

# Commercial Property Management Business Plan - Tips for Property Managers Today



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Every commercial property should be managed and optimised to a plan. This is in fact, a business plan or version of. It should be prepared once a year and just before the commencement of the financial period to which the building performs. It should be monitored monthly and adjusted as required quarterly during the year.



## Commercial and Retail Property Management Planning

At the end of the year, your good property management practices should have brought you in on target to your plan or close thereto. [This gives the property a performance plan](#) and KPIs for rental and expenditure performance.

The parts of your plan should include:

- Income budget for current and future 3 years
- Existing tenants
- New tenants
- Vacant areas
- Expenditure budget for current and future 3 years
- Rates and taxes
- Insurance
- Energy
- Cleaning
- Repairs and maintenance
- All other known outgoings in separate categories
- Outgoings recovery budget for existing tenants
- Reconciliation processes
- Lease recovery provisions
- Default strategies
- [Rental strategy](#)
- Net rents (existing and targeted)
- Gross rents (existing and targeted)
- Lease options and expiry strategy for all tenantable areas
- Existing tenants and [tenant mix](#)
- New tenants
- All tenant lettable areas
- Standard lease practices and terms for new leases
- Incentive strategy where necessary for new and existing leases
- Capital expenditure strategy for 3 – 5 years
- Arrears processes and default monitoring of tenants
- [Refurbishment plans and timelines](#)
- Maintenance plans for ongoing property performance

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- Insurance and risk monitoring
- Any heritage matters and risks
- Any [environmental matters and risks](#)
- Any workplace health and safety matters and risks
- The monitoring of critical lease dates and covenants
- Tenant contact plans and progress reports
- [Expansion and contraction plans for existing tenants](#)
- Matching of the plan to the owner's holding pattern or disposal pattern within their portfolio.

When looking at these things you need to consider all know and expected issues.

First and foremost you concentrate on what you have in your building by way of tenants. What size and type of rental can you get from the property? When looking at the potential return of the property from the tenancy mix angle, the cash flow aspects requiring future awareness include:

- rent review profiles
- lease expires
- lease term
- rent types
- incentives
- option periods
- outgoings recoveries

The more tenants you have the more complex this gets. Elements such as these will affect the potential income from the property into the future. Look for the peaks and troughs as well as opportunities in tenant mix and placement.



## Balance Your Leases and Expire Dates

You should explore the ramifications of all such tenant events, and any others in the relative property leases that impact the owner. In doing this the property is carefully prepared for sales activity, leasing opportunity, and all other future income opportunities.

Seek to minimise major 'dips' for your clients in cash flow and the threat of vacancy periods. The lease and the balance of all the leases against each other is, therefore, a big part of tenant balance.

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You would not normally want to have a number of leases falling vacant at or around the same time. This is only done when you want to remix or redevelop the property and hence the only way to achieve that would be through the creation of vacancies.

*The best way to consider and construct the multiple tenant activities and plans in a complex property are to graph the tenants in a calendar display over say the next 3 years. You can then see where you need to handle cash flow exposure issues created by lease vacancies and expires.*

The larger the property, the greater the need to have a business plan to [consolidate the performance of the property](#). The business plan will have ramifications on the design of the tenancy mix.

The business plan will set directions for the property given known demographics of the community and the local businesses. Business plans are very useful with retail properties where the success of the tenant is driven from the customer's acceptance and use of the property.

The business plan for a property is designed to set essential standards and targets within —

- choices of tenant
- ideal lease terms
- expiry profiles
- targeted rentals
- product offering for customers
- levels of rental relevant to rent reviews

As the agent working with the client to enhance the tenancy mix requirements, you can adopt this business plan approach with adjustments for the suitability of tenants and the size of the property.