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Investment Managers Need Quick Access to Information

By Noreen Seebacher

Many real estate investment companies are taking days or even weeks to get debt information on more than a single property, potentially increasing investor risk. That's one of the findings Needham, MA-based **Resolve Technology** shared during a webinar on debt management.

The company surveyed real estate organizations to determine attitudes and practices related to debt management. CEO Eric Forman said most real estate investment companies view debt ratios as important to financial and operational decision making, but often take too long collecting information related to debt management. "Debt has put the world's largest financial institutions at risk," Forman said. Taking days or weeks to get the data needed to manage it is "unacceptable and puts companies in compromised situations."

In the first of a two-part webinar, Forman focused on technologies designed to help companies "take command of their debt." In the second webinar next month, the company will focus on mitigating risk and increasing profitability.

The webinar coincided with the company's release of an updated version of Portfolio Maximizer, a product designed to analyze historical and forecasted fund performance, evaluate multiple "what-if" scenarios and optimize investment strategies. The update "provides new capabilities to help investment managers address investors' demands for a more systematic and pro-active approach to real estate investment management," the company said.

Forman described technology as a key to weathering the current economy. "Everyone is talking about the debt crisis, its affect on the economy and the bailout," he noted. But fewer are taking effective steps to manage debt, including exploring new technologies.

"Demand for information is significantly higher and debt information is critical, yet getting this information takes longer than most real estate investment managers would like. So there is a disconnect between what investment managers need and what they actually do--and I believe a lot of it has to do with the fact that Excel is the tool that most of you use to manage debt," he said.

The survey found:

- Information demand is growing;
- Debt information is critical;
- Portfolio-level information takes long to get;
- Excel is the dominant tool;

"What’s interesting to note is that it takes longer to get debt service coverage ratios than to calculate loan-to-value ratios. The reason being is that the process to calculate debt service coverage, which involves capturing and matching up your asset cash flows with your debt service payments is more difficult and time consuming than just knowing your outstanding debt balance and property value," he said.

Nearly 70% of respondents use Excel to manage their debt, Forman said. But he cautioned Excel was "adding time and risk" to the already challenging task of managing debt, adding, "There are better ways to do it." Not surprisingly, he cited Portfolio Maximizer.

He said the software is better than a spreadsheet because it provides an automated upload of data from ARGUS, the industry standard commercial real estate cash flow projection, transaction analysis and asset valuation software, provides options for changing exit cap rates, enables users to run multiple what-if reports and constantly updates as interest rates change.

Portfolio Maximizer makes it possible to "slice it and dice information in ways that help you make better decisions," he said. Most importantly, "Anyone can access the report and it’s easy to understand."

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