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2023 Commercial Real Estate Outlook:

**Navigating the Challenges and
Opportunities Ahead**



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Stuck Between Risk and Opportunity

The commercial real estate industry has had a wild ride in 2022.

Whereas some sectors of the industry saw decline, others such as multifamily saw rapid, significant growth – driving increased attention to the opportunities available and motivating current investors and GPs to dig in that much more. That said, 2022 brought a number of challenges that cannot be ignored and must be factored into future plans.

Risks and Events

Hurricane Ian causing widespread devastation in Florida, other seasonal weather **putting assets at risk**, the **potential for new regulations**, prolonged vacancies due to the pandemic, and the effects of inflation and rising interest rates have all added new complexity.

Hope is Not Lost

While the long-term market effects of the hurricane remain to be seen (specifically in Florida, where certain opportunities have boomed), there is a light at the end of the tunnel. CRE deal **growth continues to have uphill momentum**, **return-to-work and hybrid work** models persist, and the population **continues to migrate to new**

markets to take advantage of better career prospects and lifestyles.

A number of other opportunities and challenges await CRE firms and individuals based on their location, experience, and goals. Because of that, the key to success on the road ahead is to be as proactive and prepared as possible.

Technology Will Pave the Way Forward

CRE professionals must prioritize solutions that put them in a strong position. Historically, the industry has been behind in technology adoption. According to the U.S. Bureau of Labor Statistics, 37% of CRE workers were 55 years or older as of 2020. CRE professionals in this generation tend to be less likely to use newer technologies or processes. At the same time, a new, more technologically demanding generation is entering the industry. This can lead to talent issues and other inefficiencies.

In this guide, we'll explore ways professionals can position themselves for success – and how technology will play a meaningful, efficient role.



The key to success on the road ahead is to be as proactive and prepared as possible.

Investor Relations

Investors are the lifeblood of CRE. Without them, nothing happens.

Critical Work, Inefficient Execution

These valuable — and ideally long-term — relationships require consistent nurturing and communication, not only to keep those individuals informed about new investment opportunities and current asset performance but also to keep the relationships themselves strong.

However, your firm might not have an investor relations team to manage these relationships. Often, this falls to GPs. With a new generation changing the makeup of the industry, it's crucial to

support how people work now while understanding that this shift will continue to grow.

Eliminate Manual Processes to Increase Value

Providing deal information, raising funds, generating performance reports, and issuing distributions take significant time. Whether you or a small team are managing investor relations, evaluate the processes in your firm that are currently being handled manually.



While you still need to be out in front of investors building relationships (they are investing in you more than the asset, after all), all of the work that goes into nurturing them, communicating progress and updates, and reporting financials can be streamlined.

In many cases, these efforts can be automated, provided as a self-service solution (with no loss to the relationship element because you're giving faster, easier access to data), or generally accelerated via technology.

By reducing the amount of time you spend on handling this important yet manual work, you'll be able to dedicate more time and resources toward making your assets more profitable, meeting with current and prospective investors, and building relationships that last.



More Insights

What A Great GP Should Know About Investor Relations

[Learn More](#)

Fundraising

The method and insights with which GPs fundraise will impact success.

A Worrisome Road Ahead

While the number of CRE opportunities available continues to grow, many financial executives are reportedly concerned about what awaits the industry in the year ahead. According to [Deloitte's 2023 commercial real estate outlook](#), 48% of CFOs said they expect to see revenue decline due to the current economy and regulatory environment.

While many markets nationwide remain strong for CRE investment, GPs would be wise to leverage solutions that make fundraising more efficient – both for their teams and for investors.

Intelligence and Automation

A key to success in 2023 and beyond will be taking all fundraising efforts to the next level in terms of efficiency. Tools that enable greater automation and intelligence will play a valuable role for GPs looking to maximize results.

When a deal arises, you need to be ready to act quickly. Capital will need to be raised to purchase the property, and additional resources may be needed for renovations to get units ready to be leased to individuals or businesses.





A great deal of work goes into this process: you need to prepare informative materials about the property and process, present and market these resources to current and prospective investors, and consistently engage those individuals to move them closer toward an investment.

Additionally, you need to understand where fundraising stands at any given time, what the pro rata ownership of your current investor base is, and numerous other financial details that help you understand fundraising performance. Generating reports on this information will help you understand which investors are most interested in your deal and enable you to prioritize your time and focus on more engaged investors.



[More Insights](#)

Dig Deeper Into Fundraising Pipeline Management

[Learn More](#)

Distributions

Service to investors doesn't stop once the deal closes.

A Historically Manual Process

Distributions to your investors are a crucial part of your work. They've provided the capital you need to close your deal and keep it running smoothly. With today's economic uncertainty, your investors will expect efficiency and information access. So when distribution day comes around, you need to be on top of your game.

Currently, the distribution process – just like many other CRE functions – is handled extremely manually. This creates a heavy administrative workload for you and your team and can lead to delayed distributions in the event that other disrupted or inefficient tasks, delays with your

financial partners such as banks, or other elements are running behind.

Faster Distributions, Happier Investors

As noted earlier, many firms consist of aging generations that maintain outdated CRE perspectives and processes. Even firms already using technology to prepare distributions are still likely handling the last mile manually – setting up ACH transactions, contacting a bank to wire funds, manually calculating payments in spreadsheets, or even handing investors checks in person! Naturally, this creates more complexity and headaches for you and your team while impacting service.



If you want to succeed on the road ahead, the way in which you're managing distribution payments to your investors has to change.

Historically, virtually no solutions were available to automate distributions. This is no longer the case. GPs today can use SaaS-based tools to automate tasks such as determining pro-rata ownership, calculating payments and moving money, and adjusting tax withholding (even GP promote). These can all now be handled in a manner of clicks, taking seconds rather than days.



More Insights

One-Click Efficiency: Automated Payments In CRE

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Banking

Get with the times and bank like you do outside of work: efficiently.

More Assets, More Process

GPs have on average anywhere from three to four bank accounts per asset and anywhere from 10 to 20 assets. Even on the low end, that's 30 separate bank accounts that you or your team have to manage. Now consider the number of transactions that happen in those accounts on a monthly and weekly basis. If you're not already overwhelmed, you will be as you see more growth.

Just as with the previous functions we've covered thus far, banking is currently a highly manual process for GPs. Investor distributions,

capital calls, and vendor payouts (among many other types of transactions) all require time and attention, preventing you from dedicating your time to more valuable tasks.

The complexity only increases when you need to report on transactions for investors, financial planning, or tax purposes. Moreover, understanding performance across your entire portfolio can be virtually impossible with this decentralized and cumbersome process.





Embedded Banking is the Key

Embedded banking makes your work easier while also providing more oversight. CRE management tools often lack this capability, but some platforms are implementing banking tools alongside other features in this guide. These tools will be essential on the road ahead. Some features to consider in a banking solution:

- Opening and managing accounts digitally vs. in-person
- Organizing accounts hierarchically (business > asset > subaccount)
- Tracking transactions by type and across your banking footprint
- Projecting financial performance based on transactional data
- Filtering and analyzing data across different types of accounts
- Issuing payments for operational needs (vendors, rent, legal, etc.)



More Insights

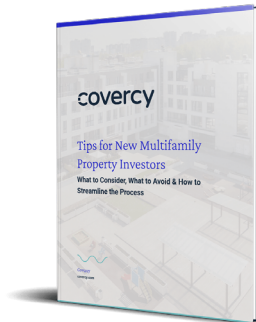
A Growing Problem: It's Time To Simplify CRE Banking

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Additional Resources

Stay ahead of the curve with these insights from our expert team.

Go In-Depth with Our Guides and Reports



Tips for New
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The Top
Multifamily
Investment Markets
& How to Maximize
Results

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Explore Specific Topics from Our Team



Three Advantages of
Fund Distribution
Automation Software



Finding the Ideal
Real Estate Investor
Management Software



A Commercial Real
Estate Banking Solution
Just for GPs



Tips for a Successful
Multifamily Investment
Strategy



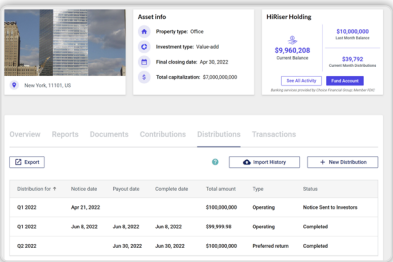
How to Simplify CRE
Banking Across Assets
and Accounts



How Multifamily
Investment Software
Accelerates Growth

Covercy: A Better Way Forward

Designed for GPs and their investors, **Covercy** is where banking meets investment management. Our solution helps investment firms with high-net-worth individuals save time with automated distribution and capital call payment processing and gain your LPs trust with an intuitive Investment Portal. Finally, your investors, real estate, and even payments - all in one place.

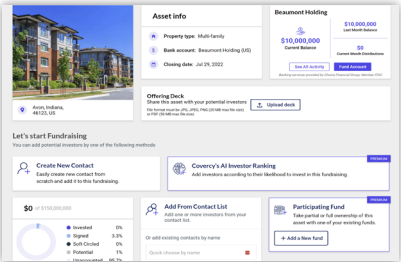


1 Automated Distribution [Learn More](#)

- Seamlessly distribute payments to your investors online
- Calculate custom waterfall distributions for investors
- Deduct taxes from investors' individual transactions
- Pay investors domestically and abroad (and in their currency)

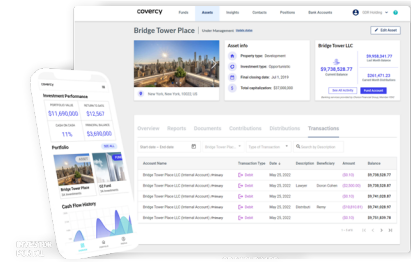
2 Fundraising [Learn More](#)

- Auto-generate web pages for deals to share with investors
- Track investors' activity with your deals to prioritize outreach
- Allow investors to indicate their interest from the deal page
- Build contract templates and collect investor signatures



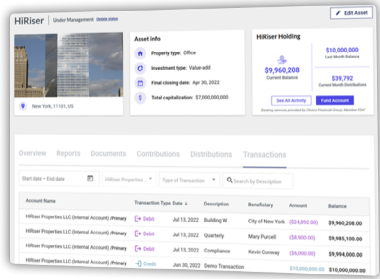
3 Investor Relations [Learn More](#)

- Provide structured reports with metrics and text updates
- Share documents such as K1s, agreements, and more
- Support complex investment structures (i.e., debt equity, funds)
- Manage fund/syndicate information and access levels



4 Banking [Learn More](#)

- Open FDIC-insured accounts right from the Covercy platform
- Instantly make a variety of payment types online, at any time
- Manage multiple accounts by asset rather than one flat list
- Collect funds with ACH capital calls and distribute funds with auto-distributions



Are You Ready for the Road Ahead?

Ensure your CRE firm is positioned for the best results with Covercy.



Covercy is committed to helping you make CRE investment management simpler, more productive, and more profitable. Ready to experience what our platform can do for you and your team? Start your journey with us today.

[Schedule a Private Demo](#)

The Covercy logo, featuring a stylized 'C' icon followed by the word 'covercy' in a lowercase, sans-serif font.

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