



CRE Tech Talks

Episode #11: It's all About the KPIs: Understanding Real Estate Data Visualization



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Scott: Thank you for the warm introduction. Welcome to this episode of the "2016 CRE Tech Talks" podcast series. I am Scott Sidman from Building Engines and your host.

We're going to get into some practical stuff today, which I think will be of particular interest for our audience. We use technology throughout our personal and work lives to make things easier, more efficient, or to help us see or understand something in a way that we couldn't do before.

That's why I think things get really interesting. When we can see information in a new way that not only provides enhanced insight, but also delivers steerage, which is my boss's particular favorite word, as well as early indications of trouble spots or opportunity.

Doing all of that without us having to really go and dig for it, and find it, and do the research that typically accompanies that type of effort. This is true business intelligence, and it begins with something called data visualization. Today's podcast is on understanding real estate data visualization. It's about KPIs and decision support.

To guide and help us through this subject is someone I've met several times over the past couple of years at industry events and has impressed me both with his background and knowledge of the market and technology. I'm pleased to welcome to the podcast.

Joining us from California, Mark Sigal, Managing Director of BrightStreet Ventures and their portfolio company Datex Property Solutions. Welcome, and thanks for joining us on the podcast, Mark.

Mark: Thanks for having me Scott, looking forward to it.



Scott: Great. Why don't we get started, and if you could tell us a little bit about your background, both personal and professional, and a unique or interesting fact about yourself, is our habit here at "CRE Tech Talks" podcast.

Mark: Some quick background on me. I started my career in real estate asset management, essentially building a property management and brokerage company by the name of CBM. We grew that business to about 100 different shopping centers across northern California in 1994.

With the Internet starting to take hold, I got the tech bug, spent the next couple decades basically building multiple hardware, software, and services start-ups. One of them, and our most memorable, is an Internet kiosk company we built by the name of CafeNet.

Been fortunate over the years. Had a few different high-five moments of start-ups built getting acquired by companies like Intel, Apple, and IBM. I've also had the body blows as well, so I think I bring reason but optimistic perspective to the power of technology.

As to something unique about me, I consider myself a crazy, good quality assurance engineer. By that I mean I'm the guy who picks apart software, finds the bug no one can find, a symmetrical workflow that makes no sense. If it's there, I'll find it.

Scott: Wow, I think this might be a first for us. It's a really interesting background. You have the commercial real estate experience as an operator. [laughs] You have technology background in the software, and you can actually do QA yourself, which is really great. By the way, if you were QA engineer, and probably where you're in San Francisco, in the Bay area, you know just that alone would place you in incredibly high demand. [laughs]

Mark: At least that's what I tell myself.

Scott: Exactly, if all these doesn't work out. Tell us about Datex -- the company background, how you started, the markets you serve, etc.

Mark: Datex is, I like to joke with my team mates internally over the classic overnight success, 15 years in the making. We wear it as a badge of honor, but we've probably made every mistake in the book over the years and lived to tell about it.

From that, over time we made less and less mistakes. Our parts got better and better and, obviously, the quality of the clients that we work with improved. A 100 percent of our business is focused on real estate portfolio owners, operators, and managers.

We're especially strong in retailing and the shopping center segment, but we've got a bunch of commercial and multi-family residential clients. Our flagship product, Datex Business Intelligence, or we call Datex BI, is a product family and a data warehousing solution.

It essentially overlays the clients MRI or Yardi environment and, as we like to say it, makes that environment better a few different ways. One, it delivers visualization of their KPIs or their key performance indicators and does it in a pushbutton simple fashion.



Two, clients have monthly or recurring reporting efforts that automates that process. Three, it helps them intelligently track, escalate and alarm occurring tasks that they need to keep on top of. It enhances the way they recover expenses.

Lastly, it helps them keep their investors plugged in, managing things like distribution, performance reports, capital calls, and what not.

Scott: Those are certainly all important and worthwhile endeavors, so I'm going to be interested in hearing how you get there. Also, interesting to know that your story and timeline is very similar to ours here at Building Engines, about 15 years in business and learning from mistakes along the way. Congratulations to you on keeping it going for that long.

Mark: It must be something in the water 15 years ago.

Scott: [laughs] Exactly. Tell us a little bit about the vision for the value you deliver to your clients, and the conditions in the market that make this important and true today.

Mark: I think the notion of BI or Business Intelligence and the role that visualization plays in it is not a new concept. The technology has finally caught up to make this ready for prime time. By that I mean the essential notion is you manage what you measure. If you don't track it, you can't improve it.

Our central vision and our operating principle as a company is just that. We want to help our clients manage what they measure and provide them the tools to do that measurement.

Now, in the domain of real estate portfolio management -- office building, shopping centers, apartment communities, investment or what not -- the goodness is this, those clients are already plugged into systems that generate tremendous amounts of real time data.

I'm talking MRI and Yardi in the property management and accounting segment -- folks like Avid and Nexus in the AP Automation segment.

All this data is being generated by these systems. Folks like us, the ability to hook into that data basically gives them all sorts of new and interesting ways to leverage the data. What's cool about that is you're now able to surface a bunch of different best practices, which can be made better.

Datex BI is really focused on harnessing that data, bubbling it up, making it visual and then making it pushbutton simple for them to hook into that data.

Scott: Sure, that makes a lot of sense. You and I both attend a lot of conferences, and there's been plenty discussion over the past several years in commercial real estate about big data and business intelligence. I think there's a lot of confusion out there about what they mean in practical terms. Can you provide your definition of that?

Mark: Our basic concept here is business intelligence essentially can give you the means to basically make you smarter. If you think about it, there's a number of different decisions that you need to make over the course of the day that in absence of data you're doing in an ad hoc fashion.



Similarly, you run into situations where not everyone's looking at the same data. Our essential approach is very purpose-based. By that I mean we focus on the key areas that a property manager is going to need to be able to track and manage, whether that's a category expense, a performance of a merchant.

If you're an executive, it's how are my people performing well to one another? Which properties are performing better than another? Our notion of business intelligence is not some abstract concept. It's really focused on what are the core processes that a property manager, an executive, an accounting person, a leasing person needs to do to get their job done?

Scott: That makes a lot of sense. Is there a practical way to get started and to apply this approach? Can you summarize a few of those principal benefits you think people realize, based on your experience? You've done this for a number of years now.

Mark: As far as getting started, the way we approach it, the first thing we'll do with a client is we'll get a little backup copy of their MRI or Yardi database. Since, within our system, we've built out a number of specific KPIs in each of these different categories, we'll essentially run diagnostics against that.

We'll look at the data and how it's structured. I'll give you a very simple example. In retail, you've got this notion of what's called an occupancy cost. An occupancy cost is the ratio of rent plus the tenant's portion of expenses over the sales that they generate in their business. Certain merchants can support higher or lower occupancy costs.

Understanding that formula gives you visibility to whether a merchant category is ascendant, and doing very well, and can pay more rent or descendant or struggles. I'll give you a very practical real world example of that.

A few years back, as a lot of know, Best Buy was starting to struggle. If you set up your data the right way and support -- this is capability inherent in MRI -- set up your master categories and subcategories, your ability to drill down and look not just at your Best Buys, but the whole category of consumer electronics would have cued you in to looking at your Radio Shacks.

Now I know a few years in advance that I should be a seller and not a buyer of Radio Shack tenanted properties. Similarly, armed with that same data, I'd know which of my tenants are at risk of default, which ones should be paying more rent. For every dollar I'm able to accrue of additional rent has cap value.

The key there is, do I have that data set up within my MRI or Yardi environment? Have I set up the right categories? Those are the kind of things that, in starting with client, the first thing we'll do is help them figure out the structure of the data that needs to be so it can plugin.

Scott: That's great. Those are some really clear examples. It spoke to how I open, where we talked about the Holy Grail, the ability to look forward and predict things, which is great. I'm looking forward to hearing more about that. Clear, in terms of what the goals are, how you get started. Always with these things, devil in the details a little bit.



One of the things I hear from a lot of our customers, the market in general, is that they are overloaded with data and information. They don't want to look and search for reports or try to figure out what things mean, which is something you just spoke to, is well what they should do. How do you make life better for them?

Mark: That's a great question. I think a big part of this -- and this is really sort of the see change in the market -- is we're using consistency of interfaces. By that I mean we've been doing this for 15 years.

When you work with a lot of different clients across a number of different segments, what you start to realize are the ways that they want to be able to slice, and dice, and visualize, and analyze this data is fairly consistent within the segment. The KPIs may be different than another segment.

The basic notion of being able to scale from the tenant view to the property view to the portfolio view to the line of business is an aspiration that any company that has a reasonable size portfolio has an aspiration to do.

Similarly, the idea of being able to slice these things over a time period and look, how does this data compare this year versus last year? How does this region compare to another region? How does this property type? Are my neighborhood centers doing better than my community shopping centers?

Are my mixed use projects doing better or worse than my apartment only project? Different owner entity types property managers. The ability to look and compare the performance and benchmark my property managers against one another.

These are all very powerful concepts take what could otherwise be noise and turn into signal. Because these are common types of interfaces from one client to the next, the ability to bring these clients online very rapidly is a really powerful notion.

What we've done is design this and I think this is one of the keys. We've designed this with the notion that the end user is non-technical. What we've learned from the market is people want start with pictures, charts and graphs.

They want to be able to drill down to the details, but it's got to be done simple. Allow me to start with that chart, allow me in very few clicks to be looking at the invoice or the lease or the memo, but start me at that high level.

Scott: That makes a lot of sense. That focus on the end user, I think, is critical to most applications these days. Maybe help me clarify and understand. How does it differ from what these folks are used to? Or are able to get out their financial applications -- the ones you referenced -- and other applications? How is what you do help out there?

Mark: I think today what you find out of their property management, out of their accounting, and out of their AP automation they've got pieces of data, but they're not specifically structured either. From a basic point, that data isn't warehoused.



The ability to compare vast amounts of that data over time periods, slice it over regions, cross compare it against rules and responsibilities is largely not existent, but most of these systems are not that visual. They'll provide you a report. That report is flat data. You have no way to drill down to the underlying data that makes up that value.

Equally so, the extent that that triggers a what-if question. You basically have to create a wholly new customer report if you wanted to ask a slightly different question, because the systems that we build are built in a way that it's meant to be clicked and traversed.

The charts are meant to be drilled down to underlying detail, the ability to out of the box have these specific questions built out, fortified, and supported is pushbutton simple. It's all fully integrated.

With these other approaches, every time I want to ask a slightly different question, I have to create a completely custom report. That's why what you find in these companies in the absence of such systems, they run their business by three or four different custom spreadsheets that they've created.

Because the system itself -- be it their accounting, be it their property management, be it their billing system, -- it doesn't really support that.

Scott: Aren't we all trying to get away from spreadsheets? Isn't that the goal for us?

It's actually interesting. I had a very similar experience here internally where we are Salesforce users and we use that for our sales team here. We have a marketing automation platform as well and you'd expect that Salesforce and the marketing automation system would be able to deliver all the information we need.

We actually went out and licensed a data visualization tool this year to [laughs] overlay those two systems to do exactly what you're talking about in terms of what you help your clients accomplish on the real estate side. I can attest to having the same types of goals.

Mark: The one thing I would add there, and that's really a distinction between being in an ad hoc platform that in theory is equally addressable for pharmaceuticals as real estate, but really isn't the jack of all trades, master of none, versus being a system that's purpose-built from the ground up for real estate portfolio owners and managers.

You can build a system that is pushbutton simple. You can build a system that has the workflows fully defined for the user that anticipates the question that came before, the question that comes next, and, yet, is flexible enough to allow them to work the way they want to work.

Scott: You gave us one really good earlier example. What are some other kinds of decisions and points of analysis that data visualization can provide your customers?

Mark: Here's a common dynamic that you run into in portfolio management. I'm staring at our landscaping cost that just feels unreasonably or unseasonably high. What I don't know is, on that particular property, has it always been that way? Is that particular property manager higher or lower than other managers as far as expenses go?



Is it emblematic to a regional change, all the centers in that given region? Expense management is a very simple category where the ability to know whether expense categories are in line or out of whack, the trends are moving in the right or wrong direction. Maybe it's that vendor has suddenly changed their pattern in terms of how they're charging us.

It goes back to that notion I said at the front, you manage what you measure. The ability to, in very few clicks, be able to drill down into any and all of my expense categories and sub categories within that is incredibly powerful in being able to pick that question apart, build my thesis, traverse my way through.

In particular, the way we support that is not only are we tying into the underlying GL data in that example, but we're actually tied into things like actual invoices. A concept that we call dashboard to documents is, in very few clicks I can be looking at this troubling expense side.

Then click, click, click, I have drilled down and I'm staring at that invoice. I'm staring at all these invoices for this particular vendor and I can now go, "Hmm, how does that compare," or, "Why is that change?"

Scott: Expense management, what other things would you find in that category?

Mark: Examples are things like landscaping that can change fairly dramatically. Security that can go up or down. You see things like, as I mentioned, the landscaping, insurance patterns that have changed. These type of things can also cue you into things like expense recovery.

One notion you run into in a commercial is these leases all give you the mechanism to recapture expenses -- the tenants' pro rata share of taxes, insurance, and maintenance. One of the data points that we provide is what's called the Leakage Report. The Leakage Report will give you visibility into what expenses are being lost in terms of recovery to either vacancy or lease restrictions.

Again, armed with that data the leasing people are going to say, "Hey, we signed this fantastic lease;" but, lo and behold, all of the tenants in this category will do a poor job of expense recapture. The notion with being able to assess, on a number of different core metrics, the performance of my property managers.

Knowing which ones are doing the best or worst job at things like collection issues or expense control. Which ones have the highest turnover rates or greatest vacancies, whether those things have changed, whether they're consistent from one region to the next?

Again, category by category, whether it's expense control, whether it's tracking the performance of my property managers, identifying my at risk tenants, finding my peak performing merchants so I can capture more rent. These are all things a BI system, structured the right way, can make you smarter.

Scott: It seems to me that those are things that every portfolio, every property manager would want to have at their fingertips without question, which begs the obvious question. [laughs] If the



capability's available, and you can better visualize and improve on these things, why don't people do it?

Mark: That's a great question. I've put these things into two buckets, fear and uncertainty. Fear, one of the things we've talked to a lot of clients about. This is part and parcel why we actually assess their actual data before we get started on these types of deployments.

There's this few that their data is simply is not ready. You'll hear from a client and say, "God, everything you describe is incredibly powerful, but are we ready?" I'm a big believer that light is the best antiseptic.

Shine a light. Shine a light on their data. Look at how it's structured. As often as not, you'll find out you have not setup your entities properly, or you haven't created categories, or you've used three different fields for how you designate start dates and leases or termination dates or what not.

Lot of it is by helping them understand what they need to do to get their data ready, by making sure that they understand and you understand what are the core problems they are trying to solve through a BI technical effort or visualization effort? That's pretty central.

Now the notion of uncertainty is really, how do I get started? That's really where we've done a lot of work over the past year in terms of helping clients first get their arms around the data. Secondly, go from the thumbs up to go live in four to six weeks.

Lastly, hand-holding them through very proactive training so that not just the people signing the contract, but the actual stakeholders on a day in, day out basis and very clear use cases in terms of how they are going to use this.

Scott: Maybe you can talk a little bit about that work, that effort on behalf of a client. I'm sure that's one of the other concerns as well is how much work does it take to get this work started and to understand and implement on behalf of your customers?

Mark: Beginning with the notion of leveraging their existing property management and accounting systems is an anchor right there, because of the idea is this. I have already created reams and reams of data that is already there that's ready to be used.

In our particular case, we spent 15 years perfecting interfaces into systems like MRI, Yardi, Avid, and Nexus. A first part of it is how do you help me hook into the data I already have? I think one of the things that makes these notion of going from thumbs up to go live in four or six weeks practical is that everything that we are doing is standardized.

By that I mean if you're in retail, the types of KPIs, the screens that we are going to give you for assessing your national tenants or tracking the occupancy costs of those merchants are consistent from one client to the next.

The ways that you're going to view that data. The actual work flows in terms of how I go from the breadcrumb down to the actual invoice is very consistent. I think the key there is, in the old



world, what you consider an enterprise types of approaches, everything was hugely custom, cost was off the charts, and the deliverables were always fuzzy.

In our world, we're starting from the data you already have. You've got well-defined interfaces for hooking into it. You've got specific KPIs and Key Performance Indicators for what data is being structured how, how it's being presented, and how you're going to navigate it.

The key thing in all of that is not only de-risks these projects, but it takes something that in the past would be six or seven figure types of efforts and reduces it into something that can be provided as a subscription service.

Scott: That's great, and that answers one of my questions for your business model. Again, modern software application approach, software as a service, a subscription service which makes it manageable and understandable from a cost perspective as well for your customers.

Mark: 100 percent, and the beauty there, it also scales up or down to the size of the client. The larger your portfolio the more you pay, smaller your portfolio the less you pay. Just to put it in perspective, the entry cost for clients that embraces this is measured in the very few thousands of dollars out of pocket up front.

Scott: Seems to make complete sense in terms of what they get in value they receive.

This has been tremendously insightful, Mark, and a great overview. I know there's a lot there, but a great introduction in overview for data visualization and understanding how it works for KPIs and supporting decisions. By the way, just to back up a little bit, I am going to borrow your "light is the best antiseptic" line.

[laughter]

I really like that. Just in closing, what would you like to leave the audience with? What should they consider as they think about whether or not this is a fit, and how it can help their business?

Mark: First off, Scott, I want to thank you for having me participate in this podcast. I certainly want to thank everyone who's taken the time to listen in. I guess I would just say this. If I can leave everyone with one thought, it's this, data is power. Marinate on that concept. He who has the best data wins. It's that simple. It changes virtually every industry.

If you're using the tools of the trade, you're using an MRI or Yardi, harnessing the power of data is already within reach and then idea of increasing your business intelligence quotient is literally the easiest way to make gravity your friend.

When you got the data working on your side, you know whether you're a buyer or a seller, you know which of your people are performing best or worse, you know what your expenses whether they are in line or need to be adjusted, you're able to make smarter decisions. Smarter decisions leads to better business outcomes.

Scott: That's a great point. Completely agree as well. What's the best way for people to learn more about Datex or to connect with you?



Mark: The best way is to visit us on the Web at www.datexdata.com. We've got contact form. We obviously we have lots of collateral that you can access, but the best way is to reach out to us through one of the contact forms.

Generally, we'll do a 15-minute conversation, give you an overview of what we do, learn a little about your business. If there's interest there, we'll show you the product. Again, the beauty of what we do is our systems are very see, touch, feel; in a pretty short demo, and you'll get it.

Scott: We'll put that information in the show notes for the podcast and make those available to the audience. I want to thank our guest Mark Sigal from Datex for joining us today.

Thank you for listening. Please join us on our next episode of "CRE Tech Talks," and you'll find all the links at buildingengines.com. Under the resources section, you'll see the podcast link there. We thank you for joining us today and look forward to having you join us on future sessions as well. Thank you.

QUESTIONS FOR THE HOSTS?

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