



## Best Practices Series

# Real Estate Enterprise Risk Management



Real estate organizations are faced with a significant number of risk issues during these difficult economic times. Successful firms are employing a cohesive Enterprise Risk Management team and infrastructure to address the strategic, financial, operational, and hazard risks that they face.

### Recent Findings

We are preparing our clients for a tsunami of commercial debt refinancing coming due between now and 2013.

There will be over \$1.6 Trillion of debt that will mature during this time, according to Goldman Sachs Research. Fortunately, most of our clients are carrying debt loads of between 50-60%, which is considered optimal in these times.

Other areas of risk exposure such as diminished property values and higher levels of delinquency and vacancy,

tend to put tremendous pressure on shareholder returns. Those firms who are addressing these key factors are significantly outperforming the market averages noted in the most recent Dow Jones Index.



### Key Solutions

Evidence has shown that there are five key factors real estate organizations should be focused on in 2009 and 2010.

- Continuous risk profiling to minimize risks and maximize business opportunities.
- Debt loads and maturities should be carefully reviewed and matched on a property by property basis to be certain they are optimal.

- Occupancy needs to be managed on a tenant by tenant basis to be sure that the best short and long term conditions exist.
- “Zero Tolerance” for operational and hazard risks, which tend to put pressure on every aspect of the organization and shareholder value if they are ignored.
- Service quality and employee retention needs to be carefully managed to ensure excellence and core values.

While federal programs like Term Asset-Backed Securities Loan Facility (TALF) may help some large owners, the vast majority of firms need to focus on all aspects of their income statements and asset valuations to succeed and grow in the next few years.

### About Blackburn Group

**Blackburn Group is an enterprise risk management professional service firm specializing in a variety of industries including real estate. Our partners have over 30 years experience delivering advanced product and service solutions for the risk and real estate industries.**