

# How Automation Boosts Commercial Real Estate Cash Management



By: Trovata, the Wells Fargo-Backed Cash Management Platform

Achieving cash visibility is critical for any type of business. It allows you to optimize resource allocation and seize strategic opportunities, among other benefits. The more complicated the business, however, the more out-of-reach cash visibility can seem. If you work in commercial real estate, you probably know what we mean.

Commercial real estate (CRE) companies have many moving parts – management fees are incurred across dozens of properties, and distributions have to be sent out at the right times at the right amounts. Don't even get us started on invoices.

When all this is managed across hundreds of bank accounts, things can get pretty confusing. Getting a handle on your cash position can seem just about impossible without a modern, automated technology.

In this article, we'll dive into some of the biggest hurdles in commercial real estate cash management and how automation can help overcome them.

## Common Commercial Real Estate Cash Flow Challenges

### Management Fees

**Management fees**—the fees paid out to property management companies—can be tough to keep tabs on. That's no surprise, as you're potentially dealing with many different properties with many different needs.

Additionally, each company you work with could have different fee structures based on factors like property type, location, and scope of services provided. You probably use separate bank accounts to pay separate companies, too. This may be necessary to clearly separate funds, or minimize liability risks.

Unfortunately, it does little to make tracking these fees any easier.

### Distributions

Investors are the cornerstone of CRE companies, meaning you can't operate one without distributions. Distributions are regularly sent out to investors, but don't come without their own challenges.

The first challenge is calculating how much you should pay. There are many different components you need to track in order to decide on fair distributions: performance-based fees, preferred returns, hurdle rates, and promotion structures, to name a few.

The next is timing these out in a way that doesn't have a negative effect on your liquidity position—we'll get into that later.

### **Delays in Reporting**

Timing distributions can be especially difficult if reports are delayed—something that's often the case in commercial real estate due to the length of time it takes to gather relevant data. There's simply too much to keep track of.

## **Why Do Commercial Real Estate Companies Need Cash Visibility?**

Attaining cash visibility can seem near impossible when you're dealing with so many inflows and outflows across so many different bank accounts. It can also be difficult to get a handle on when these inflows and outflows will be timed, especially when we're talking about management and distribution fees.

But why should CRE companies care at all? Why is obtaining cash visibility so important?

### **Better Decision-Making**

The most important reason is that it guides decision-making.

**Understanding your liquidity position lets you know when it's a good idea to spend money on property acquisitions or development, and when you should increase your cash reserves.**

Thanks to high initial investments, long-term financing, and potential vacancies, commercial real estate companies often operate on tight budgets where every bit of liquidity counts.

### **Compliance**

Next, it's no secret that commercial real estate companies are subject to many different types of regulations – zoning regulations, lease regulations, and investor regulations, to name just a few. Clear cash visibility makes compliance a lot easier.

For example, cash visibility is necessary for tracking rental payments. By monitoring rent payments and arrears, commercial real estate companies can ensure compliance with lease agreements and regulations related to rent collection.

### **Up-To-Date Reporting**

As for reporting, companies with cash visibility can access real-time data regarding inflows, outflows, and overall balances. This helps them develop transparent investor reports based on the most up-to-date info.

## **How Trovata Can Help Automate Cash Management for Better Visibility**

So, how can commercial real estate companies actually get a handle on cash visibility? It's impossible to get around having so many bank accounts – it may be necessary for segregating property and tenant payments.

But what if you could view all of those bank accounts – your complete financial situation – from one, centralized platform? Surely that would be a better option than having to log into and record bank data from across many separate bank portals.

Trovata is a cash management system that makes use of open banking APIs. Open banking APIs allow for bank data from many different accounts to be consolidated in one, secure platform.

One portal, one source of truth.

Now, you can get a near real-time view of your entire liquidity position – across hundreds of bank accounts and properties – in a matter of minutes. Some of this bank

data is refreshed hourly, giving you the flexibility to respond to opportunities or crises as needed.

### **Management and Distribution Fees**

Attaining your cash position is just the first step in building a solid liquidity management strategy. It has to be much more than a static piece of data – it must be transformed into action, a process greatly aided by cash flow forecasting.

Cash flow forecasting looks at your company's historical data in order to predict how inflows and outflows might operate over the next few weeks, months, or any other financial period.

Cash forecasting is critical for any company – doubly so for commercial real estate companies that depend on the “big two” cash flows of management and distributions. If companies can get a handle on these, and when they're most likely to come into play, their whole world can change.

Trovata can help with automated cash flow forecasts fortified by machine learning, technology that grows to understand the rhythm of your management and distribution fees over time.

These insights help you develop a balancing act: when you know a certain time of year will have many more management fees, for example, you can get a better idea of when to send out distribution fees, and for what amounts.

Keeping close tabs on management fees and distributions helps you identify opportunities to streamline processes. You can negotiate payment terms with suppliers and enhance cost competitiveness. Understanding cash flow on such a granular level gives you a leg up over the competition, who are most likely struggling to keep on top of their own fees.

You can also make management payments directly from Trovata's centralized platform rather than having to log into all your separate bank accounts to pay different property management companies.

### **Track Invoices**

Closely monitoring cash flows helps you keep on top of your invoices by storing them all in one, centralized location. It also helps in identifying frequently recurring late payments. You'll know to go more aggressively after these payments and, once you've identified the problem areas, can also automate payment reminders through Trovata.

### **Reporting**

Commercial real estate reports are often delayed because of the amount of time it takes to gather all the relevant data.

Why does it take so long? The answer is that companies rely on manual processes. But how are you realistically going to extract data from across dozens or even hundreds of bank portals, perform the calculations, and then prepare reports in a reasonable amount of time?

It's not possible.

Manual processes are also very prone to error. Commercial real estate managers go through the whole process just to realize they made a mistake somewhere, then have to spend even more time on reconciliation.

Automation eliminates all this, guaranteeing reports can be generated quickly and accurately. Transparent, solid reports boost investor confidence and are critical for regulatory compliance. When you can easily evaluate KPIs, you know which areas need to be improved. You can communicate things clearly to stakeholders and make data-backed decisions.

### **The Bottom Line**

Cash management is critical in every industry, but things can seem unpredictable for commercial real estate companies. Establishing a cash position – especially something as granular as a daily cash position – can seem impossible.

At least without modern, automated technology, that is. Trovata can help you get a clear view of cash flow, saving tens of hours each month and determining your cash position while that information is still relevant.

Turn your CRE firm into a fine-tuned machine with rich cash insights that allow you to use the money you have in the most effective ways possible to sustainably grow your

operations, all while successfully managing management fees and distributing distribution fees.

Want to see it in action? Book a one-on-one demo of Trovata today.