BuildingEngines

Guide

5-Minute Guide to Improving Net Operating Income

Net Operating Income (NOI)

is defined as tenant experience + building revenue – operating costs.

Introduction

All industries have metrics that analysts and company executives follow closely. These key performance indicators (KPIs) demonstrate how well — or poorly — a business is doing and also suggest broader market trends. For example, tech companies constantly measure active users and conversion rates. Venture-funded startups pay strict attention to their burn rates. If they don't, they'll soon be just another great idea that failed. And manufacturers track inventory turns and downtime.

Likewise, in commercial real estate, there are several KPIs that property owners and managers need to stay on top of. But the king of KPIs in commercial real estate is net operating income — NOI. It's a simple but crucial one: all revenue from properties (rents, chargebacks, billables, etc) minus all operating expenses. NOI means you can make (or lose) money on a property regardless of greater market dynamics.

"For users of innovation in tech, everything has to come down to NOI or ROI, so the technology has to have some kind of financial benefit to it." – Ashkán Zandieh, Chief Intelligence officer at CREtech.com

So, if you want to improve NOI, you need to increase revenue, lower OPEX, and, to hold on to those gains, boost tenant satisfaction. Let's take a look at how those three objectives can be accomplished.

Your Property is Commercial. But Your Employees and Tenants are Still Consumers.

"Building occupants today expect not just a great space, but also a stellar tenant experience. Yet property managers are tasked with cutting costs while increasing NOI. And the two cannot be mutually exclusive."

— Tim Curran, CEO, Building Engines

For all the ways, commercial real estate (CRE) enterprises differ from other B2B and B2C businesses, they have one important thing in common. Consumer expectations.

Outside of CRE, businesses are concerned with the customer journey, turning consumers into prospects into customers. Among other things, these businesses have learned that consumers expect the same frictionless experience they get from an Amazon or a Google in everything they do. Whether it's buying a car for themselves, ordering a pallet of air conditioners for wholesale distribution, acquiring a forklift for the factory floor — or leasing office space for their business.

It's the consumerization of IT. And it's entirely blurred the lines between what people expect from technology in their personal and work lives. In the CRE world, consumerization of IT and the data it generates have made possible a 360-degree view of a property or property portfolio.

That's what today's best-of-breed CRE operations platforms can offer. And it's the key to maximizing NOI.

Optimizing Your CRE Technology Stack to Improve NOI

The last 25 years have seen an explosion in CRE operations technology, so there's plenty of it out there that can help. But you have to get it up and running first. A long, on-premises deployment with heavy IT involvement and a steep learning curve for users just won't cut it.

To help property owners and managers increase NOI, an effective Building Operations platform should deliver three sets of important capabilities:

Quick time to value

- Self-service
- Intuitive workflows
- High impact communications

Enterprise-Class

- Scalable
- Powerful analytics
- Global
- Secure & Compliant

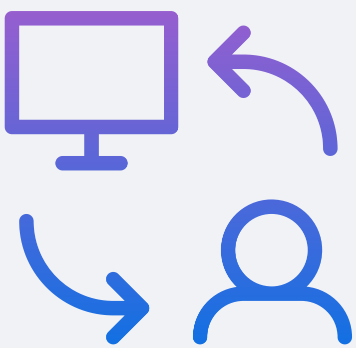
Interoperability & Connectivity

- Open
- Modular
- API-first

These capabilities all contribute to increasing revenue, reducing OPEX, and delivering greater client satisfaction, which, in turn, will improve NOI.

"The CRE operations market is ready for several efficiency gains, especially in how property managers perform day-to-day tasks and in offering a better experience to tenants."

—Daniel Cozza, Chief Product Officer, Building Engines.



Quick time to value

"Time and resource constraints are the largest obstacle to replacing underperforming CRE technology solutions." Commercial Real Estate Technology Trends 2018

A CRE operations platform should be easy to use from day one. That usually means a cloud-based application that eliminates long, complex on-premises deployments and offers property managers and tenants:paper reports detailing your team's past performance, find a solution that condenses this information in one central location, allowing you to easily identify performance trends and act upon them sooner.

- **Self-service.** Building occupants should be able to initiate work orders from a web portal or mobile device. Likewise, engineers should have the ability to view work order priority and completion status remotely while moving from floor to floor or building to building.

- **Intuitive workflows.** Workflows should make it easier to stay on top of preventive maintenance, tenant communications, and financial performance. And you should be able to customize workflows, so they help your team work smarter and more efficiently.

- **High impact communication.** Your CRE platform should support frequent, information-rich communication with tenants, staff and vendors. Communicating through preferred channels such as text and chat can resolve minor issues before they become serious problems, alert tenants to emergencies and foster a sense of community throughout the building.

"There are many facets to being a successful property manager. However, there is no escaping the fact that the ability to keep tenants happy is the central ingredient in the recipe for success."

—Dan Robinson, Founder, Level Up Property Managemnet

“There’s a dizzying array of data not captured by traditional real estate analysis that’s nevertheless relevant for the CRE industry — and thanks to AI and data science, it’s becoming harder for that data to go overlooked.”

— Guy Zipori, Forbes Real Estate Council

Enterprise-Class Features

One of the most profound changes in the CRE marketplace has been the growth of management companies that operate not just tens of buildings or even hundreds of buildings, but thousands of buildings. With that growth has come an accompanying growth in data volumes. That’s why enterprise-class features are so important in a CRE operations platform. These features include:

- **Scalable infrastructure and data architecture.** Think of a company that manages 3,000 buildings. Without the proper infrastructure and architecture in place, database response time to analytic queries slows to a crawl. Reports take longer to run, or databases simply crash — repeatedly.

  Moreover, companies with many buildings under management divide those buildings into portfolios. There are relationships within and across portfolios that must be maintained, which in turn place additional demands on the data architecture.
  jobs.

- **Powerful analytics.** Enterprise clients have complex reporting needs. And management company executives, building managers and engineers all need access to analytics that help them do their jobs effectively. A full-featured CRE operations platform should have built-in, self-service analytics that can handle large data sets, access them wherever they reside, and mashup data to produce interactive reports tailored to the needs of the individual user.

- **Global reach.** For large companies, building portfolios often span geographic boundaries. Other companies with single-country portfolios may be looking to expand. That means their operations platform must be able to accommodate multiple languages and currencies, while navigating and complying with various national, regional, and local customs and regulations.

- **Security and compliance.** Because of the data volumes involved and the complexity of regulations associated with data security and privacy, enterprise-class CRE operations platforms must meet rigorous data governance standards. At the enterprise level, CRE operational platforms should establish and demonstrate compliance with yearly audits.

> "Over the years, the scope of risk has expanded with technology advancements and evolving business complexities. As a result, there tends to be an increase in information security and data privacy concerns."
>
> — 2019 Commercial Real Estate Outlook: Agility is key to winning in the digital era, Deloitte Center for Financial Servies

Interoperability and Connectivity

Interoperability and connectivity is a "must have" when for a CRE operations platforms. Interoperable software platforms should be:

- **Open**. No matter how powerful your CRE operations platform is, it won't be able to do everything your business needs. You'll want to connect it to other best-of-breed applications and even legacy systems your company relies on. And you don't want to take months for your IT team to do it or hire a battalion of costly consultants and developers. The ability to easily connect and integrate your CRE platform with other systems must be built into the software architecture.

- **Modular.** Many CRE operations platforms are priced using an all or nothing model based on square footage under management, which means companies often end up paying for features they don't use. But you have better options now: modular, cloud-based platforms that price based on usage. Pay only for the modules you intend to use, gaining increased flexibility and great control over OPEX costs. Being modular also enables more possibilities with integrating the other systems that use.

- **API-First.** Application Programming Interfaces are the connecting thread that enable one application to speak to another application, seamlessly. A CRE platform should enable more of these direct system to system communications because it helps to eliminate steps and process by people. Being API-First indicates that the provider believes this at the heart of what they do to enable more of these automated steps.

"A recent surge in the investment, development and adoption of new, purpose-built software for CRE has created a rich landscape of best-in-class software point solutions. With this, there is a great need for integrations between tools and open platforms designed for interoperability. The future of CRE technology lies in interconnected systems that enable new, actionable insights through data visualizations, the automation of repetitive administrative tasks, and more programmatic portfolio management and transaction execution."

—Mike Sroka, CEO, Dealpath

The World of Work is Changing

Commercial real estate tenants have always expected great service. But today they're looking for more from their building and from the property management teams who operate them. You need better insight to deliver a measurably better tenant experience. You won't get that from bloated legacy systems, paper-based workflows, and annual satisfaction surveys.

For over 15 years, Building Engines has helped commercial property owners and managers deliver on the promise of outstanding tenant service. You have buildings to run. And we've built Prism — the engine to dramatically improve NOI by increasing revenue, reducing OPEX, and creating greater tenant satisfaction. Prism's web and mobile technology helps commercial property leaders manage physical operations. We're talking work orders, incident reporting, COI tracking, and preventive maintenance.

With Prism, you'll gain insight into what tenants, partners, and vendors need in the moment so you can adapt in real time. Improve engagement with tenants on their terms. Understand performance so you can better allocate resources. Spot problems. And manage with confidence.

About Building Engines

Building Engines is trusted by hundreds of commercial real estate organizations who manage billions of square feet. Prism will not only help you get the job done today. But it will prepare you for what's to come. Prism. The future of CRE operations today.

[Learn more about Prism.]

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ADDRESS

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