

Focus

Property Managers' Perspective

Weather the climate: curb appeal

Open any newspaper and you are sure to see headlines dominated by phrases such as "subprime meltdown" and "credit crunch." Undoubtedly these terms are used to describe the current state of the residential housing market, but there is no question that the commercial real estate market has experienced some repercussions of the subprime meltdown. Lenders are feeling the credit crunch and fear still resonates that commercial investors will spiral down the same path as residential, into default and foreclosure. Often when a commercial property owner is forced to sell or forced into foreclosure, it hurts the entire business complex; adjacent commercial property values drop.

When deciding to purchase a commercial property, it is important to not invest in improvements that may make the property significantly better than the surrounding properties. This applies to those interested in the property as a fix and flip and also to those who are looking to make a long-term investment and attract new tenants. A good investment strategy would be to acquire a commercial property that is in serious need of improvement to bring it up to neighborhood expectations, because it can be purchased at a greatly discounted price.

Property owners and developers often investigate the cost of doing exterior improvements to a wide range of commercial prop-



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erties. Exterior improvements typically enhance the appeal of the property more than interior improvements; however, interior improvements should not be ruled out entirely. Apart from whether you want to buy and flip, or just attract new tenants, here are some guidelines to follow.

Most common exterior improvements:

1. New paint, siding or stucco.
2. Front entrance, which would include the concrete and railing, typically would cost between \$10 and \$18 per square foot to replace.
3. Sunk-in grading around foundation repairs.
4. Tree and shrub trimming or removal.
5. Asphalt parking lot, from \$1 to \$8 per sf for an oiling, overlay or replacement.
6. Dry stream bed, which would cost \$1 to \$3 per sf to fix. A regular stream bed that is leaky or outdated could cost around \$40 per sf to fix.
7. Water features. Many people think water features would enhance the value of their com-

mercial property. Increased property value is realized only if the buyer or current tenant sees value in water features. In some cases, adding a water feature will limit the number of interested parties. A quality long-lasting water feature can cost anywhere from \$25,000 to \$150,000 and most landscapers or pool builders can install it.

Most common interior improvements:

1. Paint.
2. Carpeting removal, because of dating or wear and going with a polished concrete option, concrete stain, thin-set or stampable overlay; prices range from \$4 up to \$15 per sf.

Doing these improvements at different times of the year also can give savings most people would not consider. The winter, between now and St. Patrick's Day, would be an ideal time to fix or replace the exterior concrete, for example. Most people do not think about doing it during the colder months, so it may be done for a lower cost. Proper ground thawing, blanket technologies and chemical admixtures have made pouring concrete in the winter as safe and reliable as in the summer.

These interior and exterior improvements are some of the best options available in getting the most out of your commercial property purchase, and to further enhance your savings take into consideration the time of year chosen to perform them. ▲