

NORTH TO THE FUTURE

Alaskan Property Managers Focus on Cost Savings and Efficiency in a Downturned Economy

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SINCE THE UNITED STATES BOUGHT ALASKA FROM THE RUSSIAN EMPIRE IN 1867, RESIDENTS OF THE LOWER 48 STATES HAVE VIEWED THE VAST EXPANSE AS A LAND OF OPPORTUNITY. The current economic downturn hasn't changed that attitude.

"People with friends or relatives here are coming up looking for jobs," said Maureen Chandler, regional director for Alaska at Weidner Apartment Homes in Anchorage.

Alaska's long-term economic outlook is optimistic. Indicators include *Business Week* magazine which named Anchorage as the number one "best place to start over" in 2009. Continued progress toward the creation of a new gas pipeline under the Alaska Gasline Inducement Act of 2007 and the recent doubling of the state's military population have also helped to boost the state's economic forecast.

Specific figures also are positive. For instance, the tight housing market has kept the 4,200 residential units managed by Chandler's company at a 96 percent occupancy rate through March 2010, up from the typical winter rate of 93 percent.

But not everything is rosy for property managers in Alaska. In Anchorage—the state's largest city (population 279,243)—the multifamily residential construction market is constrained by land availability, land use restrictions and a lack of financing, said consultant Michael Browder, CPM®.

According to a 2010 forecast by the Alaska Department of Labor and Workforce Development, Anchorage may experience the

loss of 1,500 jobs following 20 years of steady growth, a slight rise in the city's home foreclosure rate and a drop in home sales—from 2,804 in 2008 to 2,411 in 2009.

COMMERCIAL APPEAL

With commercial financing tight, construction is down in Anchorage, said Laura Cantrell, CPM, a broker at Wiley Brooks Co., Inc. Currently, vacancy rates remain at 4 to 6 percent, a figure Cantrell called average for the city.

The number of building permits issued by the city fell from 802 in 2006 to 451 in 2009. Commercial property development in 2006 and 2007 addressed a shortage and is just now becoming fully leased.

As for further expansion, plans for re-zoning in Anchorage, (currently being considered in the state assembly) may be making property developers cautious.

Nevertheless, business is good for Pfeffer Development LLC, a commercial real estate development and property management firm managing 600,000-square-foot of space in Anchorage, said Matthew Fairbanks, FMP, the company's facility director. The company builds properties to suit specific customers, and finds a real advantage in including both Fairbanks and property manager, Howard Levine, CPM, in the process.

"In Anchorage there is a definite need for property managers," Fairbanks said. "Even when construction slows, there are older buildings here that need to be properly addressed."

Unfortunately, In Juneau (population 30,988) commercial development has come to a stand-



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still, said Larry Bauer, CPM, Bauer & Associates. The vacancy rate for office space ranges from 6 to 8 percent, a number that “could be worse,” Bauer said.

“Juneau is the capital, so we rely on a lot of state offices here,” Bauer said. “That’s the stable part of the economy for us. The down side is that people who have office spaces now, aren’t going to make any moves. In past years, businesses moved to nicer locations where parking was easier, but now my tenants just want to renew their leases rather than relocate and deal with the expenses of moving.”

SILVER LININGS

Alaskan real estate managers interviewed for this article maintain a realistic outlook on the current economy, noting its pros and cons. Although Chandler’s company drops rent prices during most winters, the tight housing market has allowed it to raise rents this winter. But it’s not a good idea to get too comfortable.

“We’re a military-dependent town, and if a battalion leaves, we lose out so we have to factor that into our budgets,” Chandler said.

Difficult economic times can serve as a reminder to real estate managers that increased marketing may be necessary to promote the benefits they provide. Alaska may be the land of opportunity, but many residential and commercial property owners remain unaware of the ways in which property managers can help them add value to their businesses, Cantrell said.

“Because our commercial industry is so small, it’s tough getting contracts to manage properties,” Cantrell said. “New developments have their own in-house managers. But I’m working hard to get us moving and picking up new contracts.”

In Alaska’s current economic climate of rising costs, property owners are being forced to look for operational efficiencies, Browder said. Property owners need to know how the professional skills of a CPM can give them a competitive advantage.

For instance, the state of Alaska has grant

funding available for the weatherization of residential housing. A property manager who understands the application and eligibility process for these grants has a strong tool for promoting his or her ability to accomplish operational efficiencies by reducing energy costs, Browder said.

Creative property managers can offer other green ideas that save money. At the Anchorage Rental Car Center, facility manager Fairbanks was able to save money on electricity. To do that, one of three lamps in each lighting fixture was disconnected, resulting in the need to use only one of the two electrical ballasts (also known as control gears) in each fixture.

“Some renovation projects in older buildings cost more money upfront, but if you can demonstrate that you’ll save money and get a good turnaround time on that investment, owners are willing to spend the money to be more cost efficient in the long run,” Fairbanks said.

Similarly in Juneau, Bauer is picking up some new jobs from owners who are stumped on how to minimize their cash flow and cut expenses.

“There are always a few people who think they can’t afford us,” Bauer said. “But if we have ideas on how to fill vacancies, they’ll want to use us.” ■

IN 2009, ANCHORAGE ALASKA WAS NAMED THE NUMBER ONE “BEST PLACE TO START OVER” BY BUSINESS WEEK.

