



CASE STUDY – THE VALUE OF FACE-TO-FACE

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The office building in question is a 121,000 square foot office building located in suburban Atlanta Georgia. When REVA Management Advisors, LLC (RMA) took over the asset management of the property, it was in turmoil due to the uncertainties that surrounded the DBSI bankruptcy as well as the softness in the suburban Atlanta Real Estate Market.

The turmoil brought on by the DBSI bankruptcy was caused by several factors:

- By the time RMA took over in February 2009, the property had been neglected for at least six months resulting in deferred maintenance items, dissatisfaction and anger on the part of tenants and confusion and uncertainty on the part of the property manager;
- The rejection of the DBSI master lease gave many tenants the idea that they could renegotiate their lease obligations.

The RMA team jumped into the fray on day 1. We met personally with each and every tenant. Our face-to-face approach convinced the tenancy that the property was in good hands, that ownership cared about the property and about the tenants. As such, we were able to successfully negotiate with all the existing tenants and avoid the rental rate reductions, the free rent and the shortened lease terms that plagued many other DBSI assets at this time.

What this should point out to anyone in the real estate business, is that there is no substitute for the face-to-face meeting. Your management team needs to be on the ground and they need to know their tenants personally.

While this is simple, it is not easy to get your team to actually do what is necessary – it takes time, it is inconvenient, everyone is busy – it is the age-old ‘urgent versus important’ story. Face to face time is very important but often gets trumped by items issues that seem more urgent. To many it is hard to quantify the value of the time it takes to build and maintain these relationships. However, the absence of the personal touch, the lack of the face to face time, may result in the situation becoming urgent. Then it is too late!

In the case discussed above, the ownership of the property was saved tens of thousands of dollars in legal fees to fight tenant defections due to the master lease rejection. The ownership saved even more by not having to give away free rent and the like. Finally, the attention and concern shown to the tenancy gave them confidence in the property

and helped dramatically in our future leasing efforts – REVA Management was able to lease over 30,000 square feet of new space over the next eight months in a market with a 20% vacancy rate! Although hard to quantify, the value is there.



Chris Sadler
866-842-7545.

chris@revalueadvisors.com

Christopher K. Sadler is the Managing Director of REVA Management Advisors, LLC, an asset management firm based in Richmond, Virginia that specializes in the management of structured real estate transactions. Chris has an MBA from the Owen Graduate School at Vanderbilt University and over 25 years of experience in the commercial real estate field.