

Management Firms in Demand For Active Commercial Market

Retail Market Healthy While Local Industrial, Mixed-Use Is Growing

By Julie Poucher Harbin

With interest rates still low, the commercial real estate investment market has been very active, even as there's more money than product to buy, according to Stephen Willmore, executive managing director of Colliers International Property Consultants, Inc. in University City.

Lauri Greenblatt, principal and co-founder of Clairemont Mesa-based **Promus Property Management, Inc.**, which specializes in leasing retail and office properties, agrees.

"There's a lot of cash out there in the marketplace looking for a place to land," Greenblatt said.

And when it does, that's good news for local commercial property managers.

More and more lenders require a professional property management company to manage the property when the loan closes," Willmore said. "Some lenders are requiring third party professional management."

Colliers, a third party commercial property manager, manages an equal percentage of retail, industrial, and office properties, totaling almost 2 million square feet.

Greenblatt has seen a lot of apartment owner selling in order to buy retail, and some retail owners hunting around for residential buying opportunities.

According to first quarter 2004 research by CB Richard Ellis, Inc., San Diego County retail has performed as well or better than any other type of local commercial real estate. Greenblatt said retail property investment can provide a higher return on investment than apartments. And, she said, it's not necessarily riskier if you know what you are doing.

"There's an inherent demand for housing and apartments. That provides a certain level of security," Greenblatt said. "But by the same token if you buy the right kind of retail and it's situated well, (for example) a grocery-anchored retail center...it's not necessarily riskier, but it certainly has the opportunity to be."

She said that investors could lose money if their property managers don't understand how to correctly structure and administer leases and collect money, such as common area maintenance fees, owed to them by retailers.

"There's actually some large retailers who pay their accounting staffs a bonus to try and avoid paying some of the CAMS (common area maintenance charges)," Greenblatt said.

Dick Fialho, commercial property manager and leasing agent for Downtown-based **Radelow Gittins Real Property Management Corp.**, manages mainly retail and industrial properties.

"My personal business has been expanding mostly in the retail area (but) I've got new accounts in both industrial and retail, mostly in the mid-section of the county," he said.

His new retail accounts are on El Cajon Boulevard and close to Interstate 8 at Mission Gorge Road.



Promus Property Management, Inc. manages the Rocky Home Plaza shopping center in Lakeside.

Radelow Gittins manages 20-plus retail properties and about 375 tenants. Fifty percent of its business is retail, 40 percent is industrial, and the remaining 10 percent is office.

For a retail property manager, there are plenty of challenges. Getting the right tenant mix is vital, say retail property managers.

“One of the major challenges is making sure to develop a stable, correct, tenant profile,” said Fialho. “I have a shopping center in National City. When we started putting in new restaurants, the shopping center was more successful and the businesses at the shopping center were more successful.”

Said Greenblatt, “You have to think like a retailer in terms of the tenant mix and putting someone in. You have to be able to tell them, here’s how much traffic there is, here’s what people are spending in this area on a per capita basis.”

Fewer Investors for Offices

Office properties, meanwhile, are being bought by fewer and fewer individual investors, and more and more by institutional buyers, according to area property managers.

“As far as companies like Colliers and CB Richard Ellis, who are third part providers, we’re seeing more competition for owners that self-manage their properties,” Willmore said.

Greenblatt said a lot of the big players coming in and buying office property of the last 10-15 years are REITS (real estate investment trusts). They buyers often have long-standing arrangements with big management companies. Nancy Eagle, president-elect of the Institute of Real Estate Management San Diego, manages and takes care of the leasing for 35 tenants in two three-building office parks in Rancho Bernardo for San Francisco-based investment adviser and property management firm, RREEF. One of the properties she manages is for a REI and the other is for a pension fund.

Joe Murphy, senior real estate manager for CB Richard Ellis, remained the property manager at Downtown’s Wells Fargo Plaza, 401 B St., even when the building changed owners a couple of years ago.

“Typically new companies come in and they will either retain the people there or they will bring their own people in. People may want to stay with the company they are with because of the benefits that they’ve accrued over the years. But it’s kind of like being on a sports team. You look for the opportunities and find out where your vested interest is,” Murphy said.

Murphy, who’s also the president of the San Diego Building Owners and Managers Association, Inc., said several Downtown office buildings have changed hands over the past few years and more are on the market, while small office buildings continue to go up in Sorrento mesa or near Interstate 15.

“Somebody’s got to manage them,” he noted.

Eagle said the demand for property managers in the office market has been slow countywide, but business is starting to turn around.

“Things are picking up. It’s looking better in terms of having tours and people showing interest in moving and leasing space,” she said, referring to her properties.

According to first quarter 2004 research by CB Richard Ellis, the office market itself “continued to show signs of correcting itself as vacancy rates fell for the third consecutive quarter.”

Eagle, who over her 20-year career has managed retail, industrial, and office properties, finds office property management the most difficult, but she enjoys problem solving. She works on site at one of the buildings she manages.

“It’s more demanding. You take care of the inside and the outside both, whereas in industrial you just take care of the outside,” she said. “If they have a roof leak, if they have an air conditioning problem, if they have a burnt out light we go take care of it, because the leases are set up to be full service. They are more demanding, too.”

Not to mention settling fights over the thermostats. “We end up having to lock them,” she said, adding that keeping tenants happy is a constant battle.

Industrial Demand Solid

Industrial property management, where there is the least tenant interaction, is the easiest kind of property to manage, according to property managers, and opportunities are still strong.

First quarter 2004 research by CB Richard Ellis showed the local industrial market “experienced solid activity across the county,” and “the rate of demand has quickened and expectations remain high for the remainder of the year.”

“In the North County there’s been a lot of industrial going up,” said Susan Johnson, commercial property manager with Oceanside-based **Investors Property Management Group Inc.**, which does most of its work in the North County. Eighty percent of the company is geared to commercial property with 20 percent of its business in residential properties. Industrial and retail each make up 40 percent of the commercial side of the business.

In the last couple of months, Investors added another property manager to its staff of two property managers.

The company hopes to expand into the growing industrial and multi-family markets north and east of the county.

“I think that you are seeing a lot more growth in Orange and Hemet...because there’s some room for expansion left there,” she said.

Meanwhile, Fialho from Radelow Gittins believes the No. 1 commercial real estate growth opportunity for property managers in the next five years will be industrial property expansion in the East County.

Greenblatt, meanwhile, predicts that San Diego will see more mixed-use projects. She’s trying to steer her clients toward investing in that type of property.

“I think it’s really a good way to diversify their risk,” she said.

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