

CROSSING THE DATA CHASM IN CRE

Having the right tools is just the beginning

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Technology and data continue to permeate every aspect of every industry, and commercial real estate (CRE) is no exception. Traditionally based on experience and know-how, the CRE industry is now recognizing the benefits of investing in technology, and the value of data and analytics.

While we have made great improvements to data integration and standardization, CRE is still well behind other industries. Our investment in data and analytics is lagging when compared to other sectors and the result is a technology infrastructure reminiscent of where the financial services industry was 20 years ago. As our industry moves towards being data-driven, there continues to be a gap between firms having data and firms being able to make strategic use of it.

THE DATA SILO PROBLEM

Over 80% of the industry executives surveyed in the 2016 Altus Group CRE Innovation Report indicated that their firms could make significant improvements by eliminating or reducing data silos through better data integration and standardization. This reflects an immense problem in the industry, as data silos within an organization prevent firms from truly having the full picture when making decisions and advising clients.

Beyond hindering accuracy, referencing information across various databases can be quite time consuming. It is time that firms cannot afford to lose, as client demands grow ever increasing. Clients are looking to appraisers to provide clarity and real-time information on assets and investment performance, while also requesting lower fees. The efficiencies gained from data and analytics are one of the best ways for firms to address these mounting pressures.

Implementing integrated software will not only improve transparency, speed and accuracy, but automating data collection from various areas of your business and market sources takes time consuming and tedious work away from skilled staff. This will free up their time, leading to more strategic advisory and value added work.

THE BENEFITS OF BENCHMARKING

The appetite for comparative asset performance amongst clients has increased in recent years as the market has become more competitive and, in some cases, volatile. The need for refined benchmarking information is essential across the industry, but many firms have yet to standardize their information so that it can be leveraged for better performance analysis.

Clients are looking for benchmark data to help them predict what is around the next corner. In fact, 83% of executives we surveyed said their firms would derive a significant positive impact from improvements to data integration and standardization when it came to getting better market and portfolio insights.

A great example of this is the Calgary office market which has been in a free fall. The most up-to-date data – showcasing

vacancy rates over 20% and rents that are significantly off – is not going to tell clients anything new. What they need is information about when the market is going to improve, and the best way to know that is to mine data collected during previous periods of volatility in this marketplace. Only firms with tools that provide benchmarking and predictive analytics can assure that valuations and underlying assumptions are accurate by utilizing appropriate market rental curves, vacancy projections, renewal probabilities, etc.

Introducing a level of consistency by working with industry recognized data management technology solutions will collectively generate more reliable and consistent benchmarking data from the industry, allowing for greater industry clarity.

FUTURE OF THE CRE WORKFORCE

The permeation of technology in the commercial real estate industry has manifested in new ways as more millennial workers enter the valuation industry. Their expectations of the workplace are very different and this is especially true when it comes to technology. Having grown up in an era where things are increasingly automated, tech-savvy millennials understand the hindrances and inefficiencies of doing things manually. They want to work for progressive companies that can offer state-of-the-art tools, in many cases tools they have already been trained to use, such as DCF software, GIS, sales comp data bases, etc.

I recently experienced this first hand in an interview with a keen millennial



candidate who asked about the company's long-term data strategy, what tools he would have access to and what supplemental training he could expect to receive. These types of questions are a clear indication that we need to be moving towards becoming a data-driven industry in order to attract top talent. Firms of all sizes need to embrace technology.

Investing in tools to process valuable data is vital, but it is only one piece of the data and analytics puzzle. Firms also need to ensure they have the right people in their organization with a solid understanding of data collection, normalization and management. To do this, they will need to recruit talent from various backgrounds, beyond the typical pool of candidates from real estate and business programs. Our industry needs to look to attract analytical-minded professionals who know how to study data and find patterns within it. Our research showed that this is one of the biggest hurdles facing firms that are looking to increase their commitment to data and analytics, with over a third of respondents saying they currently lack data analysts that understand how to look at data and generate insightful reporting. In short, the appraiser of tomorrow is likely to look a fair bit different than today's model.

In addition to hiring skilled staff with technical expertise, firms should also provide training to existing staff, encouraging them to embrace analytics as an enabler and to understand their role in this shift. The majority of companies are challenged with data silos, so having a team that understands effective data management and its many benefits is needed to move forward, and in the right direction.

Becoming a data-driven firm is a process that takes time. To truly innovate and leverage available technology, commitment needs to come from the top of an organization. Currently, there is a lack of understanding among senior leaders, in both small and large organizations, about the benefits of having a good data strategy. It is time for them to educate themselves on this issue. Our research found that 44% of CRE executives felt they lack senior leadership sponsors who are actively involved in

CRE Leaders Continue to Face Major Data Impediments



Altusgroup.com/cre-innovation-report | Source: Altus Group CRE Innovation Report (2016)

CRE Firms Lack People with Sufficient Skills to Use Data in Innovative Ways



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exploring ways to use technology and data effectively and strategically at their firm. Senior management involvement is essential when implementing data and analytics throughout an organization; without their understanding and appreciation for all of its benefits, firms will not have the support they need to hire, train and invest for success.

With commercial real estate's established position as the fourth asset class, the next phase in our maturity is to invest in modernizing our data management infrastructure – including both tools and skilled staff – as well as our benchmarking capabilities in order to continue to attract and absorb newly invested capital at the historic levels of recent years. Failure to adopt technologies and practices that are routine in other asset classes could result in firms

being left behind as the commercial real estate industry continues to advance. The valuation community in Canada needs to make sure it is at the forefront of these technology changes so that we can ensure our clients feel confident in our ability to provide the right data quickly and in a format that works with their systems.

While the commercial real estate industry has a considerable ways to go, the *2016 Altus Group CRE Innovation Report* shows that firms are now recognizing the transformative impact that prioritizing and investing in data strategies and technologies can have on their businesses, putting them on the right path to getting there.

To download the full *Altus Group 2016 CRE Innovation Report*, go to Altusgroup.com/cre-innovation-report.