
**LESSON 7 - ADDING VALUE TO THE PROPERTY & DIFFERENT ASSET
CLASSES**

IMPROVEMENTS AND THE BUDGET

Every value added deal has a budget to improve the property. The best investors get the biggest “bang for the buck” on the improvement budget. The best investors bring the improvements in on time and on budget. The best investors also differentiate between improvements that are required to maintain the property and do not add value, and those improvements that do add value.

Value enhancing improvements that will provide increase rent and occupancy and add value to the building include the following:

- New façade
- New parking lot surface or re-striping to add additional parking spaces
- New landscaping
- Interior work (e.g., bathrooms and kitchen)
- Project amenities

ADDING VALUE TO DIFFERENT CLASSES

MULTIFAMILY

Multifamily rehabilitation (rehab) can generally be divided into the following categories:

Minor: Paint, landscaping, parking surface, and so on

Moderate: New kitchens, bath, carpet, and other interior improvements

Major: Total “gutting” of units and updating the entire interior; could include updating HVAC systems

ADDING VALUE TO DIFFERENT CLASSES

RETAIL PROPERTIES

Retail rehab can generally be divided into the following categories:

Minor: Face lift to center, new/repaved parking lot, and new signage

Moderate: New center façade, re-arranging the physical spaces

Major: De-malling centers (e.g., eliminating shop space with junior anchor tenants), building out parking-lot pad space, and additional construction.

ADDING VALUE TO DIFFERENT CLASSES

OFFICE AND INDUSTRIAL PROPERTIES

This type of rehab can generally be divided into the following categories:

Minor: Improved general appearance, new parking lot, renovation of common areas

Moderate: Increased efficiency, new electrical or HVAC system, redesign of floor layouts

Major: Total gutting of property, taking the property down to concrete and rebuilding from the inside out, including the new systems and new interiors