



LANDLORDS YEAR-END RECONCILIATION STATEMENTS

A Source of Hidden Cash?

There might just be a treasure chest of cash and cost-cutting opportunities hidden in the year-end reconciliation statement from your landlord, but you won't find it unless you're willing to roll up your sleeves and dig. Many tenants pay these reconciliation charges without thinking twice. But, the savvy tenant thoroughly examines the statement, seeing it as an opportunity to improve his bottom line.

Commercial real estate leases often have provisions allowing landlords to seek reimbursements from tenants for their prorated share of operating costs. These charges are better known as common area maintenance charges, base year reimbursements, or capital expenditure amortization reimbursements.

As a tenant, you probably make estimated payments during the year and at the end of the year reconcile the difference between what you've already paid and the amount you actually owe.

But, before you write a check, review the charges carefully. You might come across a few surprises similar to this one:

"While reviewing reimbursement charges for a new client, we discovered that he paid two separate management fees to the landlord for his small property. The credit extended by the landlord for this single mistake cut our client's reimbursement costs by 25% last year – a significant cost reduction. But what really came as a surprise was when, upon further investigation, we informed him that his bottom line had suffered from that same duplication error every year for the past nine years."

A careful review of your statements can often reduce your reimbursement obligations, and in some cases it might put you instead of your landlord on the receiving end of reconciliation payments.

All reimbursements you're billed for should be authorized in your lease agreement. Authorized reimbursements typically include shared expenses like landscaping, maintenance, parking lot electricity, and minor repairs.

Some landlords might seek reimbursements for unauthorized expenses which you're not obligated to pay - like direct ownership costs, leasing commissions, improvements to specific spaces, and other expenses not related to common areas.





Even if you only find authorized charges on your statement, you should still make sure that you're not being asked to cover unreasonable expenses. For example, eight hours of snow removal is an authorized reimbursement, but it's unreasonable for you to pay it if the landlord didn't have checks and balances in place to ensure that eight hours were actually spent plowing snow. Landscaping expenses are also authorized, but they too can be unreasonable. You shouldn't have to shell out the money to pay the landlord's son \$50 per hour to mow the grass, nor should you have to reimburse property owners that chose to replace a small dead tree with a tree ten times the height and cost.

In addition to a thorough examination of his reconciliation statement, the savvy tenant avoids unreasonable charges by paying close attention during the year, to the work being done around him.

With a qualified audit to ensure careful documentation of your lease and annual reviews of your reconciliation statements, you'll avoid these "budget busters," unauthorized reimbursements charges, and unreasonable expenses.

This will result in a significant reduction in your occupancy costs which will have a very positive impact on your bottom line!

Business Tip:

"At 211 degrees, water is hot.
At 212 degrees, it boils.
And with boiling water, comes steam.
And with steam, you can power a train."

-S.L. Parker

What a difference one degree makes!

Imagine what could happen in your business by stepping up the pace one notch... or turning up the heat just one degree? Think of the possibilities... and then ACT!

Remember that by small and simple things, great things are brought to pass!

Real estate question or challenge?

Call us for a free no obligation consultation or lease abstract at 1-866-799-8732.

STAY FOCUSED ON YOUR BUSINESS

Tenant Real Estate Advisors ("TREA") is an outsourced, full-service real estate department that serves as an advocate for commercial tenants throughout Colorado and nationwide. Our creative solutions have been proven to save time and money so that you can remain focused on your business. TREA will be a single point of contact to streamline your real estate projects and increase productivity.

SERVICES AT NO COST TO YOU

All landlords budget for a commission to be paid in every real estate transaction. When you sign a new lease or a renewal without representation, that commission is paid to the landlord or listing agent. When TREA represents you, we'll participate in that leasing commission and receive compensation from your landlord at the close of each transaction.

INCREASE YOUR SALES

At a 5% profit margin, every \$1 we save you equates to you doing \$20 in sales. We recently saved a client \$38,400 in rent which equates to \$768,000 in sales!



GARY L. CHRISTENSEN, SIOR, CCIM, CPM
PRINCIPAL

Gary founded TREA to provide small to mid cap companies with the advantages of a professional real estate department. His 25 years of experience in real estate management and negotiating thousands of leases, allows him to draw on this knowledge and skill to get the best results for his clients.

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