The Right Ways to Manage Commercial and Retail Properties

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The best way to manage a commercial and retail property is from a base of facts and knowledge. Look for issues and facts as part of the property takeover strategy. You simply must understand all the elements of the property and the location at the earliest stages of asset take-up. (NB – You can get plenty of Commercial Property Management tips in our Snapshot program right here – its free)

Many inexperienced property managers only know the basics to look for, so they don’t understand the fuller aspects of property performance and review. Overlooking critical property facts can be a real problem. Consider all the elements of the property across:

- Property risk
- Leases
- Tenants
- Maintenance
- Occupancy
- Cashflow

A planned approach is required. A system of property handover will help you transition into a new property management and cover all the important issues. A system will also help you avoid errors or omissions in the gathering all the critical facts.

So, you can and should create a system of property handover where you explore all known things and build a focus on important property facts. I have used various checklists over the years for that approach, and those checklists are based on location and property type.

Handover Systems

You too can have different checklists for different property types, given the factors of occupancy, leasing, and property operations. You know your town or city, and you should also know the variables of investment performance that apply to the property types. Create your checklists and use them; over time you can refine them.

Let's give you some help here. Below is a list of the bigger issues that I look at when taking on a new management appointment. You can add to the list and then apply locational factors that will also have an impact on property investment and or occupancy:

1. **Leases and occupancy documentation** – All property leases and tenancy documents will be different. So, ensure that you are looking for the differences. A deep and meaningful review is done of all the 'paperwork'. As you review all the lease documentation, capture the critical dates and rental information into a software diary system or your property management software.
2. **Tenancy Mix and tenants** – When you review all of the tenants in occupancy, you will find factors relating to tenant proximity, vacancy, and occupancy conflict. Any property containing many tenants will require a full tenancy mix review. Some tenants are better than others from an investment perspective, so you will also need to assess relevance and occupancy strength with each tenant as part of the property review. When you identify weaknesses in occupancy, you should plan to replace or move the tenant as appropriate at the right time in the future to suit the investment.
3. **Cash Flow** – The flow of income from the property will be critical to the investment performance. So look for the financial factors relating to income change, and expenditure pressure. Understand how the net income stream will change for the asset over time and how it can be improved or enhanced through the life-cycle of the property. Ultimately, you can become a strategist relating to investment performance and rental The stability of the cash flow over time should improve for the client in realistic and relevant ways.
4. **Maintenance** – Review the physical aspects of the property for maintenance and repair. Look for elements of risk and damage that can be a threat to occupancy or public safety. There will also be an insurance risk to consider here as part of the maintenance review. Understand the building codes and safety codes that apply to the property in its design and as part of its day-to-day function. Maintenance and safety codes will change from time to time in the building so review the property and all things for current building code compliance.

5. **Risk Management** – Any factors of risk can be identified early and resolved before they impact occupancy or financial performance. Work with the maintenance contractors within the building to understand where property upgrades and cost controls can occur. A staged process of property management and maintenance will help reduce the risk levels within the property over time.
6. **Budgeting and Forecasting** – There are financial differences here to understand as part of the property management process. A budget is something that applies to both income and expenditure over time. The forecasting process is an extension of the budget given current cash flows and known changes to cash flows over time. So, you take the factors of the budget, and you apply those factors to a forecasting process; you look for upcoming issues of occupancy and building use where the forecasts could change and threaten the investment performance over time. Most major assets under property management today have a forecasting process as part of investment control.
7. **Property Stability** – From the previous point, property stability will be a factor of strategy and awareness. While vacancies will always be an issue for some landlords and properties, strategies to provide stability will always be available. Stability comes from a fine balance across leases, tenants, and risk management.
8. **Landlord targets and Reporting** – Every property landlord will have targets and reports to consider. Those reports will cover income, expenditure, forecasting, lease detail, tenant mix changes, and tenant meetings. A fully informed client is a client that you can work with.

Taking these facts to the next level, look at creating a planned approach to property management issues. Develop some strategies to apply to each client and each property. With retail properties and shopping centers, consider the best retail checklist for fullest property control. Learn from the other properties and clients that you work with. Build a great commercial property management business.