THE HIDDEN COSTS OF STICKING WITH EXCEL:

Why real estate development needs specialized software

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IT'S EASY TO STICK TO THE FAMILIAR. IF YOUR PROCESS AND EXCEL GET THE JOB DONE, WHY CHANGE IT?

This is the mindset plaguing the Commercial Real Estate industry, which lags behind other industries in adopting new technology. Cost, employee resistance, and indecision all play a part in this slow-to-change field. However, the argument, "This is the way we've always done it," is starting to phase out as the necessity for change becomes clear.

Many development firms operate under the assumption that keeping the same tried and true processes is a safe bet. Sure, new technology is nice, but the expense isn't warranted and the purchase process can be time-consuming. It's easy to make it next year's problem.

> **❝ But what's the real cost of this mindset? ❞**

Development managers can easily spend several days each month sorting and organizing data in a spreadsheet. From shifting timelines to budget updates, construction projects are constantly changing, necessitating regular updates in Excel.

The endless updates don't get any easier when there's constant back-and-forth with the accounting department. All the over-communication is (unfortunately) necessary to keep budgets aligned, but that doesn't mean it's the best use of time. The drain on development managers' time is hefty, with **84% saying they spend too much time double-checking another person's work.**

Managing all this data in a spreadsheet has a real price tag. Making a small mistake or typo can translate into significant sums of money lost for the company. Any budget overruns or mistakes in this economy are not going to be forgiven, not to mention the trickle-down effect on property developers' take-home pay.

At this point, if you're going to succeed in the game, you need to try something different.

Development managers are realizing that there's simply too much data for a human to continually sort through and still be effective. These forward-thinking developers are turning to automation to bear the burden.

Developers who don't think ahead to the future will be left behind. The construction world is rapidly changing, whether we want it to or not. Underwriting criteria have increasingly become more stringent and it is more likely that multiple funding sources are required to pencil a deal, adding layers of complexity to tracking the project finances. More developers are relying on "extend and pretend" strategies. but lenders are wary of modifying loans for developers who cannot demonstrate sound financial project oversight. Many contractors are becoming more selective about their projects because they're floating the costs on their credit cards and retirement savings.

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They may add considerable markup on their bids to compensate for slow payments, increasing your total project cost. That is, if they can even rely on the same labor pool they have access to. Today's property developers are facing challenges that hardly existed just a few years ago.
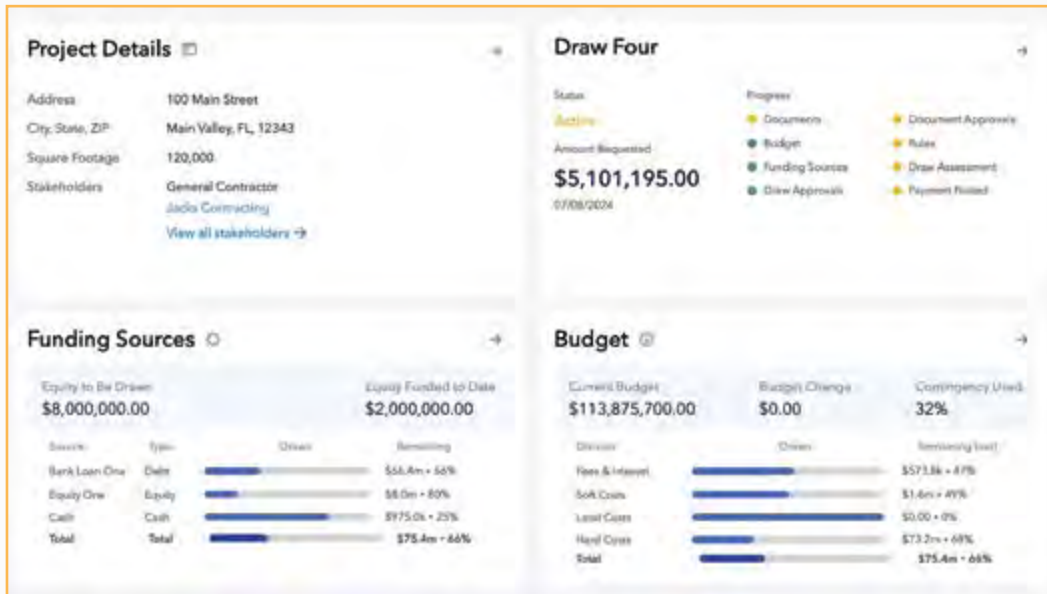
Right now, forward-thinking developers are using this economic period to prepare for what's next. In fact, a study by Ernst & Young found that only 4% of CRE companies aren't thinking about how to apply a technology solution to their operations.

What do the 96% of development firms plan to do with the technology they're investing in?

▸ Improve relationships with lenders and equity partners

▸ Streamline back-office tasks

▸ Reduce the risk of budget errors

▸ Increase portfolio visibility

▸ Shorten the draw process and pay GCs faster

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Lenders and equity partners are increasingly demanding real-time information. Just like you want to know how much is in your personal checking account at any time, they want to know what's happening with their investments.

While you're stuck in an Excel spreadsheet trying to figure out why the numbers don't "look right", other development firms are using their downtime to prepare to meet changing demands across the industry. Many are turning to CRE-specific software that eases the administrative burden for real estate development projects.

Software designed for the Commercial Real Estate industry uses automation to scan documents, pull out relevant data, and sort the data where it belongs. These technologies can match invoices to budget line items, flag discrepancies, and even remember vendor names for the future.

With all project contracts, finance, and schedule information automatically organized in one place, development managers benefit from significantly better visibility. Not only is it easier to access information, but many CRE platforms provide features like cost modeling and cash flow projections. No more waiting for accounting to pull a report—CRE software gives development managers total autonomy to manage a project's budget.

Join the majority of development managers planning for the future before you get left behind. If your organization doesn't know where to start, download our comprehensive guide to purchasing software for the CRE industry or schedule a meeting with our team to learn more.

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