

Bridging the **GP-LP** **reporting gap** *with* **TECHNOLOGY**

According to new research, managers need to step up their reporting game and fix issues such as frequency, formatting, transparency and even the actual data provided to win investor commitments.

By Brandon Sedloff,
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To learn about the expectations that commercial real estate investors have today, Juniper Square held a virtual fact-gathering event in October 2020 with dozens of the largest institutional investors in the United States.

This is what we discovered:

- Most LPs approve of how their GPs are managing their investments, but LPs spend too much time chasing after the data they need in the format they want.
- Only one in seven LPs receive “good data in a timely manner” on their real estate investments. A majority noted that, after quarter end, it often takes three months or more for managers to provide aggregate portfolio data for the preceding quarter.
- Not a single LP told us that they are getting all of the data they would like to receive. Nearly 40% report that they get much better data about their investments in other asset classes.

Roughly 60% believe that the data they are getting from their real estate managers is insufficient.

- Better property performance data is the number one request, with every LP asking for more or better data on tenancy, fees, debt and fund performance.
 - Across the board, LPs want technology that improves the presentation of data and clarifies investment costs and performance.
- Here’s a sampling of what we heard from LPs about the data they are looking for:
- “We’d like to better monitor tenant and industry exposure in our office, industrial and residential properties.”
 - “We always want to know more about sector exposure and which assets are performing well.”
 - “We’re looking for more details on leverage exposure, the impact of leverage and fees, and what fees are being paid to third parties.”

¹ Altus Group, Future-Proofing the CRE Industry: Is Commercial Real Estate's Innovation Cure Moving Fast Enough? 2015.

² Altus Group, From Innovation to Value in Commercial Real Estate: Is Practical Innovation Taking Hold and What's Next for PropTech? January 26, 2020.

- “Cleaner data would help us all become better investors and allow us to re-allocate team resources to more important activities.”

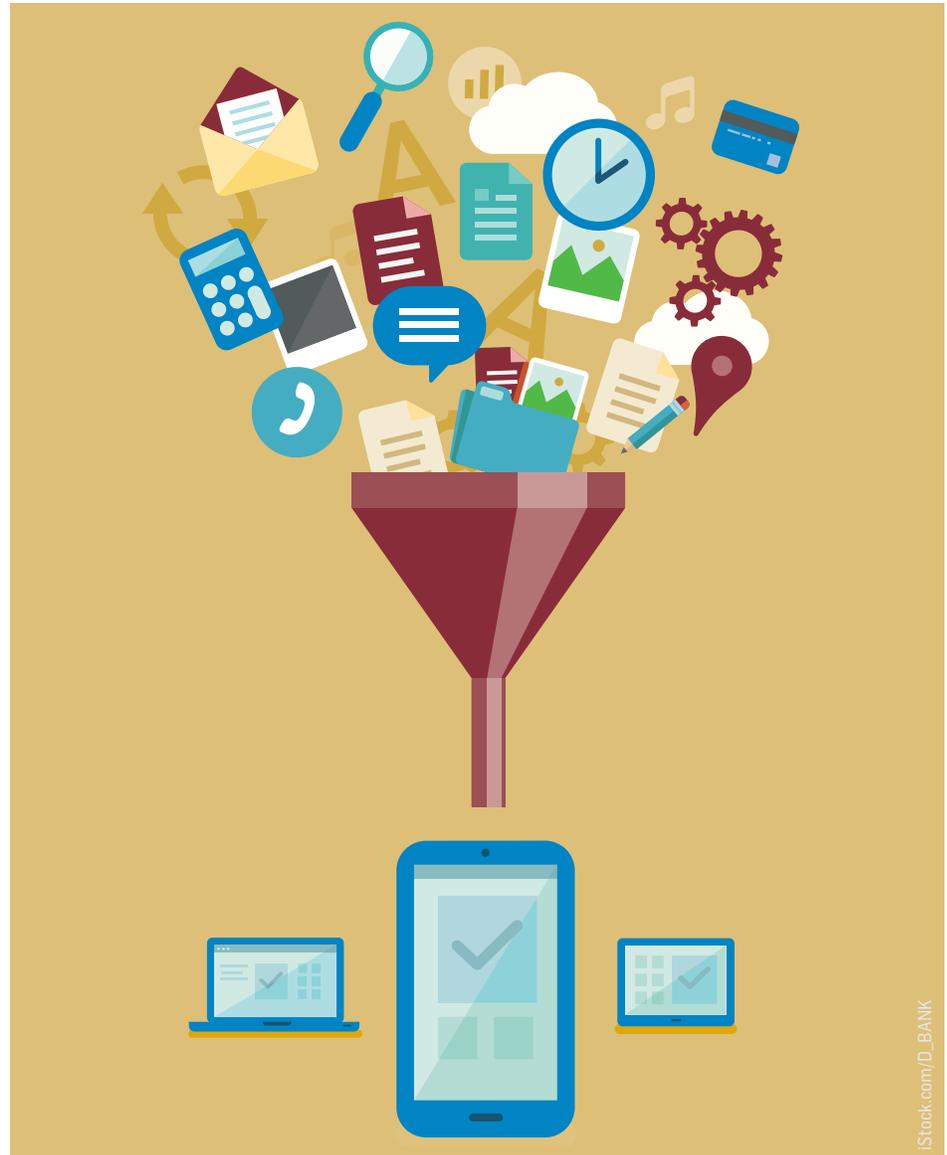
Although more GPs are realizing that data is foundational to their business, old habits die hard. Altus Group found that spreadsheets are still used as the primary tool for many key processes, including more than 60% of reporting.¹

An updated version of the Altus study found that GPs spend an estimated quarter of their time — the equivalent of three months each year — managing and organizing data.² When data is siloed across spreadsheets, CRE firms can't maximize efficiencies, the risk of human error increases, and it makes it more difficult to see and leverage the value-added insights data can provide.

Given that data and how it is reported is playing a much bigger role in institutional investors' expectations and investment-making decisions, transparency is a critical issue for the CRE industry. It is one of the most compelling value-creation levers available to GPs, and firms that get reporting right have an opportunity to drive differentiation and investor retention. Leading real estate firms are already implementing data-driven approaches to drive efficiency, reduce risk and costs, and to better analyze portfolio performance. Providing their investors with more insights often leads to better outcomes for them and increases the likelihood that they will be able to attract new investors or sources of capital.

GP's are turning to technology

The Covid-19 pandemic put a spotlight on the importance of, and need for, technology-driven collaboration and



data-sharing solutions. Data projects that once might have been of lower importance now have the full attention of the C-suite, which put a new focus on the need to access reliable data through cloud-based solutions. That's translating into GPs looking to technology to provide answers and help them address LPs' requests.

One solution to dealing with increased demands for investor reporting and

transparency lies in adopting digital solutions that can drive favorable investor outcomes, such as investor portals that offer 24/7 access to financial information. Many GPs are increasing their tech spend to better organize and structure data to transform reporting, reduce risk and drive better decision-making to improve business outcomes and the overall investor experience. According to Juniper Square's Commercial Real Estate

their systems by giving them comprehensive reports in the formats that work for them.

- **Turn data into actionable insights.** Once LPs receive data, many report that they spend too much time trying to understand it, instead of making decisions — time that would have been better spent having more in-depth discussions about specific properties and what’s driving performance. Make transparency the cornerstone of your reporting efforts and use your reports to help LPs understand what’s going on with their investments so you can

use the time you spend with them to deepen your relationship and deliver more value.

The bottom line

Good, in-depth data and consistent reporting can be a game changer. Without them, a firm’s reputation could be at risk if the true value of the investment process isn’t communicated. When reporting isn’t transparent and data is lacking, performance is left open to interpretation, which can have an impact on effectiveness because investors might not fully understand

investment decisions or the value a manager provides. It can also make it harder to differentiate managers from others, so it’s imperative that reporting that others see is owned and optimized. Investors are willing to take on investment risk, not operational risk. Technology offers a way for GPs to reduce the burden of reporting and provide LPs with timely and accurate information that they want and need. ♦

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