Best Practice Property Management for clients from the Real Estate Investment Business

The Real Estate Investment market currently goes through a major change period. New legal regulations, an increasing competition for core real estate, decreasing yields as well as winding-up of single funds are only some examples for topics in the focus of Real Estate Managers at the moment. The Property Manager as manager of the Real Estate Investment | Asset Manager has to face these new requirements of his clients. We recommend a new positioning of Property Management structures according to Best Practice.

Starting position

The Real Estate crisis in the USA and in Spain has proved that property investments often bear hidden risks and can be a significant cost factor. Risk and cost minimisation are consequently mostly in the focus of the activities of Property Managers. Thus there is a certain risk that the own organisation structures are lacking importance for Property Managers. Current challenges as well as increasing client requirements, however, demand besides professional services also optimal organisation structures of Property Managers. Especially, in the field of Real Estate Investment the introduction of a reliable Best Practice for Property Management (PM) may be gainful.

Consumers | clients

Consumers of PM are national as well as international investment companies, insurers, banks, funds as well as private investors. They are all aware that Real Estate is a good source of income and an important yield generator in times of low interest rates and increased investment pressure.

Various clients require answers to questions like: How can I achieve an individual yield with a Real Estate investment with correspondingly adequate risk? How is my management and exploitation strategy regarding existing Real Estate (stock or exit)? How is the optimal space usage and letting strategy? Which PM supplier can fulfil my specific requirements? Or does it make more sense to organise PM in-house?

Suppliers | Property Manager

It is the task of suppliers of PM services to answer these questions professionally. In this context it is necessary to consider besides specific client requests also currently prevailing challenges and developments on the PM market.

In the last years mainly major PM suppliers have taken over smaller suppliers | mandates and moreover expanded their range of services. The consequence is an intensification of the range of services horizontally as well as vertically. At the same time German PM servicers are continuously striving for expansion within Europe. Prime goals are the eastern neighbour countries (particularly Austria) and west Europe. Supra-regional and local competencies of PM suppliers are growing.

Generally, it can be noted that Property Managers tend to expand their range of services, enlarge their clientele and diversify their strategy.

Current & future challenges

Additionally to the developments on the PM market described there are some essential current and future challenges for Property Managers to be considered.

There is a multitude of suppliers on the PM market and the number is continuously increasing. They offer their services in various degrees of specialisation with a wide range of quality standards and catalogues. Difficulties in differentiation between the single Property Managers are the consequence.

The increasing competitiveness especially shows in the competition for „major“ mandates of Real Estate Investment Management clients (REIM). Comprehensive tasks assigned by key clients contribute significantly to turnover, gain and growth of Property Managers. In the past years especially these PM clients focussed on their core business. Many activities along the whole Real Estate value creation chain have been outsourced to professional M servicers. Key clients from the field of REIM are consequently a primary client base for many Property Managers.

Besides the developments lined out new REIM clients are facing some new challenges having an impact on their Asset Management and hence on the Property Manager. Requirements of the clients are currently e.g. regulatory issues, compliance and risk management. Increasingly also sustainability topics (energetic building refurbishment, certification of stock properties etc.) will gain importance.

Generally REIM clients are currently facing challenges in the four fields Property | Portfolio, Market, Compliance | Risk | Owner responsibility as well as Revision | Standards. Each REIM client has individual requirements deducted from these challenges and developments. Awareness of these requirements support the generation and expansion of PM mandates.

Best Practice

The term „Best Practice“ describes a methodology successfully introduced in the company practice for the solution of an entrepreneurial problem. Best Practice can refer to technical procedures and systems as well as general business processes.

A company is acting according to „Best Practice“ if it actively applies an exemplary Method | Practice | Approach.

If a company develops a Best-Practice-Model itself, there is a chance to become a „Blue-print“ for third parties.
Particularly the large-scale business is labelled by stable relations between principal and client. The mandates assigned in the course of the outsourcing trend of the last years, however, are successively running out soon. In case of re-awarding of major assignments the existing PM suppliers have to benefit from their established customer liaisons and on the other hand compete with the offensive pricing policy of their competitors. This may entail the consequence that the PM business turns into a business with very small margins. In this context it may be appropriate to consider the topic of integration and consolidation with other PM suppliers.

On the one hand the Property Manager needs to identify the special requirements of REIM clients as well as to adjust respectively to extend its services and qualifications accordingly. On the other hand the market conditions require an efficient organisation as well as professional structures from the PM supplier. We recommend a new positioning of Property Management structures according to Best Practice.

**Best Practice Property Management**

On the market there is a multitude of possible structures of PM organisation. Generally, there is only little information for the exact design of PM publicly accessible. Is a new positioning intended respectively necessary due to an integration of a company the development of a new own model. The application of the Best-Practice-Model can be very positive and effective as elementary principle of a trend-setting PM are merged in this model.

The Best-Practice-Modell PM can serve as starting point and “Handbook” for the new positioning of PM. Individual adjustment to the circumstances of the specific Property Manager can be carried out timely and cost saving in the course of the project.

**Objectives of PM**

As a first step of repositioning of a PM organisation it is vital to develop a clearly defined target strategy. The Property Management Best-Practice-House visualises the 10 essential core modules of a target strategy. Based on this every Property Manager needs to compile its specific service catalogue considering its resources and qualifications.

The definition of role, functions and main tasks of PM is another essential column for implementation of a Best Practice PM and part of a target strategy. Especially, the clarification of the PM’s profile (roles and tasks) has a key importance.

The general focus of the Property Manager is the management of the respective properties.

As the key representative of the owner the Property Manager takes on the overall responsibility for the properties to be managed and is the central point of contact for external (tenants, suppliers etc.) as well for internal requests.

He takes over the lead function in the interplay between portfolio and property level. For example as leading communication interface between Asset Management, technical Property Management and Client Finance.

The technical Property Management as well as administrative tasks like management of lease contracts or the invoicing of operating costs should not be carried out by the Property Manager itself. The realisation of technical support shall be taken over in the regions by separate specialists on site. On the other hand the administration should be centralised and labelled by standardised processes.

In the course of the target strategy we recommend to depict the development potentials of employees in order to ensure the internal know-how and moreover to design the job descriptions attractively. Possible transfer of tasks for the compensation of over or under capacities have to be depicted comprehensively as well. Transfer of tasks serves particularly for the purpose of maintaining flexibility.

**Framework parameter structure options**

Besides the target strategy there are further essential parameters for the development and introduction of trend-setting PM organisation structures.

On the one hand effectiveness and efficiency of the organisation have the highest priority. This can be achieved particularly via efficient control instruments. Clear service definitions and task allocations moreover increase the transparency regarding responsibilities and interfaces. Current capacities and potential staff development are further framework parameters to be involved into the “Personal | Emotion”.

From these four framework parameters (Strategy, effectiveness, efficiency and Personnel | Emotion) generally two to five possible options for PM structures for the specific companies can be deducted for the specific company (Range of options). The decision which option is the best possible depends from the specific circumstances of the company, however, it is subject to the general principles which need to be taken into account.

**General principles**

Three general principles support a professional PM according to Best Practice. Firstly it is important to create clear responsibilities to avoid a fragmentation of competencies. Otherwise an ineffective communication („Ping-
pong”) between performance and employee level, between economic and technical Property Management (EPM and TPM) or between PM and the central units. Secondly roles, responsibilities and competencies are to be co-ordinated with each other. Thirdly the expenses and efforts for the creation of central units need to be minimised. Few but clear interfaces increase the efficiency of PM processes.

**Implementation process**

In the course of the implementation of the Best-Practice-Model into existing PM it is necessary to tap synergy as well as efficiency potentials and to harmonise the process environment. This approach is particularly essential if the introduction of the model is carried out concurrently with the integration of a company into the own structure or is carried out in the course of internal consolidation measures. The steering of corporate requirements as well as the consideration of challenges in the market, the properties managed and the clients attended may initiate the implementation | transition path.

**Communication during implementation phase**

During the implementation of the new-positioning of PM according to the Best-Practice-Model a permanent exchange with the operative units as well as co-ordination with the management is vital for the implementation. In this respect it is recommendable to prepare decision papers in the most important process steps and to submit them to the management for decision. By means of this approach it is to be particularly clarified if target strategy, definition of roles and tasks (profiles) as well as transfer of tasks are generally approved. Indirectly this is the way to remove transformation obstacles and to generate trust in the “New positioning of PM structures according to Best Practice”.

**Realisation plan**

Additionally to the comprehensive communication a realisation plan supports the procedural work of implementation of the Best-Practice-PM-Model. The Realisation Plan is to be developed primarily in collaboration with the management. The current PM mandates of the company, the regional distribution and other company-related situations have to be considered explicitly. Core elements of the realisation plan are on the one hand the detailed time planning as well as the determination of key competencies for the project “New positioning of PM-structures”. It is particularly important to consider the status quo analysis regarding time and resources in the Realisation Plan sufficiently. It can for example be very complex to determine and collect standardised figures for the analysis.

**Conclusion**

Property Managers are currently at the crossroads. The prevailing challenges as well as increasing requirements of REIM clients mainly come from the fields of Property Portfolio, Market, Compliance | Risk | Operator responsibility as well as Revision | Standards. Besides the awareness of changes in client requirements the proper organisation structures need to be analysed. Via timely analysis of PM organisation structures it is possible to identify chances and risks in the existing business model at an early stage.

Changes in corporate structures have a high potential to maintain respectively to increase the competitiveness of the Property Manager. We therefore suggest the repositioning of PM structures according to the Best-Practice-Model introduced above.

**TME-Project approach: Customised solutions for our clients**

The current and future challenges in PM can be mastered via a professional analysis of status quo, a customised implementation planning as well as a co-ordinated communication by means of the Best-Practise-Model developed and already introduced successfully by TME in the course of several projects. Depending from objective and starting situation we attend our clients in developing and implementing PM according to our Best-Practice-Modell.

Our experienced consultant team knows the existing obstacles in transforming Property Management. Hence we can ensure that the obstacles are mastered and overcome by us actively. This ensures the implementation up to complete tapping of expected potentials saving resources and time effort.

Moreover we can ensure that the vital framework parameters and principles of the Best-Practice-PM-Model also in the operative phase. Hence we combine the repositioning of PM structures in comparable projects with workshops, audits and by means of our management expertise.

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