



# Commercial Property MANAGEMENT *insider*

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## Report: Salaries Rise with CPM Designation

The financial outlook for commercial property managers who hold the Certified Property Manager (CPM) designation is bright, despite the industry's continuing economic woes, according to a new report.

The Institute of Real Estate Management (IREM)'s annual Certified Property Manager Profile and Compensation Study—based on responses from 1,181 CPM designees and 497 CPM candidates—showed that the history of salary growth for managers with a CPM designation is holding steady: They earned a median base salary of \$94,000 in 2009, up from \$90,000 in 2006; \$81,256 in 2003; \$72,300 in 1999; and \$42,000 in 1984. Meanwhile, the median base salary last year for CPM candidates was \$69,000, versus \$69,500 in 2006; \$65,500 in 2003; \$59,490 in 1999, and \$31,000 in 1984.

IREM reported that, by region, CPM designees located on the Pacific Coast and in the Northeast and Mid-Atlantic states earned the largest total compensation; those in the Southeast earned the least.

The study also found that salary and total compensation for CPM designees and candidates usually increase with the number of residential units or commercial square feet that they manage.

## FEATURE

## Stage Office Space to Maximize Rent, Minimize Vacancy Time

Renting a vacant office space in a competitive market isn't easy, but it's even more difficult if the empty space isn't inviting to prospective tenants. You can help prospective tenants envision themselves in the space by staging it—that is, making it open and uncluttered using paint and temporary walls, panels, cubicles, and furniture.

Staging empty office space is important: If a tenant sees how it could set up operations in the space—knowing that there's enough room for its furniture, staff, and equipment—it's more likely to rent your space than unstaged spaces in comparable office buildings.

We'll give you staging guidelines to help you show prospective tenants that your space is the best fit for them.

### Create Positive First Impression

"You have to show prospective tenants how office space actually can be used," says Jon Hile, vice president, national sales and business development, at CORT, a provider of residential and commercial fur-

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## SPECIALTY LEASING

## Take Three Steps When Renting to Holiday Pop-Ups

As the holiday shopping season gets closer, three new breeds of pop-up tenants have been appearing in malls: fully branded pop-ups, iconic pop-ups, and seasonal pop-ups of brands that once had permanent operations at the same retail location.

This season's most notable fully branded pop-up shop sells Glee jewelry and accessory lines and coincided with the launch of the second season of the popular Fox television show. FAO Schwarz is renting temporary mall space to sell a selection of "iconic" toys and games that traditionally have been popular during the holidays. And Borders Express is offering a selection of products in smaller spaces at some of the malls where larger Borders stores went dark.

Specialty pop-up shops can provide many benefits for certain malls. They can generate cash flow in between permanent tenants and renew market interest in a space that has been vacant for an extended

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## Stage Office Space (continued from p. 1)

niture for over 40 years. Staging can help make a first impression a positive impression.

“The property manager’s goal should be to give prospective tenants a better impression than empty space would,” he points out. “Most prospective tenants judge a space *immediately*, and if you can visually create a space that is exactly the way they would furnish it, it will be easier to rent,” he stresses.

When you leave empty space unstaged, warns Hile, you have the challenge of creating a mental picture for prospects of what it would be like working in that space.

### Use Staging Strategically

Don’t consider staging as a last resort. It actually can be more expensive to try to cut corners by doing staging on your own or not staging at all. “Many times, we see property managers make the mistake of waiting too long to stage a space, as a last-ditch effort after it either has been on the market for too long, or they realize that prospective tenants aren’t willing to pay the rent they are asking for,” points out Hile.

Be aware of the economic value that staging creates; it typically results in higher rents and fewer days on the market. “Staging usually costs less than the first price reduction on space that has unsuccessfully been on the market for a while,” Hile emphasizes.

And staging isn’t a time-consuming or difficult process. After you’ve decided to use professional staging help, an empty office or common area can be cleaned, uncluttered, and ready for tenants to view in as few as 48 hours, depending on the scope of the work that’s necessary. CORT provides a staging consultant from a network of stagers in 55 markets across the country to evaluate empty space for property managers. After an assessment is made, CORT provides the furniture and accessories recommended by the consultant.

### Determine Your Environment

The type of staging that’s appropriate for the vacant space you’re trying to rent will depend on the type of office building you manage or the type of tenants you’re trying to attract.

Creative or high-tech firms, for example, might need more open space or meeting spaces than a call center or a business that doesn’t typically host clients on-site. You can stage a variety of offices that don’t necessarily require cubicles or desks. Staging isn’t limited to just traditional businesses like law firms and insurance agencies.

“You can furnish a space to appeal to different industry segments,” says Hile. “All types of furniture and accessories can come into play,” he adds. For example, a stager can use a combination of styles using residential furniture for common areas and specific technical items like drafting tables for a space that typically has been rented to architectural firms.



Take into account the layout of common areas near the space. Staging the actual space and neglecting to stage the common areas around it can actually have a negative effect on tenants because they won't feel welcome before walking into the space.

On the other hand, avoid staging *only* the reception area or entryway but not the space itself. This can have a worse effect because a tenant might compare an attractive common area with an uninviting office where they plan on operating almost all of their business.

Certain aspects of staging apply to all spaces. For instance, light wall colors play a very important role in making space appealing to prospective tenants. And painting is relatively inexpensive. Don't make the mistake of thinking that because the space is in a building at a very desirable location, you don't have to lighten its dark walls. A bold color may make the tenant think that it will have to negotiate to have it painted over or for other aesthetics that don't suit its operations to be changed.

"Dark paint indicates to tenants that they will have more work on their hands than they need to

get into if they rent your space instead of an office that doesn't require any changes in a comparable property," Hile warns.

### Trust Professional Expertise

Providing a stager with certain information, such as floor plans, will make the most of his or her first visit to the property. But even if you don't have any measurements of the space, a stager will be able to tell you immediately what's necessary.

Allow the staging consultant to use his or her expertise to make

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### ► Remember Top Nine Staging Tips

A staging consultant will evaluate the empty space you're trying to rent and make recommendations about the best way to stage it. But it's important to understand how the staging process can attract the type of tenant you want in your building. "Furniture is the icing on the cake," says CORT's senior rental consultant Kathy LaMarr. "Without addressing issues of cleanliness, lighting, and smell first, adding furniture isn't going to reap the greatest reward or expected results." Keep these points in mind, she says:

- ❑ **Prepare the space before furnishing.** Paint outdated walls to add freshness; replace dirty or outdated carpets as well. Replace all overhead lighting to ensure the bulbs and ballasts are working correctly. Finally, paint doors and replace door knobs—doing so can quickly make a space look much fresher at minimal cost and practically no hassle.
- ❑ **Clean air ducts.** Have the air ducts in an old space with a musty smell professionally cleaned. The key to successful staging is a clean, well-lit, and neutral environment, LaMarr emphasizes. Staging is about more than just appearances, she points out.
- ❑ **Clean windows to provide maximum lighting and make rooms look fresher.** Dust on windows, air vents, light fixtures, and art holds smells.
- ❑ **Keep restrooms spotless at all times.** "A lightly scented diffuser and some updated art on the walls will give the impression of utmost attention to detail," notes LaMarr. On the other hand, dripping faucets, mildewed caulking, and running toilets give a negative impression, and should be tended to immediately. Restroom floors should also be buffed and waxed.

- ❑ **Set up a mock office space.** It will help the client envision how the space will look with furnishings and walls. When a space is vacant, clients typically think it's much smaller than it actually is. Achieve a "bigger" look by renting temporary flexible walls and furniture.
- ❑ **Design separate vignettes to show how space can be used.** For example, a reception area could feature a reception desk, guest chairs, plants, and a rug to make the space warm and inviting. Lamps are another great addition to provide more light and make the space more appealing and inviting.
- ❑ **Take size into consideration.** When working with small office spaces, place a typical office set of furniture in the room to help the prospect visualize the space. When showing a large, open space, use panel systems to divide the space and help illustrate the number of employees that can be accommodated. "CORT often provides property managers with a blueprint of the space with CAD [computer-aided design] drawings in different configurations so they can choose the staging that will best help them rent the space," she notes.
- ❑ **Add life to a room with plants**—but make sure they are either well-tended live plants or silk plants. Remove any dated, dusty, dying, overgrown, or smelly plants.
- ❑ **Keep hedges well manicured and maintain a clean, well-lit parking lot.** Proper outdoor maintenance will provide a good first impression, advises LaMarr. Curb appeal is the first thing that a tenant's client sees. "When considering a space, companies keep in mind that this building represents them to their clients," she adds.



## Stage Office Space

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additional recommendations for the space. “Don’t rely on what you think you want; focus on what the consultant thinks will work for the space,” Hile advises. The staging consultant will ensure that the space is appealing to prospective

tenants, while staying within your predetermined budget to help you maximize the space’s face rate and minimize the time it takes to rent it.

### Insider Source

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**Search Our Web Site by Key Words:** attracting tenants; staging; office space; marketing; face rates

## BOARD MEETING

*From time to time, the INSIDER polls its Board of Advisors for commercial property management tips.*

### Enforcing Teen Escort Policy at Mall

If loud or misbehaving groups of teen shoppers have been intimidating other customers at the mall you manage—or worse yet, driving them away—the owner might decide to implement a teen escort policy for the center. But how can you and your security staff enforce the policy effectively without putting yourselves at risk for lawsuits?

Two important concepts to rely on when implementing and enforcing a teen escort policy are communication and consistency, advises New Jersey real estate attorney and *Insider* Advisory Board Member Howard Gordon. A mall owner must make it clear to its customers what the policy is, and the policy must be enforced uniformly and in a nondiscriminatory manner, stresses Gordon, who is vice president and general counsel at Goodrich Management Corp.

It’s important to strike a delicate balance between making sure the policy is adhered to and still welcoming teens, who may constitute a significant customer base, particularly if the mall’s tenant mix caters to a younger crowd, he adds.

Display prominent signs at mall entrances outlining the terms of the teen escort policy. Typically, these signs mandate that after certain hours anyone under a certain age must be accompanied by an adult. And establish other rules and regulations that prohibit loitering, skateboarding, audible music, and other offensive conduct that’s usually associated with younger patrons.

Remember to list the penalties for violating the teen escort policy and any additional code of conduct you’ve established. The signs should state that

any offender will be required to leave the property. “Applicable local statutes also should be specified on the signs as required by law,” Gordon points out.

Your security force must enforce these rules and regulations consistently and uniformly to avoid discrimination and other complaints. Problems can arise if a security force is too heavy-handed, notes Gordon.

“Often, customers who feel they have been mistreated will contact tenants they patronize at the mall and complain,” says Gordon. “It may cause a tenant whose customers have been discouraged from shopping to think twice when it comes time to renew its lease,” he warns.

In cases where it’s appropriate to deal more aggressively with policy offenders, it’s prudent to coordinate efforts with local police who are familiar with local laws and can monitor and document the situations that arise, Gordon recommends. Mall security also has this capability, but, given the legal implications and risks involved, local police are much better equipped to handle confrontations.

Additionally, security camera footage is an important tool that mall managers should rely on when defending against excessive force claims. Cameras are not only an effective crime deterrent, but also are being used increasingly in courtrooms to disprove fraudulent liability claims.

### Insider Source

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## RECENT COURT RULINGS

### ► Lease's Non-Compete Covenant Didn't Apply to Prior Tenants

**Facts:** A tenant and owner signed a lease extension for shopping center restaurant space that the tenant had been renting to run its pizza parlor. The extended lease term was from June 1, 2010, to May 31, 2026. The lease extension provided a restrictive non-competes covenant: "Owner shall not rent [certain specified nearby premises] to any tenant who offers for sale the same type of food sold by Tenant and if a tenant occupying one of these premises commences the sale of prohibited foodstuffs, Owner shall take steps necessary to have the tenant cease and desist from those sales."

The tenant later sued the owner and the property manager of the center, claiming that another tenant occupying an area of the center that was specified in the lease extension was selling pizza. The owner and the property manager asked the court for a judgment in their favor without a trial, arguing that their right to allow the competing tenant to sell food similar to the tenant's *preexisted* the tenant's lease extension. The court ruled in the owner's and property manager's favor, and the tenant appealed.

**Decision:** The appeals court upheld the lower court's judgment in favor of the owner and the property manager.

**Reasoning:** The owner and the property manager claimed that the restrictive covenant in the lease extension could not be enforced against a "prior tenant," such as the competing tenant, which had rented space for several years before the lease extension was negotiated.

The court stated that the restrictive non-competes covenant in the lease extension could not be enforced against a competing tenant whose lease *predated* the covenant's execution in June 2010—absent evidence that the competing tenant's lease was falsely dated, or that the competing tenant, before it had entered into its lease several years before, had notice of the owner's intention to enter into a restrictive non-competes covenant later with another tenant.

The tenant alleged that the competing tenant was a "subsequent lessee" that signed its lease with "full knowledge" of the restrictive covenant. However, it couldn't produce any evidence proving that the competing tenant had any idea that, when it originally signed its lease, the owner intended to sign future leases containing restrictive non-competes covenants that would apply to tenants with preexisting leases, such as itself.

■ Fratelli's Pizza and Restaurant Corp. v. Kayzee Realty Corp., et al., June 2010

## NEW LAW

### DOJ Unit to Crack Down on Organized Retail Crime

The introduction of new legislation that would establish a Department of Justice (DOJ) unit devoted to investigating and prosecuting organized retail crime (ORC) is being applauded by the National Retail Federation (NRF). The world's largest retail trade association said that the bill is one of the keys to protecting both retailers and consumers against the massive economic costs and very real public health and safety risks posed by these crimes.

ORC rings typically target everyday consumer products that are in high demand and easy to steal, such as infant formula, razor blades, batteries, analgesics, cosmetics, and gift cards. More expensive products such as DVDs, CDs, video games, designer clothing, and electronics are also highly prized. Once stolen, the goods are resold at pawn shops, flea markets, and swap meets, and on the Internet. The thefts force retailers to increase prices to cover the losses, and threaten public health when

crime rings tamper with items such as infant formula or medication by extending expiration dates or repackaging and relabeling the items. Retailers lose between \$15 and \$30 billion to ORC each year, according to the FBI and retail loss prevention experts.

"Creating a dedicated team of investigators and prosecutors at the highest level of our nation's law enforcement structure is a good first step in putting orga-

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## **New Law** (continued from p. 5)

nized retail crime perpetrators behind bars,” NRF Senior Asset Protection Advisor Joe LaRocca said. NRF’s global membership includes retailers of all sizes, formats, and channels of distribution, as well as chain restaurants and industry partners from the United States and more than 45 countries abroad. In the United States, NRF represents more than 1.6 million American companies that employ nearly 25 million workers and generated \$2.3 trillion in sales in 2009.

The NRF, which is considered by many to be the voice of the retail industry worldwide, said that, coupled with existing programs at the local, state, and federal levels, H.R. 5932, the Organized Retail Theft Investigation and Prosecution Act of 2010, would lower the percentage—currently 89 percent—of retailers that reported being victims of organized retail crime in the past year. The bill was introduced by Representative Bobby Scott, D-Va., chairman of the House Judiciary Committee’s Subcommittee on Crime, Terrorism and Homeland Security, and was assigned to

the Judiciary Committee, where Chairman John Conyers, D-Mich., Ranking Member Lamar Smith, R-Texas, and committee member Bob Goodlatte, R-Va., are all cosponsors.

The measure would create an Organized Retail Theft Investigation and Prosecution Unit in the DOJ staffed with investigators, prosecutors, and other personnel. The unit would investigate and prosecute instances of ORC over which the DOJ has jurisdiction, assisting state and local law enforcement agencies with ORC cases and advising victims.

Under the bill, “organized retail theft” would be defined as obtaining retail merchandise by illegal means for the purpose of reselling or otherwise placing the merchandise back into the stream of commerce, aiding or abetting the commission of such acts, or conspiring to commit such acts.

The bill would also require the United States Attorney General to submit to the Judiciary Committee a report containing recommendations on how retailers, online businesses, and law enforcement agencies can help prevent and

combat organized retail crime. The report would be posted on the DOJ Web site. And the bill would authorize \$5 million per year for fiscal years 2011 through 2015 to fund the new program.

The legislation is the fifth bill on ORC to be introduced in the current session of Congress, reflecting lawmakers’ belief that ORC and online e-fencing of stolen retail merchandise are serious issues deserving of a federal law enforcement solution due to their multi-jurisdictional nature and overall impact on interstate commerce.

The bill is the second from Representative Scott, who introduced the E-Fencing Enforcement Act last year to require online auction operators to retain information about high-volume sellers and provide the information to retailers once a police report is filed. Also pending are measures sponsored by Senate Majority Whip Richard Durbin, D-Ill., Representative Brad Ellsworth, D-Ind., and Smith that would define ORC, make it a federal crime for the first time, and require tougher sentences for convicted offenders.

## **Specialty Leasing** (continued from p. 1)

period of time. Specialty pop-up shops are not ideal for *every* retail property. Take these steps when deciding whether specialty pop-up shops are a good match for your mall this season.

### **Step #1: Evaluate Lease Obligations**

Regardless of the name brand of a prospective pop-up tenant, you must consider how renting to it

will affect your lease obligations to existing tenants. For example, will it violate a cotenancy clause? Or will the pop-up shop’s logo violate the signage provisions in other leases at the mall? Although the themes of specialty pop-up shops, such as the Glee pop-ups, might draw more customers, renting space to them requires extra consideration.

“While the name brand is always an important factor in determining whom to rent space to, it’s also important for a property manager to look at each situation at hand,” advises Christina Norsig, chief executive officer of PopUpInsider, an online resource for finding and leasing temporary space.

“While FAO Schwarz has been an iconic toy store, if the plan is



too convoluted or the property manager feels that the building will not get the right attention from its pop-up shop, maybe it's best to pass. But each pop-up should be evaluated on its own merit," stresses Norsig, a retail, technical, and marketing expert who has opened many pop-up stores in vacant retail space during past holiday seasons.

These types of pop-ups tend to generate more foot traffic and sales than pop-ups that are *not* branded, iconic, or an "express" version of an old favorite. "Having the name—the brand—will always draw more foot traffic than, for example, an average seasonal retail store," notes Norsig. "The Borders Express concept, in my opinion, also has an opportunity to generate more foot traffic based on the fact that their assortments are very specific to holiday gift giving—such as e-readers and children's holiday books," she adds.

There's a good chance that name-brand pop-ups will pay more per square foot in your mall, Norsig points out. However, you should have guidelines for these tenants. All pop-up tenants should be required to have insurance. Also consider conducting inspections during the temporary lease duration.

### Step #2: Consider Signage Issues

These three types of pop-up shops sometimes require extensive displays and signage that are difficult to dismantle. For example, the Glee pop-ups are using multidimensional photo mural backdrops in their spaces to recreate the fictional high school where the show

takes place. And FAO pop-ups will have vivid displays of iconic toys and large holiday signage that basic retail pop-ups wouldn't require. You may be wondering whose—the pop-up tenant's or your staff's—responsibility it is to install and then remove displays and signage.

"The pop-up tenant should handle the cost and the labor, but smart property managers will be sure to be included on the layout and construction plans," says Norsig. "After all, the property manager knows the property and the specific area better than the retailers," she notes. The guidelines for pop-up shops with special or more extensive displays than typical pop-ups will vary depending on your location as well as your personal or individual rules pertaining to merchandising and signage for the property.

You can ensure that the pop-up tenant will do an adequate job by working with its staff to guarantee that everything is being handled properly. Additionally, you can increase your reputation as a pop-up friendly property manager by helping—or offering to help—the pop-up tenant set up shop. "However, it would not be out of line to consider asking for a security deposit depending on the duration of the lease," advises Norsig.

### Step #3: Prepare for Management Challenges

Specialty pop-ups can increase sales for permanent tenants that sell similar items year-round, after they are gone. And with added foot traffic generated by these pop-up shops, there's a better chance that customers will stumble into

the surrounding businesses and return again in the future, despite the closing of the pop-up shops.

However, because—unlike permanent retail stores—there's more of a sense of urgency for setting up cable, Internet, and phone services before the store opens, pop-up shops require a much more hands-on approach to property management. Construction also happens at a much quicker pace. And, as noted, specialty pop-ups' displays and signage can create even more work for you. Know that, to reap the rewards of renting to specialty pop-up tenants this holiday season, you'll have to get intimately involved in the set-up process. For advice on pop-up tenant management strategies, read "Use Four-Part Strategy to Manage Pop-Up Tenants," *Insider*, May 2010, p. 1, and available on our Web site at [www.commercialpropertyinsider.net](http://www.commercialpropertyinsider.net).

If specialty pop-up shops are appropriate for your retail property, they can strengthen the overall health of the business community in that neighborhood. *And* you can use their brand names to draw attention to and showcase the soon-to-be-vacant space for future pop-ups that could rent the spaces after the holiday shopping season is over.

#### Insider Source

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