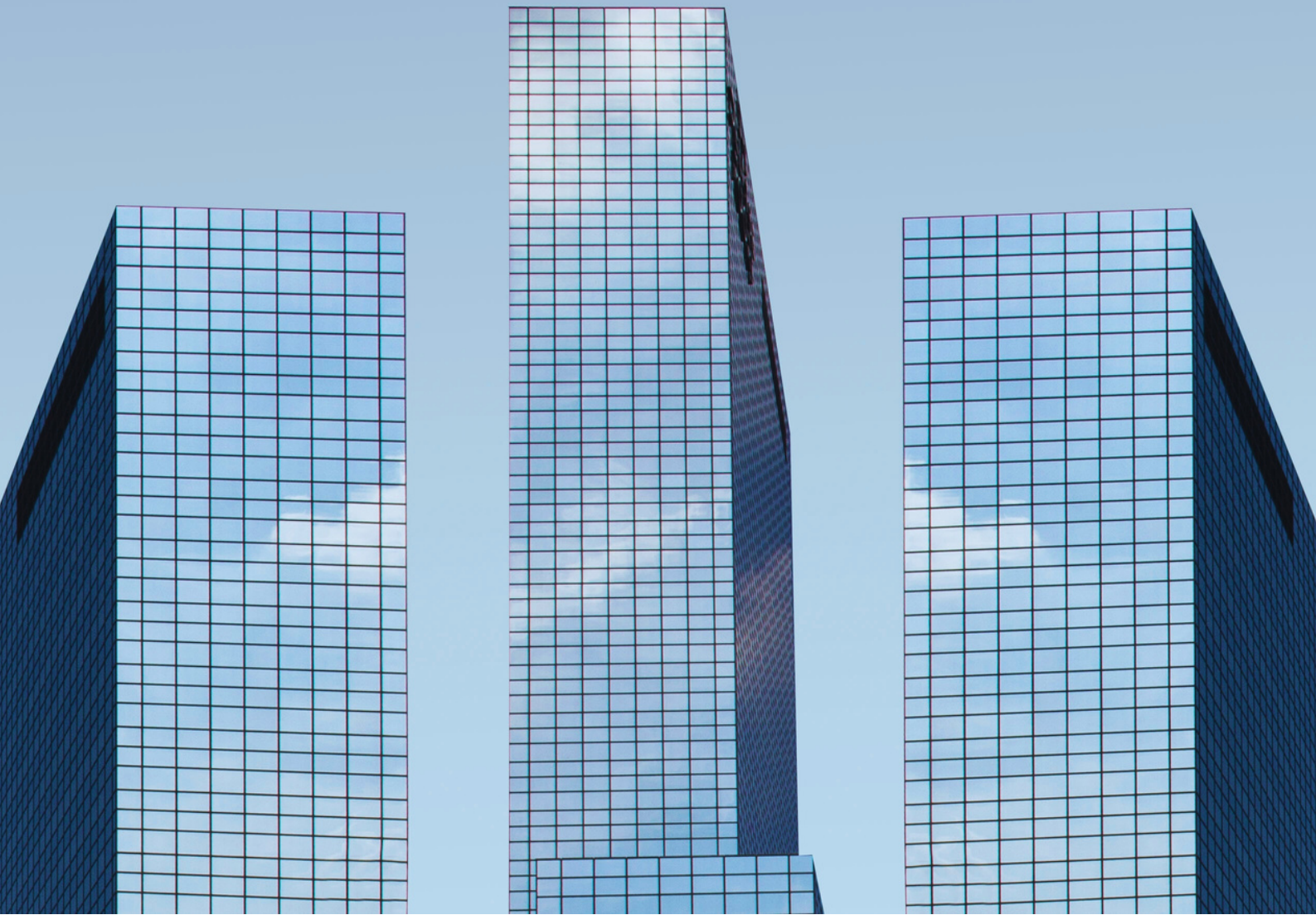


How data-driven operations can boost asset performance

An insightful eBook to guide Asset Managers through the operational keys to driving superior asset performance.



Contents


- 3 Setting the scene
- 5 Operations meets performance
 - 6 Sustainability
 - 8 Analytics
 - 9 Tenant experience
 - 11 Supply chain productivity
- 13 LaSalle Portfolio Case Study
- 14 About CIM



Setting the scene

Asset Managers are under increasing pressure to maximise property value and investment returns throughout the life cycle of their portfolios. However, market intelligence suggests a looming dip in commercial property valuations, causing concern among REITs, unlisted property funds, superannuation funds, and other property owners. This anticipated market correction could greatly impact commercial property portfolios, principally across the office and retail sectors. In the US, a 40% drop in office and retail property valuations is expected as a \$1.5 trillion commercial property debt is set to roll over in the next 20 months, with Europe and Asia facing similar challenges. The threat is compounded by the impact of worrisome market influences including stubbornly high interest rates, international banking crises, a lack of transactions hindering accurate market valuations, global inflation, and evolving tenant behaviours.

Although there isn't a single fix to counter these disruptions, there are a number of actionable tactics that Asset Managers can implement to strengthen resilience, protect net operating income (NOI) and counter the impact of higher cap rates. At the heart of these tactics? Utilising software to transform the *operational* stage of a property's lifecycle.



Here at CIM, we are experts in supercharging property operations, with years of experience under our collective belts. In this bite-sized yet insightful eBook, we will guide you through the tried-and-tested methods for driving superior asset performance despite the dark clouds hovering over the sector. Think sustainability. Think analytics. Think tenant experience. And think productivity.

The guide combines learnings from our industry-leading team of in-house experts, as well as insights from a recent CIM-hosted [asset management webinar](#) during which we brought together a panel of industry thought leaders:

- Emily Wills, Managing Director of Asset Management at [LaSalle](#);
- Edward O'Brien, Fund Manager at [STRADA](#), and;
- David Walsh, CEO and Founder of [CIM](#).



Operations meets asset performance

In a nutshell, operations has the potential to drive superior asset performance by embracing:



Sustainability



Data and analytics



Tenant experience



Supply chain productivity

1. Sustainability through operational improvements

Owners of commercial properties who neglect sustainability face significantly reduced marketability to tenants. Tenant and leasing metrics, which are closely tied to NOI—a crucial factor in property value—can be improved through enhancing green credentials. As more commercial tenants seek to align their property choices with their ESG commitments, environmentally friendly features are in high demand. As [explained by Matt Werner](#), CBRE's Global President of Client Care:

"Reducing emissions is at the forefront for our clients, and they see ESG goals impacting all aspects of real estate decision making. That can include providing spaces that improve employee health and well-being, reducing resource use in building operations, or investing in renewables or efficiency. We anticipate the most highly sought-after real estate will help companies in achieving their stated environmental and social goals."

[Charter Hall chief executive David Harrison](#) pointed to the bifurcation between greener, more modern stock and older buildings, suggesting that owners with second tier stock face the toughest times,

"...rather than these very broad 10-20 per cent devaluation forecasts, it will be very different by market, and it will be very different by building. If you've got an older building with high vacancy, you're going to have a shallow buyer market and therefore if you really need to sell, then there might be some pricing challenges."

A [new global survey](#) from CBRE supports this view, revealing that 84% of tenants seek properties with energy-saving features and nearly 50% would demand lower rent or reject a lease if a property failed to meet their strict sustainability standards.

CBRE's [2023 Asia Pacific Real Estate Market Outlook](#) lists the flight to high-quality green buildings as a trend to watch,



"As companies come under pressure to comply with ESG regulations and set ambitious net-zero targets with 2030 as a common goal, they will exhibit stronger demand for green buildings and green leases. New Grade A office supply in Asia Pacific fell to a five-year low in 2022 but will rebound this year, providing occupiers with opportunities to relocate to newer and ESG-compliant buildings."

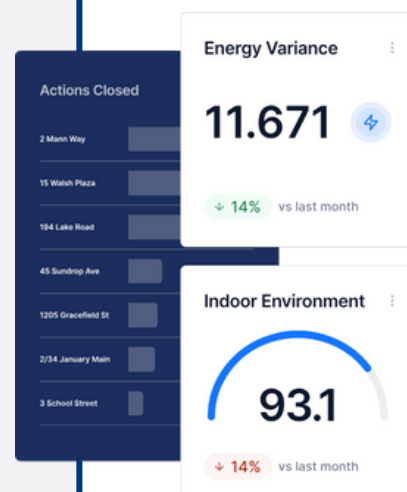
Implementing sustainability measures not only enhances a property's green credentials but also boosts efficiency, lowers operational costs, and ultimately increases NOI and property value. Sustainable buildings conserve resources, reduce waste, and minimise maintenance costs, resulting in overall cost savings. The World Green Building Council asserts that the expense of creating sustainable assets is lower than anticipated, with operational costs for such properties being over 13% lower for new construction and 9% for retrofitted projects. Considering the rising cost of carbon offsets, tightening regulations, and the ongoing energy crisis, the potential for sustainability initiatives to maximise property value is increasingly evident.

Contractors also play a crucial role, as CIM's CEO Dave Walsh reminded us: *"To go back to that accountability element, in every single one of the buildings that every property owner has, you have the BMS contractor, you have the mechanical contractor, the electrician for the lighting, the plumber for cooling towers. All of those people play a very important role in collaborating to ensure that the building is optimised and sustainable."* Ultimately, it's down to every member within the wider operations supply chain to drive sustainability.

PEAK Platform in action

After engaging with CIM, Australian property group [Kyko](#) increased the NABERS rating at [193 North Quay](#) from zero to five. *"By the time we started engaging with CIM in 2014, our NABERS rating at 193 North Quay sat at zero. We brought on CIM as we wanted to improve our sustainability within the NABERS framework and reduce our energy consumption costs. The increased rating has made us very attractive in terms of our sustainability credentials, which we have found are increasingly valued by tenants year on year."*

— Bill Jenkins, Director at Kyko Group



2. The role of data and analytics

The potential for analytics to drive superior asset performance is clear. This can even be said for high-performing buildings that already operate at the upper echelons of their respective ratings frameworks.

To summarise, buildings can make use of such technology in these ways:

- Prevent energy drift from pulling an asset backwards
- Identify opportunities for optimisation
- Improve the tenant experience
- Bolster collaboration and accountability
- Apply learnings to lower performing buildings
- Increase resilience to disruptions

In our work with REITs and superannuation funds, our team has seen analytics improve the lives of Asset and Fund Managers in a number of ways, first being peace of mind. When a Fund Manager asks an Asset Manager about performance, they're able to respond with data-driven insights and the optimisations that have occurred. Critically, Asset Managers are able to get more from what they already have before initiating costly capex.

Analytics solutions are also a great early identifier of talent within a large portfolio, as the data makes it easy to identify which FM's are responding to issues, closing them out, and following up with contractors in a timely manner. Managers also gain visibility into the supply chain, so they can understand which maintenance teams are engaging with the on-site team.

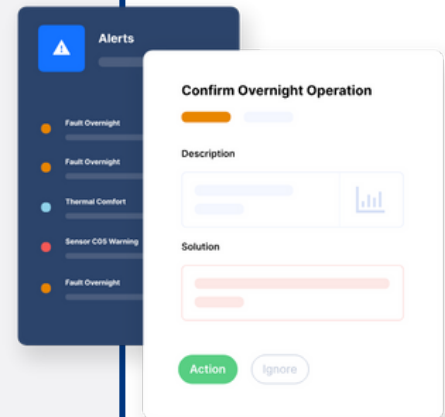
Emily Wills, LaSalle's Managing Director of Asset Management, sees enormous value in the level of precision data affords, which enables teams to make faster and more informed decisions. Ideally, data facilitates repairs before tenants even know there's a problem. *"The days are gone when you buy a building and you've got ten pages of low-hanging fruit," Emily said. "If you're going to get improvements now, you've got to move into slightly more sophisticated methods."* Data and analytics delivers those methods, enabling FM's to get ahead of tenant complaints and prevent equipment damage by moving quickly on faults as they've identified.

STRADA has also internalised this approach. When the group took an asset to market last year, they first improved the NABERS Energy rating substantially and achieved a six-star water rating. "The market has become more selective in its allocation of capital, and without that deep dive into the data and what was causing some of the operational issues, I think it would have been a pretty different outcome on where we realised liquidity and the interest that we achieved along the way," Edward O'Brien shared.



PEAK Platform in action

Leveraging CIM's powerful analytics software capability has enabled QIC Real Estate to transition to data-driven maintenance across their retail portfolio. This drove chiller lifecycle extension at QIC's Westpoint shopping centre. PEAK facilitated an in-depth analysis of plant performance and found only one chiller required immediate upgrade, despite five other chillers indicating they needed replacement based on equipment age. Control strategies were updated to allow for optimum performance of the existing chillers, delivering a five-year lifecycle extension.



3. Elevate the tenant experience

Stability in commercial tenant demand and leasing activity is a positive sign, as explained by JLL's Head of Strategic Research Annabel McFarlane: *"Though economic uncertainty is impacting some decision making—while unemployment remains low and business conditions remain strong, we expect solid demand from tenants."* Industry reports are also signalling strengthened gross effective office rents and an increase in retail sales across many capital cities. Given this context, focusing on retaining existing tenants is crucial for maintaining NOI and preserving asset value. Incurring the costs of tenant turnover, such as lost rents, make-ready expenses, and broker commissions, can significantly diminish NOI and amplify risks to future cash flows. The key is to meet and surpass tenant expectations to maximise satisfaction.

Regardless of a building's investment strategy, from core to opportunistic, optimising tenant satisfaction is a vital and consistent requirement. Successfully keeping tenants content will influence important metrics such as occupancy, anticipated rental rate growth, and WALE (by NLA or GRI). Kingley Surveys, a real estate research and performance benchmarking firm, recently identified a correlation between tenant satisfaction and lease renewals. Their findings indicate that with a 1-point increase in satisfaction, tenants are 18% less likely to leave and 8% more likely to renew. Additionally, a 1-point satisfaction increase led to a 7% decrease in vacancy.

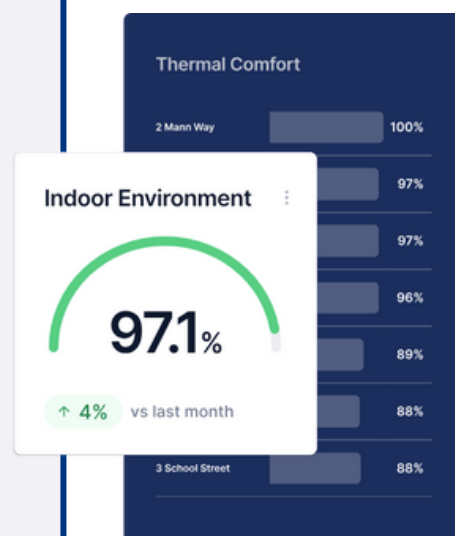
This notion aligns with widely accepted behavioural economics theories, which suggest that greater customer satisfaction increases the likelihood of repurchasing a product. So how can Asset Managers boost tenant satisfaction and, consequently, safeguard NOI? The initial, most fundamental step involves addressing basic expectations before progressing to more advanced requirements. This entails providing a comfortable, fit-for-purpose environment by maintaining air quality, ventilation, thermal comfort, ideal temperature, and relative humidity conditions while minimising tenant disruption through reduced plant and equipment downtime.

Dave shared a story from one CIM client who had 60% of tenant complaints arise from air conditioning issues before implementing PEAK. After successfully diagnosing and repairing the relevant issues, 'hot and cold' complaints fell well below 10%, freeing the team up to focus on other tenant engagement initiatives. High-performing assets should have minimal friction, especially when tenants pay a premium per square metre. Apart from thermal comfort, buildings that are too cold or too warm use excessive energy, degrading the life cycle of their equipment and impacting sustainability objectives.

Lisa Atkins, the Head of Asset Management Services at Knight Frank Australia reinforced the need to prioritise tenants above all else in another of CIM's hosted webinars, which explored 'Maximising tenant satisfaction', *"There are lots of measures of the success of an asset, from NOI to NABERS. But tenant satisfaction is the best lead indicator of future performance as it speaks to retaining the current tenants and ensuring high levels of occupancy, at a time when businesses are reviewing their requirements in the era of hybrid working."*

PEAK Platform in action

At Burlington Engineering's office building in Dublin Landings, CIM's real-time monitoring has enabled a near-perfect thermal comfort score. Occupant comfort levels increased from an already impressive 91% to 97%. Dublin Landings achieved this level of comfort with over 200 sensors that feed a steady stream of data from their BMS to PEAK for constant monitoring.



4. Improve supply chain productivity

Another path to maximising results while minimising expense is boosting on-site teams' productivity. LaSalle's Emily stressed the importance of freeing teams to focus on tenant relations and adding value versus wasting hours trying to troubleshoot issues that could be identified through data. *"There's a big difference in being able to manage your asset on a reactive or a proactive basis,"* said Emily. *"If you can jump straight to the problem and you're able to then suddenly start taking a forward-looking approach and dealing with items that you can plan for, that's a completely different ball game."*

Communication between management and operations teams is core to driving asset value and achieving high-level performance targets. As Strada's Edward put it, *"It's so important that the whole team understands the strategy of the owner, what the real drivers are, and where the owner sees the asset going in one year, three years, ten years. What's the ultimate objective of the asset? Once your whole team knows that, they can make on-the-spot decisions and ask the right questions."*

As an example to illustrate the importance of people, it is commonly advised in digital transformation (DX) projects that 80% of effort should be dedicated to people and their soft skills, with only the small remainder on the technology itself. This is commonly misunderstood, resulting in a 70% failure rate for DX projects. The same applies in the broader context of commercial property operations, where people are a critical driver of profitability. This is two-pronged; the labour costs associated with maintaining operations teams are significant, and their level of productivity directly influences asset performance.

For an unnamed global facilities management company, annual labour costs for hard services team members are estimated at a whopping USD\$2.8 billion. Boosting the output of these team members is essential if these costs are to be justified; strategies that equip teams with the right tools, technology and skills should be front and centre. Analytics software, for example, enables data-driven facilities management centred around a more collaborative workflow. Analytics software has the potential to boost productivity across each of the focus areas that current FM roles are typically structured around: fault detection and diagnosis (FDD), operational and environmental reporting, OH&S and soft services. Streamlining workflows across these areas of responsibility boosts productivity, thereby freeing up capacity and delivering efficiency wins.

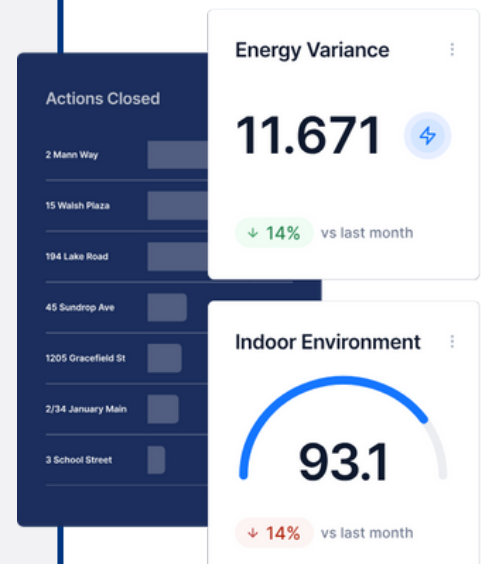
There are also opportunities to reap productivity gains in the work of specialist contractors. The costs associated with BMS, mechanical and other contractors present an equally significant balance sheet burden. In a recent case study, an HVAC technician identified some of the blockers undermining his ability to remain responsive and productive while on-site, many of which result from preventative maintenance schedules leaving hours checking plant and equipment that is fully functional.

For some actionable tips on improving operational productivity, here is where we'd start:

- 1 Leverage data-driven maintenance (DDM)
- 2 Minimise BMS alarm fatigue and noisy distractions
- 3 Empower operations teams via the right tool kit
- 4 Curate a diverse team

PEAK Platform in action

Before the PEAK Platform was deployed across Charter Hall's 58 office sites, the property group was challenged by limited access to a uniform data set, and an inefficient workflow marred by too many systems and providers. Following the deployment, Charter Hall consolidated the data from 13 different providers into one platform, simplifying access for all stakeholders to a consistent set of portfolio-wide insights. This has empowered the team with greater oversight across the entire portfolio, while significantly boosting supply chain productivity given the more efficient use of fewer systems.



Portfolio Case Study:

CIM drives financial and sustainability performance for LaSalle through digitised property operations

PEAK has digitised the operations at seven of LaSalle’s Australian properties across Victoria, Queensland and New South Wales, covering nearly 100,000 square metres of office and retail space. Since deployment in August 2021, LaSalle has leveraged CIM’s leading property operations platform to supercharge a collaborative workflow, enhance asset value, improve portfolio visibility and drive superior sustainability performance.

Key Partnership Wins

- 7 office and retail sites, covering 98,000 sqm
- 303 actions raised, at a 79% closure rate
- 33 stakeholders actively using the platform
- 1,976 pieces of equipment being monitored
- 13k data points streamed, governed by 3k+ rules
- 84% indoor environment, up from 71% in Oct '21



Image: 201 Miller Street

About CIM

CIM's award-winning PEAK Platform is an AI-powered SaaS solution that improves the financial and environmental performance of property portfolios. PEAK unlocks value by improving the efficiency of operations teams and maximising the performance of plant and equipment. Assets operating at peak performance boast industry-leading tenant satisfaction, occupancy metrics, net operating income and sustainability ratings.

Improving Financial and Environmental Performance



Maximise income

Advanced FDD ensures buildings operate to an efficient, comfortable and non-disruptive standard, facilitating high levels of tenant satisfaction, occupancy and NOI.

Lift occupancy

Green premium

Improve NOI

Tenant satisfaction



Reduce outgoings

Optimise operational performance for reduced energy consumption, streamlined maintenance contracts and extended equipment lifecycle.

Delay capex

Streamline maintenance

Decrease energy

Boost productivity



Improve sustainability

Operations teams are empowered to maximise operational and energy efficiency, curbing a portfolio's carbon footprint and lifting its sustainability ratings.

Improve ratings

Green finance

Green leases

Meet Net Zero targets

Delivering results

19%

average saving in electricity per building

20%

reduction in maintenance costs via DDM*

2 year

extension of equipment lifecycle

**Data-driven maintenance*

Trusted by industry leaders



Maximise tenant income, reduce outgoings and improve sustainability at your commercial property.

Get in touch with the experts at CIM today to discover how.

 Email us at smarterbuildings@cim.io

 Request a callback

 Learn more at cim.io

 CIM