

TENANT RELATIONSHIP MANAGEMENT BENCHMARK REPORT

*Survey results on tenant relationship management
practices and trends in Commercial Real Estate (CRE)*

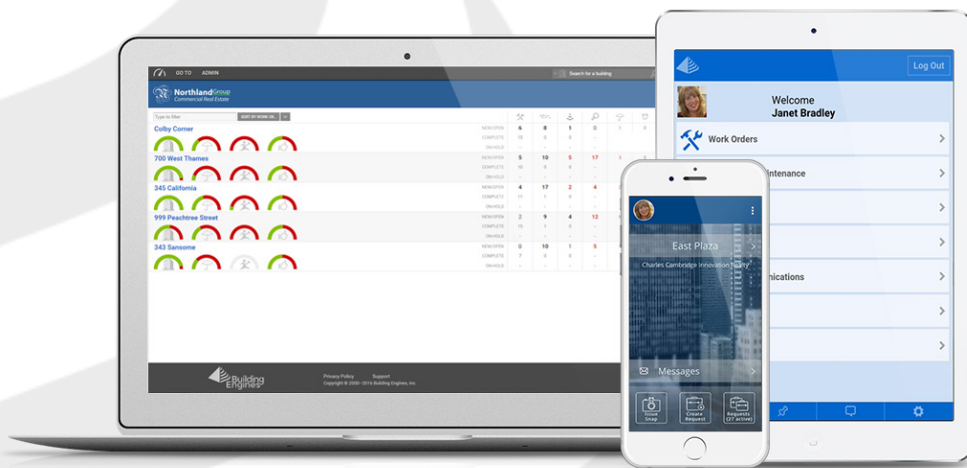


TRANSFORM PROPERTY MANAGEMENT

Building Engines Property Management Software

Building Engines SaaS (software-as-a-service) based web and mobile property management platform helps operations teams improve service delivery, mitigate risk, connect with tenants, and maintain their properties, using performance-based insights gathered from day-to-day tasks.

Leading companies like Beacon Capital, Normandy Real Estate Partners, John Hancock Real Estate, Biomed Realty, and many others already trust Building Engines to help them reduce costs, increase efficiency, and create a more identifiable brand.



www.buildingengines.com | 1.866.301.5300 | info@buildingengines.com

Every property owner and manager knows that effective tenant relationships are essential to running an efficient and profitable building. Since the “occupancy” phase (post-lease signing and pre-renewal) is the longest part of the relationship with building tenants, it only makes sense to cultivate positive tenant sentiment during this time. Unfortunately, there is often a singular focus on day-to-day service delivery and responsiveness as the only way to accomplish this. This is at the expense of more strategic tenant outreach. This reality is additionally complicated by the fact that building owners and managers have very little insight into overall tenant employee satisfaction beyond

interaction with a single organizational point of contact. Further, according to our research, many building operators lack standardized communication practices, have limited sentiment tracking capabilities, and are slow to respond to changing tenant expectations for the workplace.

The survey results below will help you determine whether or not your team has the program and tools required for creating a complete Tenant Relationship Management (TRM) program, as well as identify the industry forces that are changing the ways building managers should communicate with tenants today.

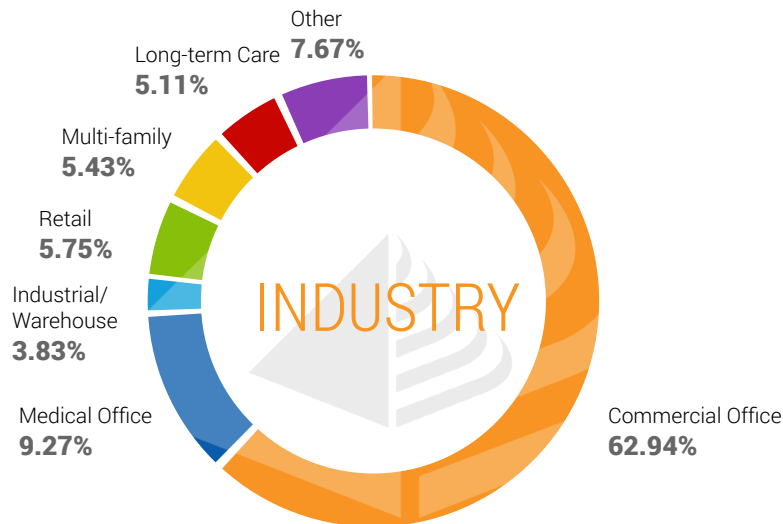
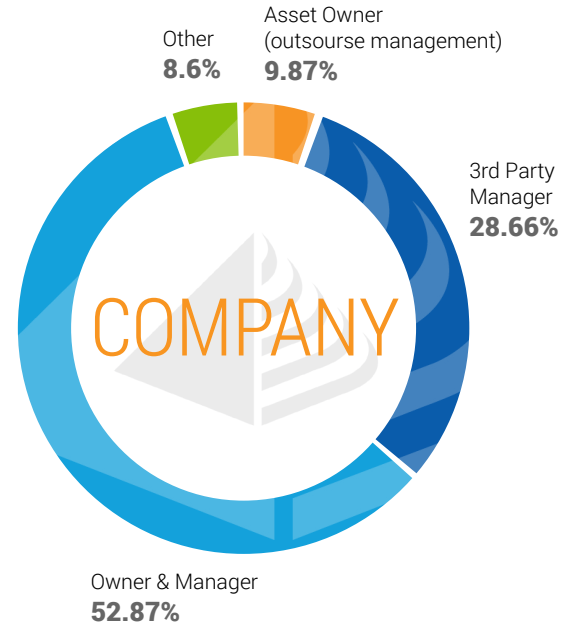
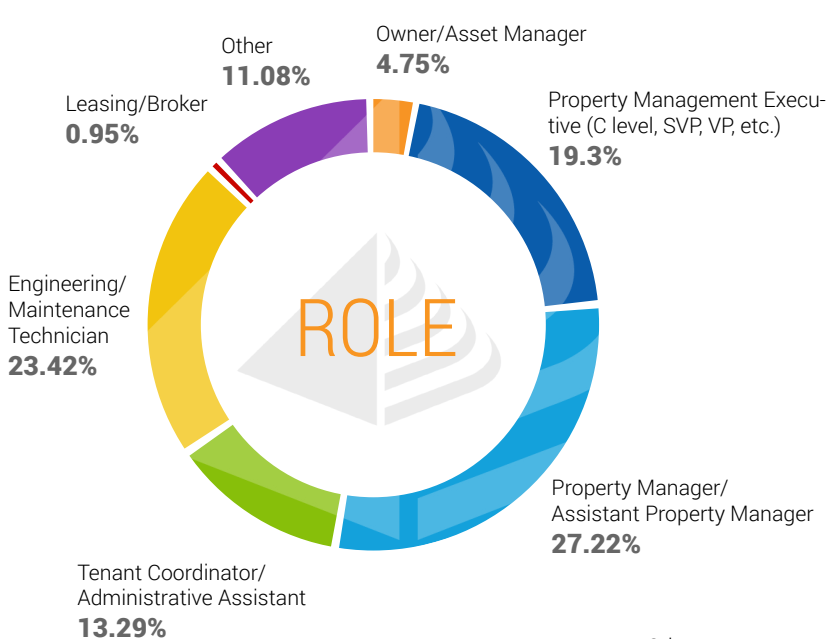
This benchmark survey provides comparative analytics* to help you answer and understand:

- 1.** How your tenant relationship management tactics and strategy compares in the marketplace.
- 2.** The tenant workforce, workspace, and other demographic changes that are having the largest impact on property management.
- 3.** Tenant feedback and communication tools and practices among CRE owners and managers

(Please Note: All statistics referenced in this report are from BEI's 2016 Tenant Relationship Management Survey, unless otherwise noted)

SURVEY DEMOGRAPHICS

The Building Engines TRM Benchmark Survey compares tenant relationship management strategies among commercial real estate property owners and managers. The results are compiled from survey responses of these CRE professionals, representing a full range of industry segments, company sizes and functional areas.



COMPANY

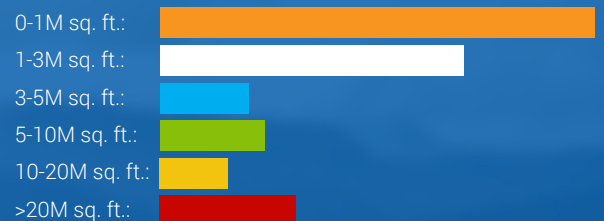


Single Property: **42.12%**



Organization/Portfolio: **57.88%**

PORTFOLIO SIZE



PART ONE: THE CHANGING WORKPLACE



The top three workplace trends impacting tenant relationships:

#1 Changing use of building common spaces

#2 Changing workforce demographics

#3 Working offsite & teleworking

According to Norm G. Miller, PhD, a professor at the University of San Diego's Bunham-Moores Center for Real Estate, large office tenants are downsizing their spaces in favor of shared workspaces.

The impact on the CRE market?

An increased demand for more customized, shared, and collaborative workspaces; more on-site amenities; and more technologies (mobile, cloud-based, and wireless) that support increased offsite, telecommuting, and "work from anywhere" environments.*

THE SHRINKING WORKPLACE

Avg. Size of New Leases (sq. ft.):**

Down 8% over past 10 yrs.

Office Space/Worker:***

By 2017, North American offices will average 151 sq. ft./worker, down from 225 sq. ft. in 2010
Fortune 500 Companies are slimming employee workstations from 72 sq. ft. to 48 sq. ft.

Consequences of Densification

A 35% increase in the number of people in the building!

This increase puts additional stress on building systems, parking, utilities, elevators, restrooms, mechanical equipment and common spaces.

* Source: Mark Heschmeyer | Changing Office Trends Hold Major Implications for Future Office Demand | March 13, 2013 | CoStar.com

** Source: Adrian Ponsen | Trends in Square Feet per Office Employee | Spring 2015 | CoStar Portfolio Strategy

*** Source: Kim Peterson | Companies are Packing Workers in Like Sardines | March 9, 2015 | CBS Money Watch

A SHIFT IN THE PROPERTY MANAGEMENT “CUSTOMER”

These changes have also led to increasing numbers of tenant employees interacting with property management, shared building spaces, and amenities – highlighting the flaws in the traditional methods of tenant satisfaction tracking (*which historically have focused only on a single point of contact within a tenant organization*). There are new pressures to understand the sentiment of all building workers, as they are increasingly using building resources, common spaces, and influencing renewals.

According to Your Surveyed Peers:

80% wished they understand all building occupants’ “degree of pride in the building.”

61% want to understand all building occupants’ “desired amenities.”

41% want to understand all building occupants’ “attitude toward office layout/work style.”

APPROXIMATELY 71% OF CRE OWNERS AND MANAGERS BELIEVE THAT ALL TENANT EMPLOYEES ARE NOW THEIR “CUSTOMER.”

Yet...

A MAJORITY (52%) INDICATED THEY ARE ONLY “SOMEWHAT” OR “NOT AT ALL” EFFECTIVE AT CAPTURING INSIGHTFUL SENTIMENT FROM TENANT EMPLOYEES (BEYOND THE PRIMARY POINT OF CONTACT)

And...

ONLY 20% ARE EXTREMELY CONFIDENT THEY UNDERSTAND THE SATISFACTION OF BUILDING WORKERS.

THE “NEW” AMENITIES

54% of CRE pros believe that modern property communication tools (*mobile apps, online work order systems, digital signage, public wi-fi, etc.*) have the most impact on tenant satisfaction.

The Runners Up:

- Shared Building Resources (conference rooms, public spaces, A/V, etc.)
- In-building Food and Retail Options
- Front Desk/Lobby Personnel

How to better engage with ALL tenant employees:

Go Mobile!

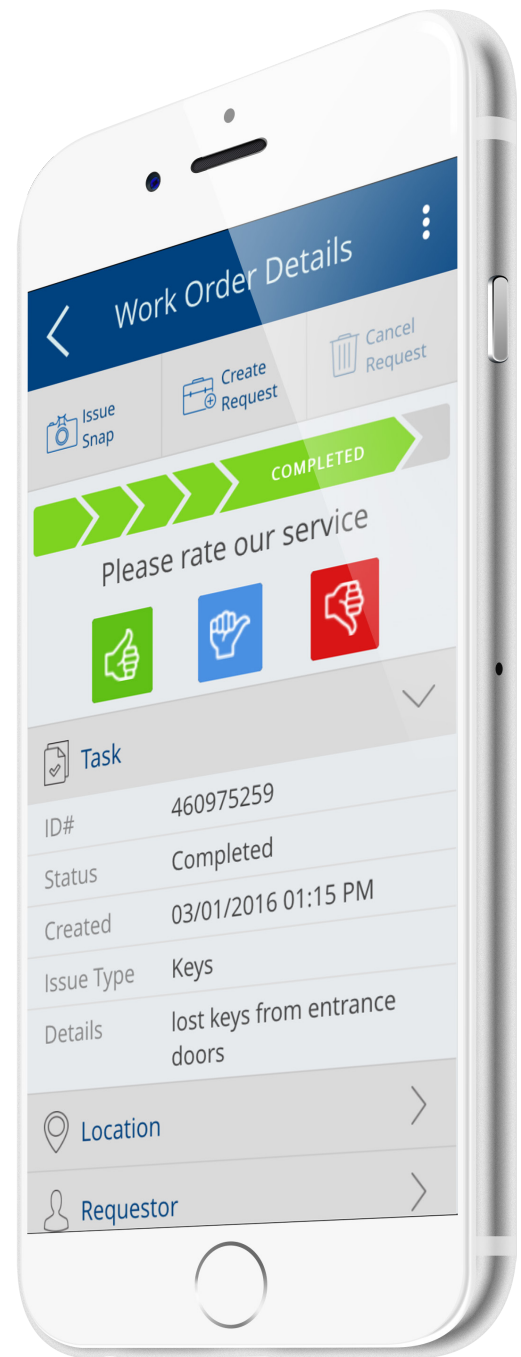
If possible, provide them with an app where they can access building info, amenities, and more!

Go Social!

Encourage them to follow the building on social media, and use this channel to post announcements and hold contests.

Get More Frequent!

Set up a plan for regular updates through multiple channels (emails, in-building mailings, signage, etc.) and always send updates on new building incentives and benefits.



Building Engines TenHub app for iOS and Android is a better way for tenants to report, track, and comment on building issues, while on-the-go.

PART TWO: COMMUNICATION & SERVICE DELIVERY

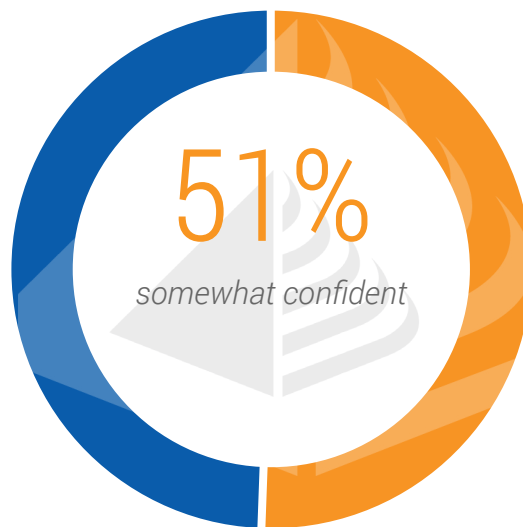
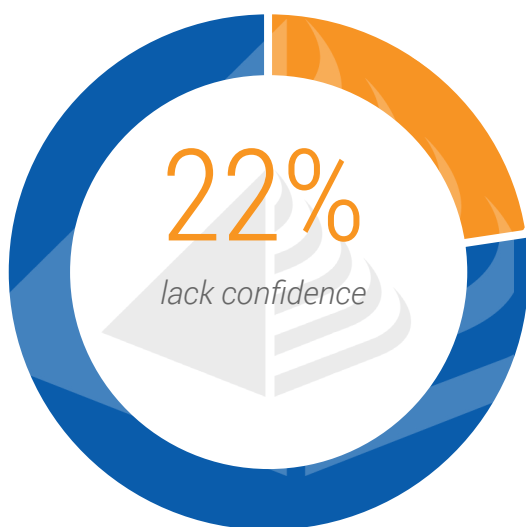
Buildings, and the people in them, generate a huge volume of activity every day. Some of that activity is predictable, but much is not. Property owners and managers need to have defined processes in place in order to collect and store necessary information, make informed decisions, and share those decisions with their tenants.



If asked today, could you answer the following regarding your tenant organizations:

- Do they require special technology?
- How do they prefer to communicate with management?
- How frequently do they utilize collaborative workspaces, inhabit common areas, or hold large meetings?
- Are they likely to expand or reduce their space?

22% lack confidence in their understanding of tenant sentiment right now.
While another **51%** are only somewhat confident...



SETTING UP A MODERN TENANT COMMUNICATIONS PROGRAM

- 1. Define target audience members**
Clearly define and identify each tenant persona to include in your communications plan. This means going beyond a single point of contact to include all employees, lease decision-makers, Billing/AP, etc.
- 2. Create Communication Frameworks**
Create buckets for the most common communication types that will be used with tenants. i.e. Daily communications, periodic/scheduled messaging, crisis communications, regular feedback, etc.
- 3. Determine Items to be Communicated**
Clearly describe the activities/events that will be communicated to tenants. i.e. work orders, building events, billing, local events, leasing, etc.
- 4. Associate and Assign Responsible Team Member and Process**
Clearly identify which building team members will be in charge of which action items, and set targets for completion.
- 5. Plan an Account Management Strategy**
Clearly describe the timeline for implementation of all regularly scheduled meetings/visits with tenants. Prioritize and schedule based on renewal dates & tenant size.

How frequently do your peers meet with tenants?

HOLD FORMAL TENANT MEETINGS?

- 22% NO DEFINED STANDARD (OH NO!)
- 28% VARIES BY TENANT
- 14% QUARTERLY
- 13% ANNUALLY
- 13% MONTHLY

HAVE AD-HOC OR PROACTIVE COMMUNICATIONS?

- 44% VARIES BY TENANT
- 20% MONTHLY
- 11% QUARTERLY
- 11% WEEKLY

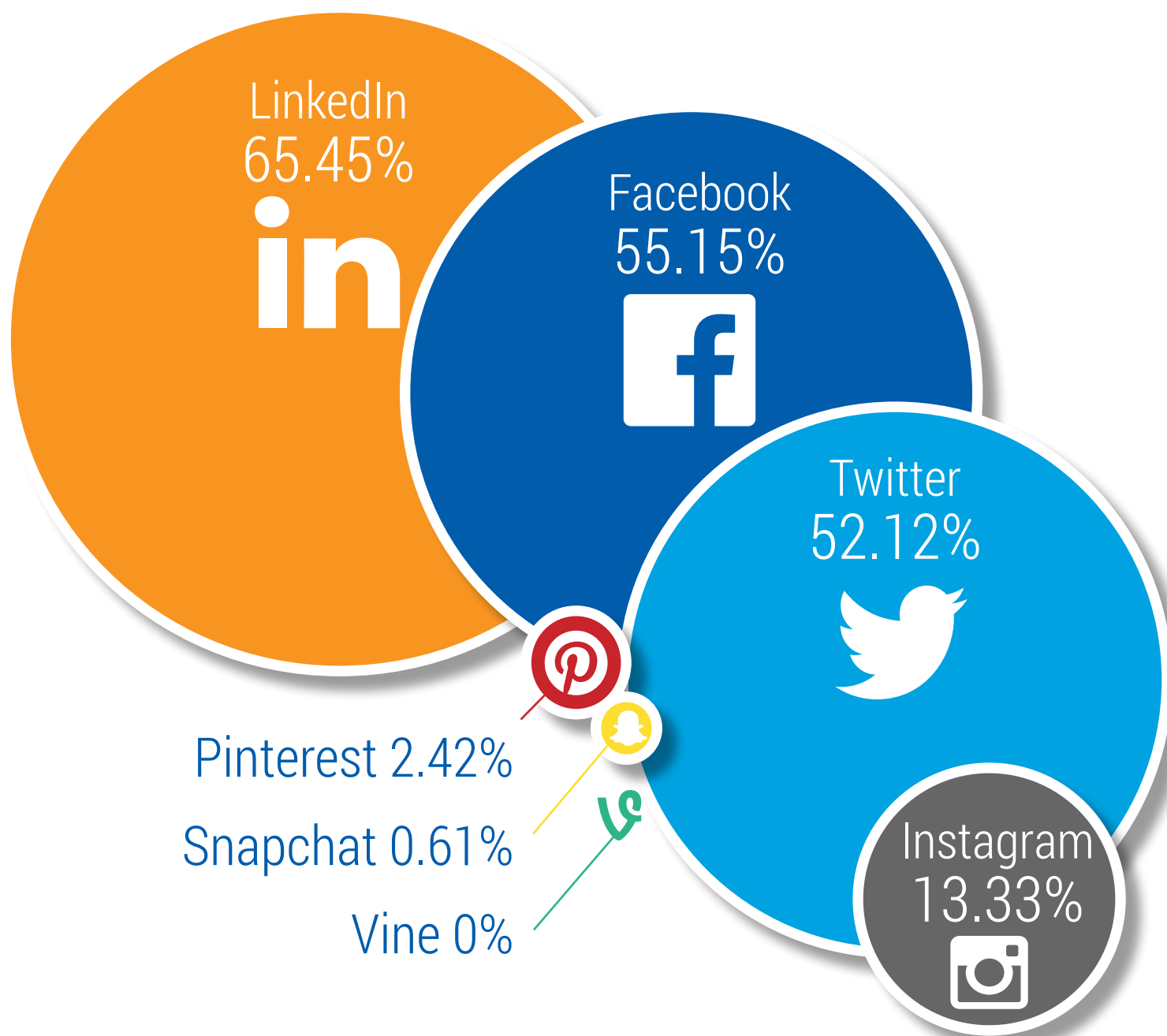
WHAT FACTORS INFLUENCE THE FREQUENCY OF TENANT MEETINGS?

Tenant preference:	71.63%
Service request history:	46.98%
Size (sq. ft.):	31.63%
Lease provision/Service Level Agreement (SLA):	28.37%
Lease Term:	22.33%

GO SOCIAL!

Most tenants (*particularly "Millennials"*) utilize some form of social media in their everyday lives. So should you. Set up Twitter and Facebook accounts, as well as a LinkedIn Group for you building. We all know tenants are going to talk about their building – shouldn't you be part of that conversation?

Survey Respondents Social Media Usage



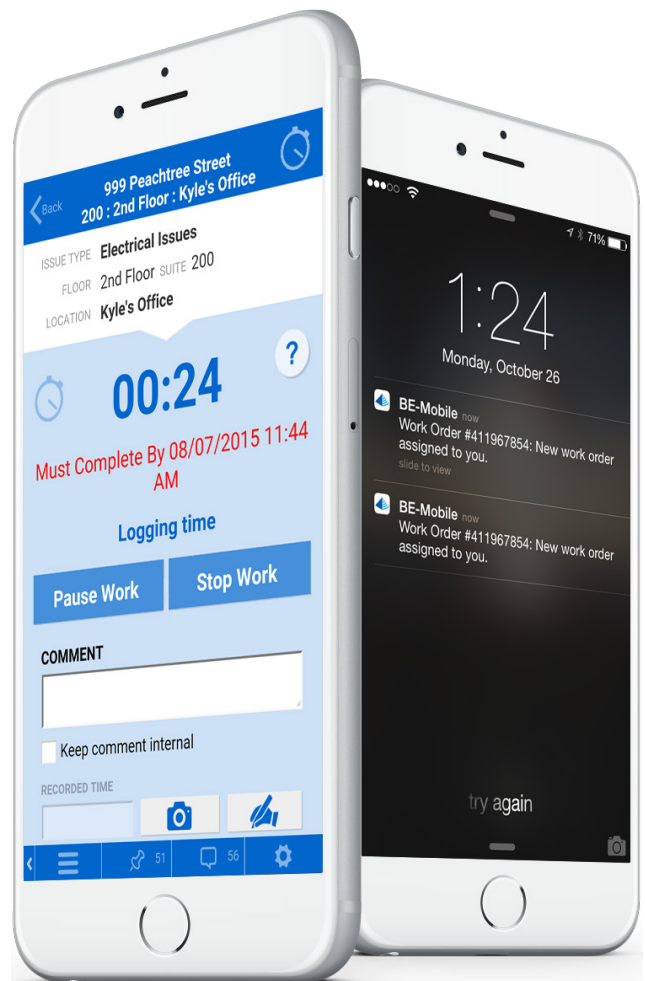
DEFINING TENANT SERVICE

Property Managers prefer tenants to communicate with them via...

1. Email
2. Online Property Management System
(i.e. Building Engines)
3. In-Person Meetings

“What contributes most to your definition of tenant service?”

1. Comfort
Keeping building systems (elevators, HVAC, plumbing, etc.) functioning well
2. Service Delivery Responsiveness
3. Tenant Relationships
Developing a strong relationship with the primary tenant contact



SERVICE STANDARDS

49%

of CRE Owners and Managers surveyed don't provide any formal customer service training for their team, but the same amount does have written standards for interaction with tenants.

12%

Have no documented or written standards at all!

DID YOU KNOW: **No Surprise:** Property Teams have the most comprehensive written documentation surrounding emergency response & life safety.

Surprise!: The next most-documented standards surround employee dress.

CREATING A SERVICE PROGRAM IN THREE EASY STEPS

1. At a minimum, you should begin by grouping all your service request types into priority groups and then assigning expected response and completion goals for each group.

Establish Priority Groups

Unmanaged	Priority 1	Priority 2	Priority 3
Access Card Cancell...	Contracted Service	Overtime HVAC	Cleaning
Access Card Request	Electrical Issues	Parking Task	Other
Fire Related	Leak/Plumbing	Scheduled Service	Trash/Recycling
Freight Area Request	Lights Out	Too Hot/Too Cold	
Hang Items	Pest Removal		
Holiday Time			
Major Plumbing Issue			

Set Service Response Goals

★ Priority 1			
Start Metric: New	End Metric: Acknowledged	Target: 20 minutes	
Start Metric: New	End Metric: Arrived	Target: 1 hour	
Start Metric: New	End Metric: Complete	Target: 4 hours	
< click to add a new Metric >			

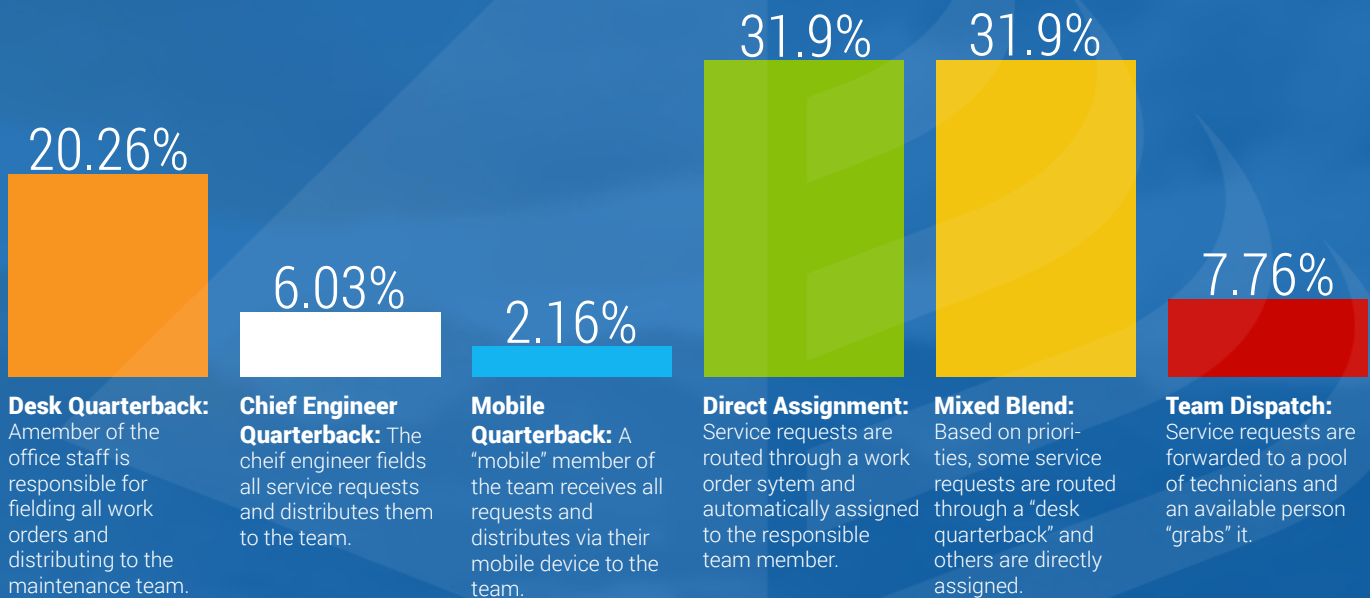
★ Priority 2			
Start Metric: New	End Metric: Acknowledged	Target: 4 hours	
Start Metric: New	End Metric: Complete	Target: 6 hours	
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The Top Factors for Prioritizing Service Delivery

- Length of Tenant Occupancy
- Seniority of Tenant Requesting Service
- Tenant Service Request History

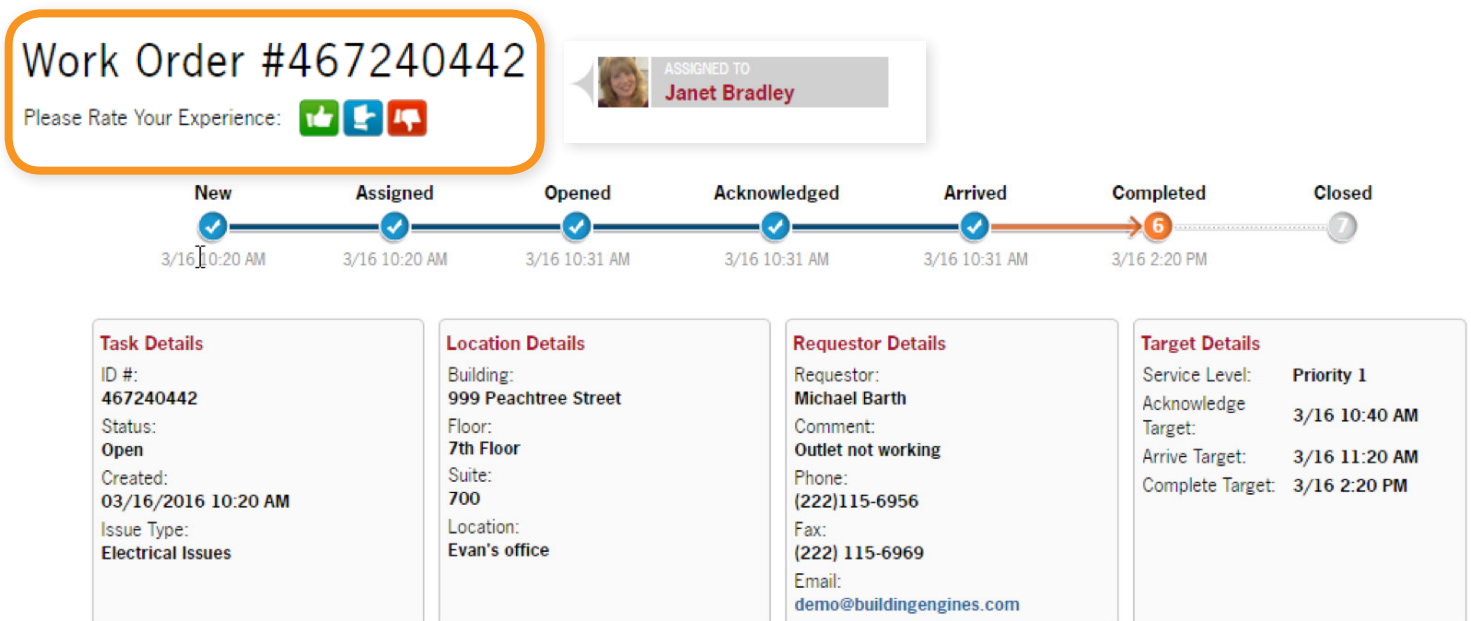
2. Define the service request workflow that is going to bring about the most efficiency for your team and assign point people to receive escalations when Service Levels are not met.

The most common workflows:



3. Establish a Feedback Loop. Set up methods for requesting feedback post-work orders. This will keep you more in touch with tenant sentiment on a regular basis and allow you to take action before negative feelings escalate. It also will provide you with a ton of data that you can use to showcase your excellent service come renewal time!

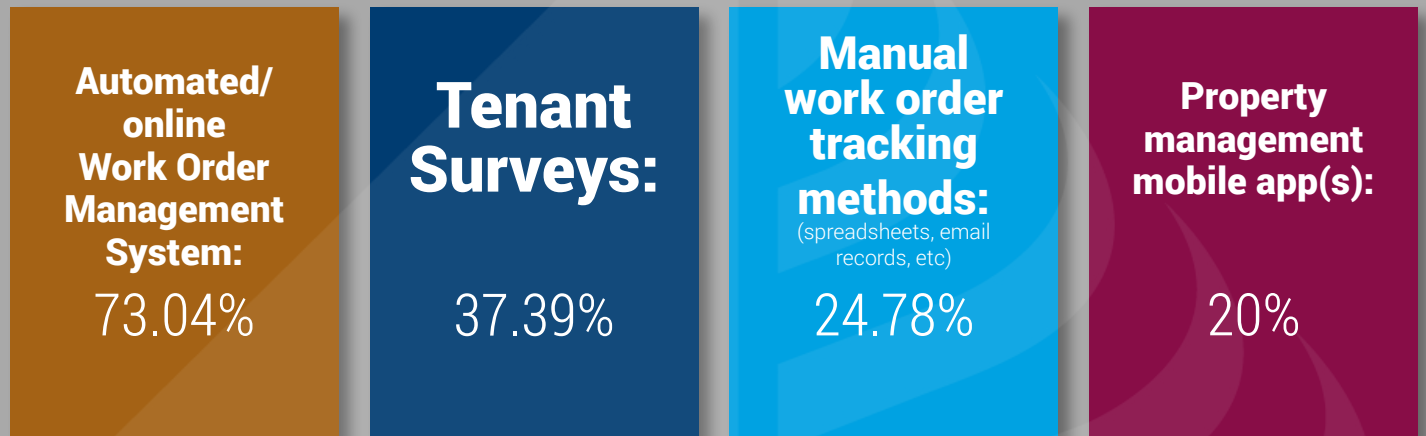
"PLEASE RATE YOUR EXPERIENCE"



Next, it's time to set expectations with your workforce - as well as tenants - and eliminate all barriers to implementation. A barrier many property management teams often face is lack of technology. Having a mobile workforce and a fully integrated property management system is essential for any tenant relationship management program's success.

According to your Peers:

The most valuable tools for helping to deliver excellent customer service are:

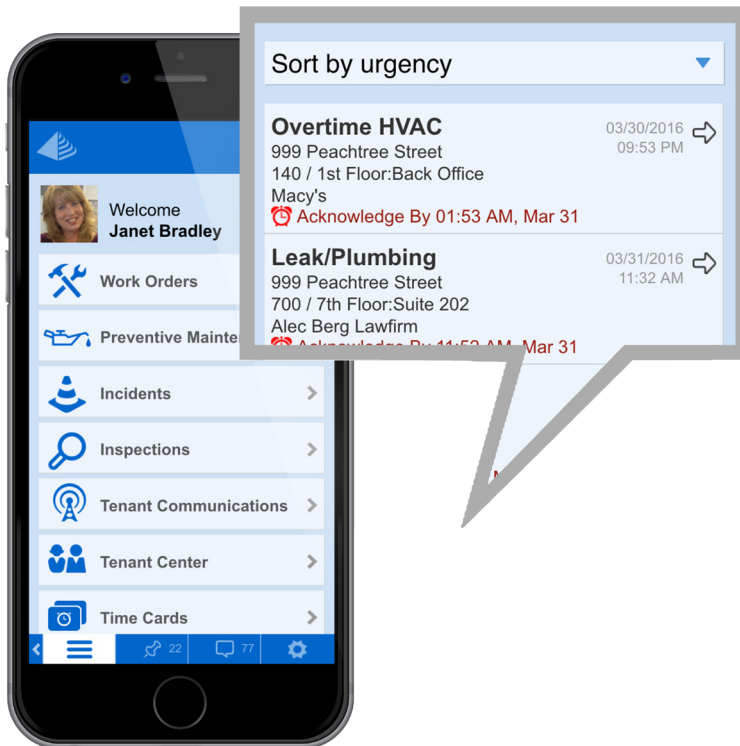


Top “wish list” items for providing excellent customer service

(in order of preference)

1. Giving tenants the ability to submit work order requests via a mobile app
2. Identifying problems (malfunctions, supply shortages, etc.) through mobile tools
3. Communicating directly with a larger percentage of building occupants
(beyond the primary tenant contact)
4. Creating a sense of community among workers at the building(s)
5. Understanding how a broad range of tenant employees feel about their workplace
6. Eliminating the need to conduct large, annual surveys

TOOLS TO SUCCEED

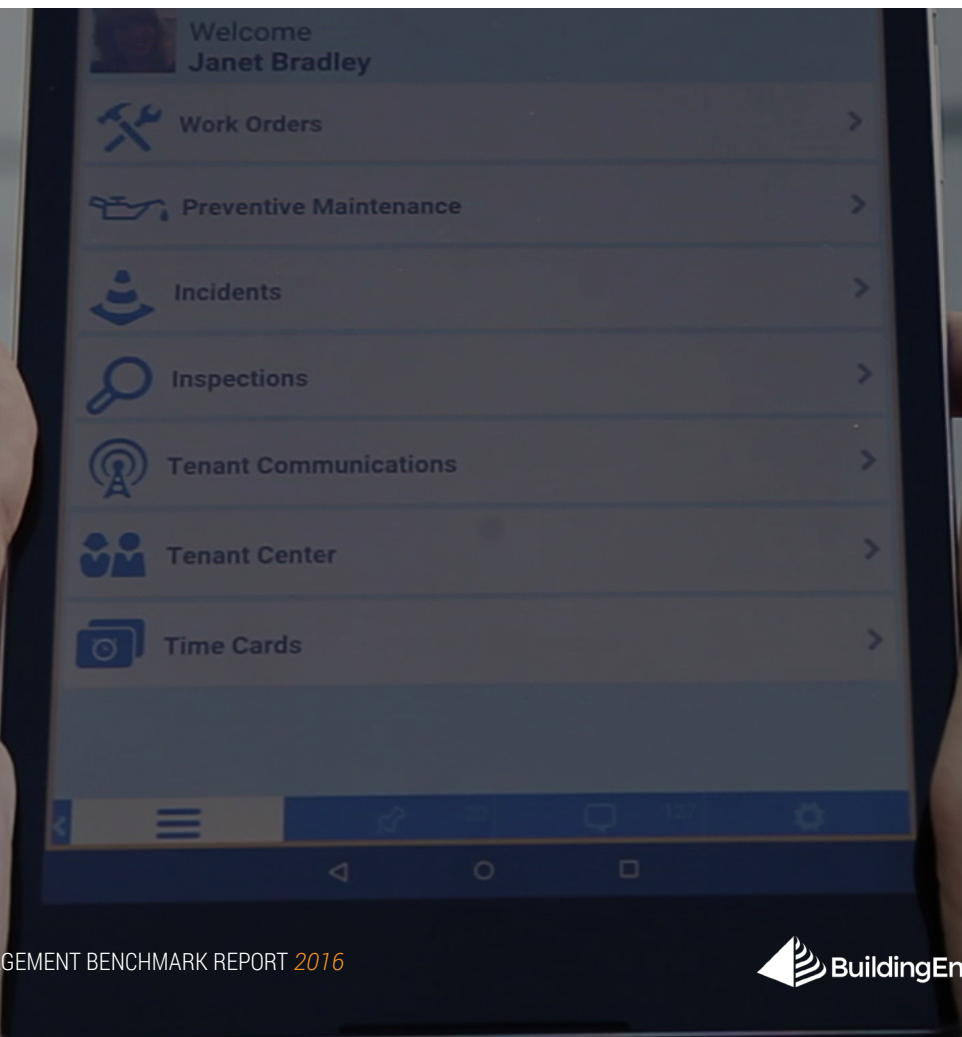


Work Order System

Work Order Systems are designed to provide complete visibility into every building issue - dramatically improving communication, staff productivity, and service response times, which ultimately leads to happier tenants.

Best-in-Class Work Order Systems allow you to assign, track, and manage all your work orders from inception to completion directly from your mobile device, and turn all your service data into full featured, flexible reports that inform capital planning, billing, and tenant satisfaction levels. Tenants should be able to see when a task is scheduled to be completed – and provide feedback on the experience.

67% of those surveyed would prefer tenants to communicate with building staff via an online property management system (i.e. Building Engines)



PART THREE: MEASUREMENT & ADOPTION

“What gets measured, gets managed”

-Peter Drucker

Unfortunately....

50% of Property Management Professionals' primary method for measuring tenant satisfaction is “informal tenant meetings.”

Current methods for measuring tenant satisfaction with service:

**Informal
tenant
meetings:**

50.47%

**Operational
Benchmarks**

(e.g. system uptime, work order
completion time, etc.):

43.04%

**Post work
order completion
feedback system:**

42.92%

**Tenant surveys
conducted
internally:**

40.57%

**Tenant surveys
conducted by a
mobile vendor**

(Kingsley, CEL, etc.):

28.77%

**Formal,
documented
tenant meetings:**

20.75%

Our Current Tenant Sentiment Measurement Program....

42% Is easy to administer

48% Gets feedback from the right person

44% Gives us timely information

Steps to Measuring TRM Success:

- 1.** Benchmark current tenant sentiment and retention
(for each tenant organization)
- 2.** Clearly communicate service and communication goals to tenants,
vendors and staff
- 3.** Get the right technology tools in place to capture data and track
engagement day-to-day

SAFETY & SECURITY SPOTLIGHT

Operational risk management is an unavoidable activity for commercial real estate owners and property management organizations. But it's also an important part of tenant relationship management. Are your risk & liability procedures helping make occupants feel safe, protected and ready for the unexpected?

The Top Risk & Life Safety Areas that are managed using technology tools:

- #1** Incident Reporting & Tracking (71%)
- #2** Broadcast & Emergency Messaging (64%)
- #3** Emergency Procedures & Document Storage (59%)
- #4** Fire & Life Safety Training (51%)

Track Building Incidents

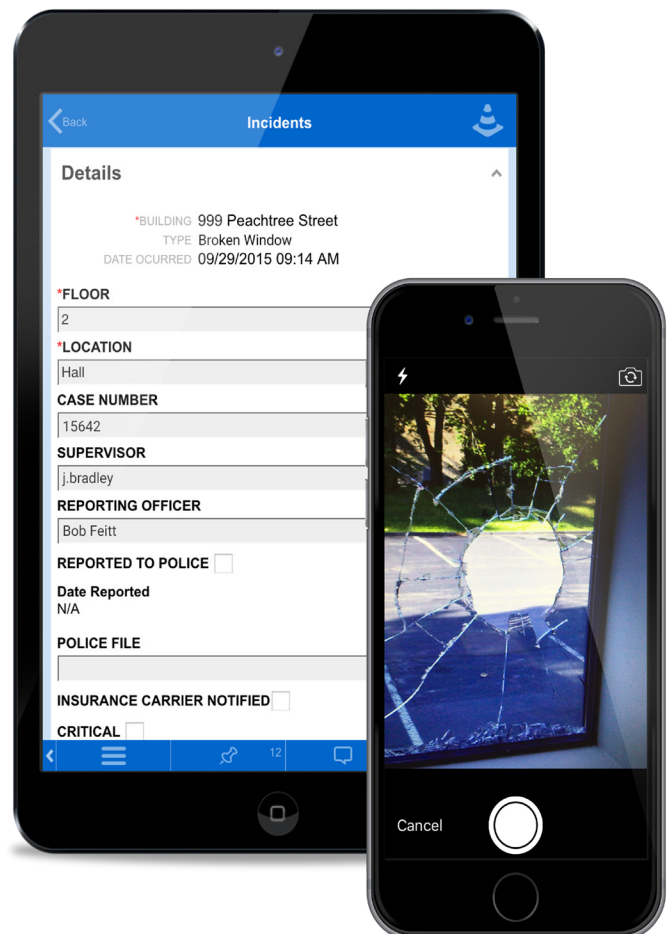
Mobile incident tracking allows you to respond swiftly, capture important responder and event details, maintain accurate historical records and generate reports for risk assessment and liability protection....from anywhere that an incident might occur. In the event of a loss, you can use this documentation to prove your building was regularly inspected and/or proper procedures were followed.

Important Features:

- Utilizes smartphone features to take and attach photos and videos
- Ability to send incident-related messages to pre-defined groups as soon as incident occurs

44%

of CRE property owners and managers use a Mobile Incident Tracking technology solution.





At Building Engines, service is embedded into who we are.

That's because we don't merely serve our customers; rather, our tools help them serve their customers. Everything we do is centered on improving the processes and communication loops that make the commercial real estate (CRE) industry run.

In both one-on-one conversations and in this Tenant Relationship Management Benchmark Report, our clients are telling us the same thing we keep reading in CRE-focused news articles and whitepapers: The workplace is changing. Demographic and utilization trends are converging, putting a heavier burden on building owners, managers, and engineers to provide a positive working experience, not just an environment.

As this pressure builds, it will be ever more important for building management teams to understand how tenant employees—the end users of CRE—interact with and feel about their workplaces. Our commitment at Building Engines is continued innovation that allows our clients to deliver market-leading service through cutting-edge customer engagement and data-driven insight.

We hope this report gives you a small taste of what to expect. We are also eager to hear your own stories about the evolving needs of your tenants. I invite you to reach out to me personally to share how Building Engines can help you better serve your customers in the modern workplace.

Best regards,

Phil Mobley

Head of Research

pmobley@buildingengines.com

Building Engines

