



## HIGH IMPACT / LOW COST STRATEGIES

REVA Management Advisors, LLC (RMA) has taken over asset management for a number of distressed properties over the past two years. Many of these properties were distressed more from a lack of attention than from a fundamental problem with the property or its location.

Through these experiences RMA has developed what we call our HILC strategy. In the remainder of this paper, I will attempt to outline the uses of this strategy and the direct results achieved at very little cost.

### **ATLANTA OFFICE**

In February 2009, RMA took over the asset management for a suburban Atlanta office building. The property was suffering from many months if not years of mismanagement. There had not been a lease signed at the property for over two years prior to our involvement. There was significant deferred maintenance and a terrible reputation in the marketplace. As is our policy, senior managers for RMA swept in and identified a large number of high impact low cost improvements that could be undertaken immediately to communicate visibly that the property was 'back in business'. Some of the HILC improvements are as follows:

- Tree removal and trimming improved property visibility;
- Pressure washing of the façade assured an attractive presentation;
- Fresh landscaping and revitalized planting created a vibrant curb appeal.

The direct personal involvement of RMA principals re-invigorated the leasing efforts and instilled confidence in the leasing agents that deals could be done quickly. The can-do, hands-on approach was further evidenced by the refurbishment and build out of some vacant spaces to increase leaseability and to give the market clear signal that the new asset manager was serious about getting deals done. These efforts created dramatic increases in tours, lease proposals and ultimately signed leases. The property has been brought back from the brink.

### **COLUMBIA OFFICE**

When RMA took over the asset management of this office building in suburban Columbia, South Carolina there were serious concerns amongst the tenancy with regard to deferred maintenance items. Bids were in hand indicating that roof repairs would cost in excess of \$100,000; gutter repairs would amount to just over \$15,000 and immediate painting requirements would amount to another \$40,000. As is customary, RMA principals swept into action, re-evaluated these issues

and had new contractors re-bid the jobs after carefully assessing the neces-

sary scope of work. With an experienced team guiding the process, we eliminated the roof leak issues for \$19,000; addressed the gutters for \$1,500 and determined that the scope of the needed painting could be reduced and partially deferred. The RMA 'shoe leather and elbow grease' approach was able to save the ownership in excess of \$100,000 when capital was in extremely short supply thereby assuring the property's survival.

In conjunction with the hands-on approach to addressing deferred maintenance issues, we were able to dress up the landscaping and take care of some long neglected pest control issues. These actions served to quiet the tenants concerns and assure them that their 'home' was safe and secure.

### **GREENSBORO OFFICE**

As RMA moved into the role of asset manager for this large office building in Greensboro, North Carolina, the situation was desperate. DBSI had defrauded two very large tenants of the reimbursement for their substantial tenant improvement costs amounting to more than \$1.5 million. The principals of REM met with all of the tenants individually and face-to-face to as-



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sure them that there was a new sheriff in town. We took the bull by the horns and waded in to negotiate with the two largest tenants to address the stolen TI reimbursements. We were able to successfully agree a settlement that did not require the TIC owners to come up with new capital. In fact, the settlement with one of the tenants resulted in approximately \$700,000 in cash coming into the property in the form of pre-paid rents thereby enabling the property to cover other capital improvements and tax expenses without requiring the TICs to invest additional capital.

Through direct personal involvement and numerous face to face meetings, the RMA team was able to calm the fears and concerns of the current tenancy as well as bring a large medical practice to a 25,000 square foot expansion and 15 year lease extension. In the declining real estate markets of mid-2009, signing a 50,000 square foot 15 year lease was nothing short of miraculous. In addition, RMA was able to save the TIC owners over \$2 million in TI costs by having the tenant agree to self-fund the costs to build out their space.



In the midst of the above big-picture activity, the RMA team was able to effect significant high impact low cost improvements:

- Building staff addressed hallway lighting issues, minor suite remodeling and numerous cosmetic upgrades, ultimately saving \$50,000,
- Rather than replace exterior signage, we had the signs buffed thereby restoring them to near-new appearance,
- Exterior landscaping was upgraded,
- Interior plantings were upgraded.

These HILC improvements coupled with a hands-on approach resulted in a new vitality at the property and a dramatically improved leasing momentum. RMA has signed new leases, lease extensions and expansions and renewals covering over 40% of the property. The property is now stabilized with occupancy of 95%. RMA has just successfully refinanced the project and the TIC owners that feared the loss of their asset just over a year ago are now receiving monthly distributions.

The combination of high impact low cost improvements and our hands-on approach to asset management are the keys to the success of these assets. Without a high touch approach, HILC

will not work. It takes time, energy and on-the-ground experience to identify the right set of projects to make an immediate difference to the tenant experience and the tenant's 'feeling' about the property and the manager. We look to make a noticeable difference quickly. The tenants notice and the 'feel' of the place changes almost immediately and we begin to see results in every aspect of property operations.



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