THE GUIDE TO **DATA-DRIVEN** CRE BUDGETING

HOW TO TAKE THE GUESSWORK OUT OF CRE BUDGETING WITH DATA

Nobody actually enjoys the budgeting process.

It's fraught with paperwork and binders, tracking down last year's expenses, guesswork as you estimate what you'll need next year, all while competing for limited budget dollars from your organization.

But, here we are again! It's time for CRE asset owners and property managers, to start the budgeting process for your next fiscal year.

Before you dig in, here are some tips and tricks for taking the pain out of CRE asset budget season - all using data and technology.

PRO TIP:
Arm yourself with data to make the business case.

Your #1 priority as a property manager during budgeting season is to win approval for your budget. You need backup - concrete data from the past 12-18 months showing trends, with proof as to what is needed, and why.

You need to make the business case. Here's how:

1. Track work orders to understand current (and future) staffing levels.

You need visibility into work order and preventive maintenance data to make decisions about staffing - and to justify staffing levels. Tools like Building Engines allow you to track the time dedicated to tasks, allowing property managers to demonstrate the personnel hours required to service each building - including maintenance, janitorial, and security levels.

Track work orders well, and demonstrate whether their volume warrants an additional maintenance professional on-staff. This type of insight can help you to gain approval for adding more team members next year, adjusting staffing levels appropriately.

2. Review historic material consumption to predict future ordering volumes.

Whether on a monthly, or quarterly basis, it's important to know how much stock your engineers are going through. For next year's budget, review the historic data on material consumption habits, including quantity and which materials are being used. This can help you predict future ordering volumes backed by real-world data, not your best guess.

After all, guessing wrong could mean your engineers don't have what they need to fix HVAC units or other critical infrastructure.

3. Use capital planning to identify date - and cost - of future equipment updates.

Property operations systems like Building Engines can help you understand the expected life of the pieces of mechanical equipment at your properties. Use the capital planning tool to identify both the expected replacement date, as well as the expected replacement cost of significant pieces of equipment, so you can budget accordingly.

(Note: This may not be immediate, but could be used within a 5 or 10-year capital project plan as you forecast out.)

4. Track historical repair trends to plan for future repairs.

It's incredibly helpful to identify past repair trends, to know what's needing to be repaired in the future.

E.g. How many elevator entrapments did you have last year, and what was the cost to resolve the issue? Can you identify a trend of work orders related to a particular issue?

Having control over patterns in your operational data may give you the predictive insight to plan what you need for both staffing and materials across your properties. If you notice problems in a piece of equipment over time, based on the work orders you track, something needs replacement.

That insight may not be clear, if you're not able to trace and manage work order trends closely.

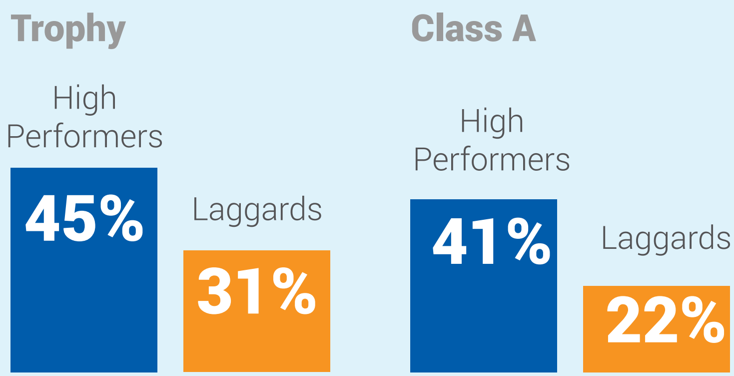
5. Profit reporting.

Asset managers, you need to understand the profitability of your properties. Every dollar of profit from services increases NOI.

Building Engines' profit report is one way to understand historical profit generated off tenant billable service requests. It's critical to have clarity and control over your billbacks, so you can report what's coming in compared to what's being spent to manage the property.

6. Benchmark operating expenses externally.

In Building Engines' State of CRE Operations Report, we found that high-performing firms are 1.7X more likely to benchmark operating expenses externally. In fact, this becomes a truly differentiating factor among Trophy and Class A office properties.



External OPEX benchmarking (BOMA EER®, IREM Income/Expense Analysis, etc.

Three benefits of external benchmarking:

1. Benchmarking places budget performance in its proper context.
2. Having a solid point of comparison helps managers control costs.
3. A market-based benchmark can help justify needed expenditure to maintain competitiveness.

Most often, these firms use third-party data sources like the BOMA Experience Exchange Report® or IREM Income/Expense Analysis. We especially like BOMA's take on it:

"Commercial properties are built on a **foundation of data.** But if you're only looking at the numbers from your own building, you're not getting the whole story. Without context, these facts and figures—rental rates, operating expenses, fixed expenses—don't tell you much about how well your building is operating in comparison to its competition."

- BOMA

Bottom line: Focus on efficiency

Building managers have a fiduciary responsibility to investors, and that means being diligent about controlling costs. Leading organizations find new efficiency by:

- Staffing their teams with high-quality people
- Providing teams with the tools they need to succeed
- Automating basic accounting tasks with technology
- Ensuring their spend is in-line with the market

We hope this collection of advice helps you better manage the headaches and pain that accompany the annual budgeting process. The bottom line? Use technology to track property operations and give you the data you need to win approval and make the business case for budget requests..

Building Engines can help. We've helped thousands of CRE managers and owners take the pain out of budgeting season by helping them:

1. **Save money, and time** - Budgeting is a lot faster, and easier, when the data is available at your fingertips through on-demand reporting.
2. **Identify hidden opportunities** - Find opportunities for cost savings, and investments, you wouldn't otherwise notice.
3. **Present data beautifully** - Stop digging through binders of expenses. Building Engines gives you a better way to present information with concrete backup for the last 12 or 18 months showing trends against actual work orders.
4. **Predict expenses, accurately** - Our tools help you predict when expenses will hit, and how much they'll be based on your history of when vendors did work in the past. Know which month, and which quarter, you need expenses (rather than overall annual costs.)

Request a demo of our data-driven tools, today. We're ready to help you track what you need to save time and energy preparing next year's fiscal plan.

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