

# UNLOCKING SUCCESS: MASTERING EXPENSES FOR PROPERTY OWNERS

Newsletter of Iowa Realty Commercial



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## MINIMIZE COSTS, MAXIMIZE SUCCESS

Dear Esteemed Clients,

The main reasons behind investing in commercial real estate are almost entirely linked to financial goals, whether it's creating generational wealth, living off cash flow, or just improving the quality of life for you and your family. Owners of multifamily property make money and create wealth in four main ways. The owner also has greater control over the asset than compared to the stock market or crypto investments.



**1. The value of the property appreciates. Higher NOI's and lower CAP Rates!**

**2. The property produces income. CASH FLOW!!!**

**3. The owner takes advantage of current tax laws. Think writing off expenses and depreciation.**

**4. Mortgage payments can pay down the loan principal balance giving the owner more equity in the property.**

Since these properties are financial investments, we need to talk about how we come up with the numbers. A quick review of Net Operating Income or NOI. Net Operating Income is commonly referred to as the Gross Adjusted Income MINUS the Annual Operating Expenses. Investors, Owners, and Brokers can then take that number, apply CAP Rate and an appropriate value to the property. Here, we want to discuss more in depth Annual Operating Expenses, what to watch out for and how to lower them when you can.

Some of the most common expenses are Property Taxes, Insurance, Repairs and Maintenance, Property Management, Utilities and Administrative (legal and accounting services).

## **STRATEGIC SOLUTIONS**

**Cutting Costs and Boosting NOI for Property Owners**

## **Challenge Your Valuation**

Contest your valuation with the County Assessor. If you are doing a large renovation, see if there are any local programs to reduce your assessed value with a tax abatement.

Lower Expenses = Higher NOI = Higher Valuation



## **Insurance Smart Check**

Check with your insurance provider to see if you can change your deductible, coverage or adjust replacement costs to lower your premium while maintaining the coverage you need. Through talking with our insurance broker, we found that on one property we were being charged as allowing smoking in units. We provided actual leases proving that we were non-smoking and that smoking indoors violated our leases. As a result, we received a reduction on that policy.

## **Optimize Contracts and Services**

Review third party contracts and services. We replaced a trash servicer with a company new to market. We got a better rate and less fees for items left outside the dumpsters.

## **Utility Savings Plan**

Having utilities directly paid by tenants is ideal. If not, working on implementing a utility bill back system should be on your radar. If that hasn't happened yet at your property, assess what savings you might receive for energy-saving projects like adding insulation, LED lighting, and replacing outdated appliances.

Consider upgrading old HVAC equipment or adding low-flow toilets and faucets as well.

## **Network of Experts**

Have an extensive network of contractors, handymen and service providers. Getting quality work done at a decent rate cut costs and helps eliminate return trips. Regular preventative maintenance on major items can help extend life and reduce costs as well. Clean gutters and gutter extensions are easy and can prevent roofing issues and water problems. Clean furnace filters and preventative maintenance can keep furnaces running smoothly for years.

## Community-Driven Property Management

Placing quality tenants and fostering a caring community is transformative. On a new property, regular cleaning and improvements led to tenants picking up litter and positive feedback. When tenants take better care of the property, it reduces staff workload and costs.

## Strategic Property Management

Property Management plays a key role in your property for many reasons. A great PM can help make an owner a ton of money. On the other hand, a poor one can make sure your property is a constant headache. Be sure to regularly address the amount of compensation your PM receives. If you have added a significant number of units or reduced the PM responsibilities in some way, you might be able to come to a new agreement.

## Gold Key Service Excellence

One owner we've worked with provides a "Gold Key Service". The owner or Property Manager provides a quarterly inspection of units to check smoke detectors, furnace filters, water drips and etc. A great way to stay on top of maintenance and spot potential problem tenants before damages get out of control.

Enhancing your property's efficiency boosts your bottom line and ensures a thriving community, paving the way for sustained success and increased value through proactive, cost-cutting strategies.

Kind Regards,  
Joanne M. Stevens and Dan Dempsey

**CONFIDENTIAL** Market  
Evaluation of your property

Contact us for a **FREE**

### WHAT IS YOUR PARK WORTH?

I am always happy to do a FREE, NO OBLIGATION, Real Estate Review for your park(s). You ought to know today's market value of your real estate investments.

If this is something you would like, simply give me a call at 319-378-6786, email me at [joannestevens@iowarealty.com](mailto:joannestevens@iowarealty.com), or visit <http://joannemstevens.com/>

Joanne Stevens is a specialist in listing and selling mobile home parks and manufactured housing communities throughout the U.S. With her 20 plus years of experience in developing, zoning, owning, retailing, managing, turning around and brokering parks, she can maximize your sale price.