



YOUR INVESTMENT. OUR PRIORITY.

Industry Insights

Q1 2022

MAKING \$\$\$ OUT OF THIN AIR

As Windsor Management has grown through the years with new owners and properties, we have been on the receiving end of many mismanaged properties. What does this mean? What's the difference between a good property management company and a bad one? Let us examine how we make money out of thin air...

Making money out of thin air sounds impossible

Lease Administration

The lease is the legal document for every tenant for which the terms of the occupancy are stated. These terms include, but are not limited to, the length of occupancy, the rental rate, insurance requirements, as well as any additional operating costs the tenant is to pay. To maximize income, and therefore value for our owners, we administer to the letter of every lease. This seems basic and obvious but surprisingly it is not always done.

When we transition properties to our managed portfolio, we meticulously review and enter all lease terms into our Yardi Voyager system. Seven times out of ten, the prior management company had not captured or accurately billed the tenant to the detriment of the owner. This could be due to missed rent increases or operating expense recoveries. By correctly interpreting the lease terms and discerning what should be billed to the tenant, we have already earned more income for our owners', and this is before we start our assignment of managing the asset!

Lease administration is often also a problem area because owners often look to cut costs by minimizing broker commissions. In the

end the asset owner is accepting subpar leases because these documents often have large legal gaps that prove problematic later in the life of the lease. We always recommend brokers who have a consistent track record of success and are third party that way Windsor Management can provide proper advice to owners, devoid of moral hazard.

CAM Recoveries

Delving deeper into lease administration, our experienced Windsor accounting team reviews Common Area Maintenance (CAM) costs and recoveries from the past several years when we assume management of a property. Again, we find many discrepancies and inaccurate accounting practices. The reasons for this are varied and applies to both the larger national management firms and smaller boutique ones.

Accuracy of accounting is crucial for a well-managed property. More importantly, reconciling and recovering all income owed to ownership is the job of the management team. Confirming that rent, tenant charge-backs and operating expenses are accurately processed and billed is another way Windsor adds value and income to our owners.



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No Inhouse Crews = No Conflict

Vendor Services: Inhouse Facility Crew

Many management firms advertise the advantages of having inhouse maintenance crews. We have found that these inhouse crews cost more and add to the operating expenses, not less! This is a hidden cost to the property and hidden income to the property management company as the management company is making added income from their inhouse services. For example, a typical scenario we see when taking over an asset that had an inhouse maintenance team is that this team is scheduled at the property for a certain number of hours each week whether the asset requires it or not. This is a waste of money for the property and adds unneeded expense.

At Windsor, we believe in hiring the best vendor for the best price for the job that is required. This means a property will use a facility management vendor when it is needed. We routinely hire vendors to repair and maintain property issues, but if it takes four hours and not “must take” eight hours, we keep the work to four hours. These “must use” in house maintenance hours increase

Does Windsor make money out of thin air? Not literally, but we routinely “find” income for our owners when they transition to us through our diligent attention to lease administration and associated accounting coupled with our excellent customer service and vendor management.

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operating expenses, thereby decreasing the ownerships’ income as base rent is lowered to accommodate the increased operating expenses to achieve gross market rent.

Vendor Services: Expansive Network

Along with watching costs with our vendors, Windsor’s large vendor network is a benefit to our owners. Vendors are aware that if they do great work at a fair cost for us, they will grow and receive more business with us. Smaller management firms do not have this draw as they do not have the sizable managed portfolio of Windsor’s. Ironically, larger “known” brokerage firms do not have the size of our managed portfolio either as their focus is brokerage not property management.

With the relationships we have with our vendors, we demand and receive immediate response and service. This equates to happy tenants but more importantly it saves money while managing the assets as happy tenants equate to increased tenant retention, less broker commissions, fewer tenant improvements, and lower vacancy rates.

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