

# THE 'HOLY GRAIL' OF ASSET MANAGEMENT:

Using Good Data to Improve Your Underwriting and  
Other Strategies to Better Leverage Asset  
Management Resources to Create Enterprise Value

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# DELIVERING INFORMATION

Successful organizations share these traits



## Data Integrity

Central Repository  
Consistent Information  
Improved Accuracy of On-Demand Results

## Process Improvement

Micro & Macro views of Enterprise Processes  
Correct Existing inefficiencies

## One Version of the Truth

Standard Definitions & Terms  
Uniform Reports & Metrics

## Self Service: Flex the Data

Accurate Data Delivered to a Much Wider Community  
Minimize Dependence on Individuals  
Explore the data Themselves

# DATA MANAGEMENT STRATEGIES

That will help your organization



- If you are working on improving your Asset Management system, and/or your Data Management practices, here are some keys to being successful
  - Make sure the end goal is well-defined from the **business users** perspective
  - Plan appropriately for both up-front AND ongoing data maintenance
  - Select the right level of detail in the data you want to store and maintain
  - Phased approach to implementing new systems & processes

# BUSINESS USERS DEFINE THE GOAL

What are the business questions

- Make sure the end goal is well-defined:
  - What question(s) are you trying to answer?
  - What processes are you trying to improve with technology and data?
- What teams within your organization will benefit from the system?
  - Have a user from each team present during planning & throughout the process
  - User stories may look different from the different areas of your organization (i.e. development vs finance vs asset management)



**Tip:** If working with a 3<sup>rd</sup> party, provide them the internal approval memo for investment in data systems. This will tell the story of what made senior leadership think the whole thing is worth the effort and resources.

# START WITH BUSINESS QUESTIONS



Starting with the Business Questions helps ensure success

- Where is our occupancy rate dropping the most? (e.g. Rural deals with less than 50 units)
- Are our utility costs in one state higher than another?
- How long does it take to turnover a unit?
- How can I get my Investor Reports out quicker & more efficiently?
- How can I reduce redundancy when producing internal reports?
- Is my portfolio distributed appropriately amongst the Asset Management Team?
- How do I identify if a property is slipping before it lands on the watchlist?
- How can we as an organization share our data across departments better?
- How can we automate processes?

Spend less time gathering data **and**  
**more time generating insight and**  
**action** from it

# THE EFFORT

To keep up with the data



- Don't underestimate the effort it takes to implement – and keep up – with good data!
  - Scrubbing data is important, having a plan to keep data clean is arguably more important
  - GIGO will kill your whole process
    - No adoption within the organization if people perceive (wrongly or rightly) that the information / analyses coming from the system is inaccurate
  - Explore your options – staff up? Require PM's to submit data into a portal or specific format? Outsource Data Management?
  - Define responsibility for specific information appropriately across your organization

Old, incomplete or inaccessible data  
increases the exposure to financial and  
regulatory risk

Spend less time  
gathering data and  
more time generating  
insight and action  
from it

# THE EFFORT

The keep up with the system



- Flexibility and ‘self-service’ ability to configure and customize are great, but mean that you have to keep people in-house that know how to DO this configuration.
  - Systems that allow for less self-service also may mean that more of that “how to use it” knowledge can be kept off your plate.
- Need to have someone who has decent technical chops – those people aren’t necessarily easy to find or cheap to keep!
- Figure out a plan that works for your organization based on your portfolio size, and your growth plans moving forward

# LEVEL OF DETAIL



- Pay attention to the level of detail in your data
- What pieces of data are worth tracking, scrubbing, storing, maintaining?
  - The answer isn't EVERYTHING
- Static data, semi-static data, and recurring data
  - Static Data – Data that doesn't (or shouldn't) change, i.e. Property Name, Location, Number of Units, etc.
  - Semi-Static data – Data that changes but not on any sort of fixed or recurring schedule, i.e. lifecycle, watchlist status
  - Recurring/Dynamic Data – Data that changes on a fixed schedule, i.e. monthly financials, annual audited financials, occupancy, budgets, tax returns
- If you're going to put the time in to SCRUB the data, really give thought to the recurring data, since that's what you'll have the most of



# LEVEL OF DETAIL



If your UW data looks like this...



EXPENSES		Inflator	Year 1	Year 2	Year 3
Total Professional Fees		103%	0	8,240	8,487
Total Administrative	24,720	103%	0	19,720	26,226
Total Utilities	103%	103%	0	30,385	32,236
Total Repairs and Maintenance		103%	0	54,590	57,915
Total Marketing and Leasing		103%	0	0	0
Total Real Estate Tax	4%	103%	0	6,159	6,388
Total Insurance		103%	0	7,787	8,262
Total Property Management Fee	\$19,096	103%	0	19,669	20,259
Investor Services Fee (Must Pay)		103%	0	2,781	2,950
Other Fees (Must Pay)		103%	0	0	0
Ad Valorem Property Taxes		103%	0	13,390	14,206
<b>TOTAL EXPENSES:</b>			<b>0</b>	<b>134,812</b>	<b>176,929</b>
<b>NET OPERATING INCOME</b>			<b>0</b>	<b>120,680</b>	<b>128,281</b>
Operating Reserve		103%			
Replacement Reserve		103%	0	11,124	11,801
<b>NOI ADJUSTED FOR RESERVES</b>			<b>0</b>	<b>109,556</b>	<b>116,480</b>

And your Asset Management Data looks like this...



Operating Expenses		
Administrative Expense		
Office Salaries		10,930
Administrative Rent Free Unit		1,135
Management Consultants		-
Resident Services Salaries & Consulting		5,494
Resident Services Expenses		296
Travel & Mileage		-
Management Fee		10,923
Occupancy Fee		-
Bookkeeping Fees/Accounting Services		1,760
Conventions, Seminars, and Training		83
Legal Expense		-
Audit Expense		904
Advertising & Marketing		460
Renting Expense		323
Telecommunications		1,511
IT Expenses		2,711
Office Expenses		1,025
Miscellaneous Administrative Expenses		20
<b>Total Administrative Expense</b>		<b>37,575</b>
Utilities		
Electricity		1,740
Gas		3,098
Water & Sewer		11,269
Other Utilities		-
Utility Administration		-
<b>Total Utilities Expense</b>		<b>16,107</b>
Operating & Maintenance Expense		
Operating & Maintenance Payroll		10,168
Operating & Maintenance/Security/Restroom/Janitor		1,205

Mapping exercise must include knowledgeable SME's from both sides in order to achieve...

# FINANCIAL COMPARISON

Ability to Compare Actual to Budget to Proforma



## FINANCIAL COMPARISON REPORT

Property Name

City, ST

Status

5/31/2014

	MTD ACTUAL	MTD BUDGET	MTD PROFORMA	VARIANCE (\$)		VARIANCE (%)		YTD ACTUAL	YTD BUDGET	YTD PROFORMA	VARIANCE (\$)		VARIANCE (%)		ANNUALIZED	
				BUDGET	PROFORMA	BUDGET	PROFORMA				BUDGET	PROFORMA				
<b>Revenues</b>																
Gross Possible Rent	\$295,135	\$300,816	\$311,060	(\$5,681)	(\$15,926)	-1.89%	-5.12%	\$1,462,124	\$1,475,296	1,545,946	(13,172)	(83,822)	-0.89%	-5.42%	3,509,097	
Rent Losses	(\$31,061)	(\$23,552)	(\$20,405)	(\$7,509)	(\$10,657)	-31.88%	-52.23%	(\$138,403)	(\$131,354)	(100,374)	(7,049)	(38,029)	-5.37%	-37.89%	(332,168)	
<b>Rental Income</b>	<b>\$264,074</b>	<b>\$277,264</b>	<b>\$290,656</b>	<b>(\$13,190)</b>	<b>(\$26,582)</b>	<b>-4.76%</b>	<b>-9.15%</b>	<b>\$1,323,721</b>	<b>\$1,343,942</b>	<b>1,445,571</b>	<b>(20,221)</b>	<b>(121,851)</b>	<b>-1.50%</b>	<b>-8.43%</b>	<b>3,176,929</b>	
Other Income	\$36,965	\$33,916	\$26,213	\$3,049	\$10,752	8.99%	41.02%	\$175,020	\$165,021	128,551	9,999	46,469	6.06%	36.15%	420,049	
<b>Total Revenues</b>	<b>\$301,038</b>	<b>\$311,180</b>	<b>\$316,869</b>	<b>(\$10,142)</b>	<b>(\$15,830)</b>	<b>-3.26%</b>	<b>-5.00%</b>	<b>\$1,498,741</b>	<b>\$1,508,963</b>	<b>1,574,123</b>	<b>(10,222)</b>	<b>(75,382)</b>	<b>-0.68%</b>	<b>-4.79%</b>	<b>3,596,978</b>	
<b>Operating Expenses</b>																
Marketing	\$4,589	\$5,169	\$3,017	\$580	(\$1,572)	11.22%	-52.09%	\$25,980	\$28,045	14,908	2,065	(11,072)	7.36%	-74.27%	62,353	
Administrative	\$2,807	\$4,873	\$5,683	\$2,066	\$2,876	42.40%	50.61%	\$33,821	\$27,365	28,081	(6,456)	(5,740)	-23.59%	-20.44%	81,171	
Maintenance	\$18,130	\$22,429	\$17,601	\$4,299	(\$529)	19.17%	-3.00%	\$76,081	\$81,331	86,972	5,250	10,891	6.46%	12.52%	182,594	
Make Ready/Turnover	\$7,022	\$9,456	\$2,434	\$2,434	(\$7,022)	25.74%	100.00%	\$40,581	\$47,575		6,994	(40,581)	14.70%	100.00%	97,395	
Payroll	\$43,600	\$43,720	\$37,194	\$120	(\$6,407)	0.27%	-17.22%	\$223,450	\$210,832	183,782	(12,618)	(39,669)	-5.99%	-21.58%	536,281	
Management Fee	\$9,007	\$8,557	\$9,506	(\$450)	\$499	-5.26%	5.25%	\$45,198	\$41,496	47,224	(3,702)	2,026	-8.92%	4.29%	108,475	
Utilities	\$28,132	\$32,851	\$17,838	\$4,719	(\$10,294)	14.37%	-57.71%	\$133,627	\$153,347	87,632	19,720	(45,995)	12.86%	-52.49%	320,705	
Tax and Insurance	\$54,515	\$47,087	\$45,203	(\$7,428)	(\$9,312)	-15.78%	-20.60%	\$243,710	\$235,435	223,356	(8,275)	(20,354)	-3.51%	-9.11%	584,905	
<b>Total Operating Expenses</b>	<b>\$167,802</b>	<b>\$174,142</b>	<b>\$136,043</b>	<b>\$6,340</b>	<b>(\$31,759)</b>	<b>3.64%</b>	<b>-23.34%</b>	<b>\$822,450</b>	<b>\$825,426</b>	<b>671,955</b>	<b>2,976</b>	<b>(150,495)</b>	<b>0.36%</b>	<b>-22.40%</b>	<b>1,973,879</b>	
<b>Net Operating Income</b>	<b>\$133,236</b>	<b>\$137,038</b>	<b>\$180,826</b>	<b>(\$3,802)</b>	<b>(\$47,589)</b>	<b>-2.77%</b>	<b>-26.32%</b>	<b>\$676,291</b>	<b>\$683,537</b>	<b>902,168</b>	<b>(7,246)</b>	<b>(225,877)</b>	<b>-1.06%</b>	<b>-25.04%</b>	<b>1,623,099</b>	
Debt Service (IO)	\$92,910	\$92,901		(\$9)	(\$92,910)	-0.01%	100.00%	\$453,694	\$452,908		(786)	(453,694)	-0.17%	100.00%	1,088,866	
<b>Income After Debt Service</b>	<b>\$40,327</b>	<b>\$44,137</b>	<b>\$180,826</b>	<b>(\$3,810)</b>	<b>(\$140,499)</b>	<b>-8.63%</b>	<b>-77.70%</b>	<b>\$222,597</b>	<b>\$230,629</b>	<b>902,168</b>	<b>(8,032)</b>	<b>(679,571)</b>	<b>-3.48%</b>	<b>-75.33%</b>	<b>534,233</b>	
Owner Related Items	\$4,364	\$6,283		\$1,919	(\$4,364)	30.54%	100.00%	\$30,203	\$31,415		1,212	(30,203)	3.86%	100.00%	72,488	
Prior Year Expense	\$5,903			(\$5,903)	(\$5,903)	100.00%	100.00%	\$15,637			(15,637)	(15,637)	100.00%	100.00%	37,528	
<b>Net Income</b>	<b>\$30,060</b>	<b>\$37,854</b>	<b>\$180,826</b>	<b>(\$7,794)</b>	<b>(\$150,766)</b>	<b>-20.59%</b>	<b>-83.38%</b>	<b>\$176,757</b>	<b>\$199,214</b>	<b>902,168</b>	<b>(22,457)</b>	<b>(725,411)</b>	<b>-11.27%</b>	<b>-80.41%</b>	<b>424,217</b>	
Capital Improvements	\$4,161	\$8,300	\$10,212	\$4,139	\$6,051	49.87%	59.25%	\$50,784	\$41,500	51,060	(9,284)	276	-22.37%	0.54%	121,881	
Mortgage Principal	\$24,183			(\$24,183)	(\$24,183)	100.00%	100.00%	\$92,820			(92,820)	(92,820)	100.00%	100.00%	222,768	

# METHOD TO THE MADNESS



- Methodical approach to implementation because it's good to be able to show 'early wins' to various user groups early on
  - Build buy-in & excitement
    - Show demos of what the new system will do for your teams
  - Demonstrates value to stakeholders
    - Show leadership it was a good investment
    - Target deliverables for senior leadership
  - Go Live
    - Have a planned roll-out
    - Set any new expectations appropriately



# PART II – AM DATA IN UNDERWRITING

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