

## Reporting for Duty

By Ira Krumholz

Each month, this column focuses on various real estate property management concepts and topics. While it's important for a property management company to employ these various items, it's critical that they also communicate important information to their client, typically the property's owner, on a regular basis. This month, we are going to focus on an overall concept known as management reporting. The discussion will include the most common categories for reporting, some specific examples and some thoughts on the timing and format of reports.

### Budget to Actual and Variance Report

This concept can be thought of as the heartbeat of the property. It illustrates how the property is actually performing compared to how it is expected to be performing. Prior to heading into a new year, a budget should be prepared, containing details of the anticipated income and expense line items. As the new year progresses, it is important for an owner to not only be regularly informed regarding how the property is actually performing, but also why any variances (good or bad) against what was budgeted have occurred.

### Leasing Update

One of the main sources of variances are unexpected changes in the tenancy at a property.

Perhaps a tenant that was thought to be a lock to renew decides instead to vacate. Or maybe a less than ideal vacant space is leased sooner than expected. It's important for the owner to receive a leasing update on a regular basis. This report usually includes items, such as the status of any outstanding proposals and lease negotiations, number and nature of prospect showings, update for any upcoming lease expirations and any specific strategy or initiative related to leasing, such as a planned tenant incentive package or an open house.

### Income, Expense and Cash Flow Report

If the budget to actual report is the heartbeat of a property, then the cash flow report is the blood flow. It is critical for an owner to understand not only the cash position of the property on a regular basis, but also how that cash position is being established, such as what are the specific income and expense items, as well as how it is trending.

### Capital Projects

From time to time, properties will require large-scale projects. Perhaps the roof needs to be replaced or the lobby and bathrooms need to be updated. It's important for an owner to be updated on the status of these types of projects on a regular basis. These updates typically include any variances in the actual timing and/or cost as compared to what was anticipated.

### Aged Receivables

Although slow-paying tenants are sometimes unavoidable, it is important that these don't turn into no-paying tenants. An owner should be made aware of the amount and age of any delinquencies as well as the specific plan in place to get the tenant back on track. Also, delinquencies aren't always directly related to rent. Tenant reimbursement of their share of expenses or improvements, rebates on

utilities and income generated from non-rent sources such as parking or laundry can all contribute to the overall income for a property and need to be considered.

### Check Registers

While seeing expense information aggregated into various categories is important, having access to the actual check register can be a very insightful and useful tool. Not only will individual expense items be identifiable, but the timing and frequency of these items will be apparent.

### Special Projects or Initiatives

There are sometimes activities at a property outside of the scope of ordinary operations. A visitor to the property may have slipped and fallen on an outside sidewalk and is now suing the property owner. Maybe the mortgage on the property is in the process of being refinanced, or perhaps a tenant is disputing a clause in their lease. There are numerous things that can and do happen that are not regularly occurring or otherwise considered normal. However, these also need to be included in the regular reporting, usually in a commentary section and at least until the specific situation or instance is resolved.

### Frequency and Method of Reports

How often the ownership is provided information is largely a matter of owner preference. It can be as often as weekly or as long as annually, but typically, the bulk of the information is provided either on a monthly or a quarterly basis. The format of reporting will usually follow the management company's standard practice, but this can certainly be altered to meet the requirements of the ownership. The method of transmittal is also largely a function of the owner's preference. We provide reports in a variety of ways. While the majority of owners prefer email, some have asked for the reports to be uploaded to a dedicated website and believe it or not, a few still ask for hard copies to be snail-mailed.

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