

# Databases key to €20bn growth plan

Today's research and market knowledge will lead to tomorrow's returns. In his concluding article, Peter Breen looks at the key issues of asset management, people and communications in the property world



**E**FFECTIVE communication is the crucial requirement to any successful global organisation. Multinational investment banks employ specialists in these areas to great success. The point that information is passed from one individual to another is a potential weakness, however - the point when Chinese whispers can occur.

The most effective way to communicate is through a centralised database controlled by an individual who is aware of every aspect of the underlying property investment. Last week, we discussed the growing popularity of Estate Computer Systems' property software.

When the property information is collected and the

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database compiled, it is there for all individuals within an organisation to view if permissions allow.

Generally, the property specific information originates at the time the investment proposition is introduced or planning is reached for a development. At this point property information starts to be collected from architects, estate agents, banks, valuers, insurers, etc.

The individual who is

responsible for the growth of the investment business feeds this information through to individuals who are to manage all aspects of the property's performance both contractual and financial.

From the moment this information is in an organisation's database, benefits are felt by the management as they are now able to feed the decision making process through efficient and accurate reporting. This closes the time difference between asking the question, deriving the answer and making the final decision.

These questions would include - but are not limited to knowing - the minutest detail of how the total return from the investment is being achieved, what the legal obligations are for the coming months, how much exposure do they have to a particular sector in a particular geographical area.

An example of how management reporting works is if a finance director asks how much borrowings do we have that are on a fixed rate and he or she are try-

ing to decide if they should move more lending onto a fixed rate. If it were to take, say, one month on a large portfolio to answer the question, then the opportunity may have already passed, the rate may have already moved up and the net return may have been diminished in the medium term.

The junior staff of today will be the managers of tomorrow and will be responsible for the people who look after a property income return that may approach €20 billion per annum by 2014. Failure to train these staff will mean an even lower supply of key property people and inevitably the individuals who are adequately trained in that situation will receive higher salaries.

Training high calibre individuals needs to start now. This should include IT, languages, property, negotiating skills and above all communications skills. Ideally each part of an organisation should have within it a choice of three with leadership capabilities.

## PRICE GUIDE

THE general amount spent on the management of a property portfolio is 5% of gross rents or 0.25% of gross asset value. This guide would fluctuate if the portfolio is complex or high yielding, or of a size that the management of the investments does not have the benefit of economies of scale.

Of this management cost (which is partially a reinvestment to underpin growth), approximately 15% to 20% should be invested in IT, hardware, software and training. The remainder would normally cover costs such as buildings, administration and staffing.

Staffing is a key consideration ahead of this growth. We may grow our portfolio by almost three times but excluding productivity enhancements, employing staff in remote destinations and economies of scale within the management structures, it will mean that staff numbers are likely to decline in relation to the scale of assets under management.

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