

DROOMS WHITEPAPER

Asset life cycle management: Maximise the value of your portfolio via a permanent data room





Introduction: Thorough preparation is half the battle

Asset management processes have become increasingly streamlined over the past few decades. Even with the improvements however, asset owners and managers still face numerous challenges. For example, when it comes to asset management processes, owners are demanding a greater degree of transparency from asset managers and operating partners. Additionally, to avoid the risk of missing out on favourable sales opportunities, the ability to react quickly to continual changes in the market is required. And finally, when it comes to due diligence, all transaction-relevant data should be readily available in order to avoid unnecessary asset price reductions or even the loss of a sale. **Remember.** *Sometimes all it takes is a single missing document for an entire deal to fall through.*

Due to the aforementioned requirements and given that in many cases from the day of purchase the intention is to resell, portfolio data rooms are becoming more commonplace in various sectors. The use of a permanent data room allows transaction-relevant documents to be available at

all times during an asset's entire life cycle (buy/hold/sell) and is a way to ensure that documents are always up to date. Creating a database in which documents can be updated on a consistent basis means that sellers can be in full control. They are also able to react to the latest market conditions while allowing assets to be brought to market quickly, if necessary – even in cases of decentralised asset management. With a portfolio data room, all data is stored securely online on a cloud platform and accessible at all times to both internal and external parties, depending on their individual permission levels.

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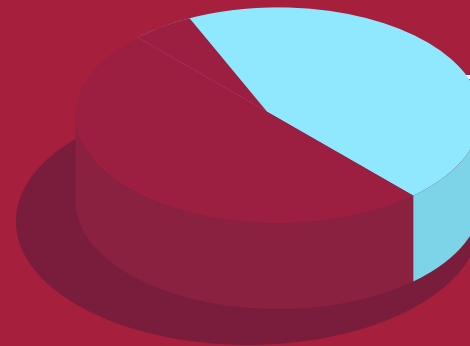
Documents missing? Discount!

Documents create value

According to a survey conducted by the Real Estate Advisory Group (REAG), unclear and/or incomplete transaction documentation often leads to price reductions of up to 15 percent – or results in an entire sale completely falling through. Therefore, an accurate, complete document base is required to correctly assess the value of assets.

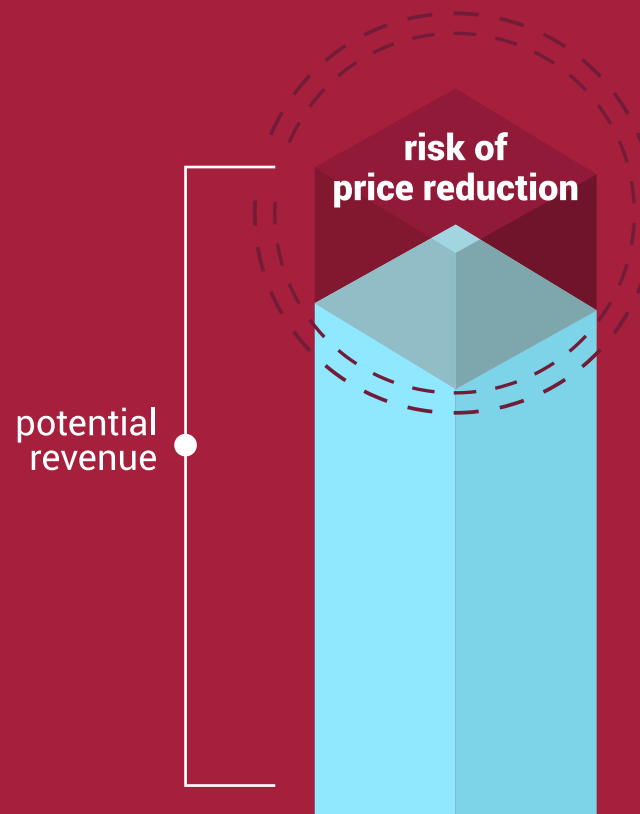
The value of such assets is therefore highly dependent on the quality of the underlying documentation – the less complete and accurate the documentation, the less an asset is worth. Additionally, older and incomplete documentation often will require a longer, more arduous transaction preparation process.

In light of this information, an increasing number of portfolio and fund managers are striving to create long-term value via standardised and sustainable data preparation – and portfolio data rooms are the optimum tool for this purpose.



45%

of respondents estimated a **6-10% price reduction** caused by incomplete transaction documentation



potential revenue

Up to

€50 Mil.

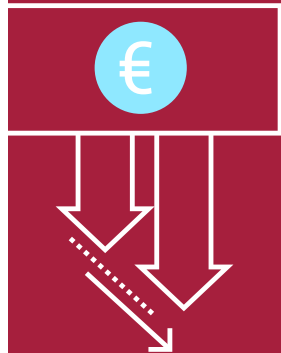
reduction in purchase price per transaction or the transaction may even fall through

An overview of the figures

A stringent and standardised index structure for all sales assets within a portfolio creates clarity and transparency. All of an asset's documentation should be organised in the same manner, allowing quick access to relevant content for the purposes of comparison.

Relevant documents may include for example rental contracts, tax documents and insurance policies.

Once transaction ready, assets can be spun off into Drooms' transactional data room allowing you to conduct your due diligence process in a structured, secure, fast and transparent manner.



2 weeks...

to over

6 months

The **average time it takes to prepare for a transaction**, depending on asset complexity.

3,000 - 50,000

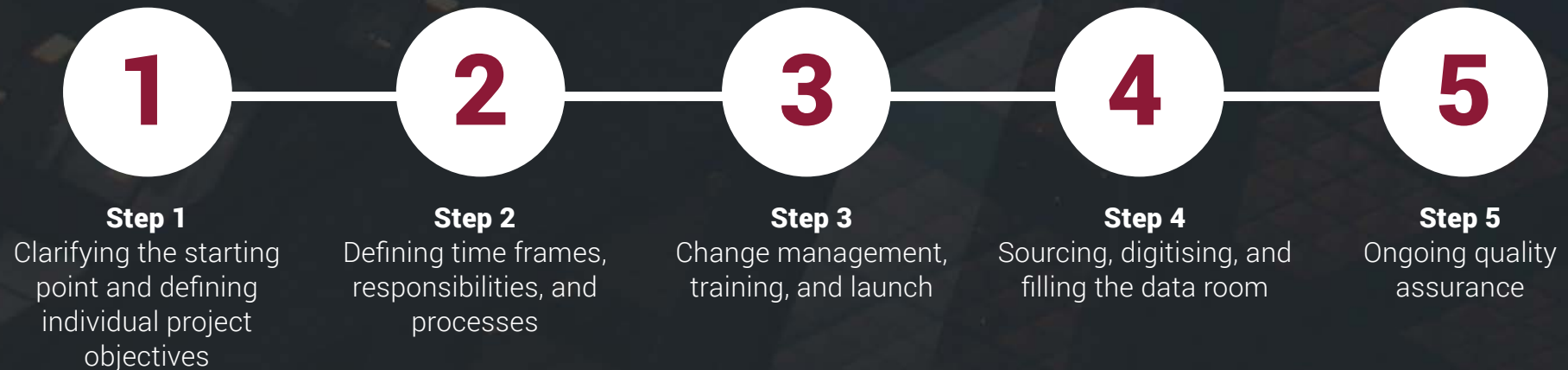
The **number of pages** that comprise, for example, the underlying documentation for a shopping centre, depending on the complexity of the asset, whether continuous structuring is needed, and the degree of detail.

Up to
€1 Billion losses

The failure of business-critical transactions can contribute **billions of euros in losses** to the economy annually.

5 steps to the successful implementation of a portfolio data room

The implementation of a portfolio data room should be viewed as a comprehensive process. Careful planning is required to ensure that the data room is structured correctly and that it includes all relevant documentation.





Step 1: Clarifying the starting point and defining individual project objectives

Before starting a project, it is important to assess the situation: Where are you regarding the project? Roughly what percentage of the documents are available or missing? Who is and will be responsible for the documentation? How has document management been handled up until now? Where are the documents currently?

Establishing actual versus target comparisons can help define project objectives. To ensure a project's success can be measured, we recommend that the objectives be defined according to the **SMART** criteria.

Specific — Objectives must be clearly and precisely defined

Measurable — Objectives must be measurable

Achievable — Objectives must be accepted/agreed upon by participants

Realistic — Objectives must be achievable

Time-related — Objectives must be completed within a clearly defined time frame

Example:

By **15 January 2019, 90 percent** of **all transaction-relevant documents for Asset A** should be **available in the data room**.



Step 2: Defining time frames, responsibilities, and processes

The following is an example of how to set up a process for the centralised collection of documents in a portfolio data room.

Defining the relevant sales objects

Create an in-depth list of all sales objects within the portfolio.

Define project management guidelines, project participants, and the respective legwork

Who will supply what? For example, who will be delivering the list of tenants?

Coordination with all parties to define the master index

Each sales object has a unified structure. The master index is designed to be used “as is” for all sales objects, ensuring that all documentation is structured consistently. In individual cases, notes can be inserted to indicate that particular topics or index points are not relevant.

Coordinate and define responsibilities for various areas

This can be divided into differing categories, such as:

- *Content*: who will be responsible for technical, legal, or environmental documentation?
- *Regional*: who will be responsible for a specific city, region, or country?
- *Data source*: which service provider is responsible for which asset or field of responsibility?

Coordinate and define guidelines related to (for example):

- *Relevance criteria for documents*: establishing a lower criteria (e.g. the documents are relevant only once costs exceed €5,000).
- *Naming the documents*: unified nomenclature (e.g. document type-exhibitor date).

- *Data room permissions*: who may access which sales objects or subsections? Should asset managers have authorisation to only view documents, or should they also have the right to print and download? Which parties should receive restricted/unrestricted administration rights?



Step 3: Change management, training, and launch

A project's success is also dependent on the acceptance and participation of various parties. Communication issues over the course of a project should not be underestimated, and the "20/60/20" rule applies¹. This rule states that for new projects, 20 percent of participants will immediately be on board, another 20 percent will be against the idea presented and the remaining 60 percent can be influenced either way.

These numbers highlight how important it is to plan change management processes in detail. Among other aspects, the plan should include analysing potential difficulties and obstacles before project launch, collecting formal and informal feedback, and involving the different parties in the search for solutions.

An official launch presents the opportunity for a formal start to the project and allows a concrete deadline to be communicated. Training should be organised for all participants to ensure that everyone understands their roles, the processes, the objectives, and how to use the tools at their disposal.

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¹ The Filson Leadership Group, Inc. *Leadership : The 20/60/20 Rule of Leadership - Don't Go Solving The Wrong Problems*. 2006.

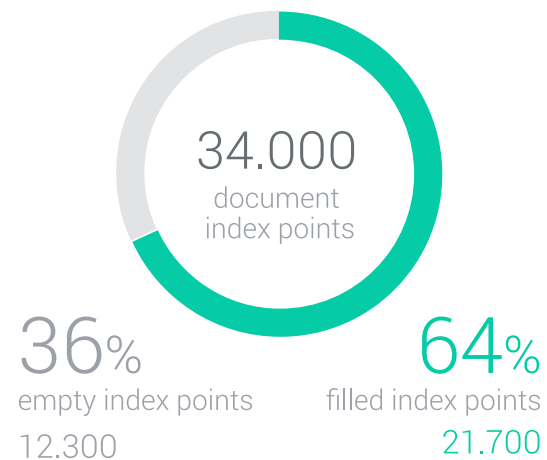


Step 4: Sourcing, digitising, and filling the data room

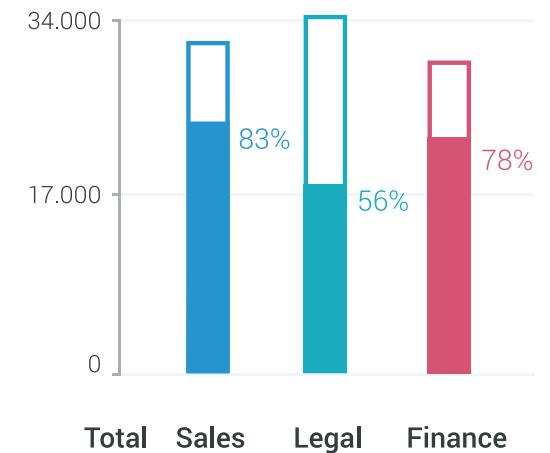
Different documents are typically gathered from both internal and external sources. Many documents exist only in paper form and will need to be digitised before being transferred into a virtual data room.

To maintain an overview of the status of the document collection, detailed reports should be drawn up. These reports should accurately detail which documents are available and which are still missing or cannot be found.

Document fill ratio



Access ratio

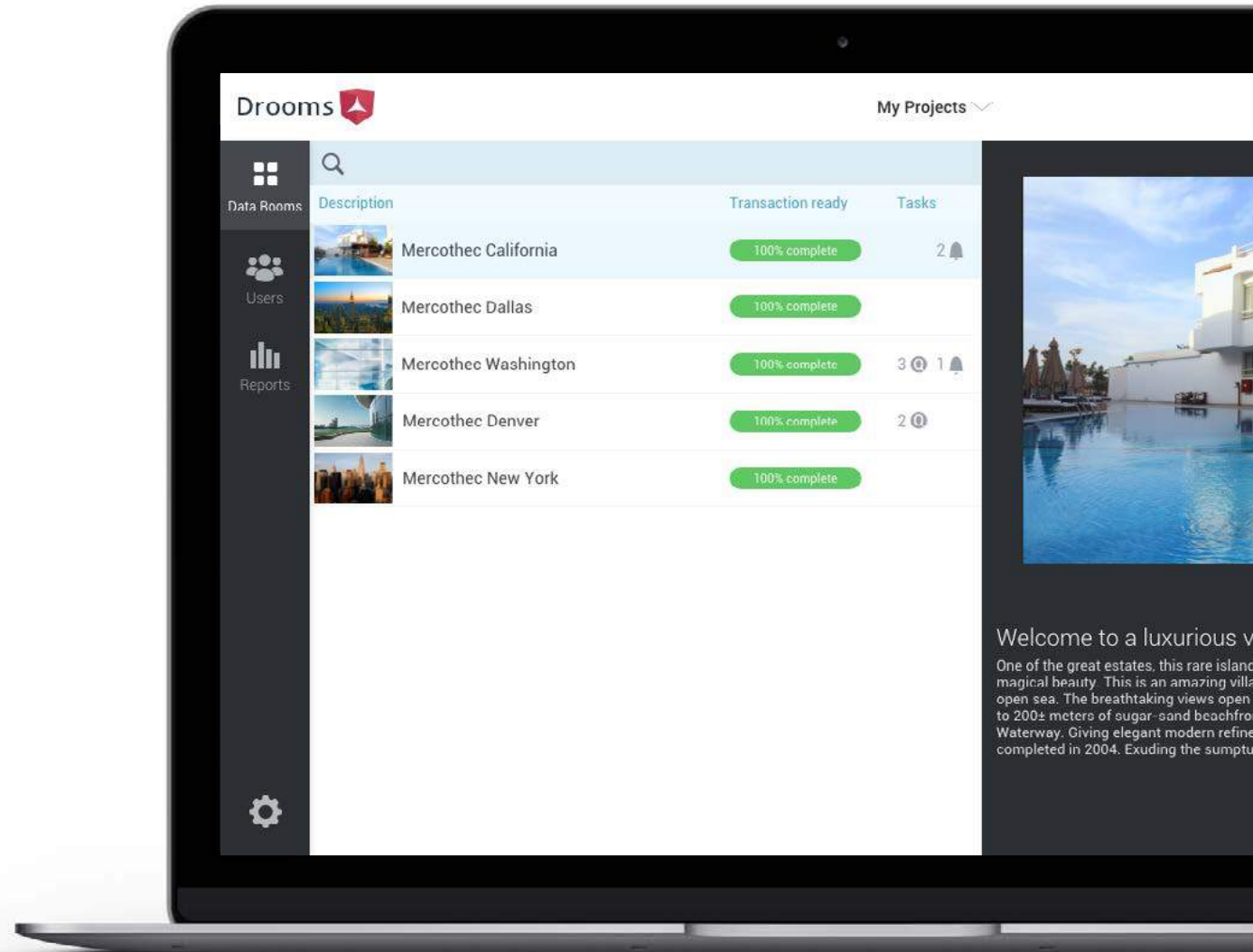


Example of detailed reporting to show the status of document collection in the data room



Step 5: Ongoing quality assurance

Maintaining a portfolio data room is an ongoing process. Documents should be updated regularly and new documents should be added as they become available.



A pleasant and user-friendly interface is important for a portfolio data room



Best practice

In fund management, UBS Real Estate is one example of a successfully executed portfolio data room. By using this innovative solution to store its digital and physical documents, UBS Real Estate established new standards for modern data management.

The challenge itself lay in the combination, preparation, and provision of all obligatory sales object-relevant documents pertaining to UBS RE KAG's fund property, which was achieved by digitising and then archiving the physical documents. At the same time, all interested parties were granted access to these documents via a virtual data room that complied with UBS guidelines.

Implementation

While organising processes for UBS, a project-specific process handbook was developed that described in detail the defined workflow. The handbook was continually fine-tuned with input from UBS and third parties.

The operational support framework verified delivery and quality, classified documents within the storage and data room structure, processed and supplemented document-related meta-data, and checked for completeness and data consistency.

Process management involved directing archive service providers in regards to “operational storage,” structuring storage of documents, and coordinating Europe-wide deliveries and delivery frequency with logistics managers.

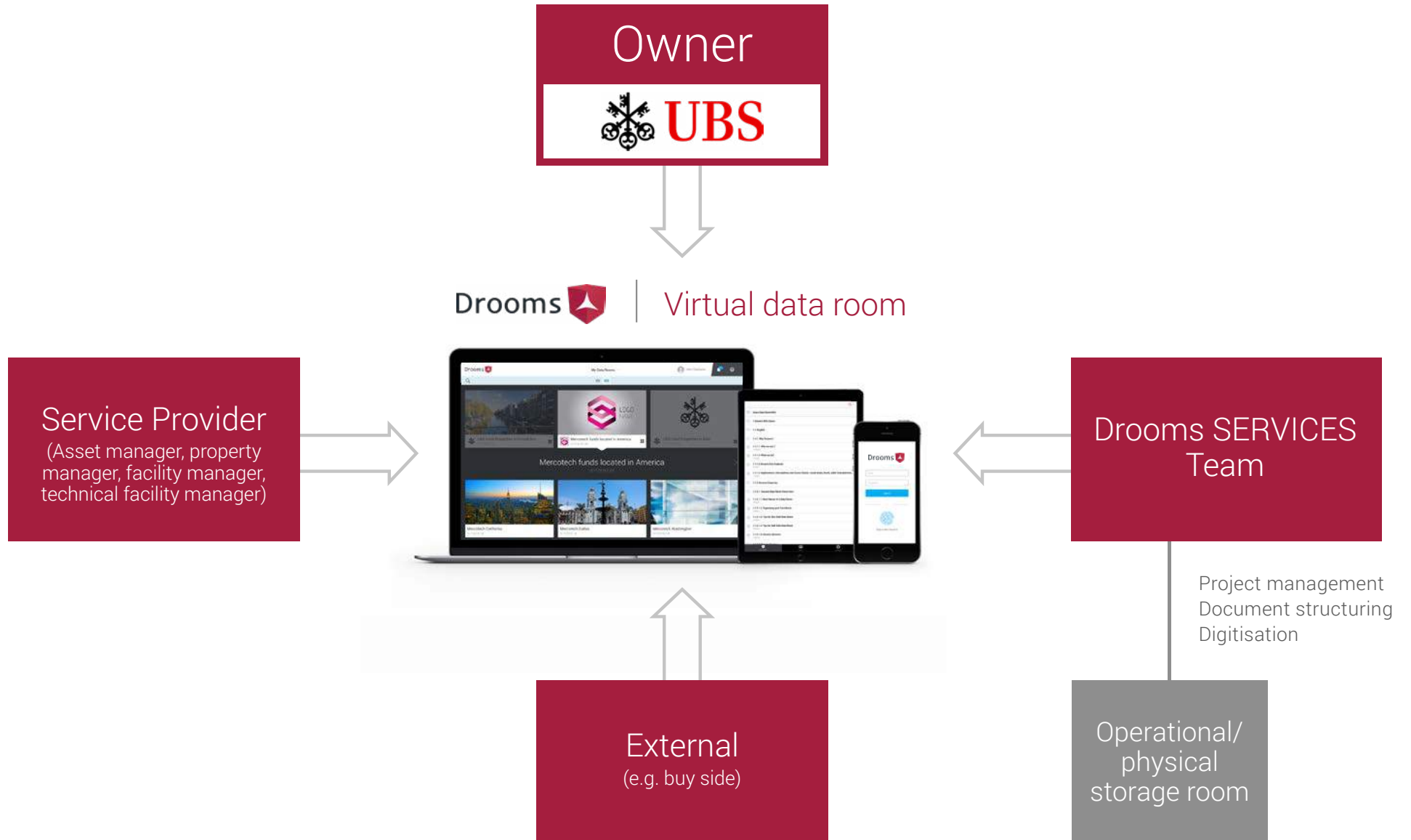
Organisation of the data room also included managing users, coordinating and training data room administrators on the client side, as well as managing the Q&A process with third parties.

The result

With this new process, a new international standard was established for UBS Real Estate's data storage and data storage processes. Additionally, coordination between various

European locations was significantly streamlined, while previously unheard-of depth and quality of information were now available for individual document types.

The high levels of transparency involved with this modern form of storage make it possible to respond quickly to the latest market fluctuations. The tedious preparation process – which often took weeks or even months – is now a thing of the past. With the use of permanent virtual data rooms, assets can now be brought to market in the shortest possible time.





Conclusion

Creating a holistic approach to life cycle management can be a time and resource consuming process. Implementing and maintaining such an approach can be a great challenge for portfolio and fund managers, but as with all projects, it is about staying vigilant. Only when everyone involved in a project actively brings this process to life can the value of an asset or portfolio increase in the long term.

Life cycle management makes it possible to complete deals more quickly and generate greater sales income while reducing costs at the same time. For example, instead of several, high-cost, transaction-related individual expenses, costs are divided in a linear fashion over an asset's entire life cycle, so that more savings can be realised.

Besides cost savings, the benefits of establishing and maintaining a permanent data room are obvious: flexibility, increased efficiency, better control and accessibility throughout the hold phase, higher transparency, compliance, standardisation and streamlined communications with service providers.

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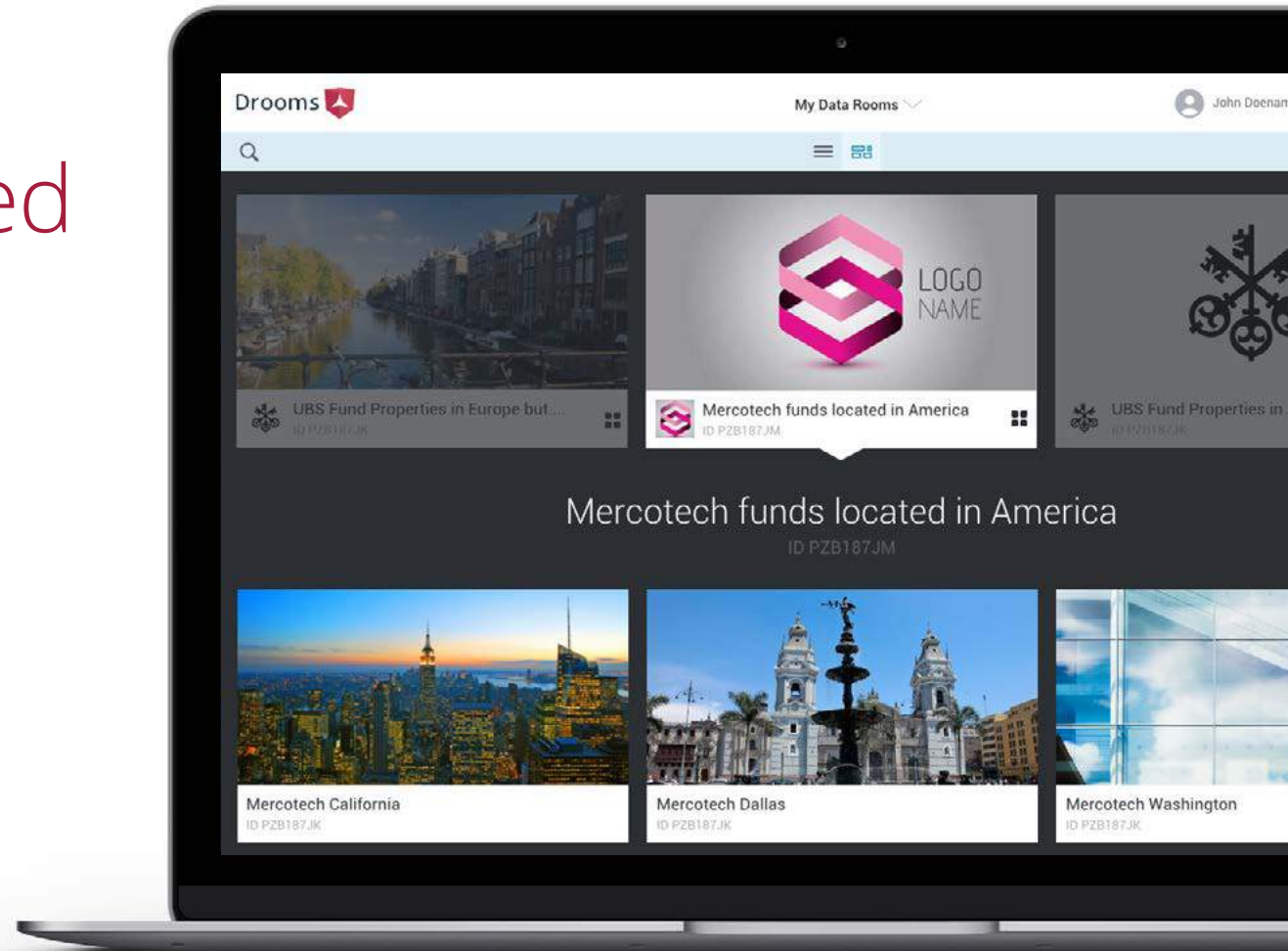
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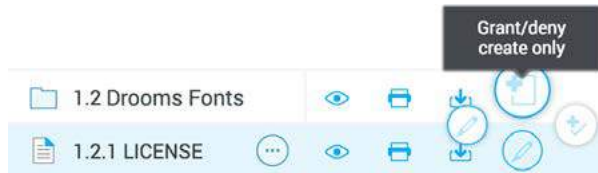


Drooms' portfolio data room: Top rated

Intuitiveness, speed and simplicity

Drooms' data room is the first VDR enabling a great user experience. We are committed to simplifying your due diligence activities by creating an intuitive workflow. Actions are where you expect them to be, allowing you to better focus your time and energy on the transaction itself. The entire index can be expanded via a single click enabling a quick and clear overview of the contents of your data room. The intelligent search function increases the precision and the speed at which you can assess documents.





Easy access permissions

Drooms delivers permissions such as “view”, “download” and “print”. You can grant permissions directly from the respective index point. In addition, Drooms offers a functionality that revolutionises the data room workflow preventing documents from being edited or deleted even by the user who uploaded them.



Drooms ISO 27001:2013
Registered Company Certificate
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Security & certifications

Drooms offers ISO-certified, AIFMD and GDPR compliant server facilities conforming with EU data protection and security standards, the strictest in the world. You don't need to install third-party software or plug-ins. Additionally, you are protected by dynamic watermarks on each and every page of a document. Automatic data back-up capabilities also exist to enable the uninterrupted continuation of work processes.

Get more information about
The Drooms PORTFOLIO data room:

 Fill out our contact form

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