



YOUR INVESTMENT. OUR PRIORITY.

## Industry Insights

### COVID-19 PARADIGM SHIFT

In February 2020, the economy was strong and most companies improved their digital infrastructure in hopes to increase profit. With the unexpected pandemic that dropped on the world in March of 2020, technology in the workplace accelerated. Companies had to quickly discern the best practices and software communication systems to keep employees engaged, working, and productive while working from home.

### The Case for Off-Site Management

While largely vacant at the beginning of the pandemic, office buildings ironically required the most attention from property management services throughout the shutdowns. This was primarily due to the installation of COVID signage, HVAC sanitation requirements, and janitorial practices rapidly changing to appease all the new CDC demands. Currently, many office employees remain working from home or in a hybrid state of home/office for their workweek.

Retail tenants appear to have taken the hardest hits in most cases with the complete shutdown of their businesses, closing off revenue streams entirely. Property management companies became saturated with correspondence from owners and retail tenants to review financials and draft amendments to capture a "fair deal" for the lack of income to these tenants.

Industrial properties remained strong throughout the pandemic. They are a very active market requiring added management input and supervision. We have seen an increased appetite for commercial assets being added to many portfolios throughout the prolonged period of low-interest rates.

Many people with diverse real estate investment portfolios have moved away from the oversaturated residential market to commercial properties in attempts to reposition for what is to come.

The acceleration of technology used for communication has driven property management to evolve. It is a myth that property managers need to respond to tenant calls and requests in their offices. It is our observation that COVID has made tenants hesitant to interact in-person with a property management office to pay rent or ask for a maintenance request, especially during times when CDC guidance is elevated.

Before the pandemic, most rents were paid via ACH or tenant portals, rarely via paper checks. Maintenance and repair requests were sent through email, text, calls, and tenant portals and seldom in person. Covid has only increased these remote means for communication needs. Tenants want responses and results when they need information and repairs. When a tenant's needs are satisfied, they are not concerned whether the manager or accountant is physically on-site.



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#### The New Normal

Onsite management for most buildings will be a relic of the past. Property management offices in admirable front locations will be an added source of income to an owner, expanding their top line. These offices will be leased to potential tenants and generate income versus wasteful space for staff that is not needed on site. Most times, when a building owner transitions to our offsite model, the monthly management fee is almost fully offset by renting the space that the former building management was in.

Multiple large management firms have already taken their accounting divisions out of state, realizing that offsite property management is the new baseline for post-pandemic real estate. The overhead for onsite management is a higher burden than offsite. Onsite management typically breeds mediocrity of work for many firms. But for an onsite office manager to be viable, the individual should manage 500,000+ square feet. An onsite manager with a smaller portfolio typically manages more than two buildings, thereby negating the potential for any beneficial effect of onsite management. If the individual is at any other location(s) for even a small fraction of the time, then the stated benefits of onsite management quickly diminish as soon as another tenant requests them at another property.

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Property management companies should constantly assess the most efficient manner for their employees to work. Efficiency can wane if a company does not continuously look to improve itself. But improvements should not only be equated to the newest software. Owners should look for a company that uses technology to leverage the inherent strengths of the business model. Windsor Management utilized a dynamic staffing model long before the pandemic. While other companies were playing catch up during the shutdowns, Windsor has been focusing on efficiencies in our business model post-pandemic such as improving our point of access systems at all properties.

As other companies have been testing new models for 16 months, tenant and vendor relationships have shifted to a new normal, leaving many behind in the process. Today it is not uncommon for a vendor to schedule an appointment with a property manager rather than assume they will be onsite. Tenants now prefer using a tenant portal to communicate a work order issue rather than going to a management office. No one knows what the new standard of service is. However, everyone can agree that there is no place for antiquated property management in today's real estate landscape.

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