



How does your technology plan stack up? Incorporating all operations is a proven best practice

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Until about five years ago, many private equity real estate firms were content to build best-of-breed technology platforms to execute asset management and reporting for their portfolios. Since then, many investment managers have added major multifamily holdings to portfolios that once typically consisted of 100% commercial real estate. Buying assets for their income stream as opposed to appreciation potential was the standard justification for onboarding multifamily properties. As a result of this drastic change in portfolio mix, a single real estate technology stack has become essential to driving efficiency and value across diversified asset types.

One byproduct of investment firms' acquisition of multifamily holdings was inheriting several significant asset-level technologies. These technologies include products that enabled many key operations, such as collecting on-line rent payments, converging utility billing, and allowing applicants to complete the entire leasing process on-line or through mobile applications. Maintaining separate systems at the portfolio-level vs. asset-level could be prohibitively costly in terms of duplicate data, error-prone interfaces and delayed information. Investment managers seeking insight into their portfolios had to navigate a maze of system interfaces and a jumbled patchwork of property management, accounting and reporting systems.

A key challenge, then, for managers of newly created mixed portfolios is seamlessly weaving together front office (investor reporting), mid-office (investment accounting, asset management) and back office (commercial and multifamily asset management) systems to run the operation efficiently and receive a detailed view of portfolio performance.

If integrating multiple platforms presents a challenge, a reasonable way to solve it would be to avoid such integration in the first place. Accordingly, many portfolio managers leverage a "single stack" technology solution that combines investment accounting, consolidations and investor reporting with asset-level operations. A single stack solution requires implementing just one platform that has all front office, mid-office and back office functions built in. This approach eliminates costs, error opportunities and inefficiencies associated with installing and maintaining separate systems and interfaces. Using a single reporting platform also allows delivery of full asset management and financial reporting to investors, with complete drill-down to the asset and tenant levels. Financial information readily available from the single stack illustrates the portfolio's health, facilitating informed decision-making about acquisitions and sales.

The single stack approach can drive efficiency and seamless portfolio operation with built-in:

- * Asset-level operations and accounting that allows accurate and detailed drill-down to property risk factors
- * Portfolio-wide performance analysis showing market values, spending, revenues and revenue trending

- * Easy roll out of such asset-level ancillary products as on-line payment portals, utility billing management, resident screening, revenue management and customer relationship management,
- * Budgeting and forecasting tools that determine long- and short-term risk by accurately forecasting, modeling and budgeting for properties and the entire portfolio. Having tenant-level lease details in the same system with budgeting system is the only way to produce accurate revenue forecasting
- * Mobile applications that let users keep the portfolio up to the minute with customer relationship management and facility management. These applications are easily deployed from a single stack, whereas integrating them with the core platform can involve hundreds of interfaces and produce less accurate information
- * Investment management capability sitting atop the stack that lets portfolio managers automate investment accounting, contributions/distributions, consolidations and investor reporting with full drilldown to operating detail

One of the most compelling reasons to use a single technology stack is the ability to "push" cutting edge asset-level solutions to property managers. Combining investor reporting, investment accounting, and property operations into one database and system creates a seamless ecosystem between investment managers and property managers. As new technologies are introduced in the technology platform, property managers can start using these tools as easily as flipping a switch.

One company that has benefited from the single stack approach is AREA Property Partners, a New York-based international real estate fund manager whose holdings include residential and commercial properties. "Having one system for property management, asset management and reporting gives us full visibility into our assets and enhances our ability to manage them," said Thomas Bevan, AREA's system administrator. "We can report property information to our investors with a couple of mouse clicks. We couldn't do that when we used spreadsheets because we couldn't drill to any significant level of detail. In addition, the comprehensive information accumulated in our platform gives us a competitive advantage among prospective investors by helping us track, and demonstrate our understanding of, local market trends."

The multitude of demands involved in managing diverse real estate portfolios requires harmony among front office, mid-office and back office systems. However, seamless unity is virtually impossible to attain when numerous platforms are jumbled together, whatever the virtues of each individual system. One stack that incorporates all operations is a proven best practice for effective asset management, risk mitigation and investor relations.

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