

Management programs: Next stop, India?

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Why should real estate management be immune from off shore outsourcing? That question, when posed to real property management professionals did not create fear and loathing. To better understand the wry smiles which answered this question, one must delve into the peculiarities of property management and the computerized programs currently available.

The typical commercial rental invoice generally contains between 3-7 itemized charges. Real estate tax overages, CAM charges, utility charges, to give a few examples, are all calculated and billed according to the terms of the lease. The charge on the rent invoice is generally distilled from an externally generated cost; either from a municipal tax bill, utility meter readings, or a compilation of common area use costs.

Computerized billing programs have, paradoxically, helped create conformity in leasing terms. There has been more than one lease agreement which has had its escalation clause, or pro rata billing formula modified so as to conform to the inflexibility of a packaged program. The example I like to share is the common rental security clause which does not call for a set sum, but rather the equivalent of a certain number of months rent to be held in escrow. Without special programming, no off-the-shelf system automatically bills annually to update the contractual security. Therefore, one has seen more leases with a fixed security amount for the term.

This practice of conforming the provisions of the lease to the quirks of the management program has its limits, and those limits are prescribed by locally practiced landlord tenant law. Each municipality has its peculiarities as to acceptable billing practices, late charges, and accrual of arrears. Without strict conformity in the program, each court case can become a time consuming audit opportunity. The customs of the local leasing market overlaid by municipal litigation restraints creates an environment where customized programs designed for a specific local can flourish.

These factors plus the critical technological gap in currently available management programs would appear to maintain the current unemployment rate in Bombay. However, to fully assess the risks for the offshore flight of management jobs; we should next examine the management technology available.

The world of management software is divided into the two spheres of large and small platforms. In the New York City area, 2 of the smaller platforms, which have loyal followings, are:

Micro Management, 31-00 47th Avenue, Long Island City, NY 11101. Phone: 718-472-0027 and Integrated Business Systems, 81 Two Bridges Road, Fairfield, NJ 07004. Tel: 973-575-4950.

Each offer a customized platform with prompt service response times as well as an in-depth knowledge of local market practices. The typical user of these programs would generally not have the staffing requirements that



would make "offshore" a viable alternative.

The large sphere is made up of companies such as MRI/Intuit Real Estate Solutions, 50 West 34th Street, New York, NY 10001. Tel: 212-695-3770; Yardi Systems Inc., 1 Underhill Road, Glen Head, NY 11545; Phone: 800-899-7591 and Timberline, 89 Headquarters Plaza North Tower, 14th Floor, Morristown, NJ 07960. Tel: 973-993-3138

These larger software companies have the benefit of broader ongoing development programs, depth of staff, and generally some specialty which makes them stand out, such as Timberline's adoption by the construction industry. Small management firms would require IT consultants to make these programs fully functional for their uses.

These 2 spheres are each in a race: The smaller companies are reaching to have a fully functional Windows® based program, while the larger companies are attempting to expand into the smaller specialty markets. It is conjectured by Ben Schwartz of Metropolitan Management Company, a well respected New York City Based Management firm, that the first small software company, which achieves a Windows based platform, will garnish a high percentage of the market. This is because smaller companies have more credibility in the local markets. Further, that this Windows capability may be the beginning of some utilization of offshore capabilities to reduce overhead and thereby increase competitiveness.

Finally, wherever you are located, the following are criteria seconded by Mr. Schwartz as absolute and necessary components of a workable system:

1. Ability to produce reports on a cash or accrual basis
2. MICR Check writing. One printer can produce checks for all accounts.
3. Lock Box Ability/Automatic Check Debiting: Rent receivables mailed to a banks PO Box. Checks scanned and processed by bank. File download. Automatically updates timeout ledgers.
4. Detailed levels of security for staff members. Receptionists should access names of tenants and telephone number, but that's all.
5. Payables module should be incorporated in as part of an entire software package, allowing for a seamless general ledger
6. Service response time; under 6 hours
7. Choice between soft and hard month end closings
8. Integrated bank reconciliation program
9. Non-payment detailed report suitable for court procedures.
10. Transmittal of reports to popular graphics presentation software such as Crystal, Xcell.
11. Broad list of modules for specific management functions.

As long as property management remains more of an art than a science, it is most likely that software improvements will help maintain jobs stateside.