



Brad Setser - Hartz Mountain Industries Inc. - New technology in a recovering market

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As new hope for the economy emerges in 2011, it's useful to look back at the past three years to see how organizations handled the downturn. Identifying the choices that produce success for a business during a tough environment is not an exact science. However, all initiatives geared toward weathering the storm were related to efficiency, competition, or both. Technology's inherent mission is to enable a business to work better than before; therefore, technology comprised the foundation of many recent new best practices.

Opportunity in an uncertain time

Some commercial property companies were in position to retain or reforecast an IT budget. They sought an effective strategy to operate as efficiently as possible while preparing for growth, profit and a competitive edge. Along with creating an immediate benefit in efficiency and NOI, the best strategies took a technology-driven approach that focused on building long-term fundamental value. It is fortunate, and somewhat ironic, that the economic downturn coincided with strong advancement in real estate technology.

This technology progress took the management of assets and buildings beyond the scope of a core property operations and accounting platform. Commercial owners and managers seeking to boost efficiency and operating income looked to convergent systems. Inevitably, the challenge arose to expand a core property management and accounting system to encompass more business operations. Key points in this process included: Could valuation and acquisitions leverage the operating data? How can AP and AR processing become more automated and cost effective? Is there a better way to calculate and reconcile common area expenses and recoveries, and sales data and percent rent? What can be done to better meet the requirements of FAS 157 and IFRS? Can depressed occupancy and tenant retention be increased through better marketing? How can reporting and analysis be done in a more accurate and streamlined way to increase stakeholder confidence?

Hartz grows with upgraded technology

Hartz Mountain Industries Inc. is an example of a company that chose to pursue a technology strategy during the difficult period of 2009. The retail, office, industrial and hotel properties owned and managed by Secaucus, N.J.-based Hartz comprise one of the largest privately held commercial real estate portfolios in the U.S. That year, it chose to invest in upgrading its outdated commercial and retail management platform to one that provided centralized, browser-based access and capabilities. "As we grew and our portfolio expanded, eventually reaching 38 million s/f, we needed the ability to track tenant options and tenant sales information and provide enhanced commercial rent roll analytics," said Lawrence Garb, Hartz's executive vice president of administration.

He added, "Our new platform has given employees in every department quicker access to important

data. They can drill to critical lease information with a few clicks of the mouse. This lets them react quickly when, for example, a tenant calls about renewing his lease. Everyone gets the same, real-time information from the same database." Hartz also completes its real estate tax and common area maintenance expense recovery calculations promptly and accurately. "We no longer have to download our recoveries and calculations to spreadsheets, which takes a lot of time and carries the potential for mistakes. Automated completion of these calculations increases their accuracy, saves staff time, and streamlines both processes," Garb said.

Even as it benefitted from the new platform, Hartz realized that the information required to manage property operations, investment structures and projected cash flows was increasing in scope and complexity. More frequent asset valuations prompted by mark to market accounting rules and FAS 157 standards also required a higher degree of data collection and reconciliation. Keeping pace with these expanding requirements spurred Hartz to find additional ways to leverage the information contained within its property management and accounting database.

The new platform's capabilities allowed Hartz to adopt an automated valuation and modeling process whose functionality was built directly within the new system. It generates accurate valuations as frequently as necessary by automatically integrating Hartz's property operating data from all assets into the long-term cash flow forecasting engine. This automation reduces both repetitive manual tasks and the time required to create analytics. "We can easily change leasing assumptions to obtain long-term projections and gain full understanding of our properties' performance across the board," said Garb.

As more Hartz tenants pay rent with credit cards, Hartz may also explore the option of expanding the new system's utility to include an online payment processing function. Payments made online by tenants would automatically apply to tenant charges, update tenant ledgers and update the general ledger. It would also maximize Hartz's cash flow by allowing same-day electronic funds transfers. "With more tenants using this self-service capability, our managers could spend less time processing payments and entering data and more time on core leasing functions," Garb said.

These and other examples demonstrate how the commercial real estate market has begun to embrace the potential for converging business information and processes within an enterprise-wide platform. Hartz and other companies lead the marketplace in identifying the new best practices that will take the industry forward, into a period that holds promise of recovery and prosperity.

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