



How Technology is Changing the Landscape of Commercial Real Estate

By Jennifer Brenner Andrade
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There is a not so quiet revolution going on in the commercial real estate industry these days. What was once a primarily fraternal industry that operated in local and regional clusters has become a global phenomenon and the darling of Wall Street.

Technology has played a key role in revolutionizing this business. From online listings to electronic bid packages to automated rental payments and computer-assisted asset valuations, nearly every aspect of the industry has become subject to some sort of technological solution.

It is no longer a choice for brokers, appraisers, lenders and investors to use technology as the speed of delivery and accuracy these solutions provide can make the difference between winning or losing deals.

"If we are not able to close loans within the parameters that the borrower is acquiring the property in,

we are not going to be considered for some of these engagements," says Lisa Eugene, senior vice president, of the New York office of German lender, HSH Nordbank. Indeed, the majority of HSH's real estate loans are closed within a whirlwind 30 days.

And why is there such a need for speed in the commercial real estate industry today?

One key reason is the large amounts of global capital fleeing the recent instability of the stock market and seeking refuge in commercial real estate.

According to a report issued by Ernst & Young, in March 2003 the U.S. real estate market witnessed a 59 percent increase over 2002 in capital inflow from offshore investors. Likewise, the report indicates that in the last two years, U.S. opportunity funds have amassed more than \$100 billion in real estate buying

power through the creation of new funds and offerings. E&Y further estimates that upward of \$60 billion of that acquisition purse is dedicated to offshore opportunities.

The abundance of capital has created immense competition for high-quality properties and has consequently shortened the lifecycle for acquisitions and dispositions. The need then for commercial real estate professionals to process and present large amounts of information quickly and often in varying currencies has created an even greater need for the adoption of technological solutions.

An article published in the December 1, 2004 issue of the *Realcomm Advisory* further considers this issue: "Those who have begun the process of automating their business realize that there is no turning back. With the large volume

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of information processed in our industry, it is no longer possible to rely on paper. In addition, there is also great pressure from clients and others involved in the industry that are mandating radical rethinking on how we need to conduct Commercial Real Estate transactions. It is only a matter of time before the Commercial Brokerage Office looks more and more like that of a stock brokerage firm, excluding the Broker who works from Starbucks wearing a headset, laptop on hand, wirelessly connected to the Internet and their office and all the information systems they need to conduct business."

The advent and management of real estate investment trusts (REITs) has further dictated the need for technology. Faced with rigorous reporting requirements, REITs use technology not only to organize

their business practices, but to create cutting-edge strategies.

These days, says Trizec Properties Inc.'s Vice President Jean Dorans, "it is all about strategy." Dorans runs Trizec's due diligence and financial analysis group, a centralized pool of analysts devoted to capital transactions, asset management and portfolio analysis.

Chicago-based Trizec Properties Inc., has a portfolio of about 38 million square feet of office space in prime markets including New York; Washington, D.C.; Chicago; Atlanta; Los Angeles; Houston; and Dallas.

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Trizec's capital transaction group uses the asset valuation software program ARGUS to evaluate potential acquisitions as well as create models for dispositions. The firm also uses DYNA to manage the day-to-day operations of its portfolio.

According to Dorans, it takes strong guidance based on timely data to navigate the multitudinous opportunities and decisions necessary when running a successful real estate

investment trust. Across the industry, she says, executives are pushing down strategy, and ARGUS and DYNA allow REITs and other companies to create daily snapshots as well as the common 14-year and 36-year projections needed to create those strategies.

Even with interest rates slowly inching up and generally poor market fundamentals across several property categories including office and multifamily, a recently released study by Encino, CA-based Marcus & Millichap and National Real Estate Investor shows no slowing in investor demand for real estate product. In fact, the report predicted that property transactions during 2004 would easily top \$163 billion, which is nearly \$40 billion more than the \$124 billion in property transactions that were completed in 2003.

As this momentum continues, the localities, currencies and time constraints of buyers and sellers will continue to diversify and even the most old fashioned commercial real estate professional will have to lie down at the alter of technology.

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Jennifer Brenner Andrade has published over 1,000 articles on the commercial real estate industry. Currently she works for Realm Business Solutions, the creators of ARGUS. ARGUS is an asset valuation and cash-flow projection tool and has been the industry standard for more than 18 years. ARGUS has 15,000 users in 40 countries and allows commercial real estate professionals to spend their time building fortunes, not spreadsheets. To learn more, go to ArgusSoftware.com. Jennifer can be reached via e-mail at JAndrade@realm.com.



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