

5 ESSENTIALS FOR SUCCESSFULLY MANAGING COMMERCIAL PROPERTIES



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Introduction

Navigating the complex world of rental property management may seem intimidating. A strong property management strategy can make the difference between a profitable and unprofitable investment. Effective property management doesn't just benefit the owner. Tenants also value customer service, maintenance, and conveniences.

ServiceMaster Restoration by RSI developed this e-book to help property managers understand five essential practices for successfully managing commercial properties. It offers advice and tips, including mistakes to avoid and ways to lower your vacancy rate.

In this e-book, you'll learn:

- The advantages of keeping tenants happy
- Maintenance and upkeep essentials
- Why understanding the space is important
- The importance of upgrades
- How commercial property management software can help

About ServiceMaster Restoration by RSI

ServiceMaster Restoration by RSI understands that a clean, well-kept, and properly maintained property keeps current tenants satisfied and attracts new ones. We provide commercial cleaning and maintenance services to care for your properties throughout Oklahoma and Dallas/Fort Worth.

We offer restoration as well as construction and cleanup services.

ServiceMaster Restoration by RSI can help commercial property owners with:

- Routine and deep clean services
- Fire and smoke damage restoration
- Flood damage mitigation
- Mold removal
- Document drying and recovery
- Natural disaster restoration services
- Facility reconstruction

We also offer disaster recovery services. Our recovery team works with you to identify your critical business functions, so if you experience a disaster, we can restore your facility to pre-loss condition as quickly as possible. We assign you a dedicated account manager. So, when a disaster occurs, you receive priority response ensuring an onsite response within two to four hours.

Chapter 1

Essential 1: Keep Tenants Happy

Managing commercial real estate requires knowledge about multi-residential, retail, office, and industrial properties. Each property type requires different skills, understanding, and maintenance expertise. But regardless of the building type, all landlords need to work with their tenants. Tenants that are responsible and profitable are key to your success.

Finding New Tenants is Expensive

It's important to find tenants who are a good fit for the space. You want the arrangement to be in the best interest of everyone involved.

Keep these tips in mind when looking for tenants:

- **Check your Network.** The relationship between the landlord and renter can provide future tenant referrals. Positive word-of-mouth to prospective tenants can help fill a vacancy.
- **Understand the Market.** Tenants look for different amenities. For example, foot traffic is appealing for a retail space, while ample parking is vital to a large business.
- **Do your Research.** Compare your property to others in the area. It may be less about searching for a tenant and more about making a facility attractive to prospective tenants. Ask yourself if your building offers amenities that are comparable to other facilities. Consider whether the building's layout is what tenants are looking for in a space. Also, what unique factors set your property apart from others? Be sure to focus on those factors and any additional services or upgrades you offer.
- **Look for Red Flags.** Have a thorough and consistent screening process in place for potential tenants. Red flags to look for include if they move a lot or terminate leases early. Also, if they request major changes to the space or expect unusual terms in their lease agreement.

Provide Regular and Open Communication

Communication is key to any good relationship. Tenants are no exception. Provide open, honest, and frequent communication with your tenants. Look for ways to improve your ability to communicate with them.

Establish strong communication with tenants by:

- **Keeping Communication Open.** Let tenants know that you are always willing to discuss a problem or answer a question. Whether it's a question about their lease or an issue with the facility, they should feel comfortable contacting you.
- **Discussing Preferred Communication Means.** Discuss the best way to contact you. Depending on the number of properties you manage, establish a way to prioritize routine maintenance versus emergency requests. Online form templates can assist in streamlining communications.
- **Setting Expectations Up Front.** Setting expectations upfront will relieve frustration on both sides. For example, if a tenant contacts the emergency line, the response time could be one hour. But for routine maintenance, it could be five business days.
- **Communicating Regularly.** Provide consistent updates on what is going on in the building. For example, provide a heads up if there will be maintenance in common areas or new tenants moving in.
- **Adopt a Service Mindset.** Think about pain points and find ways to improve them. Anticipating tenant needs can keep renters from relocating.

Plan for Replacing Renters

Tenant turnover is something all property managers deal with. If not handled properly, turnover can eat into your profits. All it takes is one bad tenant to impact your investment negatively.

Consider these tenant turnover costs when developing your budget:

- **Administration Costs.** You need to factor in the time it takes to process move-out paperwork, coordinate repairs, and screen applicants.
- **Marketing Costs.** Posting online ads and running print ads costs money. Consider signage and other marketing costs. Plan for multiple showings, which take time, and travel expenses that can add up.
- **Application Processing.** A good rental application and tenant screening process ensures the tenant is financially responsible, law-abiding, has verifiable income, and has a positive rental history. Credit, criminal, and eviction reports cost money. Incorporate these costs into the application fee.
- **Cleaning Costs.** Have the space professionally cleaned before showings. Depending on the condition the prior occupants left the space in, you might be able to use the previous tenant's security deposit for cleaning costs.

- **Repair Costs.** Turnover is a good time to update fixtures or coordinate repairs. However, depending on the scope of the updates, this may delay when you can lease the space.
- **Lost Income.** The longer your property is empty, the longer you will go without rental income.

To avoid turnover costs, keep a good tenant as long as possible.

Key takeaway: Some tenant turnover is unavoidable. But maintaining good communication, responding to tenant requests, keeping rent at a fair market value, and maintaining your property can reduce it.



Chapter 2

Essential 2: Maintenance is Critical

Proactive maintenance helps reduce costs, keeps up appearances, prevents injuries, and increases property value. Appearance is vital because tenants pay more for more well-maintained properties. Consider the areas below when planning your commercial property's maintenance.

Plumbing

Leaks occur when pipes burst, appliance hoses rupture, or fire-suppression sprinkler systems activate. Commercial plumbing is much more likely to fail than residential plumbing because of the amount of use. And if you have an older building, it increases the risks associated with water damage since older pipes are more likely to break.

Minimize the risk of a water issue by:

- **Keep a Regular Maintenance Schedule.** Incorporating a routine maintenance and update schedule can help to avoid costly water damage incidents.
- **Know the Signs of Water Damage.** Know how to identify water damage early and correct it right away to prevent further problems. Signs of water leaking include yellow or brown stains on the wall or ceiling, moisture on the walls, ceiling cracks, peeling paint, a sagging ceiling, or mold.
- **Develop an Emergency Plan.** The plan should include contact information for the plumber, HVAC tech, restoration company, and insurance agent.
- **Prepare for Seasonal Changes.** When temperatures drop during the winter, exposed pipes are vulnerable to freezing. A frozen pipe can burst, pouring water into your building. Prevent frozen pipes by insulating them, keeping building temperatures warm, and replacing old pipes as needed.
- **Install a Water Detection System.** These systems sense potential or ongoing water leaks. They automatically turn off the water when it notices irregular water flow. And since they work 24/7, if something happens outside business hours, you receive an alert quickly.

HVAC

Maintaining a clean HVAC system is essential for keeping your commercial property safe and comfortable. Over time, HVAC ducts can wear out or get damaged.

To maintain your HVAC system:

- **Conduct an Annual Checkup.** To avoid issues or spot them early, have a professional clean and inspect the HVAC systems, especially during winter when it gets more use. Ensure that air conditioning lines are clear, the water heater functions, and no plumbing leaks. An annual checkup can help catch problems before they start or worsen.
- **Watch for Flammables.** Keep flammable materials away from heat sources, including cleaning supplies and materials.
- **Install Smoke Alarms.** Add a smoke alarm where the HVAC system is and in any water heater or storage room.

Roof, Gutters, and Windows

Many commercial offices have flat roofs. A flat roof has two main components: the membrane, which acts as the cover of your roof, and the flashing, which seals the perimeter of your roof. As your roof ages, the membrane may crack, split, or shrink. These changes affect the integrity of the membrane and can cause a leak.

Other areas of your property's roof, gutters, and windows to pay attention to:

- **Check for Seal Breaks.** Many commercial building roofs have HVAC equipment, vent pipes, skylights, and other elements that need sealing to prevent leaks.
- **Note Any Weather-Related Changes.** Flashing protects the membrane's edges. It's typical for flashing to expand and contract as temperatures fluctuate. These changes can cause gapping and leakage. Repairing membrane and flashing damage is essential to keeping water out of your building. Extensive rainfall, like in cases of natural disasters, can cause large-scale damage. In addition, improper roof maintenance, missing shingles, or structural damage also can cause water damage.
- **Keep Gutters Clear.** In the fall, leaves and other debris can get stuck in your gutters, which can cause them to clog. These clogs prevent water from flowing away from your building, which can create leaks. Regularly inspect your business's gutters, downspouts, and drainage system. Remove any debris or buildup. Have professionals clean the gutters annually to ensure that water drains properly.

- **Prevent Ice Dams.** In the winter, snow and ice accumulation can weaken the roof. Melting snow also can create ice dams, which prevent melted snow from properly draining. Dams can tear off gutters, loosen shingles, and cause water to back up and pour into your building. Roof damage also can cause secondary harm, like mold growth, if it progresses too long.
- **Check the Windows.** Manually test locks, cranks, and other mechanical elements. Do they shut tightly? Is the weather-stripping in place? Are there any visual signs of a leak? Repair any window damage or weaknesses to prevent leaks.

Appliances

Ice makers, refrigerators, built-in filtration systems, fountains, and dishwashers can leak and cause damage because of aging materials, improper connections, or ruptured hoses.

To avoid appliance-related issues:

- **Keep an Inventory.** Create a list of all appliances and document their age for replacement.
- **Change Appliance Hoses.** Change hoses every three to five years to avoid damage that may cause leaks.

Landscaping


Maintenance isn't limited to the structure. Your maintenance plan should include landscaping and walkways.

Hire an arborist if one or more of the trees on the property has damage or is weak. In some cases, arborists can repair trees with disease or acute damage. It may require pruning dead branches, mulching exposed roots, or treating the specimen for pests or diseases. In other cases, the only reliable solution is to have an expert remove the tree.

Don't remove trees yourself. Tree removal specialists have all the safety equipment and training they need to prevent injuries. They also know how to take the tree down safely without causing damage to nearby trees or structures.

Preventing Hazards

The key to preventing hazards is to develop policies to minimize risk and install equipment if an incident occurs.



To prevent hazards in your commercial building:

- **Have Fire Extinguishers.** Most non-residential fires are small and easy to contain. Install fire extinguishers throughout your business to aid in stopping small fires.
- **Install Fire Alarms.** Smoke detectors can detect a fire faster than tenants. Dedicate specific times throughout the year to check and fix any improperly-working devices.
- **Install a Sprinkler System.** Sprinkler systems save lives and are the most cost-effective way to reduce the spread of fire.
- **Have Fire/Emergency Door Access.** Conduct an annual fire risk assessment and identify possible evacuation exits. Draw up a concise evacuation map that highlights the relevant escape routes throughout the building. Share all emergency plans with tenants to ensure their safety.
- **Develop a No-Smoking Policy.** The number of fires people cause by smoking is decreasing. But, there is still a significant risk of fire associated with smoking. Therefore, designate areas away from the building structure for smoking.
- **Implement a Candle and Heating Equipment Policy.** Candles and portable heaters often cause fires. Lease agreements can prohibit their use by tenants.

Key takeaway: Maintaining your building will help keep it occupied and avoid preventable damage.

Chapter 3

Essential 3: Understand the Space Type Well


One of the biggest challenges in managing commercial properties is making informed decisions about them. Understanding the needs of different types of commercial property can help you more effectively manage them.

Key factors about your commercial property to understand and monitor include:

- **Rental Income.** Research to find out what similar properties in the area are renting for and determine your rent accordingly. If the demand is high, you can set rent higher. If occupancy rates in the area are low, you may need to create a dynamic marketing plan to find new tenants.
- **Property Expenses.** Properties have ongoing expenses such as a mortgage, taxes, insurance, and utilities. Don't forget annual expenses, like ongoing maintenance, and how you will account for them in your budget.
- **Tenant Business Types.** Knowing the type of tenant attracted to different spaces will be important should you have a vacancy. Drive around the area to research competition.
- **Maintenance Needs.** Don't forget to consider regular maintenance needs as we described in the last chapter. These needs include general cleaning, repairs, and updates to more costly items such as roofs and HVAC systems.
- **Renter Turnover Rates.** Calculate your turnover and vacancy rates costs. Then, build these costs into your budget.

Know Your Leases Well

Commercial property leases can vary greatly. The best property managers learn how to read and understand leases with proficiency. One way to increase property value is to analyze the lease and understand the provisions. Keep in mind, you will likely have multiple tenants, and lease agreements may vary between them.



Each commercial property type has its maintenance requirements. If the property has common areas, you will need to account for them in maintenance and fees. All fees should be part of the lease agreement.

Ensure leases include everything necessary for a successful relationship with your tenants. Having a clear understanding of each lease will increase your ability to provide better service.

Know Your Product

You want to know the ins and outs of your building and what you have to offer a potential tenant. Whether it's a retail, office, or industrial use, you need to understand each client's needs and how your space can accommodate them.

The most important thing is to make sure all the properties you manage are up to the health, building, and safety codes. Stay up-to-date on any changes to building trends and regulations. You also should be able to spot any problems before they present serious issues.

Key takeaway: Knowing the different needs of each type of property is important to long-term success.

Chapter 4

Essential 4: Upgrades are Important

The best way to increase a property's value is to perform regular maintenance and targeted improvements. It's easy to determine an improvement's value. You just calculate how much the improvement will increase the rent.

When deciding what to improve, review your property as a tenant or customer would. Ask yourself, does anything look worn down or in need of an update? Are there enhancements that would make my building more attractive? Engage tenants in conversation, so you understand changes that could benefit their business.

Improve the Exterior

Give the exterior a makeover. Curb appeal has a major influence on a potential tenant's decision to lease your property. You can add landscaping or repair the parking lot. Keeping the exterior of the building well maintained is essential to the overall presentation. It also can help with safety risks. For example, uneven or cracked sidewalks can be potential hazards.

Consider exterior improvements like:

- Apply a fresh coat of exterior paint
- Newly pour or rebuild a walkway
- Install additional lighting on the building exterior and in the parking lot
- Upgrade the building's signage
- Repave or reline the parking lot

Make the Building Eco-Friendly

People who prioritize the protection of the environment seek out businesses that do the same. Having a professional energy use assessment done will help you prioritize making your properties more energy efficient. And making eco-friendly upgrades to your building can help your business save money on energy bills.

Consider eco-friendly enhancements like:

- Solar panels can supply a building with all or just a percentage of its electrical needs.
- Find new uses for reclaimed or repurposed materials
- Install rainwater barrels, tankless water heaters, or other appliances that can help your business save water.
- Offer site-wide recycling or composting services to engage environmentally conscious tenants.

Improve the Lighting and Visuals

Better lighting is a cost-effective yet dramatic way to improve the appearance of a space. In addition to adding lighting, consider changing to energy-efficient light bulbs. LEDs use 25-30% less energy than incandescent light and last 25 times longer.

Add indoor plants and art to building lobbies and hallways to create a more welcoming space.


Increase Security

Increase the value of your building by ramping up security measures like alarms and gates. You could even hire a security guard. Look for and correct any security risks, such as dimly lit exits or overgrown landscaping. Most importantly, be proactive about responding to security concerns or issues.

Add Shared Building Amenities

You can convert vacant spaces in buildings into shared areas for tenants to access.





Get creative in using vacant commercial property space by adding:

- meeting rooms of different sizes
- collaboration spaces
- social or break areas
- a business center
- a coffee bar
- nursing mother rooms

Wellness Initiatives

Full gyms can be pricey, but there are other ways to incorporate health-driven components into your building. Use smaller spaces for yoga, meditation, or to host guest speakers.

Key takeaway: Commercial real estate is competitive. It's important to evaluate amenities and implement strategies to increase the property's value.

Chapter 5

Essential 5: Consider Commercial Property Management Software

Property management has many moving parts. There is a lot to keep track of and a great deal of information to access. Thanks to technology, more software, mobile, and cloud solutions are available to make processes more manageable and efficient.

Whether you manage one or multiple properties, property management software can help streamline operations. Software can simplify tracking data, improve communication, and enhance business opportunities. A good system can enhance the experience for the management team, tenants, and vendors.



Tenant Applications and Screenings

Some management solutions help you filter out unqualified applicants. They offer renter vetting tools that include reference verification, background checks, and renter history. Systems can raise red flags on potential tenants.

Systems also allow access to tenant applications. For example, having online lease signing and documentation can help speed up leasing agreements. Faster agreements mean renters move in and start paying rent sooner.

Maintenance Management and Tracking

As previously mentioned, the better care you take of your buildings, the higher the tenant retention rate. Maintenance management and scheduling tools ensure you keep up-to-date on tasks. You can see all current and upcoming work orders, as well as schedule and track repairs. You can set up alerts for annual checks for smoke alarms, HVAC maintenance, and other yearly tasks.

Some platforms include mobile technology for sending and receiving photos. Tenants can simply take a picture of their issue and send it to you. It's also common for property management software to store documents, including estimates, quotes, receipts, invoices, and communication history. These features put all the relevant information in one place.

Income and Expense Tracking

Online tenant portals are a valuable tool for landlords because they are the best way to streamline how tenants pay their rent.

You can track rent and instantly know who paid and who fell behind. It provides the ability to collect rent, deposit into accounts, and reduce collection costs. You can then use this information to access reports to analyze your business.

Having a way to track expenses and rent is crucial. Beyond simply being able to submit a bill, look for software that can itemize expenses. You can see what you spend on rent, fees, repairs, and utilities. This overview will highlight issues such as a property that costs more to maintain than you're bringing in on rent.

Communication Features

A property management software can improve communication with tenants. Look for tools that can help optimize time, get better results, and keep tenants happier.

Some commercial property management software allows you to:

- broadcast alerts
- host surveys and ratings to get feedback
- send mobile alerts and announcements
- photo uploads for reporting repairs
- centralize discussions between tenants and the management team

Storing Documents

Property management comes with a lot of paperwork. The software can assist in storing, sharing, and accessing documents. Instead of storing your files on one computer or in paper form, you can store them securely in the Cloud. Meaning you can access data and files anywhere.

Key takeaway: Property management software allows you to get tasks done faster and avoid wasting resources. Take time to choose the right property management software for your business.



Conclusion

As a property management company owner, you need to keep honing and updating your skills to succeed. Successful property managers are savvy and experienced enough to know which parts of their job to prioritize. Successful property management companies are always looking for innovative ways to accomplish their goals and for growth opportunities.

ServiceMaster Restoration by RSI wants to partner with you and work with you to reach your goals. Contact us to learn how we can help you successfully manage your commercial properties.