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CENTERS

BUSINESS

MANAGEMENT



7 Ways Professional Property Management

Saves You... Time & Money
and Enhances the Value of Your
Shopping Center

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Introduction

You're Shopping Center – in Peak Condition – is a Veritable GOLDMINE!



This probably isn't news to you, but your retail shopping center is potentially an incredibly valuable asset. If your property is on a NNN Lease (which it should be), your tenants pay you monthly rent – and pay your property expenses. Definitely an enviable position.

But there's a catch (there's always a catch, right?). This value is only "potential." Your property's "true" value hinges on a several key

factors. To qualify as a genuinely valuable asset, your shopping center must be:

- Fully leased, with thriving tenants who consistently pay rent and CAM on time
- Well kept, in good physical condition, with no deferred maintenance or lingering repair issues
- Financially stable with mortgages payments, property taxes, utilities and vendor bills paid and fully up-to-date
- Leased on NNN Leases with tenant contributing pro rata share of on-site maintenance, insurance and property taxes

Ensuring the Financial Success of Your Retail Shopping Center is No Small Feat

The value conditions described above represent a lot of moving parts. It can be tough to keep everything on track and running smoothly. A myriad of problems can, and frequently do, arise.

From a pure investment standpoint, failure to meet any of these conditions can diminish the value of your asset (in some cases significantly). And from a day-to-day management perspective, issues in any of these areas can create HUGE headaches.

To preserve and increase the value of your investment, your shopping center must function like a well-oiled machine.

Maximizing Your Passive Income

The ideal investment generates Passive Income. Every would-be investor has the same dream. You invest in an asset, and tuck it in your back pocket. Then revisit it several years later and you discover it's worth a king's ransom.

Almost no one – even seasoned real estate investors – invests in an asset expecting it to be backbreaking work. And herein lays the dichotomy of Retail Shopping Center investments.

This type of asset has tremendous upside potential. It pays for itself, while paying you, and steadily appreciates in value. Eventually positioning you to sell it and make a huge score. Or leverage it and purchase more property, further expanding your empire.

But realizing a king's ransom with this type of investment is impossible without the right ingredients. It requires dedication, specialized expertise and practical knowledge. The type of expertise and knowledge a professional property management provides.

How Professional Property Management Adds Value to Your Shopping Center

A professional property management company, like Centers Business Management (CBM), will ensure your shopping center functions smoothly, which in turn enhances its value and maximizes your passive income.

Instead of wading through constant maintenance issues, grappling with tenants, fretting over bills, mortgages and property taxes, and generally tearing your hair out trying to keep a handle on your supposedly Passive Income Investment – a professional management company, like CBM, can take the burden off your shoulders.

Your property will be carefully managed by industry experts, deftly handling all of the aforementioned issue, treating your center as if it were their own asset. All while you sit back and reap the financial rewards.

Toward that end, the following report illustrates, in detail, how Professional Property Management can enhance the value of your shopping center, while reducing the personal burden of this type of investment.

1 Improve Onsite Maintenance & Reduce Vendor Expenses



Property maintenance is an ongoing issue that impacts your shopping center on several levels.

Physical Condition & Appearance

If your property is in poor condition – tired façade, riddled with cracks and peeling paint, cracked and dingy walkway, decaying parking lot with broken parking stops, chronic roof leaks – it seriously hurts its investment value.

Customers are turned off and don't patronize your center. Tenants don't have any business and aren't able to pay rent. This results in tenants either defaulting on their lease and vacating or relocating to a more well-kept property.

In turn, you're left with a financial burden, not an asset.

Liability

A property in poor condition – cracked pavement, decaying parking lot, etc. . . is a lawsuit waiting to happen. Trip and fall, car damage, and myriad other potential accidents and incidents loom on the horizon.

And not only does that equate to HUGE legal bills, a pending legal action makes your property virtually unsalable.

ADA Compliance

The laws surrounding ADA compliance have toned down quite a bit. And "Drive-By-Lawsuits" have largely diminished. But ADA compliance is still an enormous issue. And one for which you are legally liable.

Here again, a lawsuit is potentially very costly (legal bills plus the cost to modify your property in accordance with ADA laws). And pending legal action hurts the salable value of your property.

How Property Management Can Help

The maintenance of your property could be suffering for a variety of reasons. Some of which may be beyond your control.

- Perhaps you're self-managing, and overwhelmed by the task, you've simply fallen behind.
- Perhaps your tenants are behind on or just not paying CAM fees. And you can't afford to make up the difference.
- Perhaps your tenants are not on NNN leases. And you can't afford to cover maintenance costs.
- Perhaps you can't find affordable vendors to handle ongoing and long term maintenance.

Whatever the issue, a professional property manager can work wonders and literally transform your property.

Maintenance – A property manager will conduct a thorough review for your property's physical condition, maintenance records and vendor expenses. He or she will establish a budget, create a schedule and prioritize outstanding issues based on order of importance. Hazards and liability issues come first. Then cosmetics concerns. And finally long term projects (parking lot slurry, roof replacement, etc...).

Budget – If financing maintenance is an issue due to chronic late payment or non-payment of rent and CAM fees by one or more tenants, your property manager will work with tenants in question to address the problem. If tenants are unable to make full restitution and become current outright, your manager will arrange a supplemental payment program. And those funds can be funneled into maintenance projects, for both ongoing upkeep and long term ventures.

NNN Leases – If your tenants are not on NNN leases, your manager can approach them about converting. A professional retail property manager is well versed in negotiating NNN leases. They'll structure an agreement that works for the tenant and serves your interests. Capturing NNN fees greatly reduces your out of pocket property expenses and establishes a budget to fund maintenance.

Vendor expenses – If you're having difficulty finding affordable, qualified vendors, or having difficulty covering the costs of your current vendors, a property manager can help on both fronts. Seasoned property managers maintain sizable property portfolios. As such, your property manager is connected to vast a network of qualified vendors – qualified service professionals with whom they have long standing relationships. A manager can locate an affordable vendor to fill your particular needs. Or bid out services and projects to multiple providers, and replace your current vendor with a more affordable alternative.

2 Improve Tenant Relations (Ensuring On-Time Rental & CAM Payments, Tenant Cooperation & Retention)



If your tenants aren't paying rent or CAM fees on time, or even worse, aren't paying at all – you've got a problem. Usually one of two things happens: (1) you're scrambling to make up the difference to cover your monthly property expenses out of your own funds; or (2) you're falling behind on those payments.

Tenants will offer any number of excuses for failing to meet their obligations. But as a landlord you must always keep one important caveat in mind: You are running a business. Your shopping center is an asset that you invested in to make money. Tenants have a responsibility to pay rent and CAM fees – they signed a legal contract affirming their commitment. If they consistently fail to pay, you lose cash out-of-pocket. But even worse, your investment loses value.

Managing Difficult Tenants

Dealing with delinquent tenants, especially if property management isn't your area expertise, can be daunting. Tenants will attempt to play on your emotions and take any advantage possible. Tales of woe over family crisis, economic hardship or subtle (and not so subtle) threats of breaking their lease and leaving the property are all too common.

Ensuring On-Time Rental & CAM Payments with Third Party Intervention

A third party who can intervene on your behalf is the best approach to mitigating these situations. Tenants will attempt to lure you into a personal dialog that has nothing to do with running your business. Instead, a professional property manager can act on your behalf – using a firm hand when necessary and leniency when called for – and hold tenants to their obligation. This removes the emotional component of what should strictly be a business relationship. And relieves you of feeling guilty about being the “bad guy.”

Assessing Tenant Finances & Responding to Rent Reduction Requests

Tenants often claim they can't pay rent because of financial hardship. Or need a reduction because their

In either case, with a fairly basic financial review, a property manager can determine your tenant's financial position. If they're facing a legitimate problem, it'll be obvious. This knowledge empowers you to confidently deny tenants who are merely fishing.

And for tenants you consider valuable and want to retain, a manager can negotiate alternative arrangements. A temporary rent reduction or other limited time concessions are potential options. This may be all that's required to ease a tenant's burden and gets them back on track.

The point is: You're not caught in the fray. Here again, hearing out a tenant's emotional appeals and deciphering the reality of their financial situation has nothing to do with running your business. Don't fall victim to an emotional ploy. Let a property manager determine the reality of the situation and proceed accordingly.

Ensuring Tenant Cooperation & Retention

Setting and adhering to ground rules creates a natural rhythm and establishes trust. Tenants know what to expect. And fall in line accordingly. If they don't, they're not the kind of tenant you want.

Tenant cooperation isn't gained by constantly bending the rules. Accommodating a tenant who consistently fails to meet their obligations actually encourages bad behavior. The tenant knows they can get away with it. Instead of continually accommodating, call the tenant's bluff. If they leave – which is a big IF with HUGE legal ramifications for them and their business – good riddance. They've opened up a space for a better, more responsible tenant.

Here again, tenant retention isn't predicated on constantly making concessions. For good tenants – who pay on time and comply with the rules – you don't mind making an occasional concession. And those tenants are apt to stay. This is because in exchange for their cooperation, you make allowances when they have a genuine need.

Running Your Property Like a Business

It can, however, be difficult to face a tenant and call their bluff. It's certainly not a comfortable feeling. Especially true if the tenant's making a bold emotional appeal. But you must remind yourself: You are running a business.

That's where a property manager comes in. Instead of grappling with guilt over refusing a tenant's request, your property manager acts your behalf. And render a decision that's in your business's best interest.

3 Recapture More NNN Expenses (Reducing Your Out-of-Pocket Expenses)



NNN shopping centers are such an attractive investment because tenants pay the vast majority of your property expenses. This, however, is a moot point if you're not taking full advantage of your NNN lease terms. And a surprising number of shopping center landlords are doing just that.

A crash Course in NNN Leases

In case you're not familiar with NNN (triple net) leases, here's a quick explanation:

A NNN lease is common form of commercial property lease, in which the lessee must pay a pro rata share of the property's NNN fees (generally referred to as CAM charges) in addition to rent.

The three Nets of an NNN lease are...

- Property Taxes
- Insurance
- Common Area Maintenance

The pro rata share is an individual tenant's portion of the total shopping center. For example: if a tenant's square footage is 20% of the overall shopping center's square footage, their pro rata share CAM charge is 20%.

NNN fees are charged in the form of monthly fee referred to as a CAM charge. This fee is charged in addition to monthly rent. CAM specifically refers to Common Are Maintenance. A portion of CAM fees are used to pay monthly maintenance. The remaining funds are impounded for property taxes, insurance and long term maintenance projects.

CAM fees are "reconciled," also known as Common Area Reconciliation, once or twice a year. In the reconciliation process, the property manager reviews the monthly charges relative to the tax bill, insurance costs and maintenance charges.

This review is to determine if there was a cost overrun or surplus. If there's an overrun, tenants are issued a supplemental bill. If there's a surplus, tenants are issued a credit toward future expenses.

Common Problems with Administering NNN Leases

1. Staying current with CAM charges

Many landlords, especially if they're self-managing, fail to keep up with CAM charges (the fee charged to cover NNN expenses). The basics of managing a retail shopping center – collecting rent, paying monthly bills, and dealing with tenants – can be overwhelming. Also managing CAM charges means collecting for monthly maintenance charges, in addition to impounds for taxes and insurance (all in separate amounts for each tenant, based on their pro rata share). This added layer can become too much to keep track of. As a result, landlords don't collect CAM charges (or don't collect enough). And wind up paying all (or at least a portion) of CAM charges out of pocket.

2. Charging tenants full CAM fees

CAM charges are one of the first charges for which tenants are apt to ask for a break. A residential lease rarely requires any additional payments beyond rent and utilities. As such CAM charges are foreign to most tenants and often seem an unfair burden. Landlords who buy-in to what may be false hardship pleas often agree to reduce CAM fees. In turn, they're forced to make up the difference out of pocket.

3. Charging tenants supplemental CAM fees

When properties are hit with unexpected expenses – an increased tax bill due to a special assessment, construction cost to replace a damaged roof or slurry and restripe a decaying parking lot – normal CAM impounds for maintenance may not completely cover the costs. Technically, according to the terms of an NNN lease, these charges should be passed along to the tenants. Here again, landlords are incredibly hesitant to pass a (potentially huge) bill along to tenants. And end up paying a large portion out of pocket.

Running Your Property Like a Business

What it really comes down to is running your property like a business. Your shopping center is an investment that's supposed to earn money. Tenants have entered into a legally binding agreement. And have an obligation to pay rent and CAM fees.

It's understandable, however, that many landlords are hesitant to saddle tenants with additional fees. This is especially true if tenants are objecting on the grounds of financial hardship or threatening to leave the property.

And that's where a professional property manager can help. They step in on your behalf and enforce the terms of the lease agreement: Collecting CAM fees accordingly.

Moreover, an experienced property manager who's knowledgeable about your tenants, can determine who can pay, how much, and when.

Brief Case Study

Let's say you have to replace the roof of your shopping center. The final bill is \$40,000. Technically, the entire bill (assuming your center is fully leased) is your tenant's responsibility.

Here's how a professional property manager knowledgeable about your tenants would proceed:

Tenant – A successful national real estate firm occupied 60% of the shopping center. Their pro rata share is \$24,000. They have thriving business and are heavily invested in their operation.

Recommendation – They can simply afford to pay. And should be expected to do so within 30 days of receiving appropriate notice.

Tenant – A hair salon, occupies 20% of the center. Their pro rata share is \$8,000. This tenant benefited from low rent and low CAM fees over a sustained period.

Recommendation – They're earning enough income, relative to their expenses, to pay. Maybe not all at once, but a payment plan can be arranged.

Tenant – The remaining tenant is a tailor. The owner is an aging gentleman whose business has steadily declined.

Recommendation – He likely cannot pay the remaining \$8,000, except possibly in small increments.

How Professional Property Management Can Help

As a landlord, you have every right to recapture the full measure of your NNN Expenses. As the scenario above illustrates, however, the situation is less than straightforward. But that doesn't mean you can't collect all, or at least a large portion, of the funds due to you under the terms of an NNN lease. And a professional property manager can make this happen.

A manager overseeing your property is extremely knowledgeable about your tenants. They know the ins-and-outs of their business, the benefits they've enjoyed and challenges they've endured. A manager likely has firm understanding of and their financial situation. And if they have any questions, they can determine the facts with a quick operating statement and income tax analysis. With a complete picture of the situation in hand, acting on your behalf, a manager will ensure your tenants are held responsible for the terms of their lease – making the necessary arrangements to collect every cent of CAM fees reasonably obtainable.

This guarantees the highest rate of CAM fee collection possible. It also rescues you from the stress of facing angry or emotional overwrought tenants to collect the funds. One more difficult and highly undesirable task removed from your already over loaded shoulders.

4 Create Accurate, Detailed & Legally Compliant Financial Records



Maintaining accurate and detailed accounting is a key facet of running your shopping center like a business. Not to mention an issue baring huge tax and legal implications.

Staying on Top of Accounts Payable and Receivable

Your shopping center has a monthly influx of bills...

- Utilities (separated by tenant and shared property wide)
- Vendor bills for regular maintenance and larger projects (to be separated and billed back by tenant for CAM charges)
- Mortgage payments
- Plus annual bills for insurance and property taxes

In addition, incoming rent and CAM payments must be accounted for and applied accordingly. Delinquent payments must be documented and followed up on. Shortfalls due to outstanding collection must be calculated and made up from outside funds. And there's also the question of whether or not assess late fees.

Accurate and Detailed Record Keeping

Since the "Great Recession," every municipal government – Federal, State & City – is strapped for cash. And they've got legions of agents sniffing out every whiff of potential tax revenue.

That means if you want to avoid an audit (and potentially HUGE fines), you've got to dot every "i" and cross every "t" in your accounting and record keeping. And not only must your records be accurate and detailed; they must also be maintained in a fashion compliant with IRS and municipal regulations.

Your accountant must prepare and submit annual income and expense documentation to the IRS. Thus all of your property's financial records must be compiled in an orderly, logical and legally compliant manner. No small feat to be sure.

How Can Property Management Help?

Needless to say, keeping up with accounts payable and receivable, not to mention maintaining accurate, detailed and legally compliant records is an overwhelming task. And a situation with potentially enormous financial consequences if not handled properly.

That's why property management company's (Like CBM) employ expert accounting teams and sophisticated accounting software to ensure your center's financials are always up-to-date.

Property management accounting services use specialized accounting software to prepare regular reports, including:

- Rent and CAM collections (plus CAM Reconciliation)
- Monthly reports (includes rent roll, income statement, general ledger and more)
- Accounts payable (utilities, vendor payments, insurance, taxes, mortgage payments)

Your monthly income and expense statements provide a detailed overview of your property's financial position. This allows your accountant to efficiently prepare necessary IRS documentation. An alternative – to digging through mounds of disorganized and potentially incomplete records – your accountant will definitely welcome.

So instead of spending untold hours of your precious time dealing with the whole accounting rigmarole, your property manager (and the accounting staff and sophisticated software backing them up) handles it for you. No managing bills. No chasing tenants. No delinquent or unpaid bills. No worrying about incomplete records. And no fear of the IRS or some other municipal entities trying to lower the boom on your operation.

5 Gain a Trusted Partner Who's Dedicated to Saving You Time, Money & Countless Headaches



All of the points outlined thus far in this report illustrate the HUGE amount of work involved in managing a shopping center. The report has also demonstrated how property management can help you ease this burden, and actually enhance the value of your property investment. These services, however, amount to the basics offered by most property management firms.

Personalized Care

CBM takes this a step further. CBM property managers are dedicated to treating the properties they manage as if they were their own. The goal of property managers employed by CBM is to become a landlord's trusted partner. A go-to resource that genuinely saves you time and money, in addition to alleviating the stress that can be associated with retail shopping center management. All in an effort to enhance the value of your shopping center property investment.

Property Maintenance Oversight

Nobody knows the ins-and-outs of retail shopping center property management better than a Property Manager. CBM property managers know all facets of property maintenance, including what to look for when inspecting your shopping center to keep it operating smoothly. Managers supervise sweeping, landscape care, garbage removal, steam cleaning, HVAC servicing, graffiti removal, roof maintenance, and other day-to-day maintenance issues. And when necessary, a manager will seek competitive bid among licensed, insured vendors to ensure you receive the best maintenance services at the best prices.

A manager will regularly report to you on your status properties. CBM property managers use CBM's Complete Shopping Center Maintenance Check List, which outlines the condition of your property in an easy-to-review format. The format offers per-item status reports on sidewalks, gutters, sprinklers, parking facilities, lighting, and more, and includes the manager's recommendations as to the relative priority of any maintenance issues.

Managing Options, Renewals & Assignments

Staying on top of lease renewals, assignments and options are a critical aspect of shopping center management. A property manager conducts regular rent studies to stay current on area lease rates, ensuring you achieve favorable terms in lease transactions. Tenant relation/lease administration services include:

- Lease term enforcement – face to face meetings
- Market Rent Review – Regular rent studies to stay current on area lease rates
- Maximize Income / Lower Expenses

Additional Services

- Administration of legal services: including assisting you and your attorneys with any action or lawsuit, i.e. UD's, Breach of Lease, ADA compliance, slip and falls, etc. . .
- Tenant insurance tracking
- Facilitating property tax reduction appeals

6 Gain Access to an Unparalleled Retail Shopping Center Development, Sales, Leasing and Property Management Knowledge-Base



Access to this type of knowledge-base isn't necessarily a benefit common to all property management companies. In fact, it's limited to a very select few. And it just so happens CBM (the author of this special report) can provide exactly this type of knowledge-base.

CBM's Long & Storied History in the Shopping Center Industry

CBM is a Southern California based Commercial Real Estate firm exclusively dedicated to Retail Shopping Center Property Management, Leasing and Investments.

In business since 1987, CBM was founded by the partners of a highly successful Southern California Retail Property Development firm. The leadership group behind CBM possesses a collective 80 years shopping center development, property management, leasing and sales experience.

During its lengthy tenure in the shopping center industry, CBM has served hundreds of landlords, managing and leasing thousands of retail properties. Despite the endless cycles of feast or famine in the real estate business, CBM has continued to grow and consistently increased revenue. CBM currently manages and leases 600+ shopping centers from Santa Barbara to San Diego.

The Answer to Every Shopping Center Industry Related Questions Right at Your Fingertips

What all of this means to you: You're plugged into to a MASSIVE KNOWLEDGE-BASE. Your property manager has seen every issue, problem or crisis that could possibly develop with you shopping center. And if they haven't, a member of CBM's property management, leasing and sales team has.

Whatever future concerns may arise – leasing, sales, construction, development projects and much more – your property manager has you covered.

7 Maximize Your Shopping Center Passive Income



Ask any seasoned investor, and they'll all tell you the same thing. The best investments earn PASSIVE income.

The Benefit of Buy & Hold Investments

If you're like most investors, your real focus is be on your actual business (whatever it happens to be). Or you're "busy" enjoying the fruits of your labor in retirement. Not sending gobs of time maintaining your investments (as though you've taking they're

another job).

That's why you buy Blue Chip stocks and bonds. The idea is to put them on the shelf and allow them to mature over time. They're a "Buy and Hold," long term investment.

Where do Shopping Center's Fall on the Investment Spectrum?

Your shopping center can also be Buy & Hold Investment – an annuity you keep in your back pocket, while steadily banking the profits.

How you ask? A fair question considering the tremendous amount of work that goes into managing a shopping center.

There is a solution that can help you strike a balance. That can take the management burden off your shoulders and maximize your shopping center's passive income potential: Professional Property Management.

Shopping Center Management: A Complex Undertaking

Managing a retail shopping center is an involved and complex process – managing multiple tenants, dealing with vendors, paying countless bills, staying on top mortgage payments, paying property taxes, insurance payments, and on and on...

When tasked with managing a shopping center, you're constantly pulled into the fray, forced to deal with a myriad of unforeseen problems, disputes and emergencies.

In this light, your shopping center appears to be the exact opposite of a passive investment. It can feel like, if not actually become, another job.

Turning Your Shopping Center into a Buy & Hold Investment

If you're managing your own shopping center, you're saddled with...

- Agonizing over day-to-day management – dealing with maintenance issues, tenant “emergencies” and the like
- Staying on top of maintenance – overseeing sweeping, trash removal, general upkeep and large scale projects
- Staying up-to-date with accounting – making sure rents are collected and applied accordingly, bills are paid and everything is properly recorded and documented
- Struggling to stay abreast of condition in your marketplace – monitoring rental rates, rising and falling area vacancies and legislation effecting retail use trends

Instead of agonizing over these difficult and time consuming tasks...

HIRE A PROFESSIONAL MANAGEMENT COMPANY

Harness the true Passive Income Earning Potential of your retail shopping center by employing a qualified professional to handle all of the issues described above (and a whole lot more) for you.

A reputable property management firm, employing seasoned property managers – like those employed by CBM – can eliminate the stress, worry and general workload, while enhancing the value of your property investment. Ultimately MAXIMIZING your property's Passive Income potential.

Find Out More About How CBM's Professional Property Management Can Benefit Your Retail Shopping Center



If any of the information in the preceding report has piqued your interest, or if you would like to speak with a CBM representative further about retail shopping center management for your property, please contact CBM President, Rick Rivera: 310.575.1517 Ext. 201 or rickr@cbm1.com.

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