How Data 2.0 Will Lead to a More Streamlined, More Human CRE

Real-time valuations and forecasting are helping CRE companies turn data into action.

By Brian Lee | September 30, 2019

 "The products coming out are more intuitive and easy to use," Perry says. "You don't have to hire an expensive analyst or send someone out for training to get the benefits."

RICHARDSON, TX — "Automation is coming." In some corners, this has been deployed as a scare phrase as business functions have replaced certain functions with automated processes. It shouldn't frighten, believes **Christopher Perry III**, VP of **FUEL Valuation and Forecasting**, a subsidiary of **RealPage**, the Dallas metro-based real estate software and data analytics provider. As he sees it, emerging technologies like predictive analytics and automated-valuation models (AVM) will help companies achieve faster, more favorable CRE outcomes, without losing the human touch. It's a great leap forward from the old processes such as manually entering and just collecting as much data as possible.

"This is Data 2.0 for CRE," he said. "The first iteration was data collection. A lot of companies have spent years and years collecting all of this data and now they're saying, 'what do we do with it?' Many are hiring data scientists and outsourcing to consulting groups, and a big reason why is predictive analytics, which we'll hear a lot more about in the next 12 to 18 months."

AVMs, another "hot topic" in CRE, can be used in conjunction with predictive analytics to transact faster. In the past, a valuation was a very manual process, whether done by an appraiser, owner, investment sales team or lender. For example, the client would send an appraiser the rent roll, leasing info, expenses, recoveries and more, and that professional would then have to key in all that data.

"Imagine keying in all that info for one asset, then imagine doing the same for a whole portfolio," Perry added. "Or think about importing data from disparate systems then needing to cross-check the data before actually beginning to do work. Creating valuations used to be a much slower, more arduous task that we had to endure for decades. An AVM allows valuation professionals to do their analysis faster and focus more on market/submarket information, predictive analytics, and intangibles of the asset."

These CRE capabilities are so important because they allow companies, especially large institutions, to analyze and evaluate their portfolios in real-time to make critical, strategic decisions, including capital investment moves and deal sourcing. For example, a company with a 120 million-square-foot industrial portfolio might

want to immediately know how five speculative leases will affect asset, portfolio, and fund returns. That simple question would mean a lot of work for the finance, acquisitions, and asset management teams.

Today, CRE firms can answer that question on the fly, Perry said. Integrating with other systems and automating the flow of stored information across an organization cuts down on the time and effort required, as well as errors. An AVM automates the critical property data, then pulls in the market info from other systems. The process is accelerated and refined, but it doesn't remove the human element.

Perry asserts that it is critical for CRE companies seeking real-time valuation and forecasting solutions to use software that's intuitive, drawing the parallel to LinkedIn, which doesn't require an onboarding call or any training after signup. And like LinkedIn, anyone with a basic understanding of CRE, such as reading leases and income statements, should feel right at home with the solution.

"The products coming out are more intuitive and easy to use," Perry says. "You don't have to hire an expensive analyst or send someone out for training to get the benefits."