

BUSINESS PLANNING AND CONSOLIDATION IN COMMERCIAL REAL ESTATE

MANAGE AND BUILD YOUR COMMERCIAL PROPERTY PORTFOLIO

Challenges for Commercial Real Estate Companies

As the executive of a commercial real estate (CRE) company, you are entering a new stage of growth. Your organization has increased in size, and your property portfolio is larger and more complex. Added to this, investors expect you to stay on the same growth track. In response, you've expanded into new regions or developed a diversified portfolio to ease cyclical problems.

To sustain revenue growth and profitability, however, you find that you also need more detailed investment analysis, more effective operational management, and more sophisticated market forecasting. Meanwhile, the squeeze on investment capital demands more thorough financial analysis before you make investments.

Your biggest challenge is not only to develop new strategies but also to overcome operational impediments. A mix of multiple vendor and legacy systems has led to duplicated management efforts resulting in untimely, often inaccurate, information that is difficult to analyze and compare. You must manually convert information to do forecasting and analytics.

You can take your processes to the next level with the help of the SAP® Best Practices for Business Planning and Consolidation package. Supporting the SAP BusinessObjects™ Planning

and Consolidation application (available as a version for the SAP NetWeaver® technology platform and as a version for the Microsoft platform), this package provides methods and tools that can help you implement best practices to better manage complex operations and develop investment strategies to avoid risk and maximize opportunity. You will know better when to sell, when to buy, and how to manage complex portfolios.

Managing Commercial Real Estate Growth

In the past five years, a combination of consolidation and corporate growth has created commercial real estate companies that lack the underlying management processes needed to support further growth. Right now, you don't have the consolidated data you need to properly manage operations nor the analytic tools for making the best use of the data to forecast risk. You continue to manage according to your instincts, but with more complex markets and property portfolios, such "seat of the pants" management is no longer appropriate. You would like to make better use of the information and insights that already exist in your network of operations.

SAP Best Practices for Business Planning and Consolidation can provide increased analytic effectiveness and portfolio management to help high-growth CRE firms maintain their track records

The SAP® Best Practices for Business Planning and Consolidation package helps commercial real estate companies integrate the data delivered by their processes to increase the effectiveness of lease-level budgeting, portfolio valuation, investment forecasting, and regional analytics.



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of performance. You can use the SAP NetWeaver technology platform with the tools of SAP Best Practices for Business Planning and Consolidation to help integrate the information from your company's business processes, no matter which underlying legacy solutions you use. Equally important, the methodology in the package is user friendly and can help managers at all levels access and use valuable information.

Increasing Analytic Effectiveness

SAP Best Practices for Business Planning and Consolidation tools can help you access the data you need to perform the important processes outlined below.

Lease-Level Budgeting

SAP Best Practices for Business Planning and Consolidation helps you manage your lease activity more effectively. It enables you to integrate data from all leases in order to project out existing leases, develop forecasts

based on your renewal assumptions, and create different scenarios by shifting those assumptions. If a space is vacant, or if you've assumed a lease won't renew, you can document the assumed vacancy period and the cash flow from a hypothetical future lease. The package tools allow you to establish a range of possibilities for next year's billing amounts for leases and then to track and report actual activity against the lease budget, down to the level of a single space or unit.

Deal Analytics

What if you want to include hypothetical leases in your lease-level budgeting calculations? SAP Best Practices for Business Planning and Consolidation can help you use lease terms from a letter of intent or deal sheet to develop such calculations. You can then effectively model the financial impact of each lease and compare it to other deals or to the hypothetical lease stored in the lease-level budgeting database. Such deal analytics, in turn, become an integral part of your process for estimating deal flow.

Portfolio Valuation and Disposition Analysis

With tools from SAP Best Practices for Business Planning and Consolidation, you can better calculate the key performance characteristics of different properties, including asset value, internal rate of return, net present value, funds from operation, and capitalization rate. You can input global market assumptions to model the impact of higher rents, use different growth levels to model the impact on everything from demand to valuation, and forecast leases for budget projection purposes.

Regionally Based Acquisition and Demand Forecasting

Using the tools of SAP Best Practices for Business Planning and Consolidation, you can integrate data within a region and from various regions and draw more realistic pictures of the portfolio. You can use the information to develop more effective demand forecasting and to maximize the ROI of acquisition strategies. Combining regional data with competitive benchmarking data enables you to better estimate the contribution of a proposed investment. You can use SAP NetWeaver with the tools of SAP Best Practices for Business Planning and Consolidation to help you import and export data from any niche software package for valuation and acquisition analysis.

Managing Your Property Portfolio

As portfolio stakeholders become more demanding, it is critical that you provide them with timely and accurate reporting. Such efficient "waterfall" accounting will help ensure that you keep all members of the fund informed and aware of the performance of their investments. In addition, you can do the cash flow modeling for future proposed projects that is so critical to the underwriting process. Because of the organizational complexity, your various operational components are more difficult to understand. When you face such multilevel ownership and organizational complexity, information from SAP Best Practices for Business Planning and Consolidation can help you perform the more complex accounting that is needed today.

Property Management

SAP Best Practices for Business Planning and Consolidation can help you integrate data from different types of properties and compare results. This will give you a foundation for future investment analysis and forecasting. You can integrate data on each property and each tenant, allowing you to manage daily operations and prepare reports to guide future investments. You will have 24x7 access to property data, making it possible for you to compare individual properties with comparable properties in other regions.

Competitive Benchmarking

Numerous companies worldwide provide benchmarking services for their particular country or region. One example is the National Council of Real Estate Investment Fiduciaries (NCREIF) in the United States. SAP Best Practices for Business Planning and Consolidation lets you integrate competitive benchmark performance calculations from any such company so you can easily compare your portfolio performance with that of your competitors. You can use competitive benchmarking to manage your property mix and provide other data points for property analysis and forecasting.

Achieving Goals for Growth

The broad aim of SAP Best Practices for Business Planning and Consolidation is to help you deploy best practices

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when using corporate and industry information to achieve the next level of growth. Over time, you'll find that if you use the tools in this package with SAP NetWeaver, you can help improve your business in the following ways:

- Streamline your managers' ability to use regional data to improve performance and provide more reliable predictions
- Use predictive analytical capabilities to manage basic daily processes more effectively and to forecast demand and disposition
- Store data for creating competitive benchmarking analyses necessary to weather competitive assaults
- Create management processes for a national focus, even while your properties remain regionally oriented

- Bring your employees up to speed more quickly because of the user-friendly interface
- Create a more effective organization with a greater degree of collaboration across the enterprise

Benefits Recap

Notable benefits that SAP Best Practices for Business Planning and Consolidation offers include:

- More accurate property analysis and forecasting
- User-friendly interface to conduct analyses
- Better decision making through enhanced information and portfolio visibility
- Maximum resource utilization
- Optimal benefits from the lease-level budgeting process
- Portfolio valuation and disposition analysis based on verified and integrated data from throughout the organization
- Enhanced forecasting capabilities
- Ability to integrate competitive benchmarking data from NCREIF and other sources
- Tighter control over each type of property and tenant, leading to enhanced profitability
- Quicker reaction based on more current information
- Reduced operational and financial risks
- Increased efficiency through effective automated tasks and triggers

To learn about how SAP software for real estate management can help your business, contact your SAP representative today or visit us online at www.sap.com/realestate.

Summary

The SAP® Best Practices for Business Planning and Consolidation package provides methods and tools to help commercial real estate companies implement best practices for managing complex processes, developing strategies for growth, and maximizing use of resources.

Business Challenges

- Overcome operational problems resulting from growth and increased complexity
- Gain better access to company and industry data and use the data more effectively
- Develop more realistic budgets and more accurate forecasts
- Manage basic processes more effectively and efficiently

Business Benefits

- **More accurate lease-level budgeting** – Use integrated data from all leases to project out existing leases and develop forecasts
- **Enhanced deal analytics** – Compare individual leases to other deals or to hypothetical leases
- **Improved portfolio valuation and disposition analysis** – Assess key performance characteristics of different properties
- **More precise regional acquisition and demand forecasting** – Use regional information to develop more accurate demand estimates
- **Improved property management** – Integrate data from different types of properties and compare results
- **More effective competitive benchmarking** – Integrate competitive benchmarking performance calculations
- **Improved operational management** – Manage complex operations efficiently, using integrated data on your company's business processes
- **More accurate forecasts** – Use lease activity data to develop projections and track budgets
- **Enhanced decision making** – Take advantage of integrated data on individual properties, and on regional activities, to guide future investment decisions
- **Reduced financial risks** – Know better when to sell and when to buy by making full use of the data available to you

For More Information

Call your SAP representative, or visit us online at www.sap.com/realestate.

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