



The importance of treating your building like a business

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"Your building should be run like a business." This is said to co-op and condo owners and their boards all the time. It is good advice, but why? The answer is a simple one. While it is your home it is also potentially the largest single investment most of us make in our lifetime.

Historically, real estate investments have generated healthy profits. But first, the property you own must be a viable commodity. An owner must be aware that the value of their apartment is directly related to the financial condition of the entire building that surrounds it. For example, it would not be desirable to buy an apartment in a building that is in need of major capital improvements, like a new roof or boiler without a plan to pay for it. If your building was run like a business, had money in reserve with a 5-10 year capital improvement plan, this to you, the owner, would be a non event. If not, you could be paying for it in the form of an assessment. We're talking thousands of dollars per unit. Given the choice, a prospective buyer would always prefer a building that has a well thought out plan of action and capital to cover the expenses.

As absurd as it sounds, some buildings take an ostrich-like approach to planning. I know a prestigious Manhattan building that, for years chose not to address their aging home with an eye for the future. They refused to hire the appropriate experts to study their 40 year old structure. As a result the infrastructure is suffering and the cost to repair and replace is prohibitive. This lack of planning has resulted in costs approaching \$1 million. The end result is they will be assessing the shareholders and burdening the building with additional debt. The first approach would be immediate cash out of pocket from the shareholders. The second results in a maintenance increase. Their maintenance already high - higher than neighboring comparables.

If their goal was to not frighten off buyers by revealing the extent of repairs, certainly the monies needed to fix these repairs, would. They were not "good business" people.

So, what is a building to do? How do you become "good business" people? The first thing you must have is a management company that is bottom line oriented with credible experience. It's our job to point you in the right direction. Keep your asset sound. The ultimate decisions will always be made by your board. But, it is our obligation to help give you the information to make the right choices.

Your building must be bottom line oriented. You must watch the money that is being spent. Both cost saving and revenue enhancing strategies should be in place. Strictly monitoring costs and aggressively seeking the most competitive prices for goods and services is a must. From the purchase of fuel and insurance, to the employment of vendors and contractors, one must look for ways to save everywhere possible. That's our job. To protect our client's money, at Lawrence Properties you will be assigned your own bookkeeper who will work with your account executive to watch expenses.

You must ask the question "Is my building taking advantage of every financial opportunity it can." It's important to have someone evaluate your building to make sure that you are. Our financial

department does this regularly for our clients. We review mortgages and lines of credit knowing that a lower interest rate could improve bottom lines by tens of thousands of dollars. Then there are overpaid taxes. We advise and assist in both their reduction and rebate. It's amazing how much money you can get back.

We have a successful record of generating strategies for additional income. Such as basement storage fees, health and exercise facilities, transfer (flip) taxes and sublet fees, competitive parking fees.

Preventive maintenance with a pro active approach is probably the most effective way to protect a building from diving into debt. Its structure reviewed consistently. Replacing a boiler in the winter will cost twice as much as it would have if it wasn't an emergency.

Financial planning along with prudent and dedicated management for your building is mandatory. The two together will help avoid the kind of calamities that might put your investment at risk. That's why your building should be run like a business.

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