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# ***NEWS RELEASE***

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## **Outsourcing Lease Administration Reduces the Cost of Portfolio Management By David Tesler and Gerald Porath Madison Commercial Real Estate Services**

LAKWOOD, N.J., Jan. XX, 2009 – It's happening everywhere. Whether you call it downsizing, cutting back, laying off or re-stating the business model, positions and departments are being reduced or eliminated to control costs. The challenge that every real estate owner and portfolio manager faces is deciding how to make the necessary cuts while maintaining or improving the quality of financial reporting to ensure a better bottom line.

More companies are outsourcing certain aspects of the management of their real estate portfolios to vendors that provide a comprehensive, cost-effective solution. Without any investment in software, they are able to have their properties managed by a single company that specializes in all aspects of lease review, audit and administration. This removes the entire burden of recruiting, training, supervising and maintaining a staff for portfolio management and frees up resources for the company to devote to its main business activity.

There are numerous advantages for outsourcing the lease review, audit and administration of a real estate portfolio. Companies realize an overall lower cost for these tasks while receiving a higher level of service due to the economies of scale of a dedicated, professional team managing their leases.

Property owners also obtain improved quality in the accuracy, reliability and consistency of their lease administration by allowing specialists to handle it. This leaves them free to focus on their core business and competencies.

When dealing with a reputable, professional third-party vendor for portfolio management, companies can know in advance their charges thus having tighter budget control. Services are provided per a legally-binding contract that identifies the exact items to be covered and the cost.

### **Seven Steps to Choosing the Right Company**

There are seven key factors to consider when choosing the right company to handle your lease administration requirements.

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*1. Who are the key people running the company?*

In checking out a lease administration vendor, speak to a few members of the management team. If you cannot identify any members of the management team from the website, chances are that it is either a small, part time venture or an offshore operation without any meaningful physical presence in the states.

*2. Are there any attorneys and accountants with solid real estate backgrounds on their staff?*

Remember, when you choose a company for your portfolio management, you want to know that the company is run by professionals who understand the legal and financial implications of the terms of the lease agreements. These are the people who may need to negotiate on your behalf to resolve any disputed items but still need to be being mindful of the landlord-tenant relationship.

*3. What are the monthly fees?*

Have the vendor furnish you with a written quote specifying the fee per month per location and what services are included. Avoid companies that quote an hourly fee as you can quickly run up a tab without obtaining the services needed.

*4. Can the reports be easily integrated into your accounting software?*

With the right company, you will be able to easily import their data to your accounting software. The more precisely you specify the format of the information you need, the easier it will be for the company to design the solution that is right for you including any special requirements you may have.

*5. What is their payment approval process?*

A professional lease administration company will take the time to explain how each request for payment is analyzed before authorizing or rejecting payment. In addition to the calculation of the correct rent payment, the CAM charges should be thoroughly examined and verified to avoid overpayments. Studies have shown that there are overcharges in utility bills in approximately 75% of the premises.

*6. How are critical dates handled?*

An essential element in portfolio management is staying on top of all critical dates for renewal and termination notices. Failing to act as per the terms of a lease can lead to expensive legal and financial consequences. An experienced lease management company will have a system in place so you will always be notified in advance for all obligations or options.

*7. What other services are available?*

If you are planning on acquiring additional property, be sure the lease administration company you select can also handle due diligence tasks that may be needed. All of your documents should be organized and available on line and electronically

bookmarked for easy reference. The people in your company who need to have access to the lease documents and related data should have secure online access to the information from anywhere in the world via the Internet.

If handled by a reputable, professional portfolio management company, outsourcing the administration of your real estate portfolio can provide the peace of mind that your real estate department is running efficiently and at a reduced cost.

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