HITTING BACK HARD Gulf Coast states provide opportunities for experienced property managers

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For the past two decades, the Gulf Coast states of Texas, Louisiana, Alabama, Mississippi and Florida have been at the center of a demographic explosion, with population rising dramatically.

That population boom, led mainly by Florida, also drove tremendous economic growth with businesses and real estate development. But the credit crisis and deep recession have hit all regions of the United States hard, including the Gulf Coast.

Thanks to weakening global demand, the energy industry—responsible for nearly half the Gulf Coast's economic activity—is currently contracting. This in turn is causing a spike in unemployment throughout the region, only compounding the problems for the areas that were hardest hit by Hurricanes Rita, Katrina and Ike.

Despite the challenging environment, the Gulf Coast is ripe with opportunities for property managers. Some coastal areas in Texas, Mississippi and Louisiana are now recovering from recent hurricane disasters and are undergoing major developments. Alabama's coastal areas are moving from the category of hidden gems to that of major destinations for coastal dwellers.

Although these areas are struggling overall under the current recession, the downturn only makes the need for experienced and savvy property managers all the greater: Asset holders require the steady and knowledgeable hand of a seasoned property manager to maximize the profits from real estate holdings.

CARVING OUT A NICHE

According to Matthew Zifrony, a director with Tripp Scott law firm in Fort Lauderdale, Fla., delinquency rates continue to rise across South Florida as condominium associations struggle to pay their bills.

"More properties across South Florida are becoming dilapidated because residents are abandoning them," Zifrony said. "And the condo associations don't have the money to deal with the problem."

Along with rising vacancies and foreclosures, South Florida is experiencing a record number of bankruptcies and growing unemployment.

But surprisingly, many real estate experts say the environment is ripe with opportunities for the enterprising property manager willing to work in such a challenging environment.

"It's a great time to be in property management, if you can run a small operation on a tight budget," said Michael Sichenzia, chief operating officer of Dynamic Consulting Enterprises, LLC, a Florida-based loan modification firm.

"A property manager can carve out a niche and compete on price and service," Sichenzia said. This allows the property manager to compete for business with homeowner associations and smaller real estate developers who need the expertise and experience of a seasoned property manager to handle real estate assets in a tough economic environment.

STABILIZING ASSETS

Matt Summers, president of Houston-based Kaplan Management, agrees. The national recession has shaken Houston's economy. Multifamily, condominium and office markets in Houston are all down and new real estate development has slowed to a crawl. So real

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estate holders are looking for property managers who know how to squeeze the most dollars out of their assets.

"In a downturn, there is a big disparity between those who know what they are doing and those who don't." Summers said.

Summers has recently noticed that equity lenders who invested in real estate and planned to flip properties quickly are finding themselves having to manage those assets. They are now looking for professional property managers to run their portfolios. In particular, they prefer boutique management companies with property managers who can pay more attention to their assets.

"A site manager is the key to the success of a property," Summers said. "In a period like this, you must have extensive experience in the field."

Summers also said that customer service becomes more important in a downturn. He believes that a common mistake asset holders make is to cut customer service during difficult economic times.

"You can't give substandard service to residents," Summers said. "I want a property manager with an engaging personality who does well with people. [He should be] sincere and bright at the same time. If residents are happy, you stabilize the asset…and they don't move."

NOT THE NORM

If there's one special case in the Gulf Coast area, it is definitely New Orleans. Hurricane Katrina destroyed an enormous amount of housing stock in the area, causing massive de-population. Some of that housing stock is starting to come back online now, thanks to aggressive financing both in the commercial and governmental sectors. The result has been continued development even during the downturn.

"In Florida, for-sale signs dot the coast from one end to another, but we have a lot of construction going on here, especially for apartments," said Richard Juge, a RE/MAX commercial broker in Louisiana. "We've had good growth the last few years. Not a lot of speculative builders but relatively healthy investors."

Still, the retail and office markets in New Orleans are experiencing higher vacancies, and condominium development has slowed recently. Despite the positive indicators, New Orleans remains a tough environment in which to operate. A lot of uncertainty exists about the extent to which future development will continue in the area. And the city's exposed vulnerability to natural disasters is giving some former residents and business owners pause about relocating back to the area.

According to Juge, however, a market downturn is a win for property managers. For those developers who have made the decision to return, the experience of a working with a good property manager is crucial to the success of any real estate asset.

"Never underestimate the value of a property manager when it comes to retaining customers," Juge said. "As the market sees higher vacancies, the property manager becomes more important." ▪

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