▸▸ 3Q 2025 White Paper

BKM Capital Partners

bkm

Streamlining the Rent Payment Process:

CHANGE MANAGEMENT IN COMMERCIAL REAL ESTATE

Gridline - West Yards | Orlando, FL

BKM INTEL

THOUGHT LEADERSHIP SERIES

bkmcp.com

Streamlining

The Rent Payment Process

Ed Lemire

Associate Director, Operational Optimization & Quality Management

INTRODUCTION

A long-term transformation within an organization should affect most, if not all, employees and should last for years. An organization's best strategic plans are only successful when that change occurs at the level of the individual employee, so achieving a positive outcome from strategic transformation requires alignment across people, behaviors, and the culture of the entire organization. At BKM, we planned and executed a long-term transformation with a focus on the human side, producing a profound effect on every part of the business, and we discuss it in detail in the following.

Estrella Distribution Center | Phoenix, AZ

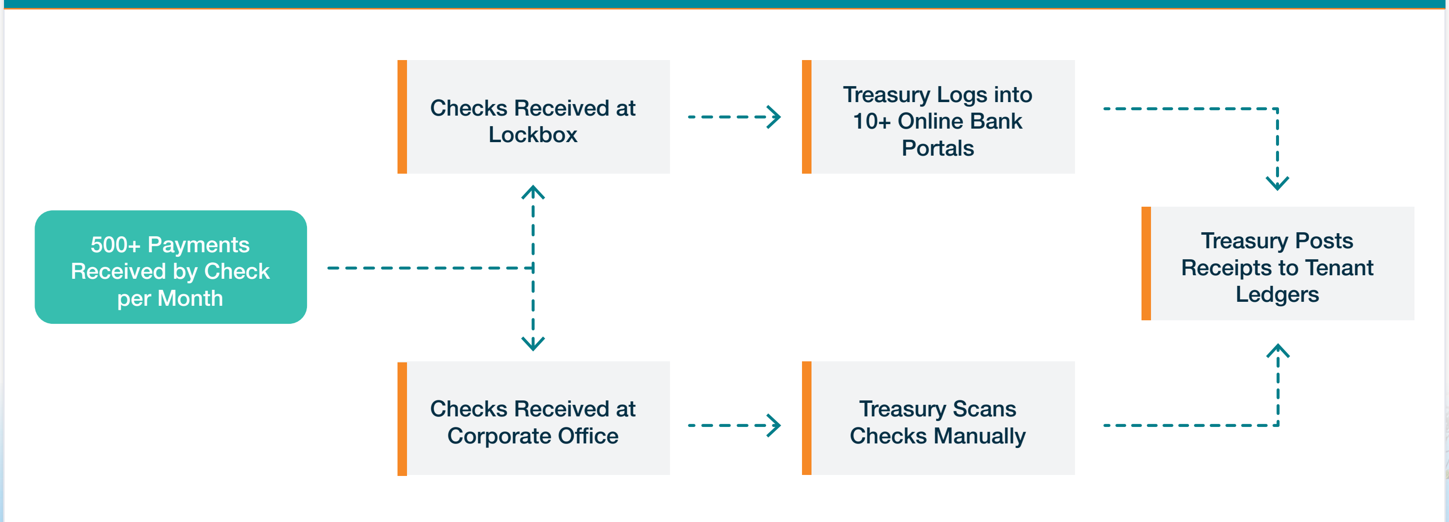
THE CHALLENGE

As BKM's business continues to grow, we are constantly looking for opportunities for improvement throughout the organization. One opportunity arose from the challenge of receiving and processing checks as a form of rent payment. **By October 2023, BKM was receiving approximately 2,000 payments per month, and almost 26% of them were made by check.** This resulted in more than 500 checks that had to be manually posted to tenant ledgers every month. Checks are an antiquated form of payment. They are notoriously slow, and even with lockboxes in place, the process of posting them to the tenant's ledger is manual and extremely time-consuming.

Due to the high volume and frequency of mail delays, check payments were often posted late to tenants' ledgers. And late check payments often create friction between tenants and our Property Management Teams. Over time, frustrated tenants can reduce the odds of renewals and referrals, negatively affecting both client relationships and BKM's bottom line. In addition, this process resulted in extra work for the Property Management, Treasury, and Property Accounting departments, further exacerbating the issue. If left unmanaged for too long, this cycle could lead to significant fractures across key business operations.

As BKM's leadership discussed growth plans, we quickly realized this problem would get exponentially worse as we acquired more assets. The team recognized that accepting checks from tenants was not only causing a major bottleneck, but that the situation would worsen over time. It was essential to develop a solution that could scale effectively and be deployed quickly.

CHECK PAYMENT PROCESSING WORKFLOW



Mt. Diablo Industrial Park | Concord, CA

THE DESIGN

By this point we had defined the problem, but to solve it, we realized we were going to have to build a culture of change—one that starts at the top. Leadership must buy into this change, all speaking the same language, before the rest of the company will buy in. We knew communication was vital to the success of this project, so we pushed for a ‘one team, one voice’ approach that would help drive the change. We also recognized the need for a way to measure our progress, so we could see not only where we were going, but how to stay there once we arrived.

At BKM, we use a property management accounting platform that offers a rent payment portal. We outlined a plan to transition all check-paying tenants to electronic payments, targeting a 90% adoption rate by the end of Q2 2024. By encouraging the use of the online payment portal, we expected to see a significant decrease in payments made by check, reducing the manual work of receiving, scanning, and posting checks.

We recognized the fact that some larger tenants use their own AP platform to make ACH payments directly to BKM’s bank accounts. To streamline the process of posting ACH payments received from tenants outside of the online payment portal, we began the roll out of a SaaS Treasury Management Platform (TMP). This gave us the ability to use machine learning to help automate the posting of ACH and wire payments we receive outside of the online payment portal, reducing manual sorting and increasing overall process efficiency.

ONLINE PAYMENT PROCESSING WORKFLOW

Tenants Pay Using the Online Payment Portal → ACH, Credit Card, Debit Card Payments Post to Tenant’s Ledger Automatically

We also needed a tool to track progress, display metrics, and provide a cost-benefit analysis, but we wanted this to be a functional tool for the Property Management Team, too. BKM uses a custom-built internal BI platform called BKM Intel that allows us to visualize real-time data across every department. For this project, we designed and built a cutting-edge Payment Method Analysis page in BKM Intel that helped us track this projects’ progress across our entire portfolio.

But then we took it one step further by integrating dynamic tracking for each property and each tenant over time. This data also ties back to tenant codes in our accounting platform, so the Property Management Team can use it as a one-stop shop for moving the remainder of their check-paying tenants to electronic payments.

Finally, once we determined that a property had a minimum of 90% of tenants paying electronically, we could start the process of closing the costly lockboxes assigned to that property.

ACH PAYMENT PROCESSING WORKFLOW

Tenants Make ACH Payments Outisde of Payment Portal → TMP Imports Bank Data & Uses Machine Learning to Post ACH Payments to the Tenant’s Ledger

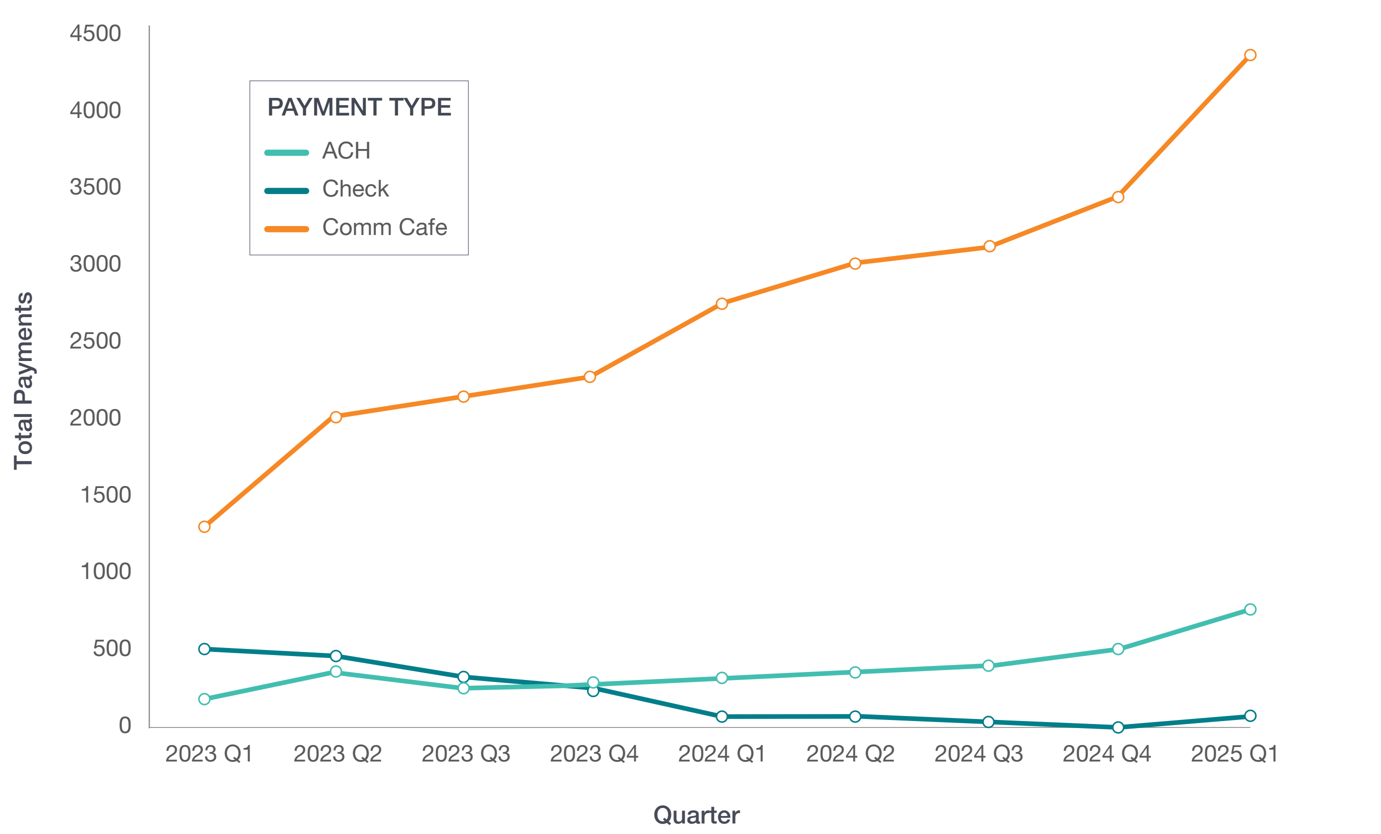
THE EXECUTION

This plan involved the Senior Managing Director of Operations, the Managing Director of Finance and Accounting, and the Senior Director of Property Management. The CEO, and CFO/COO were kept in the loop with regular updates. We explained the problem, laid out our proposed solution, and stressed the need to move quickly based on the established goals of the organization.

Using our new Payment Method Analysis page on BKM Intel to track our progress, each regional Property Management Team reached out to every check-paying tenant to explain and reinforce the benefits of moving to an electronic form of payment. **By using the online payment portal, the tenant can schedule recurring payments, set up auto payments, see their ledger in real time, and even enter a work order. And their rent payments would be posted to their ledger automatically.** At the same time, we were updating the lease language to make it easier for our Leasing and Property Management Teams to help future tenants embrace electronic payments from day one.

Effective communication plays a huge role in the success of any organizational transformation, and this transformation was no different. We realized early in the process that we needed to have a 'one team, one voice' approach to help drive change. The Senior Director of Property Management and Senior Managing Director of Operations were instrumental in leading the charge. We built cross-functional teams and identified and empowered key change agents to help reinforce the benefits that we would see from the initiative. To help keep Property Management and Corporate Teams in sync, we recognized and reinforced individual and team progress during regular, coordinated meetings. We shared individual success stories from one region or Property Management Team each time we met, and we found positive recognition, coupled with clear communication, to be an effective tool at keeping the teams focused on the goal.

SHIFT TOWARD ELECTRONIC PAYMENTS (2023–2025)



THE RESULTS

PAPER TO ELECTRONIC

Transitioned from **500+ monthly paper checks** (26% of 2,000 payments) **in September 2023 to 98% electronic payments by March 2024,** processing more than **2,500 payments.**

SWIFT PROJECT COMPLETION

Exceeded the projected adoption goal by 8% and achieved it **3 months ahead of schedule.**

IMPROVED TIME EFFICIENCY

Reduced the average payment posting time from **1.49 days in 2023 to 0.53 days in 2024,** improving efficiency by **nearly 65%.**

ANNUAL SAVINGS

Closed 24 lockboxes, generating more than **$300,000 in annual savings** on lockbox fees.

CONCLUSION

Planning and designing streamlined business processes to execute long-term transformations can have a major impact on an organization, but without a focus on the human side—the people, behaviors, and culture of the entire organization—the best designed plans will fail. Effective communication and a hands-on approach from our talented and professional Property Management Teams led to an overwhelmingly positive response from our tenants, and we wouldn't have realized the same results without their collective effort. By moving 98% of our tenants to electronic rent payments, we now have more streamlined and efficient workflows in our Property Accounting, Treasury, and Property Management departments.

Southwest Business Park | Houston, TX

ABOUT THE AUTHOR

Ed Lemire is Associate Director of Operational Optimization & Quality Management at BKM Capital Partners. He is primarily responsible for identifying opportunities for organizational enhancements to drive operational efficiency and productivity among the front and back-office functions. In addition, he is also responsible for establishing goals and objectives to achieve this optimization, leading the execution of such activities, and implementing changes that will enable BKM to continue to grow in an efficient and cost-effective manner.

ABOUT THE COMPANY

Headquartered in Newport Beach, California, BKM Capital Partners is the largest institutional fund manager and operator of multi-tenant light industrial properties in the United States. BKM's singular focus, market knowledge, decade-long track record, and institutional approach provide a platform for investors to access a traditionally fragmented asset class through an experienced partner with the expertise to execute. BKM's platform drives significant ROI in this niche asset class through active hands-on management with an experienced investment and operations team. Since its inception in 2013, BKM has successfully acquired nearly 40 million square feet of light industrial projects valued at $8 billion. The firm continues to grow its investment management business through strategic joint ventures, institutional investor funds and separate account equity capital.

CONTACT US

949.566.8800
investorrelations@bkmcp.com
bkmcp.com

Headquarters

1701 Quail Street, Suite 100
Newport Beach, CA 92660