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What is the importance of an automated lease management process?

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During challenging economic times like these, it is critically important that property lease documents and its data be easily accessible and accurately represented by the managers of the property. Property owners and managers that are not strategically using a well-defined repeatable process and lease abstracting software to manage the legal aspects of a lease, amendments, property rent collection, common area maintenance and pass-through charges, CAM Reconciliation, tenant options and expiration dates increase risks of legal violations, lost control of operating expenses and potential tenant attrition. A well thought out lease management workflow process combined with lease abstracting software will mitigate these risks and allow a manager or owner to proactively manage the entire lease life cycle, from initial lease abstracting and setup through billing, lease modifications, critical date tracking, amendments and renewals, and lease expiration or early termination.

What is Lease Management?

The lease management process includes:

- * creation of an efficient lease workflow within your organization
- * allocation of the resources to manage and complete the tasks of the lease workflow
- * analysis and negotiation of the lease, amendments, renewals, expansions and contractions
- * abstracting, updating, storing and archiving the lease data and legal documents
- * monitoring and completing tenant requirements defined in the lease
- * accessing and reporting on the lease data

What is the most critical component of the Lease Management process?

Performing each function defined above is vital to the successful lease management of real estate, but the abstracting of the underlining data within the lease during the acquisition due diligence and ongoing management of a property is probably the most critical. Lease abstracting should be done at the acquisition of a property and upon the execution of any modification in the terms of the lease, critical dates, tenant options, landlord obligations to name a few. A lease contains two types of information: financial and non-financial information. The financial components of a lease drive every commercial real estate transaction and influence the bottom line cash flow of the asset while the non-financial provisions govern the rights and restrictions of the transaction. In addition to the disseminating and recording the financial and non-financial information from the legal documents into a system, the lease abstracting process may include the involvement of attorneys, accountants and real estate professionals to ensure that the abstract accurately summarizes the essential information described in the lease and additional information such as insurance responsibilities, and maintenance responsibilities for both the landlord and the lessee. And to ensure optimal efficiency, a lease abstracting software should be tightly integrated with your property accounting and

management software.

In order to reap all of the benefits of a lease abstracting software time must be allocated on inputting the critical lease data on your contracts into the application. A typical lease can be abstracted in two to four hours, but more complex leases may take up to eight to ten hours. When evaluating a lease abstracting software look for an application that is flexible and customizable for the property types you manage. The more adaptable the lease abstracting tool is to your business and property types, the less time the abstracting will take, your resources can abstract the leases and accurately input the data more efficiently, resulting in increased return on investment of the software. Lease abstracting software integrated with your property management accounting, CRM and ERP systems allows for compliance auditing of all financial activities related to your lease transactions, an increased view of tenant accounts, and automation of accounting posting requirements. In addition, by automating the lease workflow processes and standardized templates, you can increase overall productivity while minimizing the risks of human errors resulting in greater tenant satisfaction and lower administrative costs. The SKYLINE Lease Management module is a great example of a user-customizable and scalable lease management software application.

Conclusion

Lease management has evolved in direct proportion to the increased complexity of commercial property transactions. A lot of data can and should be included in the lease abstract. Much of this data is critical to the valuation and lease administration of properties and portfolios. However, it is important to recognize that the lease abstract should be artfully stated to allow the reader to accomplish their goal of understanding the basic lease provisions without having to refer to the actual lease document.

For more information on lease management and the SKYLINE Real Estate Management Software, contact John Meedzan at jmeedzan@sscinc.com, or download a brochure that highlights the features and benefits of SKYLINE at <http://www.ssctech.com/realestate>.

John Meedzan is vice president of SKYLINE Real Estate Software, SS&C Technologies, Inc., Windsor, Conn.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540