



## **Improve the efficiency of your asset: Controlling property values during economic uncertainty**

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One of the greatest challenges confronting all property managers of condominiums and co-ops is - what do we do now? Times have changed. Access to financing is difficult. Capital improvement projects are on hold but the board's mandate is still to preserve the asset. So how best to make effective decisions under such constraints?

Among our recent work, Kismet has seen a rise in building re-evaluation. As a sort of due diligence procedure, owners and boards are increasingly analyzing their facilities to determine what the benefits and ramifications are of performing versus further deferring work. These analyses consider the scope and costs required to make mandated corrections, address deferred maintenance items, improve energy and operating efficiencies, and even consider earning LEED certification for properties. While boards may be reticent to actually commit to hiring contractors to perform the work (even though the costs for contracting such work is plummeting), the price for the services that are required to outline the potential opportunities is a fraction of the cost of the work itself. After all, wouldn't it be better to know about and be able to address that hot water main valve that could fail soon before it actually fails? Market timing is virtually impossible in any industry, so when things will improve is anyone's guess, but a well-prepared board, with a scope of work identified and ready to bid will be in a position to commit to courses of action with little hesitation.

Energy efficiency, as an example, is of great importance. While oil prices may have eased of late, there can be no denying that the control of energy consumption will be a critical issue from now on. Mechanical systems and building envelope analyses can determine whether such systems are performing as they were designed. Often older mechanical equipment, due to degradation of performance from waste build-up, motor wear, or simple inefficiency in its original design, is responsible for greater energy consumption in the span of a few years than the cost to replace it with new equipment which has significantly improved operating efficiencies. Older buildings also often have failed window seals and inadequate insulation - items that can be readily addressed with minimal disruption. Simple modifications to individual unit system controls can both provide greater comfort and reduce energy consumption. A site review and energy audit can identify these particulars, and a plan for improvement with alternates and costs can be developed.

Environmental issues can similarly play a large role. Even if the goal of a program is not necessarily to gain LEED certification, improvements in building operating and maintenance procedures can address environmental impact by improving air quality, altering cleaning procedures, controlling water and power consumption, and managing waste disposal. And a "green" program can always enhance a property's appeal. Again, an analysis can outline the issues, and basic criteria can be developed to address the issues as a board sees fit.

Another issue that cannot be ignored is that of access for the disabled. A requirement under a

federal civil rights statute known as the Americans with Disabilities Act or ADA, access to and equal facilities for the disabled are mandated in any building with over three residential units, even long-existing ones (certain exceptions exist but are quite rare). Every board should consider the ramifications of not addressing these issues as rental properties have already come under fire from regulators for non-compliance. An ADA audit can identify shortcomings and provide a plan for implementation of necessary improvements.

So, even if a board is not ready to embark on capital improvement programs, it can gain a greater understanding of what a property's needs are, and what the potential advantages to be derived from many activities may be. And with a building-wide evaluation of multiple issues in hand, a board can develop a synthesized understanding of the impact of such programs. Just think, with the money you save on energy, you can pay for that new lobby in a few years!

Karen Shunick is the president of Kismet Construction Inc., New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540