

Managing the unstoppable tech revolution

In an era of more granular investor due diligence, technology has rapidly become indispensable to investment managers.

RSM's **Tom Green** and **Brad Berkley** of Artemis Real Estate Partners discuss the benefits and challenges it brings

Up and down the capital structure, from property management to investor reporting, technology is changing private real estate. In the last five years, the sector has had to absorb new products and systems quickly. Tom Green, national real estate audit practice lead for RSM US LLP, an audit, tax and consulting service provider to the middle market, asks chief financial officer Brad Berkley of Artemis Real Estate Partners how they have approached and managed the challenge and discovers how important technology and data are in responding to investor requests.

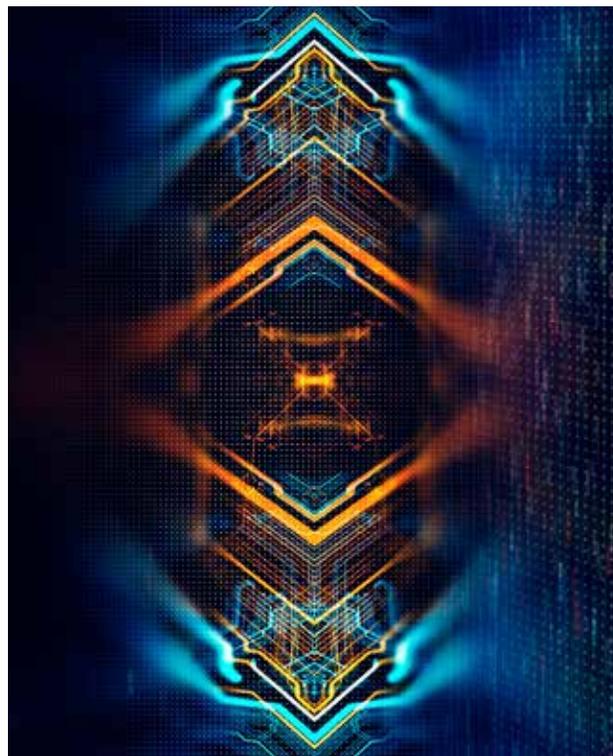
Mission critical

Tom Green: Identifying, developing, sourcing and implementing new technology and data systems takes a huge effort. For smaller managers in particular, the challenge can be overwhelming. Technology implementation is a continuous process of refinement across the organization. The evolution never stops. But there's no question that it creates efficiencies and gives managers an edge in outperforming competitors and delivering returns to their investors. What's your own experience Brad of driving technology advancements for Artemis?

Brad Berkley: Technology is critical from an operations perspective and has been part of the Artemis DNA – in asset management, investment acquisitions and investor reporting – since the company was founded in 2009. I think this is because several Artemis principals grew up working in spreadsheets, accounting software and other systems in the early 2000s that didn't interface well and as a result, the junior employees, which we were at the time, spent many late nights manually 'moving' data from one system to the other. And from that experience, we developed an appreciation – or maybe dislike is a more apt description – of the time and effort involved

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Data and technology: now part of managers' DNA

in completing what should have been a relatively simple task.

At inception, we intended to build a database that would incorporate information from many systems, including property-level and fund-level accounting systems, acquisition and asset management systems, and others. The goal was to have one source of information and streamline the flow of information across the business units. We have implemented a central database system that allows us to collect that disparate information electronically across our business units in a more controlled and organized fashion. In turn, we are now able to respond quickly to investor requests as the technology allows us to rapidly 'slice and dice' the data per the request.

TG: It's probably also worth emphasizing that it's critical to secure c-suite buy-in for technology. Implementation and integration is hard whether you're using a legacy system or something new and untested. It may take longer and cost more if a plan is not put in place. Management needs to be fully supportive of these types of undertakings and any setbacks along the way. But managers can't afford to do nothing; the benefits outweigh the costs.

BB: Integration and building out new systems is indeed hard. The software inevitably presents its own unique challenges, which you can usually build a work around for, but

getting employee engagement and company-wide adoption is really the opportunity in my opinion. This is why it's critical to have the support of the c-suite so that everyone in the company understands the importance of the project and becomes an active participant in the implementation.

Risky business

TG: The CFO's role as it relates to systems and technology involves a little bit of offense and defense. The offense being how much information can be retrieved in a timely manner to measure performance, and how accurate that information is so managers can be at the cutting edge of making the best real estate decisions possible. Then there's the defensive aspect, which is keeping on top of the new threats relating to data breaches, fraud and cybersecurity. These problems didn't exist 15 years ago. In our own business, as a service provider to investment managers, we've experienced an uptick in the support we're being asked to provide to managers on these issues. Talk to any CFO; they've been a victim.

BB: We have been focused on cybersecurity as an increasingly important threat. In fact, we've incorporated periodic reviews with our IT provider into our overall risk management framework to help prevent cyber-attacks, among other things, because data plays such a big role in every aspect of our business and in our relationship with investors. We assess our network from a security standpoint throughout the year and evaluate new technologies that are available to make our data safer. Most recently, we've been concerned with sophisticated email spoofing/phishing scams and verbally confirm any changes in wiring instructions.

Investor demands

TG: There's heavy compliance with respect to cybersecurity and risk management. I'm curious to know what concerns your investors have regarding the security of their information.



Green: uptick in the support we're being asked to provide to managers around cybersecurity

BB: In our experience, investors have increased their emphasis on due diligence of managers' back office infrastructure. Say four-to-five years ago, operational due diligence consisted of maybe a two-to-three-page check-the-box type questionnaire. These days, onsite due diligence of the back office is more common. Investors often



Berkley: technology is critical from an operations perspective

send an operational expert to the office to go through our policies and procedures on, for example, SEC compliance and accounting practices. They'll also review our IT policies and procedures. Some have even requested access to our server room to ensure it's securely locked. That was unheard of four-to-five years ago.

TG: It seems the burden has really increased in terms of due diligence for potential investors. Has technology made a difference in terms of making the process more efficient for you?

BB: Unfortunately, there is no industry standard template for data collection. While there are metrics such as IRR, multiple and equity invested that are consistently requested across all investors, many investors have their own unique data requests and how they want the data to be presented.

We developed a technology solution to transparently and efficiently respond to the increased depth and breadth of investor requests received during the due diligence process as well as post-closing. At this time, Artemis has roughly 100 active investments across numerous operating partners and product types. So our asset management systems are collecting numerous data points for each investment, which we can in turn synthesize and push back out to the investor in a timely manner. Technology is enabling managers to meet these investor standards.

Around the corner

TG: The industry is clearly benefiting from the great technological advancements in asset management and reporting tools. Data and information are now more accurate, can be produced quicker and human error is eliminated. What do you think is next in technology in private real estate?

BB: We will continue to see advancements in how data analytics can play a role in the acquisition process. For example, our deal-tracking software can provide detailed demographics of an area by simply entering an address, and I would expect that, over time, more data points will be added to this program and eventually the cashflow forecast will be incorporated as well. It's unclear if the process will ever be a 'push-of-a-button' but you can certainly see the individual components that are available today and it's just a matter of time before everything is brought together. Utilizing technology and data to make predictions about where to build and invest, that's the next frontier for the private real estate sector. □

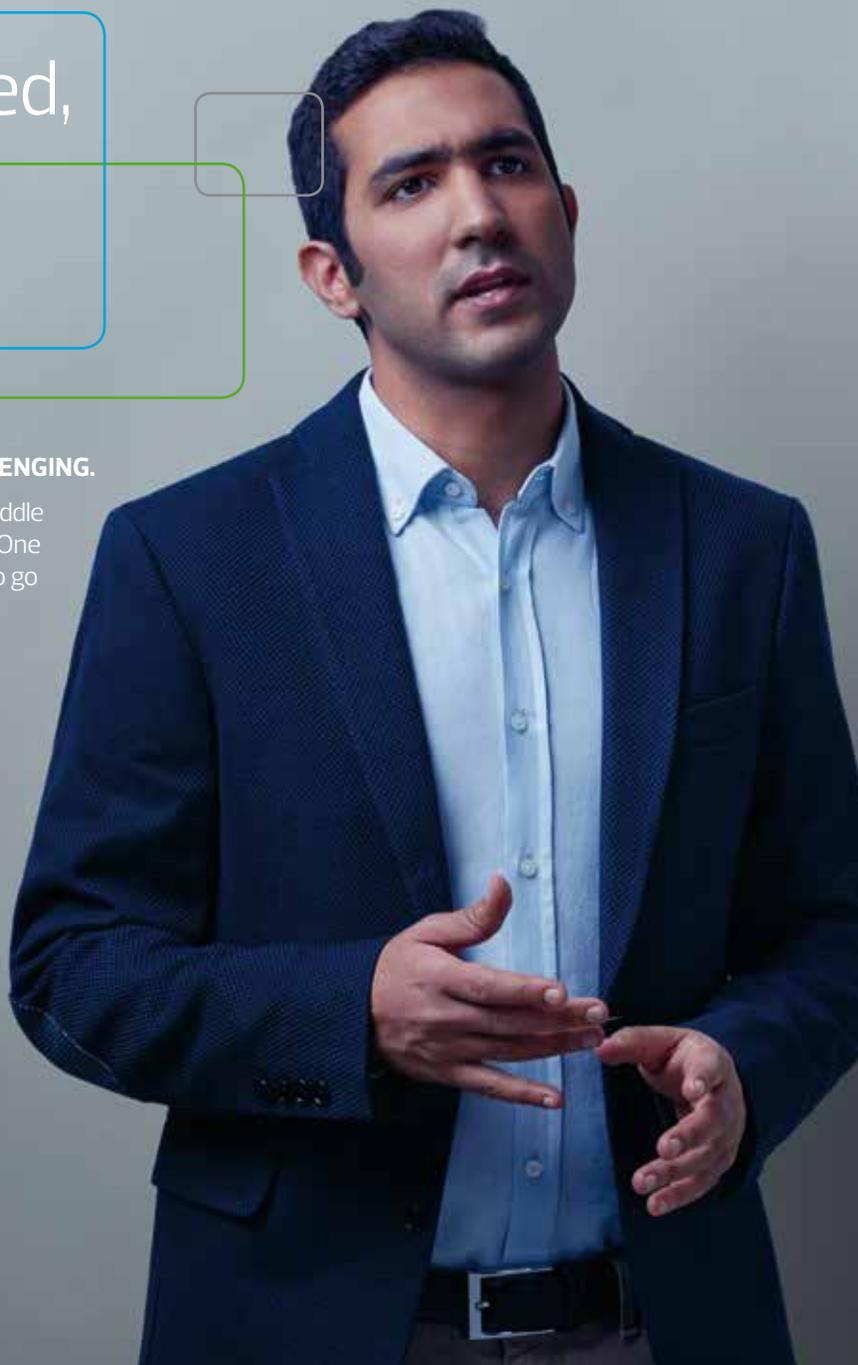
We're up to speed,
so you can go
full speed.

SEE CHALLENGES BEFORE THEY'RE CHALLENGING.

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