



Mohr Partners, Inc.

Common Area Maintenance (CAM) vs. Operating Expenses (OPEX)

Common Area Maintenance fees, or CAM for short, are defined by the Realtors Commercial Alliance¹ as charges paid by the tenant for the upkeep of areas designated for the use and benefit of all tenants, such as parking lots, outdoor landscapes, and lobbies. These charges can seem very similar to the general operating expenses regularly experienced by landlords, but there are definite distinctions between the two.

CAM Expenses

CAM charges are additions to the base rent that are generally charged on a pro rata basis. In other words, the more rentable square footage a tenant takes up out of the whole of the property, the higher the percentage of maintenance expenses the tenant will pay. This can sometimes be up for negotiation; however, usually with larger tenants, such as anchor stores in a shopping center, coming out proportionally on top.

CAM charges can include anything from getting the parking lot scrubbed to keeping the bushes trimmed, or even the electricity bill and custodial salaries in some office buildings. These can be paid annually, quarterly, or even month-to-month as the expenses are incurred. Basically, as long as there is a cost associated, directly or indirectly, with an area that is not exclusive to one tenant, then it has the potential to be a CAM charge.

Each unique property will have its own needs as far as upkeep goes, of course, so it is important to understand all of the direct and indirect charges, how often they are to be paid, and how much they can be elevated each year, as described within the lease. Most often, CAM charges are associated with NNN leases in which the tenant(s) is/are held responsible for all property taxes, insurance, and

common area maintenance. Because of the nature of these fees, they are typically incurred for commercial retail, industrial, and on occasion, office property, but generally not for residential.

Operating Expenses

On the other hand, operating expenses can be defined as all cash outlays necessary to operate and maintain a property, a much broader definition¹. Operating expenses play a crucial role in real estate analysis regardless of whether or not there is a common area for the tenants affiliated with the property. Without it, measuring the return on investment would be next to impossible.

They include many more variables than CAM charges, such as property taxes, insurance, property management, legal and accounting expenses, and yes, even Common Area Maintenance itself. Every expense except debt services, like a mortgage for example (principal and interest,) will fall into this operating expense category. Therefore, CAM charges can be viewed as a type of subset of the overall operating expenses for a property.

¹ Glossary of Terms 1990. Australia: Building Owners and Managers Association of Australia, 1990. Realtor.org. Realtors Commercial Alliance. Web. 02 Mar. 2015.

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