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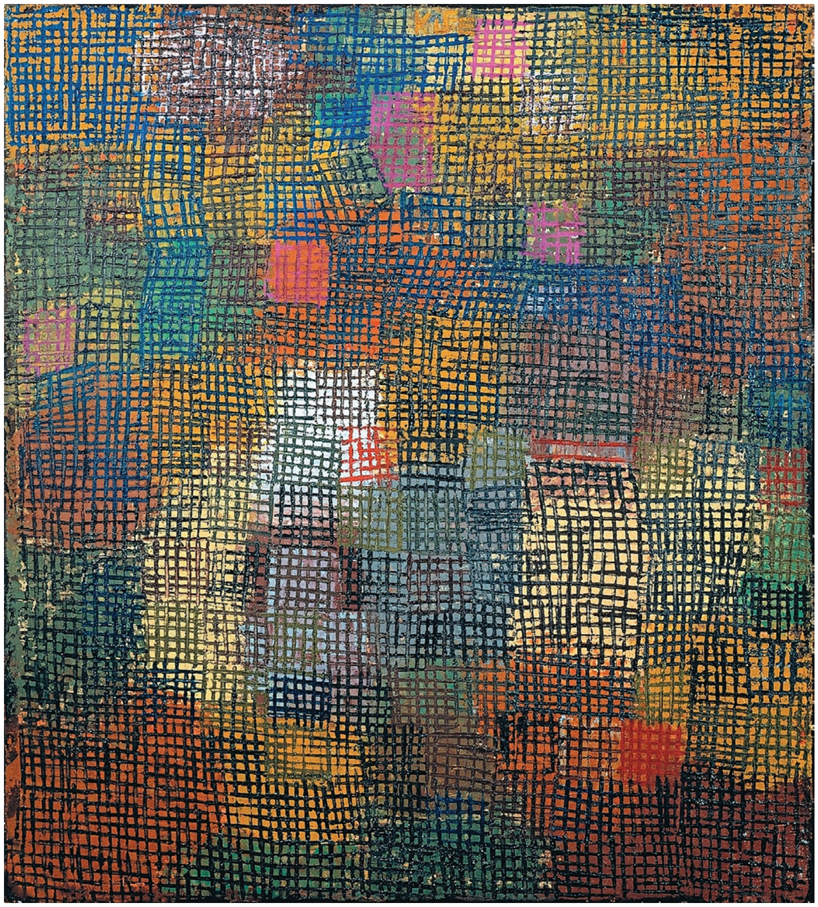

RealFoundations

How good is your data?

The art and science of managing, moving, verifying and organizing real estate data

Geoffrey Dohrmann, Institutional Real Estate, Inc.'s president and CEO, and publisher and editor-in-chief for the firm's suite of publications, recently spoke with **Jim Valente,** global head of data services for RealFoundations. Following is an excerpt of that conversation.

Who is RealFoundations? What do you do?

RealFoundations is a professional services firm focused exclusively on the real estate industry, across all segments. Our two areas of delivery include management consulting — where we might help a firm develop an efficient operating model, perform a technology conversion or new system implementation — and managed services, where we provide alternative sourcing options for most real estate back-office functions. We provide real estate application and Microsoft 365 support; we offer fully outsourced property-and-fund accounting and lease administration; we deliver both data movement and abstraction in our data-services offering; and our automation services include the development of robots for our clients to automate mundane, routine tasks.

For example, if you have to produce a report pack for different investors each month that contains reports for all the properties you are responsible for, our robots will log in, run the reports, collate and create the package, and then email or post it wherever it needs to go. We find that once a client realizes the benefit of automating a standardized process, they tend to want to automate more and more.

You mentioned data movement — tell me about that.

Another way to think of it is data aggregation. If you have a portfolio of properties, you may rely on a third-party property manager or joint-venture partner to manage your assets. How do you get all that data into your single system of record? You can either have your managers/partners work in your own system, which doesn't really work that well, or you can develop an approach for moving your data — whether daily, weekly, monthly or quarterly — into your system. This is the work we do for our clients in Data Services. We work with multiple third-party managers and JV partners to extract data from their various systems (with different data models), and normalize, validate and then publish it into our clients' systems of record.

What is the advantage of outsourcing this instead of just developing your own internal resources?

The cost of development and the expertise required to manage this process are significant, both from the technology and the people perspective. For example, if you have 100 properties and 20 or 30 different property managers, each with their own technology and chart of accounts, and you want to move trial balances into your system, you have to map each data point to your own chart of accounts and maintain the mappings over time. When you get into more complex data movement — for instance, commercial property rent rolls — those challenges increase exponentially. Clients who work with us have the benefit of a firm that has been doing data movement for more than 20 years.

Your background is in research, strategy and index creation. How did you find yourself in a data-management role?

Research and strategy is all about data. Throughout my career, I have focused on leveraging technology to help put current, accurate information at the fingertips of decision makers. I think about it in a very simple way — If I am a portfolio manager and I receive an inquiry from an investor on a Saturday morning, I should be able to find the answer and respond to them myself, and quickly. And I should have the confidence that what I provide them is correct. During my time at IPD/MSCI, my eyes were opened to the challenges that investors and managers, big and small, across the globe, face with managing data. When I started talking with RealFoundations a few years ago, I realized they saw the same global issue and wanted to create a solution. Most importantly, they had the knowledge, the people and the unique experience to do it.

What is the biggest challenge these investors and investment managers are facing with managing their data?

The biggest challenge for investors and investment managers is clearly defining the information needed to manage their business and report to stakeholders. We call this set of definitions a data map. Creating this data map requires a significant commitment of time and resources across the organization — defining the measures that need to be tracked, the inputs and source locations. The data map is a living document that needs to evolve over time, as their business changes and markets move through cycles. What information do you need to answer questions and manage your business? You can't just do that review once every five years or 10 years.

So, what you are talking about is helping people improve their data management through outsourcing and also through consulting. But what is the cornerstone of good data management?

The cornerstone of good data management rests on having governance in place to ensure that companies are getting the information they need to make informed decisions, when they need it. That is the absolute cornerstone, and the hardest part for investors in making that investment. If you are getting data from 50 or 100 different partners, is vacancy always calculated the same? Is NOI always calculated the same? How you evaluate the fitness of your data and how you manage it change over time.

What do you mean by fitness of your data?

Data fitness crosses five vectors: timeliness, completeness, accuracy, consistency and compliance. Timeliness means you have the data you need to answer questions when they come up. Do you have the data in time for your reporting? Is your data current if an investor or consultant asks you a question? Completeness ties to the data requirements you have established to manage your business: Do you have that data for every property? Every period? Accuracy is focused on ensuring the data you have reflects the true state of your properties. Consistency is getting the same data month to month, quarter to quarter, across all your assets. And compliance tracks that the guidelines you established for how your partners are supposed to manage data within their systems are followed.

What are the different approaches people use for data management?

There are three major approaches. The first is what I call a single stack — the company invests in a platform, and all of their partners have to work in that platform.

The second approach is distributed — the company invests in a platform, but their partners continue work in their own, individual system(s), and then the company periodically moves that data into their platform.

The third approach is purpose built — the company develops their own data warehouse and moves data from various internal and external sources into that warehouse.

We provide data management services to clients who have adopted all three approaches, although the first approach doesn't occur often, because in practice it is very hard to get all of your partners to work in your platform.

Say I am a potential client of yours. How would you propose helping me formulate an effective data-management strategy for my organization?

The first step is working with the client to define the data requirements across different property types and data categories — for instance, operational data — whether it is just a pure rent roll, or includes leads and traffic — or financial data, which is predominantly trial balances, budgets and invoices. The second step is defining the rules associated with the movement, collection, validation and publishing of that data. We work closely with the client and walk through these requirements in detail, along with each of their property managers or partners — confirming the approach to validation, the submission schedule each period, and the approach to movement. The final step is working with the property managers to perform test submissions and validation. Before we begin publishing data into the clients' system, we audit the submissions against all the data requirements and apply the business rules. Working directly with clients and third parties up front, before we start a recurring schedule, is critical in identifying and resolving deficiencies within their systems before the recurring process begins.

What about control? If I've been hired to manage money on behalf of my investor clients, and now I am outsourcing the data management, aren't I giving up my control?

You are not giving up control or ownership of your data in any way, shape or form. You are just hiring a specialist to help you make sure that data gets into your system in its appropriate form. We are governed under a nondisclosure agreement, and our contracts ensure the privacy and the security of the data for our clients. An investment manager's core competency is not moving data. Outsourcing allows them to focus on their core competency, while handling data in a more efficient and less expensive way. Investment managers have been outsourcing accounting, tax work, legal work, fiduciary components for decades now, and this is no different. If they are struggling to report to investors or respond to events that occur that they do not anticipate, they are at a distinct disadvantage to other participants in the market.

I assume you are not the only firm in the world that provides similar services. What differentiates RealFoundations' approach?

We are not the *only,* but I think we are the best, for three distinct reasons. First, we are technology agnostic — in other words, we do not own a technology platform that we require our clients to use. We have deep experience working across almost every accounting, portfolio- and asset-management system within real estate, and encourage our clients to use the system that best suits their business. The second differentiator is data optionality, which means our clients own their data and they can access it, take it and put it anywhere, any time. We maintain a validated, normalized record of their data as long as we are doing the work for them. The third differentiator is our approach to data fitness. RealFoundations has been managing and moving data for more than 20 years for our clients around the world. We have leveraged that experience to develop an approach to data fitness and validating data that improves the quality of data in our clients' systems over time.

There have been a lot of advances made in the last several years in the area of artificial intelligence, machine learning, data science. How do these developments play a role in what you do?

We leverage AI today within our ABSTRACT platform, and we think there are some incredible opportunities to help our clients convert unstructured information into structured data that they can use. Unstructured data can be thought of as a lease — a document with paragraphs of content, tables of data, etc. Semi-structured data is like an invoice or a rent roll. There is a structure to the layout of the data, but it is not exactly the same, by row and column, every single time. The advances in AI over the past few years enabling us to pull data out of both semi-structured and unstructured documents have been pretty significant, and we are taking advantage of that.

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CORPORATE OVERVIEW

RealFoundations is the world's foremost professional services firm focused solely on the real estate industry. Through our delivery of Management Consulting and Managed Services, we help companies that develop, own, operate, service or invest in real estate make better, more profitable decisions. We are proud partners to more than 450 real estate companies around the globe, providing accelerated solutions that solve some of real estate's most complex challenges. We work hard, we tell the truth, we do what we say we're going to do.
We Make Real Estate Run Better.

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