



It Is CAM Audit Season

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CAM remains one of the most complex aspects of commercial lease administration.

CAM, or Common Area Maintenance, charges are a critical component of the rent roll. As the name suggests, these are the expenses a landlord incurs to operate, maintain, and manage the common areas of a property. Since these areas are shared by all tenants, the associated costs are allocated among them based on methodologies defined in the lease.

While this may seem straightforward, CAM remains one of the most complex aspects of commercial lease administration. The number of variables involved, including expense classifications, allocation methods, inclusions and exclusions, caps, and gross-up provisions, means that discrepancies in billing are more common than most tenants realize. Whether caused by inconsistent interpretation of lease terms or simple administrative oversight, the result is often the same: tenants end up overpaying. That is why a thorough, lease-compliant review of CAM charges is so important.



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How Are CAM Charges Calculated?

CAM charges are calculated on a pro-rata basis. Each tenant's share is determined by dividing their rentable square footage by the total rentable area of the property. A tenant occupying 2,000 square feet will therefore bear a higher proportion of CAM costs than one occupying 1,000 square feet in the same building.

Occupancy levels also factor in. Many leases include a "gross-up" provision, which adjusts expenses to reflect a stabilized occupancy level. This ensures tenants pay a consistent share regardless of temporary vacancies. Without such a provision, a lower-than-normal occupancy rate can result in a disproportionately higher CAM burden for the remaining tenants.



What Elements Constitute CAM Charges?

CAM charges generally cover the costs of operating and maintaining common areas, including lobbies, corridors, stairwells, elevators, and in some cases, parking facilities. This typically includes cleaning, landscaping, security, utilities for common areas, repairs and maintenance, waste management, and property management fees. CAM may also extend to administrative expenses, service contracts, and compliance-related costs such as fire safety systems and building inspections.

Capital expenditures are generally excluded, though landlords may recover certain capital costs through amortization over the improvement's useful life, where the lease permits it. This typically applies to items such as energy efficiency upgrades or code compliance work. The exact composition of CAM charges is ultimately governed by the lease, which defines what is allowable, what is excluded, and any applicable caps or limitations.



Are CAM Charges the Same as **Operating Expenses**?

CAM charges are generally a subset of operating expenses

Not quite, though the terms are often used interchangeably. Operating expenses are broader and include cost categories beyond CAM, such as real estate taxes, insurance, and other property-level expenses. CAM charges are generally a subset of operating expenses, covering specifically the maintenance and operation of common areas as defined in the lease.



Are You Being Overcharged?

The answer to any question about your CAM charges lies in your lease. Key provisions to review include:

- What constitutes CAM under your specific lease
- How charges are calculated and allocated among tenants
- Any inclusions, exclusions, or limitations
- Applicable caps and gross-up provisions

A careful review of these terms is the most reliable way to determine whether the charges you are receiving are accurate and contractually sound.



What to Check During a CAM Audit

Verify that any such changes during the lease year have been accurately reflected in the CAM reconciliation.

Changes in Occupancy

Since CAM is allocated on a pro-rata basis, any shift in the tenant mix can affect what each tenant pays. New tenants moving in mid-year or existing tenants expanding their space will change how the total cost is distributed. Verify that any such changes during the lease year have been accurately reflected in the CAM reconciliation.

Amortizations

Some leases allow landlords to recover certain capital expenditures by amortizing them over a defined period. During an audit, confirm that these calculations are accurate, consistent with the lease, and properly allocated across tenants. If the improvements benefit the entire property, changes in occupancy should also be factored into each tenant's share.

Expense Caps

Some leases allow landlords to recover certain capital expenditures by amortizing them over a defined period. During an audit, confirm that these calculations are accurate, consistent with the lease, and properly allocated across tenants. If the improvements benefit the entire property, changes in occupancy should also be factored into each tenant's share.

Exclusions

Leases often explicitly list expenses that cannot be passed on to tenants, such as capital improvements (unless specifically permitted), financing costs, or expenses related to other tenants. Review every line item in the CAM statement against your lease's exclusion clause and flag anything that falls outside the permitted scope.

To stay on top of your CAM charges, two practices are essential: maintaining an up-to-date lease abstract for quick access to key provisions, and conducting a comprehensive CAM audit annually to ensure all charges are accurate and lease-compliant.

Cam Reconciliation Recommendations

1. Advantage of Non-Cumulative CAP When Lease Language is Ambiguous:

In situations where the lease does not explicitly define the application of the CAP (Common Area Maintenance Cap), opting for a non-cumulative approach generally offers greater financial benefits to the tenant. Therefore, we strongly recommend that KBS advocate for the non-cumulative CAP whenever the Landlord has billed it as such, as this method typically results in lower overall costs over time.

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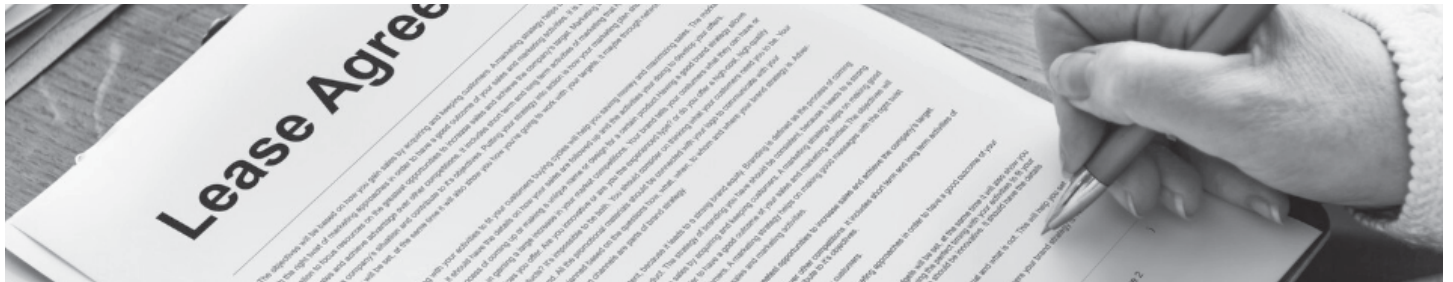
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3. Audit Rights in Leases:

Audit right on all cost billed to Tenant. This includes support for cost allocated from other landlord owned properties or related entities.

4. Notice Restrictions in Lease:

CAM lease language should include a minimum of 120 days for the Tenant to review the reconciliation.



5. Landlord Errors:

Consider including lease language if errors are found more than 5% that Landlord pays for cost of audit.

6. Confidentiality Agreements or NDAs:

Do not accept CAM lease language that includes Confidential Agreements or NDA's.

7. Audit Only Once:

If CAM lease language states Tenant can only audit only once per year, be sure the lease language defines what is an audit.

8. Waiver Clause:

Include if Landlord does not bill Tenant within a 2-year period from the year end in question, then Tenant will not be responsible to pay for such expense.

9. Who Can Perform Audit:

Consider including language that states the audit may be performed by a third party of Tenant's choice without restrictions on whether it is contingency based or not.



Hanger Clinic

Case Study)

About

Hanger Clinic is a leading provider of orthotic and prosthetic patient care in the United States, operating over 800 locations nationwide. As a division of Hanger, Inc., which has been at the forefront of prosthetic innovation since 1861, Hanger Clinic is dedicated to empowering human potential by providing patients with high-quality orthotic and prosthetic solutions.

Challenge

Hanger Clinic previously engaged a commercial real estate firm to conduct their Common Area Maintenance (CAM) audits; however, these audits were not being promptly reviewed, leading to delays in identifying and addressing discrepancies in Operating Expenses (OPEX).

Process

Hanger Clinic hired Mohr Partners to review approximately 800 CAM audits annually. Mohr Partners began by thoroughly understanding Hanger's existing processes and developed a customized CAM audit checklist that was reviewed and approved by all stakeholders.

- Mohr Partners' CAM audit process involves a detailed examination of pro-rata share, CAP percentage, management fees, occupancy percentage, controllable and non controllable expenses and the calculation of tenants' share of expenses.
- To ensure accuracy, the Mohr Partners team systematically checks the total tenants' share against escrows paid by Hanger Clinic, identifying potential overpayments and refunds.
- Demonstrating a proactive approach, Mohr Partners independently initiated the reconciliation process, rather than waiting for landlords to send reconciliations, ensuring that Hanger Clinic's audits were completed in a timely and efficient manner

Result

Mohr Partners has successfully identified and rectified over \$320,167 in overcharged CAM expenses for Hanger Clinic. This meticulous approach to CAM audits has not only resulted in significant cost savings but also reinforced Hanger Clinic's confidence in the accuracy and integrity of their financial records. Hanger Clinic acknowledges and values Mohr Partners' dedication, promptness, and attention to detail in addressing outstanding reconciliations.

Impressed by Mohr Partners' performance, Hanger Clinic has expanded their collaboration by engaging Mohr Partners to support their in-house team with additional services, including lease abstractions and quality control measures



Why **Outsource** Your CAM Audit?

Specialized Expertise

CAM audits involve reviewing complex leases, invoices, and expense allocations. Outsourced firms bring experience across multiple properties and industries, reducing the likelihood of errors that internal teams might miss.

Time and Resource Savings

CAM audits can be time-consuming, particularly across large portfolios. Outsourcing frees your internal team to focus on core business functions such as tenant relations, property management, and strategic planning, rather than getting tied up in detailed audit work.

Cost Efficiency

Maintaining a full in-house audit team comes with real overhead, including salaries, training, and software costs. Outsourcing offers a more flexible, scalable cost structure and reduces the risk of expensive billing errors going undetected.

Accuracy and Compliance

Professional firms use proven processes and dedicated tools to conduct CAM audits with precision. This reduces the risk of disputes and helps ensure compliance with both lease terms and accounting standards.

Scalability

As portfolios grow, the volume and complexity of CAM audits grow with them. Outsourcing allows you to scale efficiently during peak periods without adding headcount or compromising on accuracy.

Reporting and Insights

Many providers offer detailed reporting and analytics that surface trends in CAM expenses, which can be valuable for budgeting, forecasting, and negotiating with vendors or landlords.

Reduced Risk

CAM disputes can be time-consuming and carry legal exposure. A professional audit firm helps minimize errors, strengthens your position in any dispute, and protects your interests as a tenant.





Connect With Us

If you would like to discuss how Mohr Partners can assist with your CAM reconciliations,

please reach out to Sohail Hamirani at sohail.hamirani@mohrpartners.com or Shayla Kiser at shayla.kiser@mohrpartners.com

About Mohr Partners, Inc.

Mohr Partners is a leading global corporate real estate advisory firm headquartered in Dallas, Texas. Since 1986, we have been managing real estate portfolios for corporate tenants and occupiers across a wide range of industries, completing transactions each year in all 50 U.S. states, all provinces of Canada, and locations worldwide.

We offer an integrated suite of portfolio services, including lease administration, strategic consulting, business intelligence, research and insights, economic incentives negotiations, portfolio and transaction management, project and construction management, and facility services.

Mohr Partners is the world's largest tenant representative-only commercial real estate advisory firm. We work exclusively with corporate occupiers, never landlords. This distinction has defined our business since day one and means our clients never have to question where our loyalties lie. The tenant's fiduciary interest is always our top priority.

For more information, visit mohrpartners.com