

# Hold and Increase Value Report

The most interesting way to increase the value of your commercial property is the change the form of ownership, so that when you sell, you can sell portions of the property to multiple buyers and increase the overall value on a cost per square foot basis. Please contact me direct to discuss this concept.

The most common ways to increase value are:

## **1. Increase Rents**

- Increase below market rents when leases expire: Review the market to determine the average rent; if you are below the average for your type of property, increase the rents accordingly. Increase the rent over time for existing tenants; however, when renting a vacancy, charge at the new increased rate. You can check rental rates by going online to search for “rent rates” or by contacting a local property manager or leasing company in the area.
- Expand existing tenants into larger space.
- Improve credit-worthiness of tenants when filling vacant space (improves the cap rate) by marketing vacancies to regional or national tenants. You don’t necessarily need to increase the rent, you should be able to sell the property at a better cap rate with better credit tenants.

## **2. Decrease Operating Expenses**

- Compare your expenses to market: Review all of your expenses carefully and analyze them on a per unit basis and a cost per square foot basis, as these are industry standards. Compare each expense with your other properties. Talk with your property manager or a local experienced property manager to compare with other properties in the area. If some of your costs are higher than the standards, you’ll know you need to explore ways to decrease them.
- Competitively bid all of your contracts, including insurance.
- Convert gross leases to net, double net or triple net leases.

## **3. Make improvements to Your Property**

For office buildings, shopping centers and industrial buildings, cosmetic improvements can make a big difference – and may enable you to increase the amount of rent you charge. Give the exterior a makeover, improve the lobby, or repave the parking lot to enhance the property.

In the case of apartment buildings, you’ll get more mileage out of fixing up the interiors, installing new appliances, or doing a landscaping face-lift.

#### **4. Add Amenities or Explore Income Producing Ideas**

Amenities you might add:

- concierge services
- a fitness center
- a conference room
- a business center with a fax machine and copier
- a coffee bar

Income producing ideas include:

- renting your roof space for cell towers
- adding a laundry room and coin operated machines to an apartment complex
- renting your common areas for art shows, car shows or kids rides.

#### **5. Property Taxes**

Get an appraisal for your property and appeal the appraised amount if the appraisal is lower. Retain a real estate attorney who specializes in tax appeals to assist you, or hire one of the companies that get paid based on the savings they get for you based on the appeal.

#### **6. Change Management or Leasing Companies**

Sometimes all that's needed is looking at your property through a new pair of eyes. Different energy or philosophy can add value to your property. New managers or leasing agents may be able to give you ideas on increasing income, decreasing expenses and giving your property a fresh, new look and feel.

#### **7. Zoning or Use Change**

Changing the use of a property can significantly change the value of the property. Examples are:

- changing an industrial space into a retail use
- renovating a hotel to apartments
- adjusting regular office space to medical office space

#### **8. Have Tenants Pay for the Utility Costs**

If you are paying for the electricity, gas and/or water usage in office buildings or apartment complexes, look into separately metering or sub-metering the utilities, and pass the costs on to the tenants.

If you have a boiler, you may want to install baseboard heating in each unit so the tenants can control their heat and pay for it.

## **9. Divide Your Property**

If you own land, breaking it down into smaller parcels can get you more per acre or square foot. Also, you could put in roads, add utilities, or entitle the property, all of which can substantially increase the value of the property.

## **10. Negotiate Existing Leases**

If you are trying to sell the property or borrowing money on the property, it's better to have long term leases in place. A five or ten year lease with rent increases is worth more to investors and lenders than a one year lease. Renegotiate or extend existing tenant leases to maximize the value of your property. Whenever the tenant asks for something that is not your obligation, it can be a time to negotiate something out of the lease. In other words, if they ask you for something, it's time to ask for something back. Improve your leases whenever you can.

Thank you to David Morgan Consultant.