimes even learn through our own failures. Even though this method of teaching seemed counterproductive at the time, I learned the material, and retained it well. Even more than the material itself, I learned how problem solve. I learned how to work with a team. The academic experience should not be spoon-feed. The real world certainly will not be so accommodating.

These problem solving skills if properly learned should build the confidence of the student. This is important for industry success. One should not confuse this confidence with arrogance. Confidence in one's knowledge will clearly promote the student's abilities into the industry. This must be combined with the desire and ability to perform. It is then reinforced as the student applies their craft in a variety of settings. Class projects and practically applications academically are important, but work experiences and internships will shape this confidence in a way the classroom cannot.

Currently there is not much room for specialization within BYU academic property management program. All students pursuing degrees in facility and property management get a heavy exposure of construction management. This may or may not be in-line with the student's professional interest. Presenting a degree program with four or five classes (roughly a single semester) of specialization in project management, asset management, healthcare facilities or other like disciplines could be desirable. For these emphases to take hold, enrollment into the program would also need to me increased.

In conclusion, I would like to see property and asset management taught with a practical, problem-solving approach first in mind. The ability to problem solve has allowed many industry transplant the ability to succeed in the industry, and if applied the students and future professionals, the same will surely be true. BYU's facility and property management program allows many opportunities to work on projects and in groups. These types of activities will prepare the student well as the real world's challenges mirror this reality. Importantly, the student needs to remember to have confidence in their abilities.

Lastly there is no way to replace proven success in the field. Work experience is important. Internships are important. These practical opportunities allow the student to problem solve from a new angle. This accomplishment boosts both achievement and confidence, making the student a competitive candidate as they enter the workforce. The Facility and Property Management Program at Brigham Young University is doing a fine job of preparing the property managers of tomorrow, and with the implementation of emphases, the major will become even stronger. Problem solving and real world confidence will give emerging students the edge they need to be success in this industry.

-Andrew Steele
CONVERTING FENCE-SITTERS

There’s nothing like a stint on the front line to bring you back to reality.

As an Assistant Manager for a large hotel early on, my job was to make sure we were 100-percent-occupied on our busiest days. If you’ve done this, you know it takes both skill and a little luck to wind up exactly on target. It can be challenging to fill 1,500 rooms exactly—not one more, not one less. And well, when we were oversold, I was the lucky manager who got to tell late-arriving guests that we had no more rooms. I clearly recall one guest who reacted by lying prone on the lobby floor to protest. Yep, it’s true. You just can’t make this stuff up.

But here’s the news: even though my duties including managing customers, supervising employees and filling the hotel, my real job was to convert the fence-sitters. The same is true in marketing. Face it, when we’re out there in the real estate world marketing our companies, some owners, tenants and residents will love us from the get-go. Others won’t. The rest will be squarely in the middle: those are the fence-sitters.

Want to turn your fence-sitters into advocates? Here are three of my favorite ways:

DON’T WAIT: A colleague relayed to me recently that she had put her office portfolio out to bid to three excellent companies. The two who didn’t win lost out because of one critical factor: they didn’t have current bench strength to handle the property. The moral here: don’t wait!

GO SHOPPING: If you’re already using mystery (or secret) shoppers, then you’re likely an expert. If you’re not, get out and do a little shopping: in your offices, that is. This doesn’t mean that you have to have a covert operation. What it does mean is that you can see first-hand how your brand is represented (and marketed) right from the very first point of customer contact. A simple phone call may just do the trick. You can opt to use a third-party shopper, or do what I call “smiling-and-dialing” yourself. A quick listen is all it takes to see if there’s a friendly, helpful voice and clear directions on the other end of the phone.

EXCEED EXPECTATIONS: Recently, I took my car in for repair. Now, I should explain that I’m not much of a “car” girl—nothing fancy, but I do expect reasonable service. The good news? It was stellar in every way. As soon as I drove up, my service tech, Bob, was at my door and greeted me by name. He then arranged a rental car (without my asking) and told me exactly when he would get back with me. Even better, he said, “I like to exceed my customers’ expectations not just the first time, but every time.” Good advice.

Want to put a spark in your marketing? Use these tactics to put your service expectations—and your marketing results—to the test. Nothing beats the front line.
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• Demonstrate quality, responsible management
• Market your sustainability success
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The John Hancock Center's recent renovations are helping to breathe new life into the iconic Chicago skyscraper.

The opportunity to put your own stamp on an iconic building, like Chicago's John Hancock Center, doesn't come around too often. Therefore, when Hearn Co. purchased the 100-floor skyscraper in 2005, the investment firm sought to do just that.

"It had been 25 to 30 years since anything had been done to the building; when we bought it, we wanted to breathe new life into it," said Nancy Capadona, General Manager. "Our goal was to make it more relevant and fitting for today and for the future."

A SKYLINE FAVORITE
An integral part of Chicago culture, the glass-and-steel Hancock building was the first modern skyscraper to grace the city's internationally lauded skyline. Soaring 1,000 feet above the famed Michigan Avenue, the building opened in 1970. Today, it continues to be among the most coveted mixed-use developments for residential, office and
This building is an integral part of Chicago culture, everyone from Chicago feels protective of it, and everyone has an opinion.

—NANCY CAPADONA

commercial tenants.

The Hancock’s X-shaped external beams are not only one of the building’s most defining features, they are also a structural necessity. Each crossbeam is 18 stories tall and provides essential support for the building by eliminating the need for inner support columns. This strategic design provides more available floor space within the building compared to similar structures that require inner support beams.

When it was built, the Hancock was the tallest building in Chicago; today is the fourth tallest behind the Aon Center, Trump International Hotel and Tower and Willis Tower (formerly the Sears Tower). Though it may not be the tallest building in Chicago, visitors and locals alike flock to the center’s 94th floor observatory to take in the sprawling views of the city and beyond. The appropriately named 360 Chicago observatory offers 360-degree views in which visitors can see up to 80 miles and four states, including Illinois, Indiana, Michigan and Wisconsin on a clear day.

IMPROVED EFFICIENCY

Having a vital role in Chicago’s impressive skyline comes with a certain expectation. The Hancock simply could not afford to stay stagnant. Consequently, Hearn’s comprehensive renovation plans included everything from functional and operational upgrades to amenity improvements and a broad scale aesthetic makeover.

The Hancock’s new computer-controlled HVAC system was implemented and now offers accurate year-round environmental control, allowing the building to be significantly more efficient. Improved efficiency is expected to save energy costs, and Hearn was able to take advantage of lucrative ComEd incentives.
The first major upgrade was replacing the chiller plant, which was a huge undertaking. "The former system was 40 years old; it was incredibly inefficient and parts weren't readily available," said Capadona. "We did not want to get into a position where we were failing."

The new computer-controlled HVAC system was implemented and now offers accurate year-round environmental control, allowing the building to be significantly more efficient. Improved efficiency is expected to save energy costs, and Hearn was able to take advantage of lucrative ComEd incentives.

TREATING TENANTS RIGHT

Undoubtedly, there is a distinct prestige associated with working in one of Chicago's most celebrated skyscrapers. The center's diverse tenant mix includes everything from private equity firms to cosmetic dermatologists. It is also a popular office location for creative industries, housing advertising, marketing and public relations tenants. At press time, the occupancy rate was 88 percent.

Keeping these existing tenants happy, while also attracting new ones, is a high priority for Hearn. Accordingly, one of the goals of the renovation was to provide an unparalleled tenant experience. To do this Hearn expanded and upgraded the building's tenant amenities, which are primarily housed on the 13th floor. These amenities include a fitness center, conference room and game room, which were all upgraded and modernized during the renovation.

Today, the fitness center boasts a fresh style with mod carpeting and finishes, state-of-the-art exercise equipment, cable televisions on all cardio machines and a yoga and core training studio. The
conference center features multi-media equipment, including high-lumen projectors and retractable screens, built-in mics and speakers, high-speed wireless service and a fully integrated conference telephony system.

Perhaps the most tenant-friendly new addition to the 13th floor is the X Lounge, a tenant game room. The vibrant, comfortable space offers ping-pong, pool and shuffleboard, along with gathering areas where tenants can relax and mingle with coworkers and other tenants in the building.

MINI MAKEOVERS
The renovation also included aesthetic updates throughout the common areas of the building. Through a corridor improvement program, all of the common tenant corridors were updated with glass lighting and given a more modern overall feel with new paint, carpeting and finishes.

The most dramatic change to the building, however, is in the lobby. The new focal point of the lobby is Lucent, a commissioned piece of art created by renowned sculpture Wolfgang Buttress. The piece is 14 feet in diameter and depicts the 3016 brightest stars in the Northern Hemisphere. It is fiber optically illuminated and appears to pulsate as a hand-painted color wheel spins in front of the hidden light source.

MANAGING AN ICON
The extensive interior renovations began in January 2015 and were complete in June. Throughout this period, it was essential to maintain top-notch property management operations. The small management team—comprised of an accountant, operations manager, tenant services manager, administrator and general manager—was dedicated to maintaining tenant satisfaction throughout the entire process.

“The building is so busy and there was so much going on; communication was key,” said Capadona. “We communicated openly and regularly with our tenants. We sent out email blasts and made sure we had appropriate signage. Considering how major these renovations were, the complaints were minimal. Most of our tenants were very excited about the changes.”

Additionally, since the Hancock is such a high profile building that attracts tourists it was important to keep the building safe yet open. The Department of Homeland Security did a survey of the property and made a number of security recommendations, which Hearn successfully implemented. The security team also received advanced training to help them protect the building, while also refining their customer service skills.

Of course, successfully managing an iconic property like the Hancock building, whether it is in the middle of the renovation or not, requires an open mind. “This building is an integral part of Chicago culture,” said Capadona. “Everyone from Chicago feels protective of it, and everyone has an opinion.”

The management team often fields calls from Chicagoans near and far who have strong ideas, opinions and feelings about the goings on at the Hancock. “We graciously listen to what everyone has to say,” said Capadona. “It helps us because we are constantly looking forward and looking for ways to ensure that the Hancock stays relevant and does not become a dinosaur.”

DIANA MIREL IS A CONTRIBUTING WRITER FOR JPM. IF YOU HAVE QUESTIONS REGARDING THIS ARTICLE OR YOU ARE AN IREM MEMBER INTERESTED IN WRITING FOR JPM, PLEASE E-MAIL MARIANA TOSCAS AT MTOSCAS@IREM.ORG.
Great Sidewalks Make Great Cities

BY NANCYE J. KIRK

“A good city is one where people want to be outside in public spaces. Where walking is safe and a pleasure. Where nobody feels inferior.” This was the theme expressed last month in Sao Paulo, Brazil, by Enrique Peñalosa, well-known urbanist and former Mayor of Bogota, Colombia. He made it his mission while mayor to improve the quality of life in Bogota, creating urban solutions that were quite daring, such as parking restrictions in the city center, a massive network of bike paths, and an integrated high-speed bus system with bus-only lanes.

Penalosa shared his views at an international real estate conference organized by SECOVI-SP, an IREM international partner. A number of conference sessions centered on the current economic crisis and political scandal in Brazil, the explosive growth of Brazil’s urban centers, and the impact both are having on the population as a whole and specifically on real estate investment and development.

It was pointed out that as the world becomes more urban, its impact is being felt on those who live and work in cities, on city governments, on all those in the real estate sector, including those whose business is the management of the buildings in these cities. Already, more than half of the world’s population living in cities—a figure that is anticipated to grow to 60 percent in the next 15 years.

Around the world, common themes are emerging as a way to manage the challenges of an increasingly urban demographic—themes that were reinforced at the Sao Paulo Conference: Prioritizing people over cars. Making cities more pedestrian-friendly. Supporting a bike culture. Improving mass transit. Favoring transit-oriented developments. Enlarging...
green public spaces. Supporting sustainable initiatives.

These were appropriate topics for Sao Paulo, which is the largest city in Latin America—home to more than 18 million people. In 2014, the city of Sao Paulo took a bold step when it adopted a new master plan to direct the city’s growth through 2030. The plan embraces many sustainable urban development principles, including the elimination of parking minimums. Although other cities are addressing parking minimums (in the US, Chicago, for example, has reduced parking minimums in connection with transit-oriented developments, and Portland, Oregon, has instituted parking maximums in areas), Sao Paulo is the first major city in the developing world to eliminate parking minimums city-wide. The objective is to discourage the use of cars, support mass transit and transit-oriented developments, and increase and enhance public spaces.

The creation of more pedestrian-centric outdoor public spaces is being seen well beyond South America, with numerous examples in North America as well. A crumbling, unused, black steel structure supporting an elevated train line was transformed into the High Line in Lower Manhattan—turning it into one of the most innovative and inviting public spaces in New York City. It is an elevated park 25 feet above the ground that is part-promenade, part-town square, part-botanical garden. Opened in 2009, the High Line has become one of the top visitor attractions in New York, surpassing even the Statue of Liberty.

A similar transformation has occurred in Chicago with the 2.7-mile elevated greenway known as the Bloomingdale Trail or, more officially, The 606. Still another example is in Cleveland, Ohio, where work recently began in Public Square to make the 10-acre civic space greener, more beautiful, and more usable for people on foot, rather than cars.

These projects, and others like them, mark an urban paradigm shift in urban planning away from the automobile and to the pedestrian.

For urban centers everywhere, Peñalosa said, “The greatest challenge is automobiles. We have had cities for thousands of years, but we’ve only had cars for 100 years. Why should malls replace public space as a meeting place?” he asked? “Great cities do not have malls. Parking is not a constitutional right in any country. Quality footpaths are more important to infrastructure than a highway. Great sidewalks make great cities.”

NANCY J. KIRK IS CHIEF STRATEGY OFFICER/GLOBAL SERVICES FOR IREM HEADQUARTERS IN CHICAGO.

GREEN EXPECTATIONS
With increased urbanization—as cities become larger and denser and more congested—sustainability gains importance. For building owners and operators, “we have a responsibility as an industry to the built environment,” said Cheryl Gray, CPM, of Bentall Kennedy in Toronto, who spoke on this topic during the SECOVI-SP conference at a session sponsored by the IREM Sao Paulo Chapter.

“Why do green?” she asked. “Our stakeholders are demanding it. Tenants, employees, owners, managers—all are stakeholders and all must be satisfied.” What’s more, she said, “if you don’t do it, you will become economically obsolete.”

While green practices are fast becoming embedded into commercial building operations, adoption has been slower on the residential side. The challenge of sustainability in the multifamily sector is “that people want green but they don’t want to pay for it. In Canada this is becomes an even greater challenge,” according to Gray, “because most residential is under rent control.”

“Ultimately, green in residential is about influencing behavior,” said Gray. “Appliances, thermostats, lighting, shower heads and faucets, laundry equipment, submetering water—choices in all of these areas can have enormous impact.” She also pointed out that emerging trends in common services have sustainability at their core—community gardens, biking facilities, availability of Zip cars, electric vehicle charging stations, fitness facilities and both indoor and outdoor shared social space.

Gray emphasized that, when it comes to sustainability, LEED is not the only option. “It’s not LEED or nothing,” she said. “In large part, sustainability is about making good choices.” What has worked for Bentall Kennedy, said Gray, whose company has made sustainability a core part of mission:

1 Engage all the stakeholders
2 Have a strategy and keep focused—“Don’t try to do everything.”
3 Embrace benchmarking, measuring, monitoring—“If you don’t measure, you can’t manage.”
Uniform Law Commission Finalizes Revised Uniform Residential Landlord and Tenant Act

BY IREM GOVERNMENT AFFAIRS STAFF

In August, the Uniform Law Commission (ULC), also known as the National Conference of Commissioners on Uniform State Laws, moved to finalize its work revising the Uniform Residential Landlord and Tenant Act (URLTA or the “Act”). The ULC is a non-profit organization consisting of practicing attorneys from around the nation that meets to research and compose various laws that can be adopted by the states in order to provide uniformity across the states.

The Uniform Residential Landlord and Tenant Act was originally drafted in 1972 and was intended to serve as model legislative language that could be adopted by the states to serve as the landlord-tenant law in that state. Today, 21 states (Alabama, Alaska, Arizona, Connecticut, Florida, Hawaii, Iowa, Kansas, Kentucky, Michigan, Mississippi, Montana, Nebraska, New Mexico, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Virginia and Washington) have adopted the Act in its entirety. Other states have enacted various parts of the language for their landlord-tenant law.

This is the first time the Act has been revised since it was first drafted in 1972. With so much changing around the nation and in the past four decades, the process took several years in order to fully research and examine potential appropriate changes to the Act. IREM was able to serve as an observer and participate in many of the ULC’s meetings to discuss the proposed revisions to the Act. The multifamily industry was well-represented as there were many observers and participants involved in the process from the beginning.

Here are a few highlights of some of the revisions to the Act:

> **Violence Against Women Protections:** Article 11 of the Act was added to conform the Act with the Violence Against Women Act, which was initially enacted in 1994 and reauthorized again in 2013. The provision was carefully and thoughtfully worded and provides the real estate manager with the ability to penalize tenants by collecting damages for false representation by the tenant. The Act recognizes the important responsibility for real estate managers to protect other tenants, employees, and the property itself.

> **Disposal of Tenant’s Property:** Article 10 of the Act discusses the responsibility the real estate manager has with regard to disposing of a tenant's personal property when they no longer reside in a unit. Changes were made to allow real estate managers to have more flexibility, particularly in the unfortunate situation when a tenant is deceased.

Although great strides were made while serving as an observer in these meetings, IREM hoped to prompt other changes, especially when discussing provisions concerning prepaid rent. IREM urged the Commissioners to not limit prepaid rent. This is an important issue in an era of greater numbers of post-foreclosure households resulting from the recession. Limiting prepaid rent may negate a potential tenant’s ability to qualify for rental housing when their credit is in question – perhaps due to a foreclosure. In the revised Act, language was included that limits the total allowance of collected security deposits and prepaid rent to just two months. IREM is concerned this may limit the ability of some renters to qualify for rental housing when in fact they are financially stable to pay the rent.

The final document is still subject to stylist review and will not be finalized until October. Once the stylist review has been completed and the final Act has been published, it is at the discretion of the states to adopt the model law in its entirety, piece-by-piece, or not at all.

IREM Government Affairs staff composed a Legislative White Paper summarizing the revisions of the Revised Uniform Residential Landlord and Tenant Act; the paper is available on the IREM Public Policy webpage (below).

To read the full revised language, please visit [www.IREM.org/public-policy](http://www.IREM.org/public-policy).
IREM Committee Adopts New Legislative Statement of Policy on Homelessness

The IREM Legislative and Public Policy Committee met via conference call in late August to discuss various items including a new statement of policy (SOP) that would address a hot topic around the nation. This past year three states saw legislation introduced that would all the “Right to Rest.” In 2015, legislation was introduced in California, Oregon, and Colorado that would create a certain set of rights to the homeless. The legislation would provide the homeless with protections that allow them to sleep on public property, such as parks, plazas, parking lots, transportation facilities, shopping centers and sidewalks.

Although the legislation died fairly quickly in all three states, and with much opposition from various interested parties including cities, government coalitions, industry trade groups, defense lawyers and private citizens, the IREM Legislative and Public Policy Committee felt compelled to adopt a new SOP addressing the issue.

Many IREM Members are concerned with such legislation because it could force real estate owners and managers to allow the homeless to congregate in certain areas that may prevent or disrupt normal business activity. In addition, people who wish to rest on certain properties, including shopping centers, may not make a clear division between public and private property. Similar to cities and local governments, shopping center owners and managers are concerned with the added expense of maintaining the safety and cleanliness of these areas which could create an unfair burden on their business and employees. Also, real estate practitioners worry they could be unfairly targeted for litigation for potential discrimination claims.

The IREM position on the Right to Rest legislation is that IREM does not support blanket legislation that does not address the underlying issues of homelessness. IREM supports the national goal of a decent home and a suitable living environment for every family. Although well-intended, the Right to Rest bills are misguided efforts to help society’s vulnerable citizens. IREM encourages focusing on policies that would allow more affordable housing options, job training and placement, and mental health treatment and counseling first.

The IREM Legislative and Public Policy Committee adopted the new SOP unanimously and it now will go to the IREM Executive Committee and IREM Governing Council for their approval before being officially finalized. Once approved by the Governing Council, the SOP will be available online at www.IREM.org/public-policy under the Policy Positions tab.

IREM encourages focusing on policies that would allow more affordable housing options, job training and placement, and mental health treatment and counseling first.

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**GOPRO HERO 4 SESSION**

In this age of everything video, the new GoPro Hero 4 Session stands out above the rest. Its small, 1.5 inch, 2.6 ounce design is simple to use and waterproof to boot. Featuring a variety of shooting modes—ranging from 1440p at 30fps to 480p at 120fps for the slo-mo enthusiasts—the session supports microSD cards up to 64GB of memory to capture all your needs. Its new design also accommodates a mounting system that has a quick release latch and, because of its cube design, the Session is more versatile to turn in a 180- or 360-degree format.

*Available at www.gopro.com for $399.*

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**“BALLLOON” FOR CHROME**

Ever find yourself surfing the web and wanting to download a file but don’t want to wait, then transfer it to your multitude of devices? Download the “Ballloon” extension for your Chrome browser, and within seconds you’re up and running, saving content directly to the cloud storage of your choice. Not only will it download the content in seconds without going through the regular download steps, but you can take the content with you anywhere you go. Balloon works with Dropbox, Google Drive, Microsoft OneDrive, Box, Copy and SugarSync.

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**CONNECTED SIGN VIA FOUR WINDS INTERACTIVE**

In today’s world of ubiquitous digital signage, the product list (free and not) is impossible to sift through. From menu displays to mall kiosks to lobby welcome screens, the possibilities are endless. One product stands out above the rest: Four Winds Interactive along with Connected Sign can create an interactive menu just for you. Would you like a welcome lobby display and have a directory that will call the appropriate extension via a soft phone right from the touch screen? How about a Twitter or Facebook feed of staff highlights cycling in your office? The software package is easy to use and super flexible to your needs. It is database driven and can control multiple signs, deploying new information to all in seconds.

*Available at www.connectedsign.com, prices vary.*

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ALEX LEVIN (ALEVIN@IREM.ORG) IS DIRECTOR OF IT FOR IREM HEADQUARTERS IN CHICAGO.
ELGATO AVEA SMART LIGHT BULB
The Avea, a standalone, 7W LED bulb from Elgato, can transform living environments through dynamic mood lighting from your iPhone, iPad or Apple Watch. Connecting to your device using Bluetooth Smart technology, the Avea lets you choose custom light scenes, including Wake-Up Light and Cozy Flames, to set an ambient mood in your space.

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Now you can use your Smartphone to unlock your door. The Brivo Mobile Pass is a mobile replacement for physical keycards and readers. No more digging around for keys; simply take out your Smartphone and launch the app. It communicates with the cloud and submits a request for the door to be opened. And just like keycards, access can be revoked at any time by the administrator.
2016 ECONOMIC FORECAST

BY JOSEPH DOBRIAN
Office occupancy and rents might lag the rest of the industry, but will remain healthy.

Property owners and managers are likely to feel the impact of job and occupancy growth mainly where it comes to staffing. As employment rises overall, other industries will compete for talented workers, and potentially excellent managers could be drawn elsewhere.

Ken Riggs, President of Situs RERC (West Des Moines, Iowa) anticipates stronger consumer spending, which would set the stage for the Fed to begin raising short-term rates. Riggs expects the 10-year Treasury yield rate to increase to 2.6 percent by the end of 2015, and to 3.0 percent by the latter part of 2016. Commercial real estate fundamentals are likely to continue to improve in 2016, though less dramatically than in 2015.

“Office will see stable rent growth, with construction mostly muted except in a few metro areas,” Riggs predicts. “Demand for warehouse space will continue, with stable to higher rent growth in 2016 and availability rates expected to continue to decline in 2015 and 2016.

“As for retail, rental growth should increase slightly in 2016, despite high mall overhead and increasing e-commerce levels. In multifamily, we’ve seen overbuilding in some markets, with new supply the main risk. Rents have been projected to decline as vacancy increases—but higher prices on single-family houses, and low single-family housing supply, may keep potential homebuyers in apartments a while longer, keeping rental growth positive.”

**INDICATORS OF GROWTH**

Property managers, Riggs says, should consider different economic indicators, depending on the type of property they manage, when projecting rent growth and occupancy. State and local unemployment rates are relevant to all property categories. For office, look also at the stability of major employers in the area, business growth, vacancy rate, access to public/metro transportation, restaurants/shopping nearby and proximity to apartments/residences. For industrial, look at warehouse locations in the area, manufacturing activity and e-commerce/shipping/distribution activity.

Key indicators for retail include personal income/education, demographics/age of people who live in the area and retail sales activity including restaurants. Multifamily indicators include availability and pricing of single-family housing in the area, job growth and a property’s proximity to the CBD and major employers.

“Property managers can expect a generally stable period,” Riggs concludes, “with small rent increases except in markets with abundant supply.”

Norman Radow, CEO of The RADCO Companies (Atlanta) is more optimistic. He says key indicators point to a boom year for multifamily, and the challenge for managers will be to offer the tenant more bang for their rental buck.

“We’re seeing continued decrease in the percentage of homeowners,” he says. “Since 2007, it’s gone from 70 percent to 64 percent, undoing 25 years of growth in eight years. Partly this is hangover from the recession, and partly because it’s harder to get a mortgage. Millennials are saddled with massive student debt, so it’ll be harder for them to buy. Meanwhile, boomers want what Millennials want: to sell their homes and move into town. Now that we’re about to see some job and wage growth, this will be a boom year for apartments.”

“We have to adjust our business plan and provide more in our apartments, to satisfy the $950 payer who expects more than the $650 payer, if we want to command higher rents,” Radow adds.

Looking to where growth will be strongest, Radow says, “We look for three things in a market: favorable labor laws, low taxes and a pro-business government. The older industrial states with draconian labor laws and high taxes won’t
see the same growth. Overbuilding could happen in some markets, but won't be as extreme in this cycle. Construction costs are rising fast, and at some point institutional debt and equity will look at that and say: This dog won't hunt.”

As for how the current economy affects management, “There’s full employment in the management industry and it’s hard to attract talent. We’re going outside the industry to recruit, and salaries will rise. And new talent likes to work for the shiny new buildings, so we have to try all the harder.”

After an atrocious start to 2015, Canada’s economy is expected to climb back into positive territory through the rest of the year and into 2016,” reports Ken Finch, CPM, a broker and manager with Ventawood Management (Missisauga, Ont.).

“Economic prosperity varies from region to region, especially with the influence of oil prices,” he elaborates. “As the West is generally positive and led by Alberta, falling oil prices have slowed construction and affected peripheral industries. In the East, Ontario is steady.

“Ontario and British Columbia markets will likely be the strongest. Quebec is looking to decline.”

Overall, says Finch, development will probably decline. As for management trends, he notes, greening programs have become the accepted standard for office property management. Operating costs have now become an important discussion point in industrial lease negotiations.

Jeremiah Kane, director of the New York region for Philadelphia-based Rubenstein Partners, focuses on managing office properties. He expects that segment to grow more slowly, because while employers are adding jobs, they’re using space more frugally.

“Increased efficiency is a factor,” he says, “but we’re now approaching the natural limit of this trend, so we’re finally seeing new supply. We’ve had long-term job creation, and we’re seeing conversions of industrial properties to office; even in suburban markets you’re seeing embryonic construction. Lenders will step up as demand increases.”

Other observers are less optimistic. Kevin J. Thorpe, chief economist for the Americas at DTZ, a Chicago-based global firm, says we might see a downturn, although he’s not too worried.

“This economic cycle is getting pretty long in the tooth, so we’re looking for things to go wrong at this point,” he warns. “But as of now, the fundamentals in the U.S. economy look as healthy as ever. We’re not expecting 2016 to be quite as robust, because job growth will slow, which impacts the demand for space. But demand will be strong enough to push new development, which means the CRE pie will grow. From the property management side, I suspect you’ll be very busy.

WHAT TO WATCH

“Property managers, if they’re only going to look at one indicator, should watch consumer confidence. When consumer confidence rises, office occupancy improves two to three quarters later, and vice versa. People are feeling good again, they’re spending again, and that’s ultimately what drives demand for real estate. The property management business will thrive, but the number one challenge going forward will be labor shortages. Business leaders need to come up with creative strategies and incentives to keep existing talent and recruit new people.”

Angela Aeschliman, CPM, COO of Watermark Property Management (Chicago), characterizes the economy going
PROPERTY MANAGERS, IF THEY'RE ONLY GOING TO LOOK AT ONE INDICATOR, SHOULD WATCH CONSUMER CONFIDENCE. WHEN CONSUMER CONFIDENCE RISES, OFFICE OCCUPANCY IMPROVES TWO TO THREE QUARTERS LATER, AND VICE VERSA.

—KEVIN J. THORPE

into 2016 as “hot”—and she believes that this will cause positive changes in the property management business. “In a downturn, brokerage and finance people can’t make money so they turn to property management, which is more stable,” she explains. “As the economy is now more robust, those brokers and lenders have come back to those old roles. Meanwhile, many managers began managing REO, foreclosed or transient properties—and now that there aren’t many of those left, they’re looking forward to manage new, stable assets. Management will come back to the managers, in a more professional way.

“At the same time, I’m seeing a trend of lenders wanting the management contract assigned to them. That way, they have a better awareness of the solvency of the tenant/owner.”

WHERE MONEY IS BEING SPENT
Real estate brokers and managers are likely to see their professions incrementally affected by changes in the economy in 2016. Certain skills and attributes might gain importance, and new regulations might alter the way real estate professionals do business.

Frank Sculco, CPM, operations manager at ABS Partners Real Estate (New York City), says he anticipates increased spending on emergency preparedness and building security. Concerns about energy costs will be ongoing, he adds.

“You’ll have to look, every day, for new opportunities to find supplies and staffing at best value,” he says. “It’ll be harder to procure quality staffing. We’ll have to keep employees up to date on the latest management-related technologies. If you give your people the best tools and direction, they’ll provide a higher level of service.

“We’ll see more state-mandated codes related to staffing, certifications and licenses to ensure that a property is prepared for an emergency, that we’re in a position to protect tenants. This may result in additional staffing needs, security and life safety systems as well as additional testing and scheduled drills. It’ll absolutely get more expensive to manage a building in the coming year.”

The secret to successful management in 2016, Sculco says, will be to plan and budget intelligently: to be more concerned with the correct approach and making sure everything is done right.

“Cost associated with operations tends to always go up,” he says, “but your goal is to get the best prices and provide the best level of service. The way to prosper in this economy is to ensure your properties are staffed, supplied and cleaned the best they can be.”

Nancy Braun, owner of Showcase Realty (Charlotte, N.C.) says managing a team will become just as important as managing a property.

“Internet technology and social media make it necessary to have a team to effectively market properties and manage transactions,” she says. “Individuals are limited in their ability to react quickly enough and perform the research to assist the client. It’s an art, to elicit the true needs of a client.”
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Publication issue date for circulation data below: Sep/Oct 2015

15a. Total number of copies (net press run):

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15b2. Paid in-county subscriptions: None; None
15b3. Sales through dealers and carriers, street vendors, counter sales and other non-USPS paid distribution: none; none
15b4. Other classes mailed through the USPS: None; None
15c. Total paid and/or requested circulation:

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Mariana Toscas, Managing Editor

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Renters' preferences change like the tides, and advances in technology are forcing property managers to shift their strategy. In the past, paper applications, manual data entry and fax machines were the norm—but now there are faster, more efficient ways of running your business.

**ENHANCE YOUR WEB PRESENCE:** Having a poor website is worse than having no website at all. It's vital to have a fresh, mobile-friendly website to make an impactful first impression and bring in potential residents and owners.

**CHANGE YOUR ADVERTISING APPROACH:** Word-of-mouth referrals are great, but they will only get you so far. Try a more aggressive approach to your marketing by advertising in different cities to reach out-of-towners. Modern renters rely on the Internet to find apartments, so your vacancies need to appear on listing websites and social media.

**STOP CALLING FOR LANDLORD VERIFICATION:** Making calls is a time-consuming process—time that could be better spent servicing quality residents. Screening services that track and share a resident's detailed payment record can be more beneficial to bringing in quality renters.

**DO IT DIGITALLY:** If you're using paper for rental applications, leases, checks, invoices or inspections, stop immediately. Valuable resources are being wasted on processes that can be automated and often expected by today's younger generation of renters. Go digital and avoid paper and storage costs, time spent and risk of human error.

The most successful businesses are those that have already abandoned these outdated processes and embraced modern technology.
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SARA NEFF
Vice President of Sustainability, Kilroy Realty Corporation

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In 2010, Los Angeles-based Kilroy Realty Corporation (KRC), a real estate investment trust that owns, develops, acquires and manages real estate assets on the West Coast, embraced a portfolio-wide sustainability initiative to reduce its carbon footprint. Implementing an automated demand response program at its 50-acre business park in Long Beach, California, serviced by Southern California Edison (SCE), was a key element of the sustainability initiative.

KRC’s acceleration of the automated demand response program has been supported by incentives from SCE to offset the initial installation costs. The key challenge for KRC was achieving its demand response-related sustainability goals without impacting tenant comfort or productivity.

After extensive research of the demand response systems available on the market, KRC selected LOBOS (Load Based Optimization System) by Enerliance, a Yardi® company. The 10-stage Yardi LOBOS™ demand response system provides 1.6 MW of automated load shed capacity from six KRC buildings totaling one million square feet at the Long Beach business park.

“We believed that open and transparent communication with our tenants about the participation in demand response load shed events would be key to a successful implementation. We worked closely with our individual property managers to develop a communications plan tailored to the concerns of the individual tenants. For example, some property managers sent demand response email communications and posted lobby signs prior to each event,” said Sara Neff, vice president of sustainability for KRC.

Achieving the desired results required close coordination between KRC and Enerliance to properly manage the project team which included installation contractors, SCE, property managers, asset managers and the tenants. “The interest and engagement of our environmentally sensitive tenants was encouraging and helped reinforce our commitment to deploying leading-edge sustainability programs throughout our portfolio,” Neff said.

When LOBOS receives a signal from SCE’s Demand Response Automation Server (DRAS) the day before a demand response event—typically triggered by exceptionally warm weather that drives up air conditioning-related energy consumption—it assesses the building’s energy consumption and automatically adjusts HVAC system set points dynamically every 60 seconds based upon sophisticated algorithms designed to reduce energy consumption to meet demand response load shed targets while maintaining tenant comfort. The LOBOS demand response system also allows building managers to control which portions of a building will participate in a demand response event. If, for example, a tenant occupying a particular floor chooses not to participate in a load curtailment event, that floor can be easily excluded by an authorized user. No special programming skills are required.

In April 2014, Enerliance accepted the Peak Load Management Association (PLMA) Outstanding Demand Response Customer Award on behalf of KRC in recognition of the Long Beach project. KRC is currently installing the LOBOS demand response platform at its California business parks in San Francisco, San Diego and El Segundo. KRC is in the process of adding the LOBOS Energy Efficiency (EE) and Fault Detection and Diagnostics (FDD) software modules to take full advantage of the comprehensive LOBOS energy optimization system at its Long Beach facility.
IREM released the 2015 Income/Expense (I/E) Analysis Reports for five property types: Conventional Apartments, Office Buildings, Shopping Centers, Federally Assisted Apartments, Condominiums, Cooperatives and Planned Unit Developments, along with the Metro Reports—for professionals who just need an individual metropolitan market area report—which now includes region and national data.

For over 60 years, these reports have provided the tools to plan, budget and forecast—and to enable real estate management professionals to stay one step ahead of the competition by making data-driven decisions. These benchmarking resources empower professionals to make big data work for them by delivering data from thousands of properties right at the tips of their fingertips, right when they need it.
“Income/Expense reports provide a baseline that we can’t operate without. We’re able to compare property data in our immediate market and in our region, and the reports are essential to understanding how properties operate.”

—NICHOLAS DUNLAP, CPM

HIGHLIGHTS FROM THE INCOME/EXPENSE ANALYSIS STUDIES BY IREM

OFFICE BUILDINGS

The Income/Expense Analysis: Office Buildings research study, conducted by IREM since 1976, analyzes operating income and costs for over 2,200 private-sector office complexes—some containing multiple buildings—in major metropolitan areas and regions in the United States and Canada. Additionally, it contains financial data that is broken out separately for 456 medical office buildings.

HIGHLIGHTS

- Total collections for suburban office complexes nationwide in 2014 increased 4.2 percent from 2013 levels to $19.50 per square foot of net rentable area. Downtown properties experienced a 6.8 percent year-to-year collections increase to $22.93 per square foot. Total actual collections for downtown properties were 17.6 percent greater last year than their suburban counterparts, versus 14.7 percent higher the prior year.

- Total operating costs for suburban buildings in 2014 increased 2.0 percent from the prior year to $8.56 per square foot of rentable area, while those for downtown properties rose 8.1 percent to $11.14 per square foot.

- Nationally, net operating costs for suburban buildings last year rose 5.2 percent to $6.31 per square foot of rentable area, whereas those for downtown properties increased 6.8 percent to $7.84 per square foot.

- The national vacancy rate for suburban properties in operation for 12 months was 6 percent in 2014, down 4 points from the prior year. Downtown properties experienced a seven percent vacancy rate, equal to the prior year.
CONVENTIONAL APARTMENTS

The *Income/Expense Analysis: Conventional Apartments* is designed to help real estate professionals evaluate multifamily development and investment options and compare their buildings' performance to industry norms.

The income and expense data for each sample is presented in dollars per square foot of rentable area and as a percentage of gross possible income and dollars per unit. Individual metro market reports for more than 120 cities are included along with an analysis of vacancy rates and operating unit trends, plus a variety of historical trend reports.

These key findings are drawn from a control sample of conventional apartments that have submitted data for the report consistently over the past four years. The report also contains data drawn from a larger sample of submissions gathered over the past five years, regardless of whether that data was submitted consecutively over the five-year period. In terms of sample size, the report analyzes the previous year's operating income and cost figures for 3,441 multi-family rental properties, representing over 679,000 units across the United States.

**HIGHLIGHTS**

**NOI**

- Garden buildings rose 6.3 percent to $5.91 per square foot
- Elevator buildings rose 5.9 percent to $11.07 per square foot
- Low-rise buildings with 25 or more units reported a 2.1 percent rent increase to $11.82 per square foot
- Low-rise buildings with 12 to 24 units reported a 2.0 percent rent increase of 1.4 percent to $11.96 per square foot

**EXPENSES**

- Low-rise buildings with 25 or more units rose 5.1 percent to $5.52 per square foot
- Elevator buildings increased 4.1 percent to $8.14 per square foot
- Garden buildings rose 2.7 percent to $5.26 per square foot
- Low-rise buildings with 12-24 units rose 2.0 percent to $6.17 per square foot

In addition, the study summarizes data by building type, age, Section 42 properties, turnover and more.
The Shopping Centers study, conducted by IREM since 1991, analyzes the previous year's operating data for 402 open shopping centers throughout the United States. It is designed to provide real estate professionals and investors with current financial data for evaluating the performance of their properties and for preparing appraisals, budgets, loan requests and sales proposals.

**HIGHLIGHTS**

› Median income for open shopping centers across the country in 2014, based on average actual occupancy (AAO), increased to $17.70 per square foot from $17.18 the prior year. Open center operating costs increased to $5.27 per square foot from $5.07 in 2013.

› Broken out regionally, median income for open centers in 2014 ranged from $15.28 to $25.45 per square foot, versus a range of from $14.28 to $23.43 per square foot in 2013. The Northeast and Mid-Atlantic regions reported the highest income per square foot at $25.45.

› In terms of expenses, insurance and taxes in 2014 accounted nationally for 45.0 percent of the typical open center's total operating costs; contracted services—such as landscaping, security and trash removal—accounted for 14.2 percent; and maintenance/repair and utilities accounted for 8.0 percent and 8.7 percent, respectively. The percentage breakdowns for major expenses this past year are quite similar to those for 2013.

The study breaks down open shopping center operating data into several categories, including property size, age, type of anchor, type of lease, average actual occupancy (AAO) and gross leasable area (GLA). The study includes national, regional and metropolitan statistics, along with several special reports including leasing fees, expansion, tenant turnover, type of ownership and gross sales analysis.

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The Income/Expense Analysis: Federally Assisted Apartments, conducted by IREM since 1986, analyzes the previous year's operating data for 891 high-rise (elevator buildings), low-rise and garden-style properties nationwide—containing 83,414 units—that receive one of six types of federal assistance: HUD Sections 202, 221(d)3, 236, Section 8 Elderly/Handicap and Section 8 Family and Rural Development Section 515.

**HIGHLIGHTS**

› Operating expenses in 2014, Section 221(d)3 low-rise buildings experienced the lowest expenses in 2014 at $5.17. Section 202 elevator buildings reported the highest total expenses, $10.74 in 2014. Total Expenses decreased for all garden subsidies over the last two years, with the exception of Section 8 family buildings.

› In terms of net income by subsidy type, Section 202 building categories in 2014 ranged from $2.26 to $10.68 per square foot; Section 221(d)3 buildings ranged from $5.97 to $6.51 per square foot; Section 236 buildings ranged from $2.58 to $4.68 per square foot; Section 8 Elderly/Handicapped buildings ranged from $4.69 to $6.65 per square foot; and Section 8 Family buildings ranged from $3.97 to $5.95 per square foot.

› Elevator buildings reported median net operating income ranging from $5.93 to $10.68 per square foot. Median net operating income for low-rise buildings ranged from $2.58 to $4.69 per square foot and that for garden buildings ranged from $2.26 to $6.65 per square foot.

Additionally, the study breaks down operating figures into several categories, such as building type, subsidy type, property size and property age. Regional and city reports are also included.
CONDOMINIUMS, COOPERATIVES, AND PLANNED UNIT DEVELOPMENTS

The Expense Analysis: Condominiums, Cooperatives and Planned Unit Developments, conducted by IREM since 1978, analyzes the previous year's operating cost figures from 2,214 properties in the United States and Canada, representing 290,807 units. It is designed to help condominium, co-op and planned unit development (PUD) boards and property managers benchmark their association's financial condition, calculate assessments and necessary replacement reserves, and develop and evaluate budgets.

HIGHLIGHTS

› Median total annual operating expenses for all condominium building types as a group increased 5.3 percent in 2014 to $2,649.76 per unit from $2,517.25 per unit in 2013. Similarly, condominium dwellers as a group paid 7.0 percent more in assessments last year, with the median monthly assessment amounting to $273.94 per unit, compared with $256.02 the prior year. The typical association added $637.50 per unit to its reserve fund, versus $555.00 in 2013, representing 24.1 percent of total operating expenses.

› Breaking out reserves by building type, low-rise properties added annual reserves of $637.50 per unit, amounting to 24.9 percent of total operating expenses; townhouse developments added reserves of $502.57, equal to 23.7 percent of total operating expenses; high-rise properties added reserves of $887.31 per unit, 18.7 percent of total operating expenses; and combination units added reserves of $434.72 per unit, or 21.3 percent of total operating expenses.

Additionally, the study summarizes data by association type (condominiums, cooperatives and planned unit developments) and building type (high-rise, low-rise and townhouse). It provides an analysis of over 30 expense categories, hundreds of operating breakdowns, median monthly assessments and an amenity package analysis.

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A new state-of-the-art product called the Income/Expense Analysis Online Lab is available as a companion product for the research study. The Lab is an interactive website with 24/7 access that enables purchasers to download over 15 years of historical office building data—including over 100 customizable line-item variables—and compare it to the operating data in their individual portfolios.

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Each I/E Report by property type is available in several formats: Books, Interactive PDFs with downloadable Excel files, Online Labs with 24/7 access to more than 15 years of data with 100 customizable line-item options, and downloadable Excel report capability. In addition, the Metro Reports are available individually as a Flex Package that offers special savings. ■
BREAKING BAD:
STOP DECEPTIVE GROUPTHINK

What do Pearl Harbor, the Challenger space shuttle and the Y2K bug scare have in common? The answer: Groups' decisions created negative consequences. It happens in business settings, too. In working with a management firm wanting to improve operations, I met with executives and managers individually and found, after three people, I could have copied and pasted their answers into each of my questionnaires. Everyone said not only the same thing, but in the same way. Upon investigation, I uncovered a culture that unknowingly rewarded uniformity and discouraged disagreement. Owners thought the lack of differing opinions indicated a close, tight team. What it produced, however, was a stagnant company not able to achieve higher results. It took several months to help them "break the bad."

UNDERSTAND THE DISORDER
Groupthink, a term created by psychologist Irving Janis, is what happens when people make a bad decision out of desire for group consensus. Social pressure exerts powerful influence. The more homogenous or cohesive the group, the more susceptible it is to groupthink. But it's not just the group: A person with manipulative skills can create a shared response from the masses. And individuals can dismiss their beliefs, self-censor and remain quiet in attempt to be part of the group or desire not to rock the boat.

RECOGNIZE THE EFFECTS
Groupthink consequences are grave and reduce the probability of success.
• Prevents critical thinking
• Ignores or minimizes considerations of alternatives
• Fails to examine risks of the group's decision
• Through selective bias, uses only information that supports their position and doesn't give weight to contrary evidence
• Creates an oversimplified view of problems and solutions

EMPLOY SMART-GROUP THINKING
People feel pressure to conform. As a leader, you're responsible to create an environment in which diverse and contrary ideas are not only required, but applauded. Incorporate these techniques to foster smart-group thinking.
• Leaders refrain from stating preferences. The stronger the leader, the more work is needed to stop groupthink
• When your meeting starts, discuss the risks of groupthink and encourage awareness
• Don't allow people to feel bullet-proof. Each member must feel responsible for the group's actions
• Require problems and contradictory views be shared
• Don't allow negative comments in response to differing views
• Encourage comments that are inquisitive in nature
• A minimum of one strong member should serve the role of devil's advocate to critically evaluate and question data, assumptions...everything
• Bring in outside experts and have them challenge thinking
• Split the group into sub-groups to generate a decision, then bring together and compare outcomes
• Encourage members to discuss with people outside the group and to bring those reactions back for consideration

Strong, supportive teams are a plus to an organization; groupthink is not. Create an environment that supports smart-group thinking. ■
Micro-Management

BY JOHN SALUSTRI

It might be that when you hear the phrase micro-unit, images of the Marx Brothers arise, stuffing a steamer trunk into a matchbook-sized state room. You'd be wrong. Micro-units today are a popular, high-tech, high-touch sub-class of the multifamily market catering in large part to young urban professionals.

What exactly is a micro-unit? According to a newly released White Paper, The Macro View on Micro Units, from the Urban Land Institute, there really is no set definition. "A micro-unit is a somewhat ambiguous term that covers anything from a relatively small studio or one-bedroom apartment to a short-term lease, SRO unit with a communal kitchen and common room areas," the report states.

K. David Meit, CPM, GRI, president and CEO of Oculus Realty LLC in Gaithersburg, MD, provides a slightly more nuanced definition, explaining that a micro is: "A unit that's generally 20 to 30 percent smaller than a traditionally designed unit, anywhere from 300 to 450 square feet in a studio or efficiency model."

But Meit says that micro-units are actually available in a variety of sizes, at least in his District of Columbia MSA, and he states that one-and two-bedroom versions are available. "We have one-bedrooms that are 600 square feet and two-bedrooms that are 700 to 800 square feet. So it's really any unit that is 20 to 30 percent smaller than a traditionally designed apartment."

The space might be small but the concept is growing. According to ULI: "Small units with less than 600 square feet were the top occupancy performers in recently finished developments as of early 2014. These units reported noticeably higher occupancy (91.3 percent) than the 89.6 percent rate for mid-sized units from 600 to 1,000 square feet and the 89.3 percent in large units of more than 1,000 square feet."

Of course, it should be noted that the concept is not new, and Meit says that he has in his portfolio pre-war apartment buildings that feature full-size units that were clearly "combined from smaller units from the 1930s and '40s."

But today's micros are clearly the response to two more recent major trends: A return to the urban core and the rise of the Millennial generation. Bill Whitlow, a partner at San Francisco-based Terra Search Partners LLC, and chair of the
ULI committee that produced the White Paper, provided the demographics: The potential users of micro-units are typically “single, under 34, with an annual income under $40,000.” Men dominated the potential user base, but not by much, the White Paper revealed. Of those identified as potential micro renters (nearly 50 percent of all potential renters), 53 percent were male and 47 percent were female.

Male or female, potential renters surveyed by ULI are looking for definite benefits in trade for these smaller spaces. The top perks were: Location (97 percent); Price (86 percent); Proximity to work/school (78 percent); Proximity to neighborhood amenities (73 percent); The ability to live alone (71 percent); Proximity to public transportation (62 percent); Internet/Wi-Fi services (54 percent); and Quality of finishes (52 percent).

The need for neighborhood amenities dovetails nicely with the revitalization that many of our city cores are experiencing. Largely with a younger demographic in mind, reworked city centers often emphasize natural grocers such as Whole Foods and hip, trendy restaurants. Think Manhattan’s Chelsea District or Denver’s LoDo.

And while Meit says both the properties he manages and the projects he advises have a clear emphasis on fixtures and finishes, for the upwardly mobile demographic his buildings cater to, what goes on outside the unit is more important. The renting demographic is “very social, so if you’re going to provide a micro-unit type property, you have to have the building-wide amenities to go along with the urban amenities.” Roof decks and total building Wi-Fi are key among them, as the survey indicated.

But what’s in it for the real estate community? While it’s hip to be—well—hip, owners and managers need more than a cool portfolio to justify these projects. “The selling proposition to developers, owners and operators is all about the economics,” says the White Paper. “Achieving higher density often translates into higher yields.

“From a construction standpoint,” it continues, “building a micro-unit community costs approximately five to 10 percent more per square foot because of the relatively fixed cost associated with building a kitchen and a bathroom, which is generally the same for a micro-unit as for a conventional apartment. However, the typically 25 percent higher value ratio that can be achieved for these units reportedly more than compensates for the higher construction cost.”

In short, it will cost renters more per square foot than a traditional rental but less on a monthly basis because of size.

And as Meit points out, “renters don’t look at a lease from a square-foot basis.” The White Paper highlights the savings by comparing a conventional 500-square-foot studio with a 300-foot micro-studio. At $4 a foot, the former carries a sticker price of $2,000. But at $5 a foot, the latter’s sticker price is $1,500.

In terms of his costs, “Our operating expenses are still sub-25 percent of effective gross Income, and sometimes even lower,” he says. “It’s as efficient, if not more efficient, than a 300-square-foot garden-style unit in the suburbs.” Plus, smaller apartments means greater density.

Contributing to those savings is the Oculus model, he says, which emphasizes “a lot of technology to drive a high-touch, customer-service experience. And our target demographic
Never Underestimate the Value of Your Donation

I'm sure there have been times when you've wanted to help someone but thought that you just didn't have enough money to make a big difference in the cause you were concerned with. It's hard to think that a $25 check really helps anyone at all, but it does, and it will.

EVERY LITTLE BIT COUNTS

Sometimes it seems that the very wealthy are the only ones who give money to charities or non-profit organizations. Donations can be large or small amounts of money. People often find it easier to donate small amounts of money instead of larger ones. Contributing small amounts to worthy causes truly do make a difference.

But why should you do it? The reasons are many and vary from individual to individual. However, plenty of people donate to advance a cause, or to indicate appreciation for a service well rendered and the list goes on and on. You are a critical resource and the IREM Foundation can't do its work alone.

FINANCIAL SUPPORT

Did you know the IREM Foundation is a financial supporter of the Institute? The IREM Foundation has helped the Institute establish and further programs, projects and initiatives that the Institute, its members and prospective members benefit from today.

GRANT FUNDING

The Foundation provides grant funding to the Institute and other organizations with programs that are well conceived and innovative. For example, one of the grants awarded to IREM supported academic outreach initiatives, which are aimed at making college and university students more aware of property management as a viable career option. Another IREM grant was used to support IREM diversity initiatives. We anticipate awarding approximately $66,000 to IREM this year in grant funding.

SCHOLARSHIPS

The Foundation offers scholarships to those who express an interest in earning one of IREM's credentials. Attending IREM courses moves a student one step closer to becoming an IREM Member. Our year-end forecast for scholarships is $150,000.

As you can see, the Foundation is committed to attracting, developing and retaining individuals for careers in real estate management. Our mission is supported by the generosity of IREM members, chapters and corporations.

### IREM Foundation Program Activity 2013/2014

<table>
<thead>
<tr>
<th>SCHOLARSHIPS</th>
<th>2013</th>
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<tbody>
<tr>
<td>Number awarded</td>
<td>138</td>
<td>146</td>
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<tr>
<td>Number of classes attended</td>
<td>282</td>
<td>303</td>
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<tr>
<td>Dollars awarded</td>
<td>$137,007</td>
<td>$146,891</td>
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<th>GRANT FUNDING</th>
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<tr>
<td>IREM</td>
<td>$29,240</td>
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<td>Other(s)</td>
<td>-</td>
<td>$17,200</td>
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</table>
# NEW CPM MEMBERS

## SEPTEMBER

- Jason Acosta, CPM, ARM
- Joseph D. Allen, CPM
- Elena Anokhina, CPM
- Margarita Aristarkhova, CPM
- Danielle N. Baeza, CPM
- Polly C. Benzing, CPM
- Kathryn J. Booth, CPM
- Elena Y. Borthwick, CPM
- Kip D. Bradley, CPM
- Jeffrey Campbell, CPM
- Erin N. Caputo, CPM
- Andrey Chigarov, CPM
- Craig R. Chisholm, ARM, CPM
- Stacey Christman, CPM
- Thomas B. Creath, CPM
- William G. Curtis, ACoM, CPM
- Shirley De La Mora, CPM
- Violette Deschamps, CPM
- Sandra Early, CPM
- Kelly M. Eisenloeffel, CPM
- Jared A. Engel, CPM
- Mariana Estrada, CPM
- Jeffrey T. Ferony, CPM
- Robert Garibaldi, CPM
- Nikki D. Gastineau, CPM
- Steven D. Giles, CPM
- Chris Hand, CPM
- Cheryl Harding-Barto, CPM
- David R. Helm, CPM
- Thomas W. Ichelson, CPM
- Hiroyuki Ito, CPM
- Lawrence Kahan, CPM
- Iuliia Kolkova, CPM
- Shintaro Koura, CPM
- Yoichiro Koyama, CPM
- Joshua Lazare, ARM, CPM
- Allyn Lean, CPM
- Alice Lee, CPM
- John E. Mason, CPM
- Linda Meadows, CPM
- Shay L. Meinzer, CPM
- Margaret W. Meyers, CPM
- John A. Mundell, CPM
- Craig M. Nardi, CPM
- Fedor M. Noseevich, CPM
- Corleen A. O'Malley, CPM
- Paul K. Ohlmann, CPM
- Manabu Oota, CPM
- Elizabeth A. Padrick, CPM
- Matthew Powers, CPM
- Marcia Reecher, CPM
- Keith E. Roberson, CPM
- Liana R. Salikhova, CPM
- Valli Sears-Jones, CPM
- S. Susan Self, CPM
- Christina A. Siegfried, CPM
- Larry R. Slough, CPM
- Ernest S. Sneed, CPM
- Kirill Solodkiy, CPM
- Robert F. Speck, CPM
- Jackie D. Stevenson, CPM
- Alexey Strokov, CPM
- Dina Strokova, CPM
- Jenna E. Szymuk, CPM
- Tosihiko Tada, CPM
- Judy Tovio-Manning, CPM
- Isela B. Truong, CPM
- Kazutoshi Urata, CPM
- Arva A. Walker, ARM, CPM

## AUGUST

- Won Bae, CPM
- Vincent M. Barry, CPM
- Kaitlin Brokaw, CPM
- Patrina L. Cranfill, CPM
- Lana M. Day, CPM
- Elizabeth M. Doerrfeld, CPM
- Suzanne Dycus, CPM
- Nikita Filipas, CPM
- Carla K. Fix, CPM
- Debra L. Fixen, CPM
- Robin Flagler, CPM
- Kelly L. Hayden, CPM
- Kelly L. Hendrix, CPM
- Andrew J. Hicks, ARM, CPM
- Irina Hood, CPM
- Tamine L. Knerr, CPM
- Vladimir Kostromin, CPM
- Hilary Z. Leffler, CPM
- Todd O. Locker, CPM, ARM
- Shigeru Nagaoka, CPM
- Brenda L. Neilson, CPM
- Karen A. O'Rourke, CPM
- Spencer E. Overstreet, CPM
- Valerie A. Sanders, CPM
- Anton Smirnov, CPM
- Herve Vatinel, CPM
- Lori Wade, CPM
- Bradley Waken, CPM
- Kristin Weldele, CPM
loves technology. Millennials and Gen Ys are very happy
never having to talk to anybody. They want to do it online or
via text, and that allows me not to have anybody on site.”

And communication is the number—one aspect of that
level of service—especially since there is no management of-
office. “We’ve created a streamlined ability for residents to contact us via phone,
text or email. They can do anything except come to the office.” The buildings of
course are monitored remotely, and access is strictly con-
trolled.

By comparison, Meit says that if all the onboard tech were
replaced by on-site staff, costs would become “untenable. Labor after real estate taxes is the number—one expense of
operating a building, at least in the D.C. area—and we’re not
even a union market.”

So where is all of this leading? “The next evolution of the
micro-unit concept is currently under construction in San
Francisco,” says ULI. “Panoramic is building a 160-unit community in the SoMa district that will offer a mix of mi-
cro-unit studios and three-bedroom, two-bath ‘micro-suites’
that are approximately 700 square feet. That is 233 square
feet per occupant—assuming only one person per bedroom.”

But long-term, what is the outlook? Are micro-units the
result of a one-time nexus of economy and sociology? Or are
they a long-term trend? Frankly, it’s anyone’s guess.

“The question that remains is if this is a passing fad or a
trend that’s here to stay,” says Whitlow. And it remains un-
answered in large part because of the disjointed nature of the
industry itself. “The universe of micro-units is still relatively
very small, and the preponderance of developers are small,
local firms. As a result, our research team was able to secure
consumer feedback only from the relatively smaller data set
of micro-renters versus renters of conventional apartments.

Largely for that reason, our research leaves lingering ques-
tions about the future acceptance of micro-units.”

With the future in question, the industry is hedging its
bets. “We’re designing a lot of micro-units,” says Meit, “but
they’re side-by-side to give us the option to convert to a larger
one- or two-bedroom if 15 or 20 years from now the trend
goes away and proves to be a fad.”

But even if the fad fades, ULI believes micro-units will
have made their mark. “Whether this turns out to be a lasting
phenomenon or a passing fad, micro-units have renewed the
focus on efficient layouts and innovative design solutions.”

CONTINUED FROM PAGE 47

PERSONALLY SPEAKING/

JOHN SALUSTRI IS A CONTRIBUTING WRITER FOR JPM®. IF YOU HAVE
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INTERESTED IN WRITING FOR JPM®, PLEASE E-MAIL MARIANA
toscas@irem.org.

50 / JPM / NOV.DEC 2015
### COURSE LISTINGS / IREM insider

<table>
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<tr>
<th>Course Title</th>
<th>Dates</th>
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<td>Investment Real Estate Financing and Valuation Part 1 - ASM603</td>
<td>Nov 2-3</td>
<td>Houston, Texas</td>
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<td>Investment Real Estate Financing and Valuation Part 1 - ASM603</td>
<td>Nov 2-3</td>
<td>Las Vegas</td>
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<td>Investment Real Estate Financing and Valuation Part 1 - ASM603</td>
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<td>Plymouth, Minn.</td>
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<td>Management Plan Skills Assessment - MPSAXM</td>
<td>Nov 2-5</td>
<td>Oak Brook, Ill.</td>
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<td>Nov 2-5</td>
<td>St. Louis, Mo.</td>
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<td>Marketing and Leasing: Office Buildings - MKL406</td>
<td>Nov 2-3</td>
<td>Los Angeles</td>
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<td>Leadership and Human Resource Essentials - HRS402</td>
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<td>Nov 5</td>
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<tr>
<td>CPM Certification Exam - CPMEXM</td>
<td>Nov 13</td>
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<tr>
<td>CPM Certification Exam - CPMEXM</td>
<td>Nov 13</td>
<td>San Francisco</td>
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<td>Investment Real Estate Financing and Valuation - Part 3 - ASM605</td>
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**FOR THE MOST UP-TO-DATE COURSE LISTINGS, PLEASE VISIT**

[www.irem.org/education](http://www.irem.org/education)
CHICAGO

OFFICE LEASING ACCELERATES IN CHICAGO

Vacancies in Chicago's office market have fallen just 100 basis points from the cyclical peak, which occurred during the first quarter of 2011 and remains elevated versus the pre-recession trough of 15.4 percent. Inconsistent demand has prevented any meaningful vacancy compression over the past couple of years. However, the metro's recovery has begun to accelerate during the first half of 2015, and should continue to do so for the balance of the year. Net absorption is expected to exceed 1 million square feet for the first time since 2007 and should outstrip new supply by a wide enough margin to drive the vacancy into the high 17 percent range by the end of the year.

MICHAELE STEINBERG, ASSOCIATE, RESEARCH & ECONOMICS
REIS INC., NEW YORK CITY

<table>
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<tr>
<th>Sector</th>
<th>Q2 2015 Asking Rent</th>
<th>Q2 2014 Asking Rent</th>
<th>% Change YOY</th>
<th>Vacancy Rate</th>
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<tbody>
<tr>
<td>Apartment</td>
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<td>$1,170</td>
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<td>Retail</td>
<td>$19.63</td>
<td>$19.40</td>
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<td>12.3%</td>
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</tbody>
</table>

Source: Reis Inc.

CINCINNATI

NEW RETAILERS ENTER CINCINNATI MARKET

The retail market is strong as occupancy rates continue to rise. In addition, rental rates are increasing steadily for our property type, which is grocery-anchored shopping centers. New development and redevelopment of existing retail centers in the region is increasing with the rise in rental rates and high occupancy rates. We are also seeing an increase in small outparcel building development along with pad site demand back on the rise.

DAWN STAMPER, CPM / SENIOR DIRECTOR OF PROPERTY MANAGEMENT
PHILLIPS EDISON & COMPANY, CINCINNATI

<table>
<thead>
<tr>
<th>Sector</th>
<th>Q2 2015 Asking Rent</th>
<th>Q2 2014 Asking Rent</th>
<th>% Change YOY</th>
<th>Vacancy Rate</th>
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<tr>
<td>Apartment</td>
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<td>$774</td>
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<tr>
<td>Retail</td>
<td>$15.19</td>
<td>$14.95</td>
<td>1.6%</td>
<td>12.1%</td>
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</tbody>
</table>

Source: Reis Inc.

DETROIT

PUBLIC PROJECTS BUOY DETROIT

Overall, I'm excited about Detroit. We're seeing more businesses choose to move downtown. We have the M-1 light rail system that is about halfway done. The M-1 will go from Downtown out to Midtown. That is exciting that we are taking a step into the mass transit economy, which I think will really help Detroit. We also just had a major expansion of the Cobo Center. So, we are seeing a lot more convention business downtown and more services for them. Detroit also has the largest international border crossing with Canada, and there is a new bridge being built between Detroit and Windsor (Canada). So, we have a lot of things that are going to help Detroit continue to strengthen.

GARY OFFENBACHER, CPM, EXECUTIVE VICE PRESIDENT
CONTINENTAL MANAGEMENT, BINGHAM FARMS, MICH.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Q2 2015 Asking Rent</th>
<th>Q2 2014 Asking Rent</th>
<th>% Change YOY</th>
<th>Vacancy Rate</th>
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<td>Retail</td>
<td>$17.38</td>
<td>$17.26</td>
<td>0.7%</td>
<td>11.8%</td>
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Source: Reis Inc.

INDIANAPOLIS

DOWN TOWN INDY IS THRIVING

One of the most exciting things going on in Indianapolis is the resurgence of the downtown CBD. After a stagnant stretch, Class A office product is trading hands again and savvy investors are updating the 1980's era downtown staples into more modern, communal spaces to attract Millennials. Long struggling low- and mid-rise buildings are being redeveloped into hip apartments. New mixed-use developments seem to be growing out of the sidewalk like weeds, and for the first time since 1965, a high-rise multi-family project is being constructed on the site of Indianapolis' demolished Market Square Arena. In all commercial real estate capacities, Downtown Indianapolis has become a hot bed of exciting activity with no apparent slow down.

KIM COLLINS, CPM, GENERAL MANAGER
JLL, INDIANAPOLIS

<table>
<thead>
<tr>
<th>Sector</th>
<th>Q2 2015 Asking Rent</th>
<th>Q2 2014 Asking Rent</th>
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<th>Vacancy Rate</th>
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<td>$746</td>
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<td>$17.95</td>
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<tr>
<td>Retail</td>
<td>$14.96</td>
<td>$14.78</td>
<td>1.2%</td>
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Source: Reis Inc.

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