

# A NEW APPROACH TO THIRD-PARTY MANAGEMENT

One company has restructured its property management strategy with an all-inclusive approach that has one goal: value creation for the landlord.

By Kristin Hiller

**H**orizon Realty & Management, a third-party retail property management firm based in Palatine, Illinois, has recently restructured its company. The goal was to serve a particular niche in the market by creating a team approach to leasing and management that will add significant value to a landlord's property or portfolio, according to Barry Millman, president and principal.

*Heartland Real Estate Business* sat down with Millman, as well as Vice President Ilija Pod, to learn more about Horizon's goals.

**Heartland Real Estate Business:** When did the restructuring take place?

**Barry Millman:** It began starting in December. A previous partner retired, so Ilija and I decided to restructure to meet the needs of our current clients, as well as create a niche for new clients interested in a portfolio management approach with a leasing team and managers.

**Ilija Pod:** It's important to note that we didn't have this euphoria moment six months ago. This was something that was building the past five years when we obtained a client and realized the services for that portfolio re-emphasized how we want to handle and operate things out there.

Listening to the market dictates that there's a vast, open opportunity to provide that service level for that kind of client. We identify that as portfolio management, which includes property management, asset management, leasing and construction management — all the details encompassing our scope of work.

**Millman:** It's an all-inclusive approach that we're taking to provide

the property owner with a "one call does all" idea with the expertise that we know we have. The beauty is the portfolio approach. Many of our owners own multiple properties. By doing this they're able to save in the administrative and leasing cost for the operation of the properties.

**Pod:** We provide the science of the big firms, but we also provide the service of a small shop so it's less inundation of countless reports and statistics. It's more boots-to-ground, hands-and-dirt operational efforts that our owners appreciate and provides real value to the property on a day-to-day basis. We're looking to serve a real estate community, but the mom-and-pop types. We've noticed a lot of out-of-state buyers, and we can be the eyes and ears for out-of-state owners.

**Millman:** Illinois has become a little bit more attractive to West Coast buyers from a cap rate standpoint. But they don't have a lot of familiarity with the market so we can provide that familiarity and relationship with the market.

We've always prided ourselves on being big enough to handle an entire portfolio and handle all the needs of a property owner, but we're still small enough to return your phone call. That's very important to us that we do have a strong relationship with the owner as well as with our tenants.

**HREB:** What are some trends in the retail marketplace you're picking up



**Barry Millman**  
Horizon Realty & Management



**Ilija Pod**  
Horizon Realty & Management

on and how are you positioning your business to coincide with those?

**Pod:** It's a lot of cross-training and cross-pollinating as far as people within the office. Our accountants are also quasi-managers; our managers are also brokers. What we've noticed on our end is that the managers are also perfect leasing agents for the landlords because they know the property better than anyone else and they can provide showings and market details.

Leasing agents also provide a wide range of scope on what's happening in the market and pick up on trends. Accountants are also administrators, understanding how to capture as much money as possible for landlords. Everyone's an important spoke in the wheel for the ultimate goal, which is landlord advocacy.

**Millman:** This gives us the opportunity to be more responsive to retail trends as a lot of the national tenants have diminished their space requirements. In place of them we're getting a different level of tenant, a lot more entertainment, service-oriented and oftentimes in a lot of our properties, more mom-and-pop independent-type operator tenants.

By being property manager and leasing agent, we can relate to the tenants on a more personalized basis and keep the tenants to maintain lease responsibilities and help them remain successful in their businesses.

**Pod:** We emphasize time. We understand quick turnaround time means faster money in the landlord's pocket.

**Millman:** One other area that's very important to owners is lease renewals. Since we know the tenants so well and we're in touch with them pretty regularly we can expedite the lease renewal process, so not only is this approach significant from a leasing and property operations standpoint, it's also important in retention of tenants, which reduces a landlord's overall cost in operating their property.

**HREB:** What would you say it takes to run a boutique property management firm in today's market?

**Millman:** Perseverance. We need to know our audience and understand our particular niche. We need to be as strong as we can in the areas we know in order to add value for our landlords.

**Pod:** That's the biggest point there — adding value for the landlord.

**Millman:** We see this as a relationship business, but our relationships are really global in their approach. We have relationships with our vendors, contractors and tenants. It's our goal as principals of this company to make sure that we foster the relationships and always use them to the landlord's advantage.

We want our landlords to be assured that they're getting the most value from their property and that our tenants are satisfied with the operation of the property so they can attend to their business and make it more successful. We're all partners in each other's success.

**HREB:** In today's retail environment with rampant store closures, do you ever work on backfilling space?

**Pod:** We do and we don't. The old approach was to sublease. The new approach is to focus on specific types of assets. A lot of landlords don't want to be hands-on; they want to rely on boutique management. We're not going to shy away from any type of asset that makes sense, but I don't think that our new niche client is going to be backfilling a lot of space.

**Millman:** We concentrate in properties that are single-tenant up to properties that are 200,000 square feet. But our average property is 40,000 to 50,000 square feet. We're working with our landlords to come up with more innovative ways to keep the spaces full.

Examples include shorter-term leases or providing upfront rent abatement. We have several properties that have had long-term vacancies that we have just filled.

**HREB:** What else would you like to share with our readers?

**Pod:** We don't want to be just another property manager or brokerage firm. There are plenty of them. What we really focus on is value creation for the landlord. Responding to a tenant inquiry, increasing the bottom line or knowing how to budget — that's what a typical property manager can do. But it's the nuances of knowing the tenants, the mix, the market, understanding trends and providing overall value for the landlords so they can see a bigger return on their investment — that's how we differentiate ourselves. We combine the asset management with the property management with the leasing.

**Millman:** We currently do not own any of our own properties so we can be 100 percent focused on the needs of our owners without any biases for our own properties.

**Pod:** Their buildings are our business. ■



Horizon Realty & Management is the leasing agent for a number of retail properties in the Chicagoland area, including Vernon Plaza in Vernon Hills.