



Avoid the **top 5 mistakes** in commercial property management





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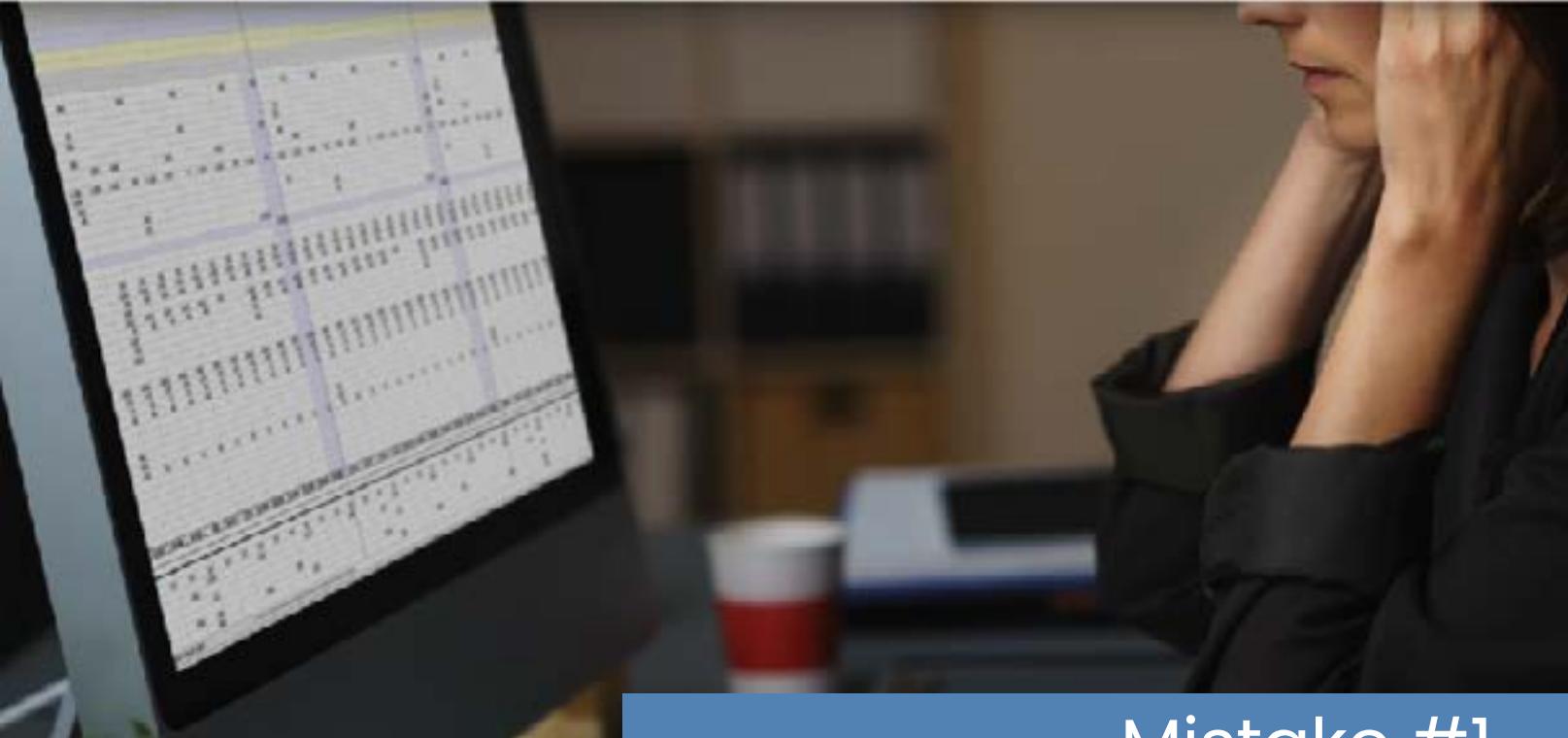


Managing commercial properties is a tough job.

Keeping track of all the leases, paperwork, and expenses can challenge even the most hyper-organized property manager.

If you're like most real estate professionals, you have spreadsheet files to update manually each month, you're transferring data from one system to another, you have documents in paper files, you have important facts you've just memorized in your head (or you think you have memorized)... all of this is dangerous!

In this guide, we highlight the top mistakes commercial property managers make. We know because we've made these mistakes and learned how to do better.



Mistake #1

Not staying on top of Common Area Maintenance (CAM)



As the property owner of a commercial building, Mark had to deal with CAM reconciliation every year—which he generally didn't get to until March or April.

One year, a tenant disputed the charges, claiming that some expenses were not related to common area maintenance. Mark spent hours reviewing lease agreements and invoices, and even had to involve a lawyer to resolve the dispute. This experience made him realize how challenging CAM reconciliation is but even more he realized the risk and cost associated when it is not handled correctly.

What created this dispute were two things: Poor bookkeeping and a lack of a system.

CAM is one of the top headaches for commercial property managers. Just so we're clear on the definition of CAM, here's an example. Say you own a shopping center with multiple storefronts, your tenants pay two things every month: base rent, and something called additional rent (which is comprised of CAM, insurance and real estate taxes). The additional rent is really a pro rata share of all of the expenses to operate the building for things like outside lighting, landscaping, etc.

The manager estimates the expenses for the year and then charges the tenants their portion used based on their square

footage. On January 1st, the manager needs to reconcile what has been estimated or budgeted to the actual expenses. If the manager overestimated expenses, the tenant is due a refund. Conversely, if the estimate was too low, the manager needs to collect from the tenant.

To complicate this even further, some tenants can have caps on what they will pay for CAM. Caps can be in the form of a percentage or dollar amount. This usually happens with big box retailers. Tracking all the actuals and caps can become a real nightmare for the property manager.

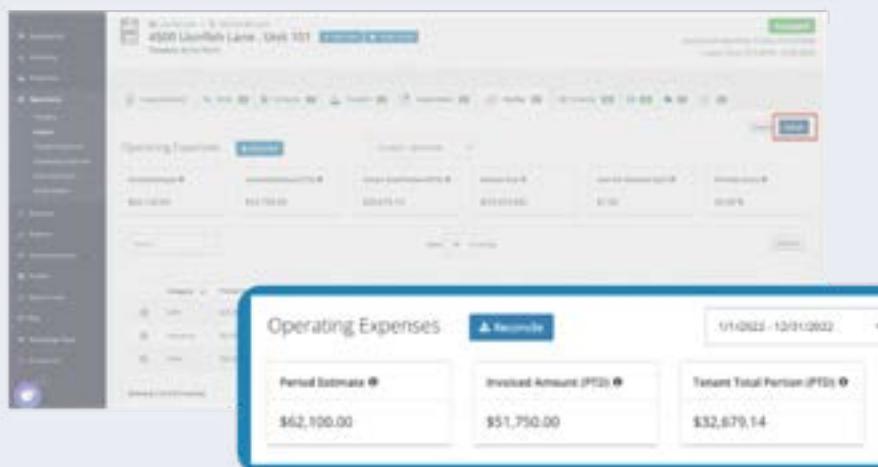
Areas to watch for:

- Make sure you are distinguishing between overhead expenses vs reimbursable expenses.
- Keeping all your expenses in one spot can be a huge help—preferably an accounting program like QuickBooks. You don't want to be stuck weeding through receipts or parsing through multiple spreadsheets for the reconciliation. There's too much room for error.
- Tenants can ask you for a backup report to verify they are being charged the right amount. Make sure you've got this info at your fingertips.



How STRATAFOLIO can help

STRATAFOLIO makes CAM reconciliation easy—no extra spreadsheets or complicated calculations required.



Do CAM reconciliation with just a click. You'll see budgeted, invoiced, and actual expenses for each tenant instantly.

You simply set your budget for your tenants at the beginning of the period. Then enter CAM expenses as they come in into QuickBooks, STRATAFOLIO pulls the data from QuickBooks and does the hard work of allocating and pro-rating expenses to tenants based on square footage or any other parameters you set.

At any point during the year, you can instantly compare the budgeted amount to the actuals. Plus, you can:

- **Quickly produce** your CAM report with just one click

- **Generate** a professional report that is customizable and ready on demand
- **Reduce** your risk and potential litigation
- **Feel confident** you aren't carrying extra expenses and avoid surprising tenants with a mid-year large catch-up invoice
- **Automatically manage** expense caps and other specifics for unique leases. STRATAFOLIO takes a process that is extremely manual, time-consuming and frustrating—and makes CAM reconciliation simple.

Want to learn more?

[See it in action](#)



[Read a case study](#)



[Request a demo](#)

or call 319-214-3092



Mistake #2

The average company **loses \$21,000 alone** per year from missed lease escalations

Missing lease escalations

Keeping track of lease escalations is a headache. Built into most leases is an annual rent increase for the tenant—aka a lease escalation or sometimes referred to as a lease bump. Sounds simple. Just remember to increase the rent each year. But if you've got multiple tenants and their leases renew on different dates, there's a good chance that something will slip through the cracks.



9 out of 10 companies are missing lease escalations

and embarrassing, because it also means as the owner you don't have good control over your processes. Not only does it mean missed revenue, but you also wouldn't want your lender or investors to catch wind of that either.

What happens if you miss a lease escalation? We've seen a number

of scenarios. Say it's April and you missed a bump in the rent that should have gone into effect on January 1. You can try to collect the back rent. Or you can say pay the increase going forward for the rest of the year. Or if a lease stipulates you can only increase rent once a year and you missed it, you might be out the additional rent for the entire year! Or you might have to battle it out with lawyers.

None of these scenarios are good news and end up sapping you of time. If you've missed escalations and go to sell the property, you pass along the problem to the new owner who has to reconcile the issue.

In any case, your tenant needs to be alerted that there is a change in what they owe and that they should be expected to pay that.



How STRATAFOLIO can help

No more missed lease escalations

Lease Rates			+ Add a Lease Rate
<input type="text" value="Search"/>			
	Lease Rate Start Date	Lease Rate End Date	Total Monthly Due
<input type="checkbox"/>	04/01/2019	03/31/2029	\$27,300.00
<input type="checkbox"/>	04/01/2020	12/31/2021	\$27,550.00
<input type="checkbox"/>	01/01/2022	12/31/2022	\$28,333.33
<input type="checkbox"/>	01/01/2023	12/31/2023	\$28,900.00

STRATAFOLIO keeps track and applies lease escalations for all of your tenants.

STRATAFOLIO keeps track of every lease escalation, so you don't have to. When you start with STRATAFOLIO, we examine your leases to find out when all the tenant escalations go into effect for the life of the lease. Whether it's a two year or 20-year lease, we've got you covered.

When you invoice tenants for the month, STRATAFOLIO pulls the correct lease rate for that particular month and year and tells QuickBooks what to charge on the invoice.

No need to keep track of escalations in a spreadsheet,

rely on calendar reminders, or update memorized transactions in QuickBooks! Even better, you can easily invoice across all your QuickBooks files with just one click.

Want to see when lease escalations go into effect, but don't want to weed through stacks of paper? No problem. All the data is in STRATAFOLIO and right at your fingertips in one solution.

STRATAFOLIO solves the problem of missed lease escalations!

Want to learn more?



See it in action



Read a case study



Request a demo

or call 319-214-3092



Mistake #3

Not Invoicing every month

Surprisingly, many landlords don't send invoices to tenants every month. If you're not invoicing, it's really hard to figure out who hasn't actually paid or if they haven't paid the right amount.

Many landlords just rely on tenants to pay their rent on time. But without an invoice or sales receipt, the landlord has nothing to refer to, no real traceability of payments, and would struggle to figure out if someone had not paid.

This gets even trickier when lease escalations come up in the second year. If you're not able to track who's paying you in the first place, how would you know if they owed you more?

Some landlords rely on spreadsheets to track tenant payments, but this can be problematic because you have to create an invoice, send it, manually track it and update the spreadsheet when you get paid. The spreadsheet method only works if you're extremely diligent in staying on top of payments and entering details.

When you're dealing with rents from \$3,000 up to \$100,000 a month, not invoicing and tracking payments can cost you serious money.

Most accounting programs, like QuickBooks, offer invoice creation and accounts payable tracking. Getting started with accounting software can help prevent the headaches of tracking down payments and give you a clear picture of your revenue and expenses. However, you'll still need to keep your eye on lease escalations and update your accounting program when they go into effect.

“Invoicing is the easiest way to track tenant payments, avoid losses and communicate your financials with your stakeholders.



“

With STRATAFOLIO, I get the best of both worlds: good accounting and good asset and property management. I could not be happier!

-Owner



Mistake #4



How STRATAFOLIO can help

Go beyond simple invoices with STRATAFOLIO

STRATAFOLIO works in conjunction with QuickBooks to give you the ultimate billing solution. When it's time to bill, STRATAFOLIO tells QuickBooks to create an invoice and sends over the most up-to-date lease rate (including adjustments from lease escalations) and estimated CAM expense. QuickBooks applies any required sales tax and feeds the finished invoice including the invoice number to STRATAFOLIO.

Now you're ready to send all your invoices to all your customers with just a click. We do this for every tenant, every month, with zero manual manipulation.

You now have invoices with complete traceability and can easily see who has paid and who owes you money.

Forgetting to track Certificates of Insurance

Why should you care? If your tenant's insurance lapses and they don't renew their insurance, you are on the hook if there's a natural disaster, building damage or a slip and fall in the store. This can be a costly mistake if you're holding the bag for damages that should have been covered by the tenant's insurance.

Want to learn more?



When a tenant signs a lease for a space, they are usually required to purchase certain insurances to insure the contents and space of that building. And there can be different requirements based on the type of business. For example, if it was a restaurant the tenant might be required to have some additional liability. It really depends on the type of space being rented.

As the building owner or property manager, it's up to you to track all the certificates of insurance (COI) and keep them current when the tenant's policies renew.

“ A certificate of insurance is a document from the insurance provider that outlines all the policies the tenant has in place.

Most owners have great intentions of tracking the COI's and keeping them up to date. The owner usually enters the information into a spreadsheet once and then it becomes the very last thing they ever do.

Why is that? It becomes a never-ending game of email and phone tag. The owner contacts the tenant for updated certificates. Maybe the contact person has moved on or the contact has to reach out to the insurance company to get the COI. It just becomes a long, rambling activity that never gets done ... and then gets forgotten.



How STRATAFOLIO can help

How to track COI easily

Minimum Aggregate Limit	Policy Status	Requirement Status
\$2,000,000	Active	Unsatisfied
\$2,000,000	Active	Satisfied
\$2,000,000	Active	Satisfied
\$2,000,000	Expired	Unsatisfied

STRATAFOLIO tells you when COI's expire and if the policy satisfies the lease requirements.

With STRATAFOLIO, we take into account what the lease requires contractually from an insurance perspective and then we attach the information directly to the tenant record.

One month before the insurance expires, we email the tenant, the landlord and the insurance broker about the renewal. Reminders are sent again 7 days before renewal, as well as 3 days and 7 days after a COI expiration.

The tenant can upload a new COI directly into STRATAFOLIO. Once the COI is in our portal, our system scans the COI and gathers limits and dates to make sure

the insurance complies with the lease. If they do not comply, you'll get alerts.

This is all done automatically. There is nothing you have to initiate. We've done the work for you.

At any time, you can access the Tenant Insurance view and see every tenant and the status of each insurance requirement and policy. Plus this information can be quickly shared with investors, lenders or insurance providers.

STRATAFOLIO takes a time-consuming, tedious job and makes it effortless.

Want to learn more?



See how it in action



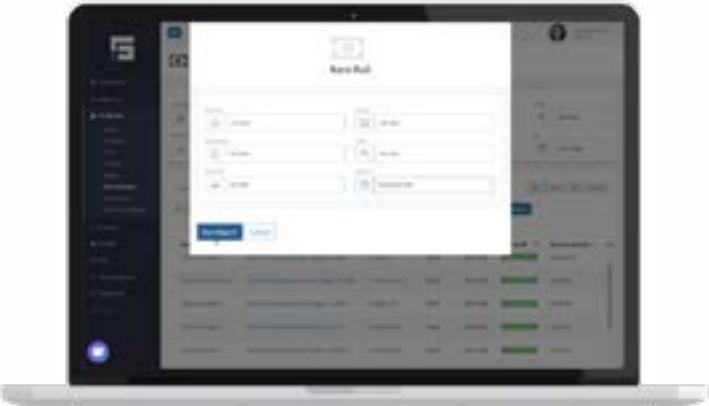
Request a demo

or call 319-214-3092



Mistake #5

Creating an inaccurate rent roll



Giving a lender an inaccurate rent roll or taking too long to provide a rent roll, can kill a lender's confidence in your business.

Your lender and investors will inevitably ask you for a rent roll. In fact, it's not uncommon for lenders to require a rent roll every quarter or at the very least, every year. The purpose of the rent roll is to understand what you are supposed to collect in rent or CAM and the length of the leases.

This is a vital document to running your business well. If you send your lender something that is incomplete or inaccurate, it just creates risk in that mind of your lender and gives the impression you do not know what you're doing.

An inaccurate rent roll means you're probably either going to struggle at the renewal time for that loan, or you'll be denied. Being able to quickly produce an accurate rent roll is vital to your success.

Are you using spreadsheets for your rent roll? It's tough to stay on top of it because your business is dynamic. Not everybody starts their lease in January and that's what makes it messy. Every time you pull that rent roll you have to update every field with renewals, escalations, etc.

“ A rent roll helps lenders determine how successful or profitable the property is.

Imagine you have 3, 5, 10 or even 50 year leases and then figure in escalations for every year or every other year and CAM charges that are different from year to year. There are a lot of moving parts.

Lenders aren't the only people who demand a rent roll, investors want the information too. Most owners bring in outside capital to grow their portfolio. Those investors need to feel confident that you have a handle on the business before they invest in a new property.





How STRATAFOLIO can help

Rent rolls with a click

Producing a rent roll takes seconds with STRATAFOLIO. The software already knows each of the lease terms, monthly rent, escalations and CAM expenses so compiling this report takes a click or two.

STRATAFOLIO introduces even more intelligence into this report. We can show you the vacancy and the occupancy rate per per unit count or per square footage. For example, if you have two units in a building, one unit is 90,000

square feet and occupied, while the other unit is 10,000 square feet and vacant. With the unit count metric, the report will show 50/50 occupancy, but our square footage would show 90% occupied. This is key for giving lenders and investors insight into the health of the business.

At anytime, you can email this report to a lender or investor. You can even give investors view only access to see this report on demand.

Generated: 6/9/2023 at 3:27 PM
Generated By: Administrator
Asset Name: Bluebird Road
Building Address: 5200 Bluebird Road
Building Type: Mixed-Use

STRATAFOLIO Demo Company - Bird Real Estate, LLC
Commercial Rent Roll
Report Date From 6/1/2023 to 6/30/2023

1 of 9

Tenant and Unit Information		Lease Terms		Base Rent		Additional Charges		Rent Increases		Taxes		Insurance		Common Area Maintenance (CAM)		Gross Income							
Tenants	Unit #	Rentable Sq Ft (RSF)	Lease Type	Lease Start Date	Lease End Date	Monthly Base Rent	Annual Base Rent	Base Rent (Per RSF)	Monthly Additional Charges	Annual Additional Charges	Base Rent Increase Date	Base Rent Increase Amount	Monthly Taxes Exp Inc	Annual Taxes Exp Inc (Per RSF)	Monthly CAM Exp Inc	Annual CAM Exp Inc (Per RSF)	Total Monthly Due	Total Annual Due	Total Annual Due (Per RSF)				
Family Dentist	100	6,500	NNN	7/1/2018	8/31/2024	\$7,144.58	\$85,735	\$13.19	\$287.42	\$3,449	90.53	7/1/2022	\$7,144.58	\$9,619.78	\$3,630.00	\$6.70	\$560.00	\$1,02	\$1,133.65	\$2,09	\$12,745.65	\$152,948	\$23.53
Luis Shah	201	1,500	Gross	8/1/2020	7/31/2023	\$1,825.00	\$21,900	\$14.60	\$0.00	\$0.00	0.00	8/1/2021	\$1,825.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,825.00	\$21,900	\$14.60
Vacant	202	1,500																					
Betty Decker	2,000	NNN	NNN	2/1/2020	1/31/2024	\$1,650.00	\$19,800	\$9.00	\$0.00	\$0.00	0.00	2/1/2023	\$1,650.00	\$0.00	\$0.00	\$0.00	\$333.33	\$2.00	\$1,083.33	\$23,800	\$11.90		
Total:	4	11,500				\$10,619.58	\$127,435	\$11.08	\$287.42	\$3,449	\$0.30		\$3,630.00	\$3.79	\$560.00	\$0.67	\$1,466.98	\$1.53	\$16,553.98	\$198,648	\$17.27		

Status **Unit** **Rate Based on Unit Count** **Rentable Sq Ft** **Rate Based on Sq Ft**

Occupied	3	75.00 %	10,000	86.96 %
Vacant	1	25.00 %	1,500	13.04 %

Easily create a rent roll and email a detailed report to lenders or investors any time.

Want to learn more?

See it in action



Read a case study



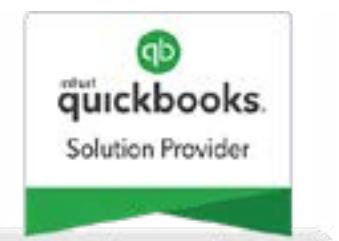
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About STRATAFOLIO

STRATAFOLIO can help you avoid the top 5 mistakes commercial property managers make and so much more. We're an online software solution designed specifically for people who own or manage commercial real estate and want to streamline their operations to save time, increase profits, and reduce manual work.



We can help in four major areas



Finance

See your entire real estate portfolio finances, spot trends in your data, 1-click sharing of information for personal financial statements, and more!



Operations

Never miss lease escalations. We automate your ACH payments, rent roll, work orders, maintenance requests, CAM reconciliation, and more!



Assets

Drill down from your organization's top-level to a single unit. Aggregate your total asset values, buildings, rentable Sq Ft, units, and more!



Investors

Give your investors login access to track their cash-on-cash return, income, expenses, and more! Email reports in seconds to build confidence.

Ready
to learn more?



Watch our product overview



Schedule a personalized demo



or call 319-214-3092