Best Practice
in
Commercial Property Management

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1

What is Best practice

Merriam-Webster Dictionary

A procedure that has been shown by research and **experience** to produce **optimal results** and that is established or proposed as a standard suitable for widespread adoption

      BUT

Best practice changes over time – and the time for that change is getting shorter.

- When was the last time you used a typewriter, fountain pen, ordinary mail? - All formerly best practice.

      SO

The key points of Best Practice are:

- Experience

- Optimal Results

And they change with time

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The Fundamentals – 1980 - early 2000

Under Supply

The 'dark days' – tenants' perspective

- Ignored tenant needs (to have a sustainable business)

- Price gouged & delivered minimal services

- Put short term profits ahead of sustainable returns

All this despite the fact that replacing a tenant can be more expensive than the value of a rental increase

Over Supply

The 'really dark days' – landlords' perspective

- Tenants ignored Landlord needs (to have a sustainable asset)

- Shopped for lowest prices & maximum services

- Put short term expenditure reduction ahead of business sustainability

All this despite the fact that occupancy cost is usually the highest fixed cost of a business (after salaries) – around 6%. Therefore a significant drop in rent can give a business a ''false sense of well-being''. Worse, a significant rise can make a business unviable.

All the above practices result in a ''Roller Coaster" Ride for everyone, and mostly ended from 2000

The Fundamentals – Today

Landlord and Tenant have a common interest:

- A sustainable Asset with common shocks

- A sustainable Busines with no expenditure shocks

Over-riding principle for Best Practice Property Management:

- No tenants, No sustainable Asset

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The Critical Do's

Think like an **Asset Manager; not** a **Property Manager**

- **Understand your investment objectives**
- Focus on maximizing the value of the property – not just on rent
- **Consider your tenants as "customers"**
- **Build your brand** by,
  - Surveying your customers needs and satisfaction levels
  - marketing, the number of recurring customers and their satisfaction level
  - Avoiding marketing on the basis of your asset size or amount of space managed
- Communicate well and to every stakeholder and customer
- **Embrace technology and innovation** which helps you; and more particularly, your customers
- **Embrace change** – Quote from former General Electric CEO, Jack Welch – "if the rate of change on the outside exceeds the rate of change on the inside, the end is near" *
- Educate your employees
- Build your network – a strong network facilitates mentors, advisors and most importantly relevant **benchmarking**

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5

The Critical Do's

Benchmark – High performing managers Vs under-performers Report results from Commercial Real Estate Company (CRE)- Building Engines *

High–performers :

- 1.6 times more likely to track performance against lease service level agreements

- Tenant satisfaction is their top priority

- Staff more pro-active, expect more change, have less rigid prioritization of goals and a more ''holistic'' understanding of their responsibilities

- 1.3 times more likely to benchmark operating expenses to sources and 1.7 times more likely to benchmark to external sources.

- Don't have greater staffing levels than underperformers

- Employ broadcast messaging systems, digital signs/screens, tradition newsletters and more channels to get their information to tenants

- Use technology to digitize, and keep current, equipment images and manuals

- Provide greater amenities to customers (tenants and contractors)

- Embrace and promote Energy Efficiency ''Star ratings'' and sustainability initiatives.

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*Source: Buildings.com article 11/30/2017 – 9 Operational Practices High-Performing Commercial Facilities Employ

The New Wave

Co-working Space

- Primarily driven by Millennials (1981-96), & *some* Post Millennials (1997+) & Gen-X (1965-80)

- Not just offices – Potentially includes shared industrial, manufacturing and living

Focus of this presentation - trends in Co-working office space.

Co-worker Vs Executive Offices – Primary differences
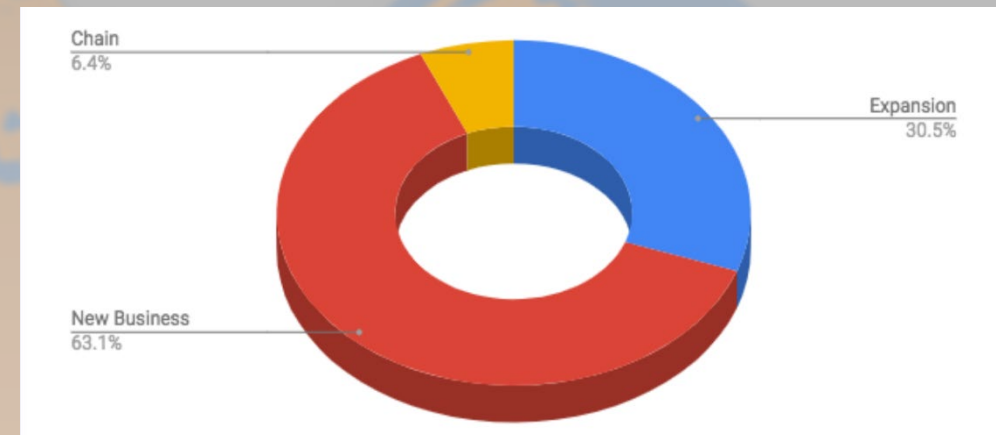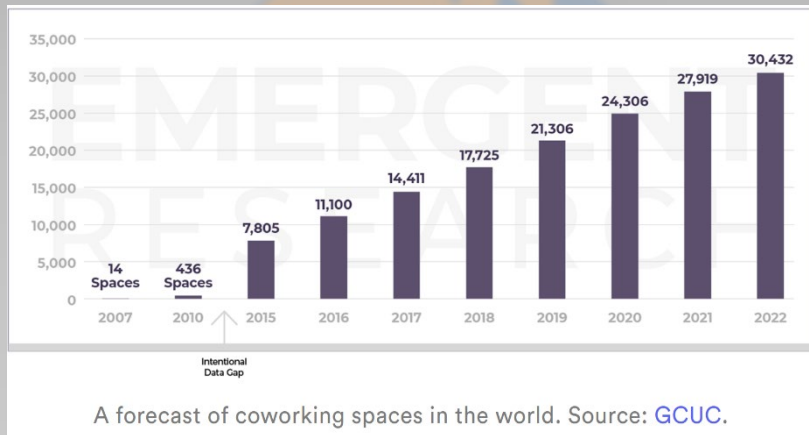
Co-worker

- Focus on community building and sustainability

- Participants uphold values set by founding company

- Generally cheaper than executive

- Lack privacy

- Engender creativity, networking and ideas sharing

Executive

- Set of individual offices sublet from a larger suite

- Usually occupied by businesses that don't need or cant afford large space

- Shared services – photocopiers etc.

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Co-working Megatrends

A forecast of coworking spaces in the world. Source: GCUC.

Global number of Co-worker spaces

- 2019 - 21,306 (estimated)
- 2022 - 43% growth (projected)

Number of U.S. based Members

- 2019 - 754,000 (estimated)
- 2022 – 1,076,000 (projected)

Composition of providers

- Need for independent new businesses to co-operate
- Major opportunity for World Trade Center Network

Co-Working Trends*

More:

- Spaces
- Niche spaces (including space with Child care)
- Focus on sustainable community building
- Community events
- Corporates in co-working – Facebook, IBM, Cisco – 15% of the SP500 using co-working
- Awareness/acceptance of concept
- In suburban and rural areas
- Competition
- Differentiation between providers
- Remote workers
- Digital ''nomads''
- Collaboration between independent providers
- Businesses providing space- particularly hotels
- Focus on nature & carbon neutral

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* Source: https:// Catjohnson.co 7 March 2018

What are we doing

All of the above ✔

- Cyprus – Serviced Offices

- Riyadh, Jeddah, Al Khobar – Serviced Offices

- Perth – Proposed Hotel and aligned co-working

*Proposed

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