www.buildingengines.com

CRE GUIDE

Metrics that matter for modern property management

Modern property teams need to focus on the metrics that matter to truly understand building health, value, and performance.

BuildingEngines
A JLL company

Data, data, data. There's just so much data.

The modern commercial building thrives off data. That includes data collected from tenants, vendors, property teams, and operational units. Information is everywhere, and so it must be harnessed – efficiently and accurately.

For many commercial real estate (CRE) owners and operators, this means setting relevant and concrete performance metrics, also known as **key performance indicators (KPIs)**. At CRE properties, KPIs help establish a clear picture of building performance by tapping into building data.

The metrics collected show property teams and investors the health and value of a building, what needs to improve, and more.

But given the abundance of data now available, it can be daunting to decide where to focus. And when data is not harnessed correctly, the output can be overwhelming. In other words, you have all this data – now what do you do with it?

The CRE industry is used to tracking KPIs. There are several that most consider to be "industry standard." The problem is that those metrics don't always tell the whole story.

It's time to go from good to great. You need insight from modern metrics to unleash the hidden value of your buildings.

KPIs help establish a clear picture of building performance by tapping into building data.

Industry-standard metrics

- Operating expenses (OpEx)
- Capital expenditures (CapEx)
- Net operating income (NOI)
- Lease renewal rates
- Rent growth
- Vacancy
- Rents
- Cap rates

7 modern metrics to bring your property to the next level

As the industry continues to evolve, there are new KPIs to focus on that can affect building health. These KPIs are more granular and actually have the ability to move the needle on the metrics the CRE industry knows and loves.

If you're ready to dive down deeper and bring your property to the next level, here are seven modern metrics to measure.

1. Tenant satisfaction rates

For CRE investors, tenants are at the center of every building, and their satisfaction rates can help determine the success of your properties. It's important to track tenant satisfaction rates to see if they ebb and flow or are consistent over time.

One simple way to track tenant satisfaction is through surveys. Surveys provide data on what tenants think of your property. Understanding industry and area averages is also helpful when establishing your tenant satisfaction goals. It gives you a good benchmark to compare your performance against.

A goal could be to improve tenant satisfaction by 10% over a 1-year period. You could start by sending out a survey to your tenants to establish current satisfaction levels and ask for feedback to see how you can improve.

Then, put strategies in place and implement them over the next year – after which you'll conduct another survey and see if tenant satisfaction has improved.

Once you've established your KPIs around tenant satisfaction, turn them into goals and measure them over time. Your goals should keep getting more ambitious with each period, helping your business achieve and manage sustained growth.

For example, survey questions you could ask tenants to measure their satisfaction include:

How satisfied are you with your overall experience at the property?

☆ ☆ ☆ ☆ ☆

Would you recommend the building to other businesses?

How would you rate the condition and maintenance of your space?

☆ ☆ ☆ ☆ ☆

How satisfied are you with the communication from the property management team?

☆ ☆ ☆ ☆ ☆

Do you feel informed about what's happening in the building?

How satisfied are you with how quickly and efficiently maintenance requests are handled?

☆ ☆ ☆ ☆ ☆

The above are just a few examples of metrics to measure and track. Other metrics could include tenant satisfaction with safety and security, the building's community, tenant amenities, cleanliness, and more.

Bolster your data

Most CRE owners and operators aren't strangers to tenant satisfaction surveys. Many teams send their tenants a survey once a year to gauge satisfaction. However, an annual survey isn't enough anymore. By the time the feedback gets to property teams, satisfaction could have dipped too low to retain your tenant.

Today, especially as things can change quicker than ever before, it's important for property teams to be continuously connected to their tenants. To bolster your tenant satisfaction data, implement **pulse surveys**. The ability to get continuous feedback from your tenants is vital to better building management and tenant relationships. Open and ongoing conversations with tenants can help:

1. Make better investment decisions to attract and retain tenants. When you understand how (and where) your building is being used, or if tenants are satisfied with their work order requests, you can use this information to refocus future investments and improve tenant satisfaction rates.

2. Understand whether a tenant will renew based on their survey responses. If you know which tenants are unhappy, you can get ahead of it and work with them to make sure they get what they need. And you can use this information to replicate that same positive experience for other tenants.

Tenant satisfaction → NOI

You're used to measuring your building's health by net operating income. Did you know tenant satisfaction rates can have a direct impact on growing NOI?

- **Lease renewals:** Tenant satisfaction is a major factor in lease renewals. Happy tenants are more likely to renew their leases, providing a steady and predictable income stream that contributes positively to NOI.

- **Less vacancy:** Satisfied tenants are less likely to leave, reducing the vacancy rate. The costs associated with vacant properties, such as marketing costs for new tenants, loss of rental income, and maintenance costs, can severely impact NOI.

- **Reputation:** Happy tenants can refer other potential tenants, reducing marketing expenses and time spent filling vacancies. Plus, a good reputation can justify premium rent prices, which can directly increase NOI.

- **Lower maintenance and turnover costs:** Satisfied tenants are more likely to take care of the property, leading to lower maintenance and repair costs. Also, with fewer tenant turnovers, costs associated with renovations or repairs between tenants are reduced.

- **Potential for rent increases:** If tenants are satisfied with their commercial space, they may be more willing to accept reasonable rent increases, especially if they feel the level of service and maintenance justifies it.

Access to real-time data on tenant preferences and behaviors is paramount. When this data is harnessed correctly, it can directly boost NOI.

For example, if there is inconsistency in what tenants say they want (sentiment) and the space and amenities they actually use (usage) throughout the year, CRE landlords can use this insight to make decisions that improve tenant satisfaction. An increase in tenant satisfaction leads to tenant retention. Happy tenants attract other tenants. The end result? A boost to NOI.

2. Work order completion rate

Healthy work order management leads to happy tenants. Work orders can sometimes be the most direct contact tenants have with your property team, so it's important to get them right. You should track the following metrics to measure the health of your work order process.

Speed of work order completion

Measure the average time to work order completion, along with the percentage of work orders completed by their due date. It's about tracking your performance versus the service level agreements (SLAs).

Use reports to track the average SLA target (number of hours it should take to complete a work order) versus the time it actually took. This is key for tenant satisfaction. You can also use this information to diagnose areas of improvement.

Tenant satisfaction with work orders

Request tenant feedback on completed work orders to identify service bottlenecks. See where your engineer's efficiency can improve or where help might be needed. A proper evaluation will improve work order completion time.

Engineering productivity

If engineers are spending a sizable chunk of time on administrative work, a work order system can measure an engineer's productivity against their peers and SLAs. Teams can see where they measure up and if they need to focus attention elsewhere. Having a pulse on engineering productivity can ensure you're fixing small problems before they become big ones.

Here are a few things you can measure when it comes to gauging engineering productivity:

- Response time to tenant work order requests
- Resolution time on those work orders
- Downtime for equipment repairs (i.e., HVAC, elevators, security systems, etc.)
- A high number of emergency repairs could indicate that your preventive maintenance program has some inefficiencies
- Training sessions completed or continuing education certifications received for engineers

Work order completion rates → Lease renewal rates

Understanding the fundamentals of how your building is performing when it comes to tenant requests can contribute to better lease renewal rates. Here's how:

- **Tenant satisfaction:** Timely and efficient management of work orders demonstrates your commitment to maintaining the property and ensuring tenant comfort. A well-maintained environment can lead to increased tenant satisfaction, which in turn influences the decision to renew leases.

- **Building integrity and value:** A property that is well-maintained not only physically but also operationally (i.e., all work orders are dealt with promptly and efficiently) helps maintain or even increase the value of the property. Commercial tenants often look at this aspect as it reflects on their own business image.

- **Prevention of major issues:** An efficient work order management system allows minor issues to be addressed before they become major problems. This reduces the likelihood of large-scale problems that could disrupt the tenant's business operations, making them more likely to renew their lease.

- **Communication and trust:** When work orders are handled promptly and efficiently, it signals to tenants that management is responsive and takes their needs seriously. This builds trust and a good relationship between you and the tenant, making it more likely that the tenant will renew their lease.

- **Predictability:** Regular maintenance and a good work order management system create a predictable environment for tenants. They know that if something goes wrong, it will be dealt with promptly. This predictability can be a significant factor in a tenant's decision to renew their lease.

3. Preventive maintenance performance

Preventive maintenance is crucial to keeping your property in good condition and avoiding costly repairs in the future. Here are the top things you should measure to ensure your preventive maintenance program is performing:

- **Frequency of preventive maintenance:** This metric tracks how often preventive maintenance is performed on various systems and components of the property. Regular frequency ensures that potential issues are discovered before they become problems.
- **Cost of preventive maintenance:** The total cost of preventive maintenance provides insights into the cost-effectiveness of the program. This metric can be broken down into costs for labor, materials, and any outsourcing.
- **Downtime due to maintenance:** It's important to minimize the impact of maintenance on the building's operations. By tracking downtime, you can aim to schedule maintenance during off-peak hours.
- **Equipment life:** Preventive maintenance can extend the useful life of equipment and systems. By tracking how long equipment lasts before it needs to be replaced, you can assess the effectiveness of your preventive maintenance program.
- **Number of breakdowns:** The number of unexpected equipment or system breakdowns can indicate how well the preventive maintenance program is working. A low number of breakdowns can suggest that preventive maintenance is effective.
- **Emergency repair costs:** The costs of emergency repairs can be compared with the costs of preventive maintenance. If preventive maintenance reduces the costs of emergency repairs, it demonstrates the financial value of the program.

Preventive maintenance performance → CapEx

A healthy preventive maintenance performance doesn't only reduce operational costs but also can lead to better management of CapEx rates. Here's how:

- **Extended asset life:** Regular preventive maintenance can extend the lifespan of building systems such as HVAC, electrical, plumbing, elevators, etc. This defers the need for system upgrades or replacements, thus reducing CapEx.
- **Reduces unexpected repairs and replacements:** Preventive maintenance identifies potential issues before they escalate into major problems that require substantial repair or replacement. Avoiding these emergency situations can save significant CapEx funds.
- **Planning and budgeting:** A good preventive maintenance program provides better predictability about when systems or equipment will need to be replaced. This allows for improved planning and budgeting for CapEx expenses, spreading them out over a longer timeframe.
- **Efficiency improvements:** Preventive maintenance can lead to efficiency improvements in various building systems, which may reduce the need for expensive upgrades aimed at achieving the same goal.
- **Property value:** Regular maintenance can help preserve or enhance your property's value. This can reduce CapEx by minimizing the need for major renovations or improvements needed to attract tenants.

4. Tenant compliance rates

Tenant compliance is crucial in maintaining the value of your property and ensuring smooth building operations. Here are some metrics you should measure to ensure tenant compliance:

Lease agreement compliance
Monitor whether tenants are fulfilling their lease obligations, such as timely payment of rent and additional costs (for example, in triple-net leases, any insurance, taxes, and/or maintenance), abiding by property use restrictions, or any other specific terms laid out in the lease agreement.

Insurance coverage
Ensure tenants have an appropriate level of insurance coverage as stipulated in the lease agreement. This can include property insurance, liability insurance, business interruption insurance, and more.

Maintenance responsibilities
If tenants are responsible for certain maintenance duties (as in a triple-net lease), keep track of whether they're adequately fulfilling these obligations.

Regulatory compliance
Monitor tenants' compliance with all applicable regulations, such as environmental regulations, building and safety codes, health codes (for restaurants, for example), and any industry-specific regulations.

Tenant improvement compliance
If tenants have made any agreed-upon improvements or alterations to the property, ensure these comply with the terms set out in the lease agreement, as well as with local codes and regulations.

Behavioral compliance
Track incidents of disruptive behavior, nuisance, or violations of property rules and guidelines by tenants.

By tracking these metrics, you can spot potential issues early, address them promptly, and maintain a successful tenant relationship while preserving the value of your property. Always remember, it's crucial to keep a clear line of communication with tenants and to handle any non-compliance issues professionally, within the boundaries of the lease agreement and the law.

A poorly executed compliance program can leave organizations at risk of reputational damage, costly fines and fees, or potential litigation and regulatory intervention. It's important to ensure everyone across your organization has access to thorough training in your compliance programs, with updates and refreshers as needed.

Tenant compliance rates → OpEx

Tracking tenant compliance rates can play a big role in better management of operating expenses (OpEx). Here's how:

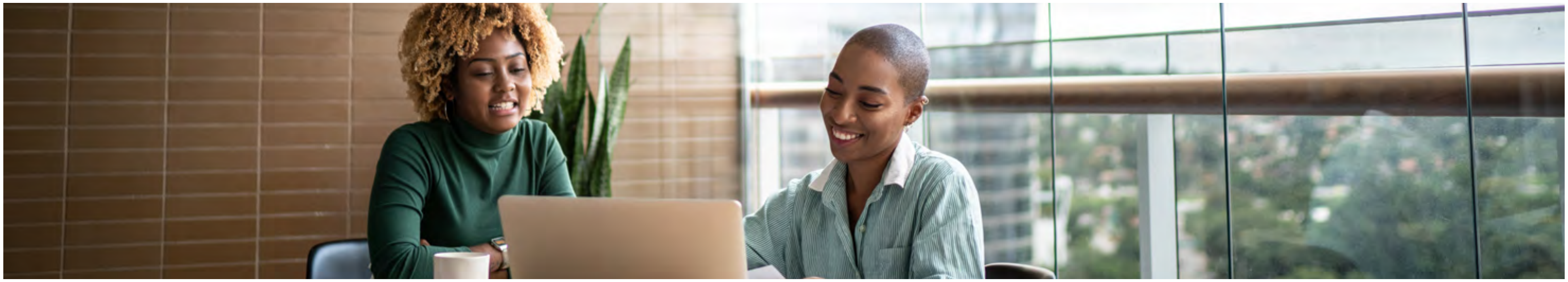
- **Maintenance and repairs:** In many lease agreements, especially triple-net leases, tenants are responsible for certain maintenance tasks. Ensuring tenants adhere to these responsibilities can help reduce your maintenance costs.

- **Reduced legal costs:** Non-compliance with lease terms, building codes, or regulations could lead to legal battles, penalties, or fines, all of which increase operating expenses. Ensuring tenant compliance can help prevent potential legal disputes.

- **Preventive measures:** By tracking tenant compliance, you can take preventive measures before small issues become larger, more expensive problems. For example, a tenant not complying with a required maintenance schedule could lead to serious damage and costly repairs.

- **Lower turnover costs:** Compliant tenants are more likely to be satisfied tenants, which means they're more likely to renew their leases. This reduces turnover costs such as marketing expenses for new tenants, potential loss of rental income during vacancy periods, and renovation costs between tenants.

- **Insurance premiums:** If tenants comply with safety regulations and keep the premises in good condition, this may help maintain or even reduce insurance premiums, thus saving on operating costs.



5. COI compliance rates

Insurance coverage is mentioned above in the Tenant compliance section of this guide. However, certificate of insurance (COI) management is critical and deserves its own category and set of metrics to track. That's because many CRE firms have an insurance compliance rating under 50%. That's a huge problem. If you're out of compliance, you can risk multimillion-dollar claims.

Keeping track of COIs for all tenants in a building can be a complex task. Here are some key metrics you should consider:

COI collection rate
Track how many of your tenants have submitted their COIs. Aim for a 100% collection rate to adequately manage your risk.

COI compliance rate
Not all COIs submitted will be compliant with the lease terms. Monitor the percentage of tenants whose submitted COIs meet the insurance requirements stipulated in their lease.

Insurance coverage amount
Keep track of the coverage amounts for each tenant to ensure they match the required minimums. This could be a dollar amount (i.e., $1 million in liability coverage) or could be more specific (i.e., sufficient to cover the replacement cost of the tenant's unit).

Expiration dates
Each COI has an expiration date, after which the coverage is no longer guaranteed. Keep a record of these dates and set reminders to request updated COIs before the current ones expire.

Endorsements
Some lease agreements require tenants' insurance policies to include certain endorsements, such as naming the building owner as an additional insured. Ensure that these requirements are being met.

Policy types
Ensure each tenant has all required types of insurance. This typically includes general liability insurance and may also include property insurance, workers' compensation insurance, business interruption insurance, and others, depending on the terms of the lease.

By tracking these metrics, you can help ensure your tenants maintain the necessary insurance coverage, thereby reducing your risk of financial loss due to accidents, property damage, or legal claims.

COI compliance rates → Vacancy rates

While it's clear high COI compliance translates to reduced OpEx (see page 9), it can also lead to lower vacancy rates. That's because high compliance means your building is safer and well-maintained, making it attractive to potential tenants.

- **Risk mitigation:** Ensuring all tenants have the necessary insurance coverage reduces the risk of sudden, costly incidents like damage to the property or liability claims. By managing these risks, you can maintain a safe, attractive environment for current and prospective tenants.

- **Tenant quality:** Tracking COI compliance rates can help you identify responsible, compliant tenants. Such tenants are more likely to take care of their leased space, comply with other lease terms, and maintain a longer tenancy, all of which contribute to lower vacancy rates.

- **Reputation:** Commercial properties with a history of insurance-related issues, property damage, or liability claims can develop a negative reputation. By enforcing COI compliance, you can maintain a positive reputation, making the property more attractive to prospective tenants.

- **Financial stability:** By reducing potential financial risks related to damage or liability claims, you can invest more in property improvements or marketing efforts to attract and retain high-quality tenants.

6. Billback summaries

Tracking specific metrics related to billback summaries or expense reimbursements can provide insight into your revenue, efficiency, and tenant relationships. Here are some key metrics that you should track when it comes to billbacks:

Total billback amount
This is the total amount of money that is expected to be recovered from tenants. It's a critical metric for understanding your potential income from expense reimbursements.

Billback recovery rate
This is the percentage of the total billable amount that has been successfully collected from tenants. A high recovery rate indicates effective cost management and lease compliance.

Billback compliance rate
Measure the percentage of tenants who are complying with their billback obligations. If this rate is low, it could indicate that tenants are not understanding their obligations, or there may be issues with how expenses are being allocated or communicated.

Disputed billback amount
Keep track of the total amount of billbacks disputed by tenants. A high level of disputes may indicate issues with the clarity or fairness of your expense allocation.

Aging receivables for billbacks
Monitor the time it takes for billback payments to be received after they are invoiced. If this time period is growing, it might indicate problems with the payment terms, billing process, or tenant financial health.

Frequency of billbacks
The number of times billbacks occur is also an important metric. Frequent billbacks might indicate a fluctuating operating expense that could be better managed, while infrequent billbacks might suggest an opportunity to improve cash flow by billing more regularly.

Overhead costs related to billbacks
These are the administrative costs of calculating, invoicing, and collecting billbacks. If these costs are high, it might indicate inefficiencies in your process.

Number of errors in billbacks
Mistakes can happen, but a high number of errors could indicate a need for better systems or processes.

By keeping a close eye on these metrics, you can ensure you're maximizing billback income, maintaining good relationships with tenants, and running operations as efficiently as possible.

Billback summaries → NOI

Since NOI is the total income from a property minus operating expenses, accurate and effective recovery of billbacks can increase NOI. The more operating expenses that can be passed on to tenants (and actually recovered), the higher the NOI.

- **Maximizing reimbursements:** By meticulously tracking billback summaries, you can ensure all expenses that should be passed through to tenants are correctly calculated and billed. This can prevent losses due to missed or undercharged billbacks.

- **Enhancing collections:** Tracking billbacks can improve the collection process. It allows you to identify tenants who are late or deficient in their payments and follow up promptly, reducing the time and money lost in chasing unpaid billbacks.

- **Improving accuracy and reducing disputes:** Regular tracking can help identify and correct errors in billbacks before they become problems, minimizing disputes with tenants. Fewer disputes mean less time and money spent on resolution, thereby reducing operating expenses.

- **Predicting cash flow:** With consistent tracking, you can forecast expected reimbursements, enabling more accurate budgeting and financial planning. It helps you make strategic decisions about potential property improvements, debt servicing, and other factors that could increase the property's income potential.

- **Lease agreement optimization:** Regularly reviewing billback summaries can provide insights for future lease negotiations. For example, you may identify certain expenses that are consistently not covered by current leases and can negotiate to include them in future lease agreements, increasing the amount of recoverable operating expenses.

7. Energy usage stats

Energy usage is a significant operating cost for commercial buildings, and reducing energy use can lead to significant savings. Here are some key metrics commercial property teams should consider tracking to reduce OpEx and maximize building value:

Total energy consumption
This is the most basic metric, tracking the total amount of energy used by a property over a specific period (typically measured in kilowatt-hours or KWh for electricity, and therms or BTU for natural gas).

Energy use intensity (EUI)
EUI measures a building's energy consumption per unit area over a given time period (such as kilowatt-hours per square foot per year). This is a critical metric for comparing the energy efficiency of different buildings or the same building over time.

Peak demand
This measures the highest rate of energy use at any one point in time. It's important for understanding when energy use spikes, which can have cost implications as utility companies often charge higher rates during periods of peak demand.

Load factor
This is the ratio of the actual kilowatt-hours consumed in a designated period to the product of the maximum demand and the number of hours in the period. A higher load factor indicates more consistent energy usage. A lower load factor indicates peaked, inconsistent usage, which can be more costly. In other words, high is good and low is bad.

Energy cost
This is the total amount spent on energy, which depends both on the amount of energy used and the rates charged by the utility company.

Carbon footprint
This measures the total greenhouse gas emissions caused by a building's energy use, usually given in equivalent tons of carbon dioxide. This is increasingly important as more companies aim to reduce their environmental impact.

ENERGY STAR score
This is a measure from the U.S. Environmental Protection Agency's ENERGY STAR program. It compares a building's energy use to similar buildings nationwide, with adjustments for factors like climate, hours of operation, and building size. A score of 50 indicates average energy performance, while a score of 75 or higher signifies top performance (and could be eligible for ENERGY STAR certification).

Renewable energy percentage
This is the portion of a building's total energy that comes from renewable sources, such as solar or wind power. More use of renewable energy can lead to cost savings and a lower carbon footprint.

By tracking these metrics, you can identify opportunities to improve energy efficiency, reduce costs, and minimize environmental impact.

Energy usage stats → Rent growth

While it's clear that keeping track of and optimizing your energy usage can lead to **lower OpEx**, it can also positively affect rent growth. For instance, JLL's **"Decarbonizing the Built Environment"** report found that **63%** of investors strongly agree that green strategies can drive higher occupancy, higher rents, higher tenant retention, and overall higher property value.

Tracking and optimizing energy usage can contribute to commercial rent growth in several ways:

- **Increased tenant attraction:** Energy-efficient buildings are increasingly attractive to tenants due to both environmental concerns and the potential for lower utility costs. As a result, these properties can command higher rents.

- **Enhanced property value:** Energy efficiency improvements can increase the overall value of a building, making higher rents more justifiable. For example, installing energy-efficient systems may result in a higher ENERGY STAR Score, which can increase the property's appeal and market value.

- **Corporate Social Responsibility:** Many companies now have Corporate Social Responsibility (CSR) policies or Environmental, Social, and Governance (ESG) goals that include reducing their carbon footprint. Renting space in an energy-efficient building can help them meet these goals, so they may be willing to pay a premium for such spaces.

- **Regulatory compliance:** As energy regulations become more stringent, buildings that are already energy efficient will have fewer costs associated with upgrades or fines for non-compliance. These savings can be redirected toward building improvements that justify rent increases.

Get the full data story from your buildings

The right metrics will provide an accurate view of your building's performance, and by reflection, your performance as a commercial property owner and operator.

Consider how upgrading your tech stack can help you stay on top of your KPIs. A market-leading building operations platform with robust capabilities like **Prism**, an AI-powered virtual engineer for sustainability like **Hank**, or a workplace experience software that delivers a best-in-class tenant experience like **HqO** – all make it easy to monitor portfolio adherence to KPIs.

Such platforms also help you achieve better business outcomes by automating workflows, identifying missed revenue opportunities, and making it easier to deliver a first-rate tenant experience.

Find out more about what

Prism →

Hank →

HqO →

can do for your CRE property.

About Building Engines

Building Engines, a JLL company, improves net operating income and performance across the world's most successful commercial real estate (CRE) portfolios. Our customers increase property management efficiency, deliver the best tenant experience, and reduce operating costs with Prism – the industry's most innovative and powerful building operations platform. Today, more than 1,000 customers—including Beacon Capital Partners, Brixmor, and SL Green—rely on Building Engines to manage critical operational needs across more than four billion square feet and 35,000 properties worldwide.

About JLL

For over 200 years, JLL (NYSE: JLL), a leading global commercial real estate and investment management company, has helped clients buy, build, occupy and invest in a variety of commercial, industrial, hotel, residential and retail properties. A Fortune 500 company with annual revenue of $20.9 billion and operations in over 80 countries around the world, our more than 103,000 employees bring the power of a global platform combined with local expertise. Driven by our purpose to shape the future of real estate for a better world, we help our clients, people and communities SEE A BRIGHTER WAY℠. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit jll.com.

BuildingEngines
A JLL company