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The Day May Be Cloudy, But Seize It Anyway

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As if the nation's housing sector weren't under enough strain, along come the Freddie and Fannie woes. If you're a public relations representative for a residential REIT, the temptation these days may be overwhelming to just stay in bed with a large supply of stomach acid inhibitors. But our better public relations instincts tell us that is exactly the wrong thing to do, and for corroboration, we've turned to investor relations' guru Andy Edson.

His firm, Andrew Edson & Associates, has counseled many of the nation's leading public companies on how to find good investor relations opportunities even under the most difficult circumstances. And, we're happy to add, his firm is LVM Group's strategic partner for investor relations.

In the following Q&A, Edson provides his take on investor relations for residential real estate investment trusts in the current scenario:

So how bad is it out there for REIT's, Andy?

Not as bad as some might think. Although we won't be seeing any residential REIT's going public for a while, or making secondary offerings, some of the stronger REIT's are cautiously examining new acquisitions, at least in markets where job growth is holding up.

Does that include New York?

No. With Wall Street under fire, this city is neither a center of job growth nor a target for residential REIT expansion—at least, not at the moment. But because New York has unique worldwide appeal and the weakness of the dollar makes our real estate seem like a bargain from a foreign perspective, Europeans, Asians, and Middle Easterners are investing here. Therefore, property values are holding for now and there are no great deals to be snapped up.

Since this is no time to tap public markets and few deals are being done, is there any point to proactively reaching out to investors?

Yes, absolutely. One of the worst mistakes any public company can make (not just REIT's) is to let itself become invisible during a weak market environment. This is especially the case with respect to individual investors, who tend to have mid-to-long-range investment horizons and will hold a stock, or even buy more, through the down part of a cycle. What they won't tolerate is not hearing from their company beyond the required quarterly reports. They need assurance that the reasons they invested in the first place are still valid. Corporate leaders must keep telling their story, in weak or strong markets.

How do they do that when times aren't good?

In terms of positive visibility, there are certain advantages to be had when times aren't good. The competition for center stage is much weaker and it becomes easier for a company to stand out, and for its CEO to gain attention as an industry thought leader. Let the competition remain quiet if it wants to—you should seize the opportunity to carve out a stronger identity. It's not just deals that impress analysts and lead to media coverage—it's new ideas, informed opinion, and a willingness to be accessible.

What are some of the tactics you recommend?

Stay in front of the analyst community—do the road shows, meet with the press, speak at industry conferences. Consider media training. That can be very helpful, because in addition to eliminating off-putting mannerisms, it also shows you how to stay on message during analyst meetings and press interviews, regardless of how the questions are stated. The essential point here is to maintain positive visibility, in good times and bad.

Anything you'd like to add?

Yes. Many senior executives instinctively want to withdraw from the public eye when hey think there is nothing good to talk about. I've already explained why that results in poor investor relations. But overcoming those instincts can pose a big challenge. For many, it requires a major change in mindset. It means abandoning defensive posture, acknowledging weaknesses and not trying to dress up bad news as good news—a tactic that never fools anyone and engenders suspicion down the road when you really do have good news. My advice is to make the effort to meet this challenge, and it should pay fat dividends no matter what the market environment may be.

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