



BOMA International's Asset Management Series:

Measuring Financial Returns



BOMA International's Asset Management Series:

Measuring Asset Performance Using Financial Benchmarks

Objectives

At the end of this session, the participant will be able to:

- *Describe how real estate is used as an investment*
- *Identify the fundamental drivers of real estate as an investment*
- *Identify common investment objectives for real estate assets*
- *Explain the role of the asset manager as a team leader/team member*

Objectives

At the end of this session, the participant will be able to:

- *Describe how asset managers use financial analysis tools to*
 - *Make go/no go decisions*
 - *Prioritize projects*
- *List various ways the asset manager can improve, maintain, or reduce the loss of asset value*

Objectives

At the end of this session, the participant will be able to:

- *Recall each of the three methods appraisers use to determine asset value, and list the benefits and liabilities of each method*
- *Explain the importance of portfolio diversification, and recall techniques to manage risk exposure*
- *List methods asset managers use to determine investment thresholds and benchmarks*

Asset Management

*Cultivating market value so
ownership can increase
financial return*

GSA: *Preserving asset value
and optimizing
building/systems and lifecycles*

Types of Asset Managers

Capital Markets

Stocks and bonds

Enterprise Assets

Information technology

Physical Assets

Infrastructure projects

Real Estate

Real estate investments

Government Real Estate

GSA assets

Real Estate Asset Management

Cultivating market value
through real estate investments
so ownership can increase financial return

Overarching Goal:
Maximize value of
real estate investment

Asset Manager as Team Leader



Property Management
Leasing
Construction
Legal
Other Real Estate Specialists

Why Invest in CRE?

- Cash flow
- Tax benefits
- Leverage
- Appreciation
- Inflation hedge
- Stability
- Liquidity
- Physical asset

Why Invest in CRE?

- **Diversification**
 - Asset types
 - Markets & submarkets
 - Risk profiles
- **Control**
 - Active/passive
 - Partition/assemble
 - Improvements

CRE Ownership and Use



Investment Real Estate



Corporate Real Estate



**Non-Profits | Schools |
Religious Institutions**



Government Real Estate

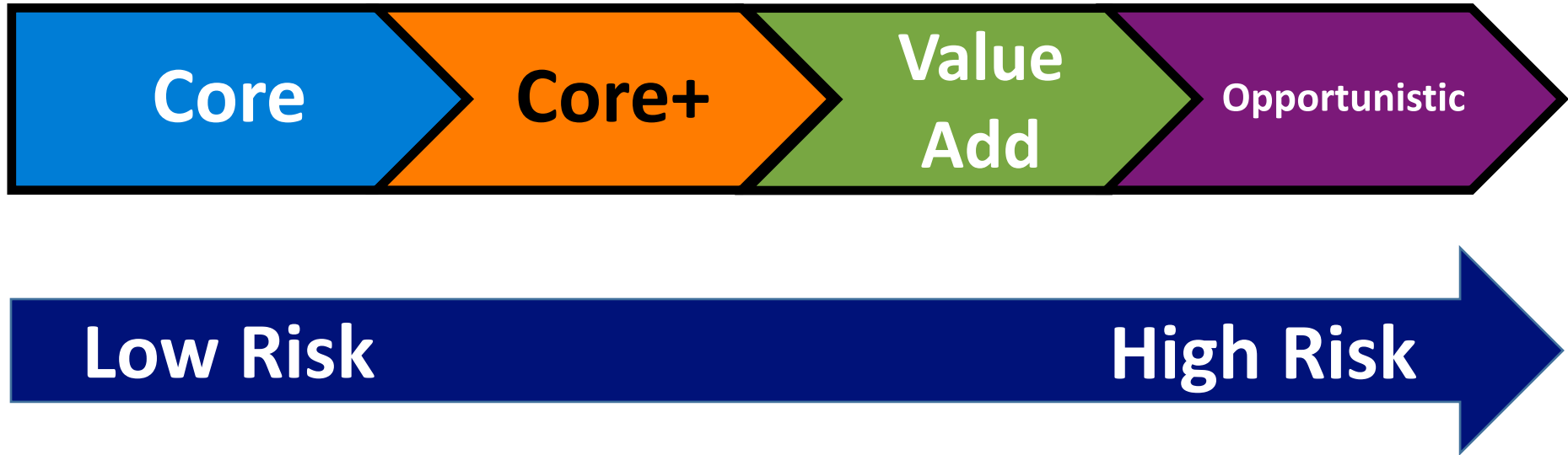
Risk v. Return



Risk v. Return



Risk Categories of Real Estate Investments



Investment Objectives

Terminal
Value

Cash Flow

Disposition

It's About Value

*The asset manager's role is always to **maximize** the value of the real estate asset over the hold period*

It's About Maximizing Value

Creating Value



Preserving/Maintaining Value



Minimizing Loss of Value

Pro Forma

It's About Value

Optimize the value of a real estate asset by **maximizing** the financial return over the hold period



Optimize NOI
Manage Capital Assets
Tenant Retention
(Renew tenants you WANT to renew)
Leasing

Approaches to Value



**Sales
Comparison**



**Cost
Approach**



**Income
Approach**

Reconciliation to Arrive at Value

Diversification: *Don't Put All of Your Eggs in One Basket*



Diversification:

Don't Put All of Your Eggs in One Basket



Product types

Markets/submarkets

Tenant mix

Tenant sizes

Asset Management Decision Making

Go/No Go Decision

1

Choosing One
Option Over
Another

2

Choosing One
Option Over
Another

3

Choosing One
Option Over
Another