

Talking Leases #4

REIQ

Outgoings: those of you heavily involved in leasing and property management, need to ensure that you understand outgoings on the property and their relevancy to the greater market in your area. There are standards to which outgoings are documented and the Property Council of Australia runs a chart of accounts which codes these items so that properties are very comparable across standard financial records. You may have your own chart of accounts however it is interesting to explore your chart of accounts against the relevancy and analysis of the Property Council Australia.

Budgets: let's say you have been asked by an investor to take on a new property for leasing and/or property management. One of the key questions you should ask will be about the budget that may exist on the property which is monitoring the performance of income and expenditure into the future.

Question the landlord regards their standards and budget because you will need to be targeting this cash flow in accordance with the expected budgetary figures. The lease or lease strategy you adopt must match the outgoings strategy that the landlord needs or desires in their budget.

Asset plan: In your review of the income budget you will then be able to identify the rental per square metre which the landlord expects over the duration of the budgetary period. You can then start projecting rental levels into the future and putting them into an asset plan model. The asset plan is a useful strategy and is something which gives you a point of difference in the market.

The best way to display an asset plan is with a spreadsheet and supporting documentation. This will come up again in our course and discussions. An asset plan incorporates all income and expenditure into a strategic document which projects escalations and changes. It is modelled around the existing leases and the potential of the market and the economy.