

# CRAVEY REAL ESTATE SERVICES, INC.

Commercial Real Estate Investment Newsletter | December 2022

## IN THIS ISSUE

Build-To-Suit And Flex Buildings

The Professional Approach To A Lease Renewal

Major Reasons For The Asset Manager

Office Building For Attorneys Only

Help With Investment Real Estate





(continued)

- The financial terms of the lease.
- Location and amenities of the building
- Quality of services and management.

When a tenant is satisfied with each of these factors, they are likely to renew the lease.

If they are dissatisfied with any of the three, they are likely to relocate. If the tenant is not happy with the service quality, cutting the rental rate by a small amount probably will not reverse the decision to leave.

If the building location is good, the lease terms are fair, management is handled well, the tenant usually is not in a hurry to move to another building for just a few simple amenities.

Removing a popular amenity, even temporarily, will affect the tenant's attitude negatively. However, tenants will tolerate the inconvenience and dislocation of a major renovation as long as the work proceeds on schedule and is completed when it was promised.

The most important factor in renewing a lease at any time is good management at all times. A professional property manager keeps the tenants happy by delivering top-notch service to every tenant, month in and month out, rather than trying to impress those with expiring leases with amenities and favors. Remember, every lease eventually ends, and tenants have long memories.

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## Major Reasons For The Asset Manager

The institutional investor has found that income property must be placed under the supervision of professional, experienced and innovative managers. With more property moving into the ownership of institutions and real estate investment trusts, the need for asset managers increases.

Asset managers have become more important during the past decade for three major reasons:

- New classes of real estate owners (notably, pension funds and foreign investors) lack the "hands on" expertise of the individual owners and small ownership groups of former years.
- Corporations now have approximately 25% of their total assets in real estate, and are now emphasizing its importance for profits.
- Investing in real estate has become much more difficult than in previous years because of increased competition for tenants, difficulties in getting financing, and increased government regulation.

Most real estate professionals are unfamiliar with the functions of an asset manager (apart from realizing that the asset manager has a different job from the property manager).

### The Asset Manager

The asset manager fills the leading role in the profitable management and performance of a real estate asset. This manager assumes a fiduciary relationship with the real estate owner and accepts the responsibility for managing the real estate asset so that it achieves the highest performance within the owner's guidelines.

**Example:** An investor acquires a commercial property for \$15 million, of which \$6 million is paid in cash and the balance with an institutional loan. The investor's goal is a 10% annual cash flow return (\$600,000 per year) and a sale in the tenth year, at which point cash will be needed to pay off the balloon loan. The investor hires an asset manager to oversee these objectives. The asset manager's focus will be on maximizing the economic return through the use of profit-enhancing techniques. These include:

1. Balancing the loan/equity ratio in order to maximize leverage.
2. Employing and coordinating professionals with expertise in particular aspects of operating this property.
3. Minimizing liability exposure through appropriate lease provisions and insurance coverages.
4. Gathering and applying information concerning the market.
5. Constantly reviewing prospective buyers, since the maximum property value may be achieved some time before the tenth year.

### Planning The Project

The roles of the asset manager's are as follows:

- **Supervise property management.** The asset manager should supervise the overall operations of the property management company, i.e., define general management policies, monitor non-routine decisions and transactions, and serve as a liaison



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between the property manager and the owner.

- **Supervise leasing and marketing.** The asset manager should review long-term leasing policies, monitor large or unusual transactions, and act as a liaison between the leasing firm and the owner.
- **Manage cash flow.** An essential and time-consuming role is to handle cash flow, the true measure of the economic success of the asset. Cash controls should be instituted and monitored.
- **Report requirements and timing.** Frequent reporting of pertinent information to the owner keeps him/her informed about the status of the property and makes necessary decisions easier.
- **If the owner is a foreign investor,** the asset manager may have the responsibility of preparing U.S. tax returns. For domestic investors, the asset manager's role would be limited to providing the essential tax information to the owner's accountant.
- **The proper maintenance of the property** is a major responsibility of the asset manager. This includes overseeing a maintenance program and managing a capital improvements program. In

making voluntary capital improvements, the manager must be sure that the prospective return exceeds the cost of the capital needed for the improvement.

- **Retain other professionals.** Attorneys, accountants, appraisers, and mortgage brokers are just some of the professionals who frequently must be retained in the course of managing improved real estate. The asset manager often has the responsibility of choosing a professional, although the choice may need to be ratified by the owner.
- **Contract adherence.** Contractual relationships often exist in connection with income real estate. These include the asset management agreement itself, the property management agreement, service contracts relating to the real property, tenant leases, mortgages and deeds of trust, and possibly a partnership agreement among the property owners. With the exception of the partnership agreement, the asset manager will be involved with these agreements in some manner. The manager should be aware of critical terms and provisions that give the owner valuable rights (e.g., a renewal right) or that can result in default if not complied with.

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## Office Building For Attorneys Only

Property managers must show some imagination to keep a property fully rented. One way to keep an office building occupied is to consider specializing—renting to members of one professional field.

Members of the medical profession have long realized the advantages of having an office in a medical building (that is, in a building occupied only by professionals in the health care field). The building is designed, equipped, operated and maintained solely for their particular professional needs.

This concept can also work for attorneys. Many attorneys would like to be in a building that is convenient to a central area, such as county and federal court buildings. One feature that could be even more important to attorney tenants and to the owner, in keeping tenants happy, is the fully equipped law library.

### The Legal Office Amenity

When a law firm initially assembles a law library, it costs thousands of dollars. It costs thousands

more each year to keep it up-to-date. This expense may be the one thing that forces many attorneys to form partnerships or to share office space.

In one property, the developer created a long, enclosed room for the law library. He set aside one side of an entire floor and built in shelving to hold the books. Since the property was being developed for this purpose, the floor was given special design treatment. Floor loads for a library will be much higher than in other parts of an office building. The only furniture required for the room is worktables and chairs.

All of the tenant-attorneys in this building pay a small amount each month toward the salary of a full-time librarian who assists the attorneys with their research, handles the filing and book ordering, and takes care of the book collection.

In the building in our example, the suites filled quickly, rented to law firms only. The tenants stated that the law library was the attraction that convinced them to rent in this particular building.

## Help With Investment Real Estate

When you have searched for new real estate investment opportunities, with values that have been changing, you know that finding and evaluating them is becoming more sophisticated and complex. More investors are turning to real estate consultants as a means of providing a sounding board for their ideas as well as expertise in the planning and construction stages for their projects.

Today's investor in real estate must have a grasp of market conditions and potential that is usually beyond their own available time to attain. Investors need assurance about the true condition of the market. With increased competition, the market place is becoming more complicated. Feasibility studies are essential for commercial office, industrial, resort and hotel investors. With this kind

of information, planning is better and there is less chance for error.

Real estate investing is not just looking for the structure and the land. It is investing in the type of property that you want at the price and terms that suit you at the time you want to make the purchase. Our office is open and ready to assist you. We have been experts in property values in this area for a long time. We can help you with enough information so that you can make your own decisions on the value of property either in listing your present property for sale or in purchase of another. If you wish to consider structuring a tax deferred exchange into that next property, we can guide and aid you with that transaction.

Let us guide you in your investments.



### About Cravey Real Estate Services, Inc.

Cravey Real Estate Services is a full service commercial and industrial real estate company based in Corpus Christi, Texas. We sell, lease, and manage Commercial, Industrial, Warehouse, Office, Retail, Shopping Centers, Land, and Investment Properties in Texas.

Established in 1975, we provide the most innovative and cost effective real estate solutions for our clients on local, regional, national and international assignments. Our brokers at Cravey Real Estate Services have a reputation for reliability and prudence, providing clients with real estate leasing and sales, investment counseling, asset and property management and real estate marketing services.

We have the experience and resources to help you with all of your property requirements. A single relationship with Cravey Real Estate Services can provide you with a world of commercial real estate resources in Corpus Christi and South Texas.

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**As commercial brokers, we are part of your professional team. It is our job to create the real estate transactions that will be needed to enhance your estate.**

## Featured Listings

### 1434 Port Ave Corpus Christi, TX 78405



**Sale Price:** \$975,000.00

**Building Size:** 8,800 SF

**Lot Size:** 2.66 Acres

**Description:**

The building is suitable for banking, medical, governmental/city offices, campus settings, restaurant, car dealership and others.

The property is 2.66 acres so has excess land to expand the building footprint. The building has excellent visibility to Port Avenue with easy access from both Port and Francis St.

The property would make a good medical conversion to service the surrounding neighborhood. Current occupant would require and negotiate a lease back for a 12-18 month period after the sale closing.

For more information contact Lynann Pinkham:  
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361-288-3102

### N US Hwy 77 Driscoll, TX 78380



**Sale Price:** \$115,000.00/acre

**Total Lot Size:** 68.73 Acres

**Description:**

Approximately 1,362.9' frontage on N US Highway 77 (future IH 69).

Located 3.5 miles from the proposed Tesla battery site.

Located outside the city limits of Driscoll.

28 miles to Corpus Christi.

15 miles to Kingsville.

Utilities in the area.

For more information contact Matthew Cravey:  
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