

Managing the Tool Kit

Choosing Software is Only the First Step to Address a Growing Array of Tasks

By Paul Rosta

Technology is changing the rules for real estate management. A constantly expanding roster of new tools offers potential for automating formerly labor-intensive tasks in a way that could improve the efficiency and effectiveness of operations. Real estate managers today use technology for a bewildering variety of tasks, from managing expenses and depositing rent checks in the bank to processing lease applications and maintenance requests.

Innovative tools that seemed unimaginable not long ago are a sure bet to come on the market in the next few years. Technology that automates many new functions is on the way. These trends will demand “a need for competence and

understanding of information technology networks,” observed Frank Santella, director of the U.S. General Services Administration’s Smart Buildings program. “During the next five or 10 years, property managers are going to have to have that basic understanding of IT networks.”

Managing these new property management tools itself calls for a strategic approach. One critical choice is whether to select products for each task that are considered best-in-class but may not be designed to integrate with popular platforms. The other path is to favor technology with an eye toward its ability to work with the most common products. (See “Achieving Alignment” on page 31 for a full discussion of this approach.)

For many property management executives, the choice is clear. “If a software (product) does not integrate, we won’t talk to the vendor,” said Lori Burger, senior vice president & director of marketing for Eugene Burger Management Corp. “We want everything to integrate.” That way, accounting, maintenance, bill paying and other tasks can function all of a piece.

Yet Burger also warned that the idea of integration itself appears to have different meanings to different vendors. Managers will select a product that is billed as clicking with a given platform, only to find that the product actually needs significant modification before it works smoothly with the larger platform. That requires diligence on the part of the

real estate manager to determine the true parameters of integration for a particular product.

As in other commercial real estate specialties, the spread of technology in property management has had fringe benefits. The opportunity to learn cutting-edge skills “tends to attract sharp people who value training,” noted Joe Greenblatt, president of Sunrise Management, a San Diego-based multi-family

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management specialist. “We also attract and retain sharp people who truly want to be part of a progressive organization.” This is good news for those worried about the forthcoming wave of retirements by Baby-Boom generation property management professionals. The opportunity to work with innovative, sophisticated technology platforms could prove to be an enticement to young people who have their pick of commercial real estate specialties.

Given the sophistication of today’s products, property managers need continuous training to keep up. Among forward-thinking owners and third-party providers, learning never stops. At the same time, education in technology requires choices. One area that can call for trade-offs is the time dedicated to training the staff. “A lot of these software packages will make you more efficient, but there are only so



[Property Management]

many hours in the day for training and integration,” Burger explained. One strategy that has proved particularly effective, she added, is hiring a staff member dedicated to training the team in specific platforms and troubleshooting any problems that the property management team may have. Rather than attempting to use every aspect of a platform from the beginning, Burger Management prefers to introduce its functions one by one as the staff masters each element.

Making the most of today’s new tools calls for nimbleness and circumspection. “Technology is advancing fairly rapidly. You’ve got to be able to deploy it pretty quickly,” said Charles Rau, senior vice president & chief technology officer for Forest

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City Enterprises Inc. Equally important, however, “you don’t want to go down the wrong path.” Rau cites the iPad as an example of a popular product that has a few significant gaps when it comes to the needs of real estate professionals. For example, the most recent version lacks both a USB port and the capacity to run Adobe applications.

Another balancing act occurs for firms that manage geographically diverse portfolios, whether in house or through outside service providers. The challenge is to maintain as much consistency as possible while still addressing the diverse needs of a company’s end users. In an effort to meet both goals, the General Services Administration is in the early stages of an exercise that will help to standardize elements of its IT system over the next several years.

Currently, the agency oversees eight to 10 computer maintenance management systems nationwide. Recently, it took the first steps toward

creating a uniform platform, including developing naming conventions to promote consistency in asset inventory. Standardizing the system will allow the agency to more systematically assess operation trends and building performance across a portfolio that encompasses upwards of 364 million square feet of owned or leased space in 9,600 buildings that house a broad spectrum of federal agencies.

“We can make decisions around the cost of equipment, and we can provide analysis on a national level,” Santella explained. “We feel that coming up with a standard approach is going to have some financial benefits.”

Even for portfolios much smaller and less far flung than the GSA’s, geographic diversity can present a hurdle to meeting the IT needs of property managers. As it turns out, there is no substitute for legwork. “You have to be very aggressive in reaching out to (outside) customers and internal customers and understanding what they’re trying to accomplish,” Rau said. “You can’t just sit in your ivory tower.” In working with its in-house and third-party property management clients, Forest City’s IT team is tasked with understanding the nuances of operating a retail, office or residential property in a specific local market, he explained.

Today’s sophisticated, multi-faceted property management products have capabilities galore when they come off the shelf, but there is a high probability that they will need tweaking before they are ready for prime time. Burger Management recently went through such an exercise. The condominium associations that make up a sizeable portion of the company’s clients have widely varying formulas for calculating fees for late payments. But Burger quickly discovered that the software it had selected did not account for that variety, a gap that limited the product’s usefulness to condo associations.

Alerted to the problem, the vendor worked closely with the Burger team in order to create a mechanism capable of adjusting to each condo association’s needs. The modifications took time, but the effort paid off for all concerned. “We explained to them what we needed, and they fixed it,” Lori Burger explained. “They were able to use our knowledge to make a better product—and make a better product for us.”

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Revenue Management Rises

Among the technology innovations taking hold today among property managers is revenue management. In the multi-family sector, for example, major owners like GreyStar, Alliance and Equity Residential have been implementing the technology in recent years. Owners are drawn to the basic concept of using sophisticated algorithms to set prices and lease terms, rather than relying strictly on the judgment of on-site managers. At a time when tight margins make every dollar of income count, owners are eager to maximize income from a given property. “There are only so many ways you can cut expenses,” said Yvonne Jones, managing director of asset and property management for Chicago-based McCaffrey Interests Inc. “What this really does is (help) you maximize revenue growth versus property vacancy.”

Implementing revenue management technology usually demands a learning curve, especially since it alters the traditional role of the on-site residential property manager. Traditionally, residential managers have considerable leeway to set prices and offer discounts in order to maintain vacancy. If occupancy fails to keep pace, managers can then blame market conditions or other factors, Young said.

Revenue management takes away that category of excuses by basing prices on more objective measurements that are intended to make the property as competitive as possible. The approach raises the hackles of some longtime managers used to autonomy, but the approach also frees time for other tasks.