

# THE TENANT ADVOCATE

## AN INSIDER'S VIEW OF CORPORATE REAL ESTATE

### Save Money on CAM Costs & Operating Expenses

Whether you're seeking a new lease, renewing an existing one or in the midst of a current lease, you should thoroughly understand all of the costs that make up the CAM (common area maintenance) costs and operating expenses and how much you will be responsible for.

That way you can make an informed decision about whether your lease makes financial sense.

Commercial Real Estate Group of Tucson knows what to look for to reduce your share of CAM costs and operating expenses. We address these issues during our document research and review and, if required, in thorough negotiations.

Our goal is to protect you from many building pass-throughs. And we'll review your landlord's proposed pass-throughs in every year of your lease.

### Documents to Examine

Ask for and study these documents or let Commercial Real Estate Group of Tucson examine them for you.

**Expense schedule.** This lists building expenses by category, such as cleaning costs, energy and insurance. Expense schedules from the past several years will help you determine what was charged to tenants. This is a good indicator of whether the building is properly managed.

**Historical operating expense/CAM cost data.** Understanding past CAM costs and operating expenses—including real estate tax bills and utility costs—over the past three to five years will tell you how much those costs have risen and help you estimate future increases.

**Timetable for capital improvements.** You'll learn whether a recent or future expansion project will result in a change in the gross leasable area (GLA) of the building that will affect your pro rata share of operating costs.

**Insurance coverage.** The declarations page of the owner's insurance policies on the building will reveal

- any insurance coverage that the owner already has that you should not pay for
- the deductible amount if you'll be required to pay a share of it.

**Accounting of base year expenses.** With a base year lease, you are responsible for any increases above the base year's CAM costs and operating expenses. If the base year's CAM costs and operating expenses are set too low, you'll have to pay a share of very large increases.

**Utility and tax bills.** Previous costs for utilities and taxes will help you determine the estimated cost of operating the space and the building.





## ► Key Issues

A building owner's answers to these questions will determine whether your potential or existing lease is right for you. Commercial Real Estate Group of Tucson will help you get the complete answers about these CAM costs and operating expenses.



**How big is the space?** Your rent and pro rata share of CAM costs and operating expenses, including any real estate taxes, are calculated on it.

**What condition is the building in?** If the building is very old or major systems need replacement, you may have to pay more to keep it operating and well maintained.

**What capital improvement projects are underway or planned?** You may be responsible for paying a share of current or planned capital improvements.



**Have any energy conservation measures been implemented at the building or center?** Energy conservation measures typically result in cost savings for you and the owner.

**How is electricity cost measured?** You may be responsible for only the amount you use or for a share of all the tenants' use.



**What is the owner's tax situation?** If the owner is involved in tax appeals for the building or has recently won a tax appeal, you could get a lower tax bill.



**How are the costs in the gross-up clause of the lease calculated?** As a building's occupancy rate changes, certain operating expenses will, too. This clause evens out occupancy-dependent operating expenses so they won't fluctuate as occupancy rates change.



**Is the building's property manager related to the owner?** If the owner and property manager have a relationship by family ties or common ownership, there's a chance that the owner will pay the property manager more than the normal market rate.

**How large is the owner's staff and what does it do?** You want to be sure each person is performing a legitimate job function and is getting paid only for the time spent managing or servicing the building or center.



**What does the owner charge for above-standard services?** Above-standard services, such as freight elevator usage, excess janitorial services, additional utilities and overtime HVAC, come at a markup.



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