



THE FOUR SUCCESS PILLARS OF COMMERCIAL REAL ESTATE

Whatever the type of CRE organization, the best technology platform in place is vital for both your asset, portfolio and investments to maximize your yield

STATE OF THE INDUSTRY

The U.S. economy has experienced ten years of sustained, unprecedented expansion. While analysts say the market is due for a correction, market growth in commercial real estate (CRE) – spurred by a spirited economy, low interest rates and appeal as an asset class – is expected to continue in 2020 and beyond. That doesn't mean it will proceed at the same velocity: investors, looking for higher yields, are expected to increase scrutiny when assessing opportunities, extending the time to close a deal.

A recent market outlook report from CBRE illuminates the volatility of the commercial market in the near term. Geopolitical, economic and local regulatory issues signal that 2020 could be a pivotal year. In spite of these challenges, CBRE predicts a very good year for CRE investments.¹ It's an environment that will distinguish the finance and operations teams who maximize yields across their portfolios from those who are just getting by. But how do you thrive and show investors positive return on investment?

Success comes down to these four pillars for commercial real estate companies: revenue capture, cost controls, performance monitoring, and informative reporting. The following pages will look at each one, as well as introduce how technology is enabling superior results.



¹ CBRE Research. "Real Estate Market Outlook 2020," November 2019.
<https://www.cbre.us/research-and-reports/US-Real-Estate-Market-Outlook-2020>



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PILLAR 1

CAPTURE ALL THE REVENUE – DON'T LEAVE MONEY ON THE TABLE

How efficient is your tracking, billing and revenue-collecting opportunities allowed by your leases?

As your portfolio grows, capturing revenue becomes exponentially more complex. Critical to successful asset and portfolio management is maximizing yield on your space, gaining efficiencies in billing, tracking and collecting revenue opportunities. Most organizations forget that capturing revenue does not just impact net operating income (NOI) – it also has an exponential effect on the value of your property and portfolio.

The good news is there are innovative solutions designed specifically for CRE. While the industry is known to be a late adopter of new technologies, automated solutions can transform how business gets done, automating certain time-consuming tasks like billing and recording rents, capturing rent increases and managing vendors.

These tools are robust and support an organization's ability to better drive revenue and provide insights. Importantly, “must-haves” that provide key insights – integrated and configurable dashboards – should be included with any new solution to be effective.

According to JPMorgan, their clients are still “largely and stubbornly – hands on”; 80% still manually record rents and 34% use spreadsheets.



Source: <https://www.jpmorgan.com/commercial-banking/insights/cre-owners-run-businesses>



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PILLAR 2

CONTROL COSTS – BREAK IT DOWN AND ANALYZE SPEND TO MAXIMIZE YIELD

Do you know what percentage of your operating expenses are covered in the price per square foot?

The complexities of controlling costs grow exponentially along with your portfolio, so getting it right is paramount to maximizing yields.

Although triple net leases are common and, if negotiated well, will benefit and protect both landlord and the tenant, passing expenses through to the tenant does not negate the operator or manager's responsibility to control costs. These can be incurred from refinancing, marketing, ownership tax returns, capital expenditures, debt service, tenant improvement allowances, legal fees and broker commissions. All cost types must be monitored and controlled.

New solutions allow CRE organizations to leverage business intelligence and analytics proactively. You need immediate access to drill into specific areas of an asset to manage operational and financial key performance indicators before costs spiral out of control. These, in turn, can lead to higher yields and impressive returns for stakeholders.

“As we look to 2020 and envision the next decade, the most successful commercial real estate companies could follow the mantra: location, experience, analytics.”



Source: <https://www2.deloitte.com/us/en/insights/industry/financial-services/commercial-real-estate-outlook.html>



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PILLAR 3

MONITOR PERFORMANCE – BUILD VALUE FOR YOUR STAKEHOLDERS

*How easy is it to get the information you
require to prove your performance?*

Data transparency is one of the biggest issues facing CRE. As the real estate market continues to undergo significant disruption, it's critical to proactively model and monitor asset and portfolio performance. Performance is everything: investors want to prove an increased value to the market and improve their competitive positioning. Optimizing asset performance to increase revenue, minimize cost and reduce operational risk is at the forefront of achieving this goal.

In addition to monitoring NOI and associated metrics, on-demand transparency into the value of an asset gives owners greater insight into their investment. Today, few commercial operations teams utilize consistent or scalable methods to show yield improvement via modeling – modeling that can easily show the impact of change to their assets or portfolio. The result: a lack of clarity and consistency into how operational decisions impact the asset and portfolio value.

Integration of asset modeling into your technology platform to handle valuations, forecasting, modeling is key. Reporting can be easily obtained with the right solution and is crucial to building value for your key stakeholders.

“80% of investors
want CRE
businesses to
prioritize the
development
and use of
predictive analytics
and business
intelligence.”



Source: <https://knowledge-leader.colliers.com/jake-edens/using-data-predictive-analytics-guide-cre-decisions/>

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PILLAR 4

REPORT PERFORMANCE TO STAKEHOLDERS – BETTER DATA THAT LEADS TO ACTIONABLE INSIGHT.

How proficient is your organization at providing stakeholders with the information that they desire?

There are numerous stakeholders involved in the CRE ecosystem: owners, fee managers, investors, lenders, brokers and developers, among others. Even tenants have become stakeholders. Connecting each stakeholder to personalized, relevant, consistent and accurate information is difficult.

As a result, stakeholders wade through a swamp of data and irrelevant information. They're left in the dark to guess at performance or wait too long to get relevant information. Worse, the manual effort to provide this information drives additional costs and uncertainty.

What stakeholders want is reporting that harvests raw data (quantitative or qualitative), processed, aggregated and organized into a user-friendly format, with information presented as visual reports and dashboards. From here, stakeholders may glean actionable insights specific to their ecosystem to drive their business forward.

Delivering performance reports to stakeholders in this format is possible and the results are far reaching and provide a foundation for smart, fast decision-making.



DATA

INFORMATION

INSIGHTS

ACTION

“About 50% analyze data to drive operational efficiency, while 40% use data for more strategic business decisions or future planning activities.”

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OUTPERFORM

Source: <https://www2.deloitte.com/us/en/insights/industry/financial-services/commercial-real-estate-outlook.html>

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SOLUTION OFFERING

RealPage Commercial Platform is a fully-integrated solution to link middle and back office operations to drive transparency and efficiency in all activities related to the lifecycle of the portfolio and asset.

Ready to learn more?
For more information visit:
realpage.com/commercial
or call **1-87-REALPAGE**

