

ct Question of the Month

What are the benefits of outsourcing day to day real estate accounting?



Outsourcing is taking a business function and having a sub contractor do it better and for less money. We all outsource, for example most of us outsource payroll processing. If your real estate operation could save 20% annually and reduce time spent managing an activity, you should investigate outsourcing.

This service is right for people who want to improve their business process, save time, manage fewer people and save money. This works for both the individual owner as well as operating companies.

Some individual owners don't want to do all the accounting themselves and instead work on tenant relationship or other high value tasks. Other owners have someone that works on this activity that wants to work less or retire and this is an option to hiring a new person.

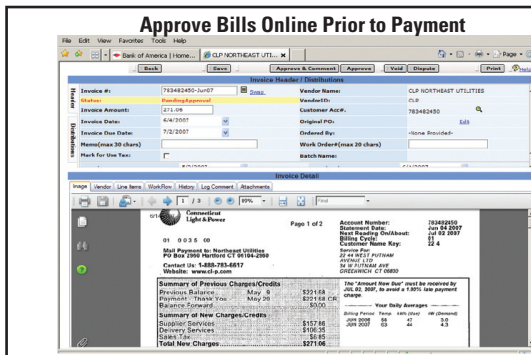
Larger operating companies have several ways our outsourcing works

for them. Some turn over the entire operation while others turn over the basic processes but keep some accounting staff. The companies have web access to the accounting software and can run reports.

The primary objective of real estate owners and operators is to acquire property and increase its value. The back office that performs the accounting work is usually an afterthought that is paper and people intensive. To make this task easier some owners have upgraded software and spent time making incremental improvements to their back office. But outsourcing is an alternative that provides greater benefit in one simple move.

What makes up the day to day accounting tasks? We are all familiar with the basic accounting activities: accounts receivable, accounts payable and financial reporting. Associated with these come the many manual or paper based tasks you currently spend time and resources on that can be eliminated:

- SAVE TIME
 - Printing rent bills
 - Filling out deposit slips and making bank visits
 - Writing out, printing or signing checks
 - Opening and filing invoices



- Stuffing, sealing and adding postage to envelopes
- SAVE MONEY
 - Postage & copies
 - Bank charges
 - Checks and office supplies
 - Payroll & benefits

Two things are happening that are at odds with each other. There is an increase in property operating costs with operators looking for ways to save money. At the same time the number of delinquent tenants is increasing which may cause the job of collecting money to become more resource intensive. Outsourcing is available to help. A leaner organizational chart will help operating companies survive and improve their bottom line while performing tasks more efficiently.

Here are the benefits of outsourcing:

- Save time
 - More focus and specialized attention on the accounting
 - Increased accuracy
 - Detailed and timely reports
 - Visibility – see your bank account and property bills online
 - Control – approve bills prior to payment
 - Convenience - online business tools
 - Faster deposits – money goes directly into the bank
 - Reduced paperwork
 - Scalability
 - Reduces delinquencies
- With the aforementioned benefits, you can see how working with a service provider is like adding new accounting support to your team. Getting started is easy. This process usually takes 60 days from start to



finish and a vendor representative does most of the work. Training is also simple, often accomplished in a 30 minute session via phone and internet.

The cost for this service is based on the scale and complexity of each property. The outsource vendor is your sub contractor. You still earn your management fees and pay a nominal fee per entity. The Return on Investment to make this change takes less than one year.

If you are interested in improving your business processes, managing less and saving money we are here to co-explore this possibility with you.

Russell Munz is co-owner and COO of Pyramid Real Estate Group, Stamford, Conn.

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