

What Is Asset Management Exactly?

Mr. Barry Familetto, President of Stetson Management & Development LLC, located in Cambridge, Massachusetts, is a subject matter expert in this topic. As a member of Building Owners & Managers Association (BOMA), he will be leading a course in asset management over this summer, among other real estate and finance topics.

Commenting on the importance of asset management and its vital role in commercial real estate, Barry says, “The real estate industry has matured over the years and encompasses much more than just minding the day to day of a building and hoping that when it comes time to sell, the building owner will get top dollar for his investment. It’s just not a simple microcosm anymore.”

Instead, he explains, asset management supports several key concepts. To start, as alluded to already, it’s more than property management, which can be an isolated endeavor, if a building owner just has one or two modest properties that they themselves look after, in every detail, micro and macro. Conversely, it’s not as high-level as portfolio management, either, which comprises looking after several—usually diverse—investments.

As Barry sees it, asset management includes a dozen core responsibilities, in addition to maintaining certain professional relationships. The overarching duty an asset manager has, is to maximize the value of a property within a portfolio, per the objectives of the owner. More specifically, the duties entail ownership, as though the property were their own; meeting ownership objectives; developing an asset plan; establishing and monitoring financial objectives; managing the audit process; making property financing recommendations; overseeing the leasing team; enhancing the value of the property; overseeing property disposition; managing acquisitions; and, finally, addressing troubled assets. Taken from a publication by BOMA, Barry’s approach to providing asset management as a service to his clients, he adheres to these tenets.

At its foundation, asset management is about creating and preserving value for the owner’s real estate, and this inherently means a careful watch on the numbers: how money is spent, where it is spent, how often, and for what long-term purpose. This dovetails into developing a plan to manage the assets, again, as it befits the owner’s objectives. Implementing such a plan in the operation is designed to produce positive results over a period of time, but, as Barry notes, there has to be some flexibility for unforeseen circumstances, though these should not derail the asset plan in any significant way.

What is meant by establishing and monitoring financial objectives? Simply put, it means building into the asset plan measurable financial benchmarks that show the effectiveness and performance of the plan.

One process that is a major responsibility of an asset manager, is to participate in an audit. This process looks at the strength of all financial information and substantiates best practices and policies that will have been in place to manage the value of a property.

In addition to minding the figures on a monthly, quarterly, and yearly basis, activities that an asset manager engages in include making recommendations to upgrade the property, overseeing and working with the leasing team, and keeping the lines of communication open with the property manager, who is responsible for the building's day to day maintenance and improvements. These tasks involve effective communication and open dialogue, so that collaboration on achieving goals and (the owner's) objectives are met.

The foregoing all serve to enhance the value of the property. "Looking at the numbers is good, because these tell a story and give an asset manager a clear picture of the condition of a property," Barry shares. "But, it's not enough. Keeping the lines of communication open between everyone involved in sustaining the integrity of someone else's building requires trust," he says. Examples of enhancing value might include working with a tenant to change their lease structure, if the situation demands it, making capital improvements, or, in some cases, if the market requires it, use the property for another purpose.

Should the owner need to, or simply want to, sell the property, the asset manager has the responsibility to quarterback property disposition, and full collaboration with the property manager and leasing team is the de facto. But, managing acquisitions and being the first to address solutions regarding troubled assets, also fall on the shoulders of an asset manager. In all of these instances, a thorough understanding of the physical property, as well as a market due diligence is necessary, in case there are challenges that need to be addressed and rectified prior to a sales transaction.

Ancillary professional relationships are critical to the success of an asset manager's role. "Value creation is the ultimate objective of an asset manager. At Stetson, we manage the assets of many of our client owners, some of whom live overseas, so they appreciate the personal, vested interest we have in looking to create value for their property in their absence. [It's what we are known for](#)," Barry states. Because of this, working with portfolio managers who look to diversify an owner's overall wealth, and each working within the confines of their assigned discretionary control, might take some negotiating from time to time. For example, an asset manager, after conducting research and looking at a series of monthly financial statements, might recommend a more energy-efficient means to cool and heat a building. The portfolio manager might veto that suggestion, in favor of directing funds toward additional portfolio diversification. Open dialogue among these two parties, as well as keeping the property manager and the leasing agent apprised of these types of discussions is paramount. "Decisions need to be made, and everyone's input is considered," Barry says.

Secondary relationships are also important. Attorneys, appraisers, architects and engineers, and environmental consultants all play a vital role, at one point or another, by contributing their

own subject matter expertise in increasing the value of a property, under the auspices of what a successful asset manager is capable of accomplishing.

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