# Looking for Potential Office Lease Savings? Take Time to Review Your OpEx & CAM Reconciliation

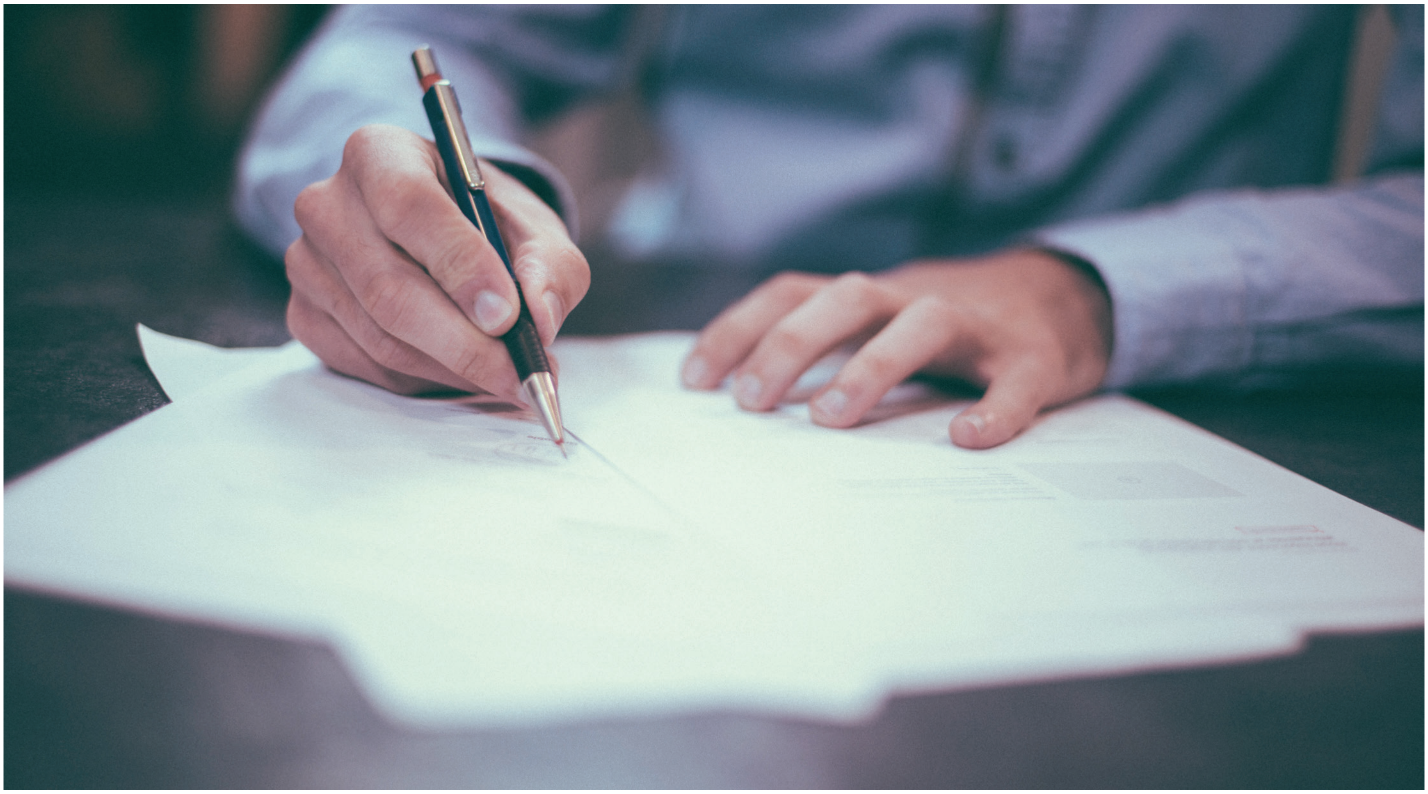
**By Ed Muna** | Commercial Lease Insights

As businesses hunker down and look for ways to cut costs and improve their bottom line, one area that typically gets overlooked are the operating expense charges and common area maintenance (CAM) charges in commercial leases. These expenses are confusing for most, and therefore may seem like an overwhelming challenge to tackle. Nonetheless, this could be an area where significant savings could be identified, potentially saving your business thousands of dollars during this unprecedented time.

Since the second quarter is when most commercial landlords send out prior year operating expense (OPEX) reconciliations, I highly encourage companies to take the time to review now, and when justified, challenge what are typically unexpected costs. To help understand the importance of these reconciliations, it is worth giving a quick recap of how operating expenses in leases work. At the beginning of the year, usually in December or January, property owners provide tenants with a budget for the upcoming year and their estimated share. This amount is then collected monthly, spread out over the year. At the completion of the year, the landlords prepare reconciliations to settle what was budgeted against the actual costs incurred.

Unfortunately for tenants, most property owners have trouble living within their budgets, and when the reconciliation is prepared, the tenant ends up owing more money. This could be the result of bad luck or poor management of expenses, but the bottom line is most of the overage will be paid by the tenants in the building. Of course, this is not something a property owner likes to publicize, so when the statements do arrive, they are usually buried within the rent invoice or presented in a way that offers little detail. Unfortunately, that's by design. Operating expense statements are intentionally devoid of details because the last thing landlords want is to make it too easy for tenants to question their spending habits.

While the thought of pouring over confusing documents isn't a priority, there could be real value in making the effort to review yearly, and to analyze and question these charges if necessary. By spending the time deciphering what your landlord is actually asking you to pay, you can potentially save tens of thousands of dollars, which is especially critical during times of uncertainty.



### *What should businesses look for when reviewing their operating expense statements?*

**Compare last year's reconciliation to look for glaring changes.**

Begin by comparing the new reconciliation to last year's budget or reconciliation. Do you notice any obvious increases? Look beyond what the landlord wants you to see, such as minimal increases in non-controllable costs like utilities, taxes and insurance. Did repairs and maintenance or payroll expenses increase significantly? This is a major red flag, as these items are well within the landlord's control.

**Refer back to your lease while reviewing.**

While significant fluctuations and increases don't mean an error has been made, referring back to the lease will help you and your business in the long run and could prevent erroneous charges for future reconciliations. The key is to determine if a disconnect exists between what the landlord charges you and what your lease allows. For this reason, your review will also require that you revisit the operating expense language in your lease.

While this may sound like an overwhelming project, it doesn't have to be, and our experts are here to assist you. Hughes Marino's Lease Audit division will perform a complimentary review of your lease and operating expenses to look for red flags. While many brokers may offer to review your lease, only Hughes Marino has invested the time and resources to build a division of experts dedicated to assisting businesses with identifying erroneous charges. The result has been millions of dollars in erroneous expenses identified for our clients over the past few years and we would be happy to help you navigate your leases to find hidden cost savings. □

*__Ed Muna__ is a senior vice president of Hughes Marino, an award-winning commercial real estate company specializing in tenant representation and building purchases with offices across the nation. Ed is SVP of Hughes Marino's Portfolio Lease Administration and Advisory team and helps tenants address issues that arise during their occupancy. Contact Ed at 1-844-662-6635 or ed@hughesmarino.com to learn more.*