

THERE'S AN APP FOR THAT...OR MAYBE NOT

Will there ever be an Asset Management app to replace intuition, judgement, and street smarts?

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We are all drowning in an electronic flood, with each new platform claiming to offer a solution to our most pressing problems. Real estate investment management is no different. Asset managers field daily calls touting the latest technology - miracle applications that are guaranteed to make us more efficient. These “apps” cover the gamut of the asset manager’s responsibilities including leasing productivity, market comps, credit analysis, portfolio maximization, life safety, energy efficiency, security, internet connectivity, sustainability, tenant satisfaction, mapping...the list goes on. Each has been designed to make us more productive as we move toward the 24-hour work day. Some have been highly effective, enabling us to better manage our time, communicate more responsively, provide consistent-actionable data and operate with greater mobility. Others have been disappointing. So identifying the best tools for the issues at hand can be a challenge.

But will there ever be an app to replace what’s most needed to be a smart real estate investor and manager? Is there a “one button solution” for intuition, judgment, and street smarts, all of which add up to invaluable experience? The answer is “no” but....

The Demand for Real Estate: Since the Global Financial Crisis, real estate has been an increasingly sought-after asset class, viewed as a more reliable source of cash flow than publicly-traded stocks and bonds, with less market volatility. This recent preference for investment real estate, coupled with a strengthening economy has meant that our asset managers have seen rising rents, higher occupancy levels, and for the most part, restrained new development. At the same time, capital flows to real estate, both foreign and domestic, remain at historically high levels.

Although the rising tides of strong returns and consistent investment capital have lifted many real estate investor “boats” in markets across the country, most economists are predicting that double digit returns for core investments may no longer be realistic at this point in the cycle. With same store net operating income (NOI) growth appearing poised to moderate, is the tide slowly diminishing to a trickle for the moment? If we believe the headlines the “R Word” (recession) gets closer each day, and asset managers have continued to ask, “do I want to hold this asset through the next cycle?”, or “what can I do to be sure this asset retains value through the next cycle?”

So, how best to make these decisions? How can we make use of the latest “disruptive” technology such as big data and mobile technology? How do we take all of these new tools and combine them with traditional supply- and demand-driven research analytics, plus our own street smarts?

Enhancing The Basics: The process starts the same way it always has, with a fundamental understanding of the real estate. It’s here that apps have been most beneficial, providing asset managers with access to real time leasing information, a clear picture of tenant satisfaction and a broad understanding of retention prospects, all data gathered directly from the properties.

Good asset managers know their markets and submarkets like the backs of their hands, and mobile technologies – used from the street – and virtual technologies – used from the office – can work together to make asset managers more effective no matter where they conduct their business. Technology is enabling asset managers to direct their leasing agents and property managers to approaches that will distinguish, in small ways and large, their asset and their space from that of the competition. These new resources can enable managers to realize significant operational savings through data consistency and benchmarking, and by setting meaningful performance goals.

Importantly, virtual technology enables a leasing prospect to “see” a finished project rather than what is currently raw space, facilitating the negotiation. At the same time, the leasing process can be accelerated with new tools connecting occupiers and landlords more efficiently.

Sustainability is today an increasingly important concern for today’s asset managers. Sophisticated systems are available that enable tenants and managers to monitor their electric, water, and total energy consumption, even their carbon footprint. Robust communication tools can increase tenant participation in important property endeavors like sustainability programs, tenant preparedness and employee wellness, all of which contribute meaningfully to tenant satisfaction and retention. Providing feedback on resource utilization helps to raise tenant awareness and involvement, and enables the asset manager to more closely control operating costs to the ultimate benefit of ownership.

The demand for 24/7 services created by the internet has led to significant advances in property portals; when combined with mobile applications, these technologies can provide “on demand” response and proactive engagement with tenants, ultimately improving tenant satisfaction.

Today, more than ever, it’s essential for asset managers to engage directly with their tenants. Every asset manager must be armed with continuously-refreshed data so they more fully understand a tenant’s current and future needs as well as the parameters of the marketplace.

Apps - The Bottom Line: Asset managers require their property managers to use technology in order to shorten the time required to respond to tenant requests and provide rapid service calls, ideally using an anticipatory app to eliminate the need for calls in the first place. In the current competitive environment, asset managers are constantly seeking new ways to efficiently operate older assets, while applying cutting-edge tools to operate newer “smart” buildings.

Operations apps can create substantial efficiencies – doing more with fewer people, driving down costs using actionable data, ensuring optimal infrastructure performance and lengthening property life span with predictive maintenance. Today’s sophisticated applications give the asset manager an understanding of their third party manager’s performance as well as the overall “health” of their building that goes well beyond pure occupancy numbers.

While apps and data can make asset managers more efficient, we believe that real estate investment management is still a people business. An app can only inform and enhance human judgement and intuition, not replace street smarts to evaluate a building or to grow a relationship. There is no emoji that can make our tenants feel important, valued, and good about the space they occupy – that requires top performance and a human touch.