



NORTHSPYRE

REPORT

The Biggest Challenges and Opportunities Facing Commercial Real Estate Project Managers in 2023





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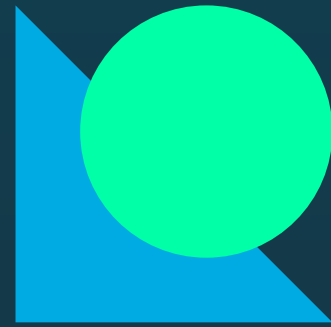
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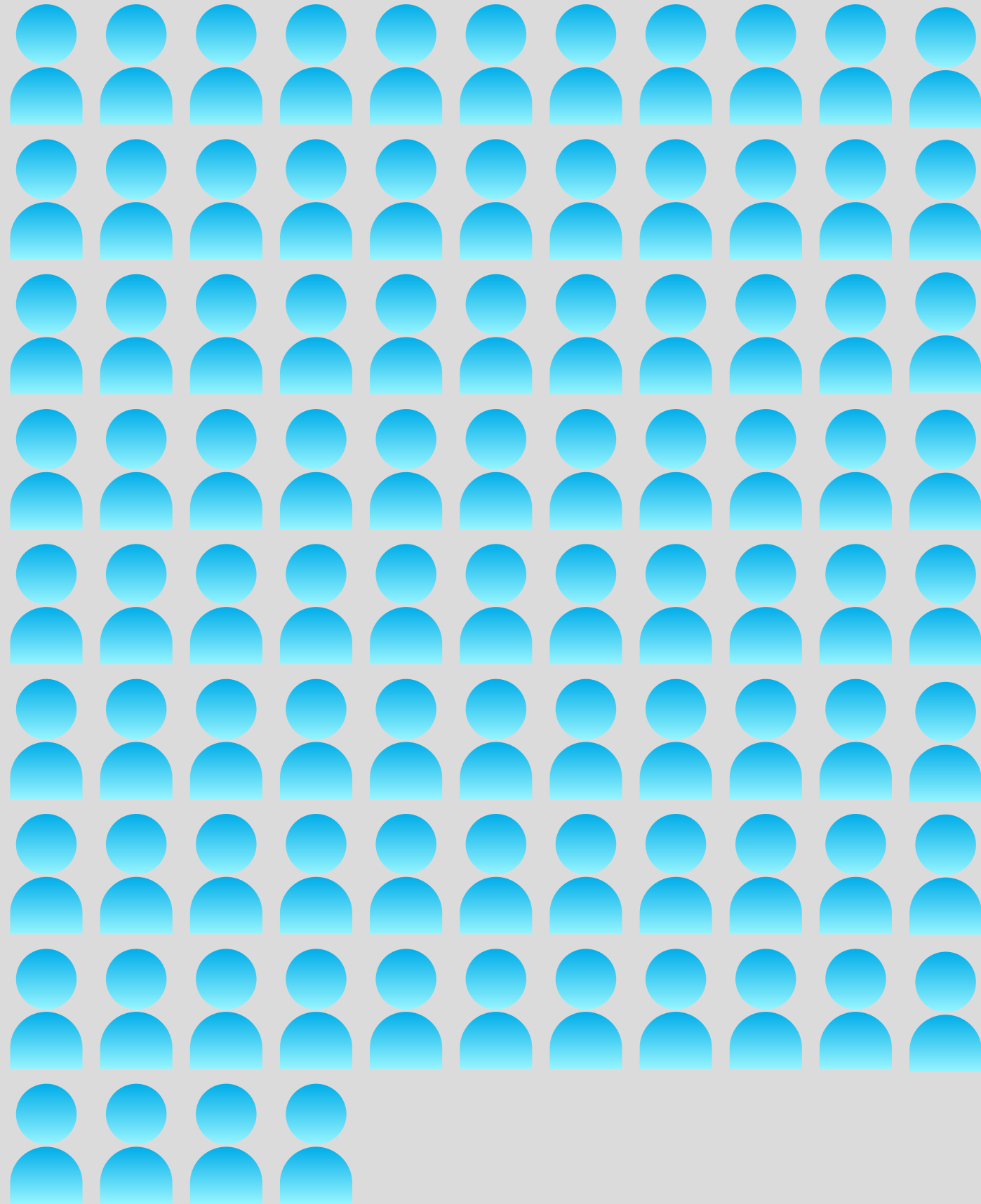
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Introduction



Introduction

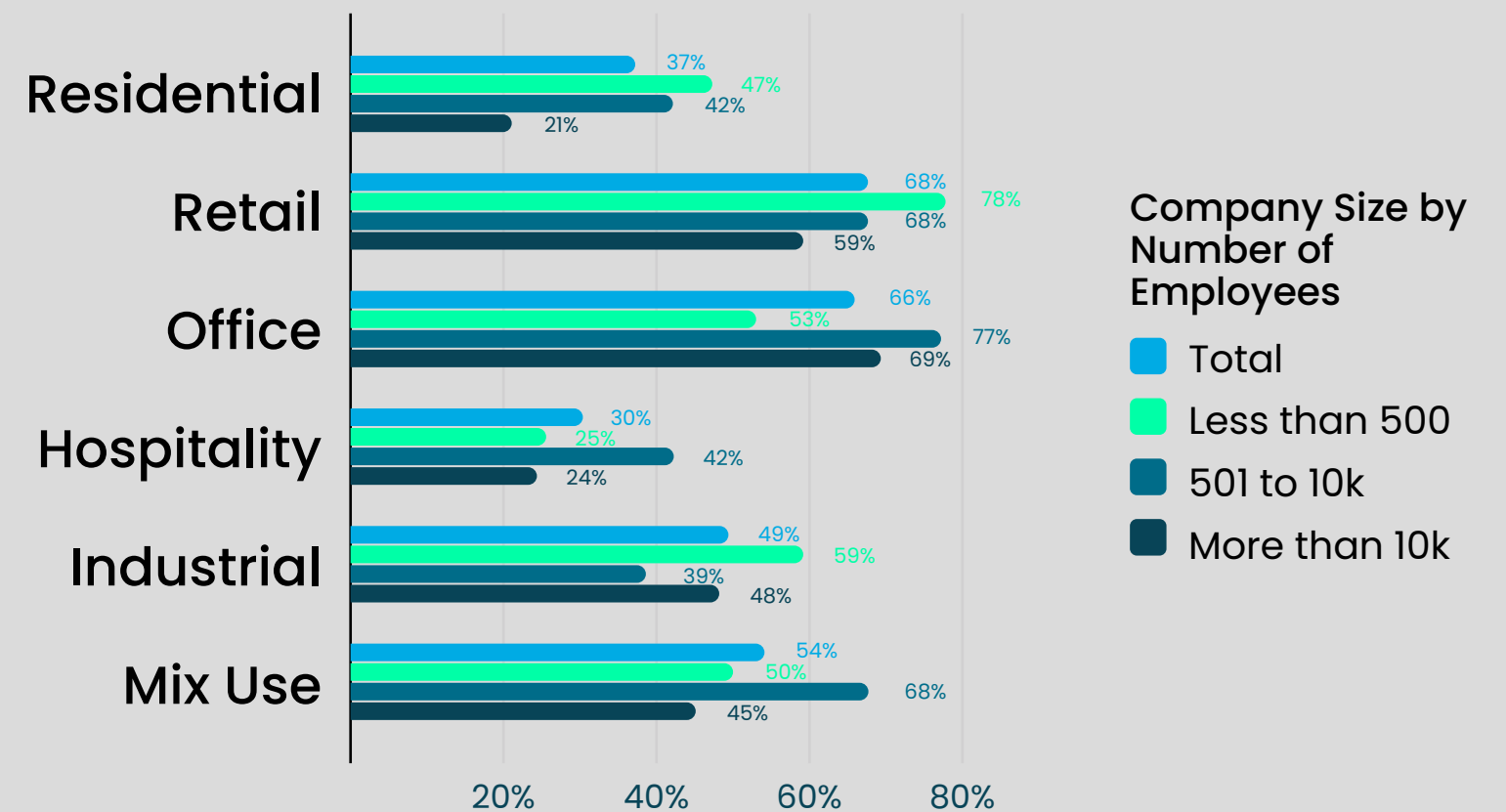
Northspyre contracted NewtonX to conduct an in-depth survey of real estate project managers operating in the United States for Northspyre in August 2022.

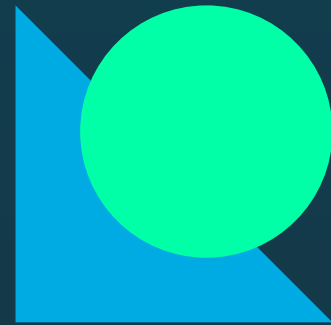
To create a geographically diverse dataset, the research company interviewed 92 project managers based in the country's Northeastern, Midwestern, Southern, and Western regions. It features participants who work on retail, office, hospitality, industrial, and mixed-use building projects to provide insights from professionals with experience with some of America's most significant real estate asset classes.

The completed study reveals eye-opening information about their pain points, software tools, and enablement gaps. In addition to providing an overview of the U.S. commercial real estate market, it identified the most urgent challenges and opportunities that will shape the sector this year and throughout 2023.

Here's a deep dive into the survey's most significant takeaways.

Who Completed the Survey: Asset Class





Part I:

The Biggest Project Manager Worries & Pain Points



Real estate project managers identified inadequate productivity and uncertain project outcomes as the two main drivers of their anxiety. When drilling down into the data, it becomes clear that those problems are interrelated. Because project managers spend too much time on low-value tasks, they can't bring their projects to successful conclusions.

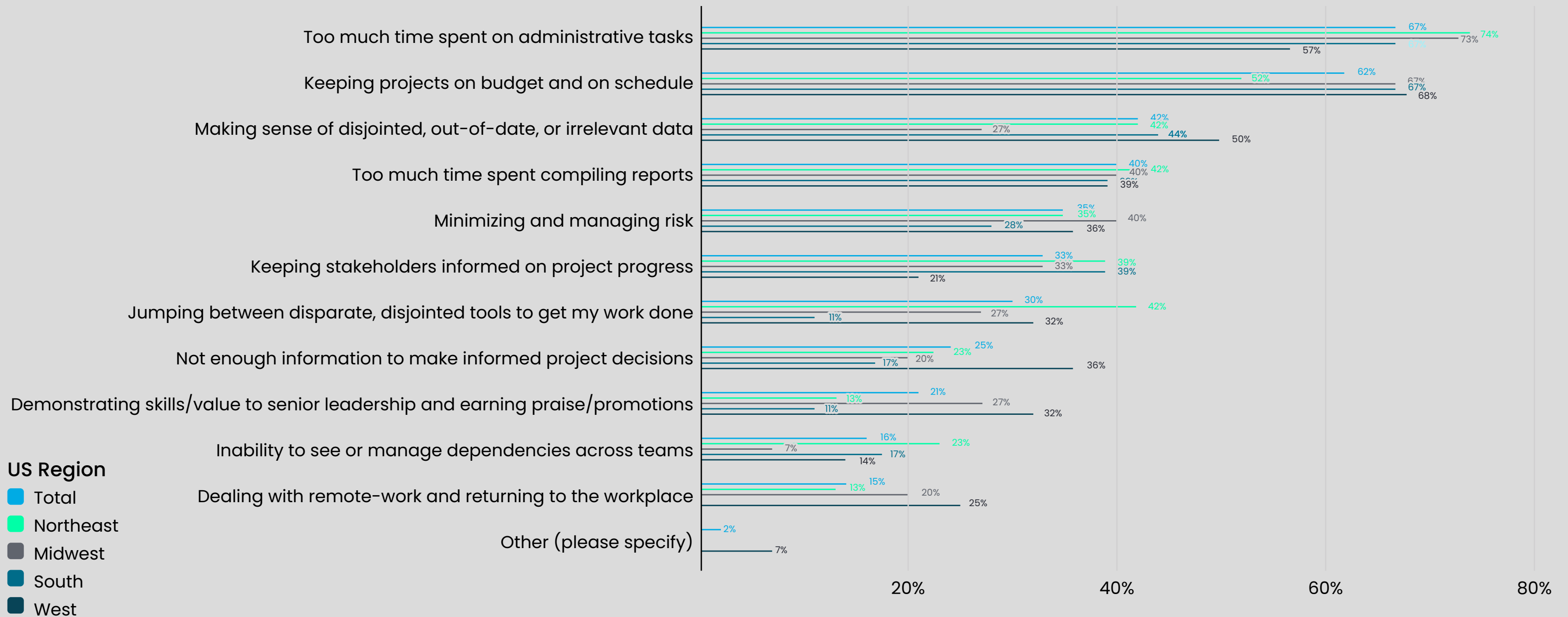
That said, the interconnected nature of those two problems indicates they can be solved by implementing a single solution.

In addition, most survey respondents said that the recent inflation surge impacting the U.S. economy is a major concern. Unlike internal operational difficulties, macroeconomic instability can't be resolved, just mitigated.

Time-Consuming Administrative Tasks

More than two-thirds of the survey's respondents (67%) named "too much time spent on administrative tasks" as their biggest challenge.

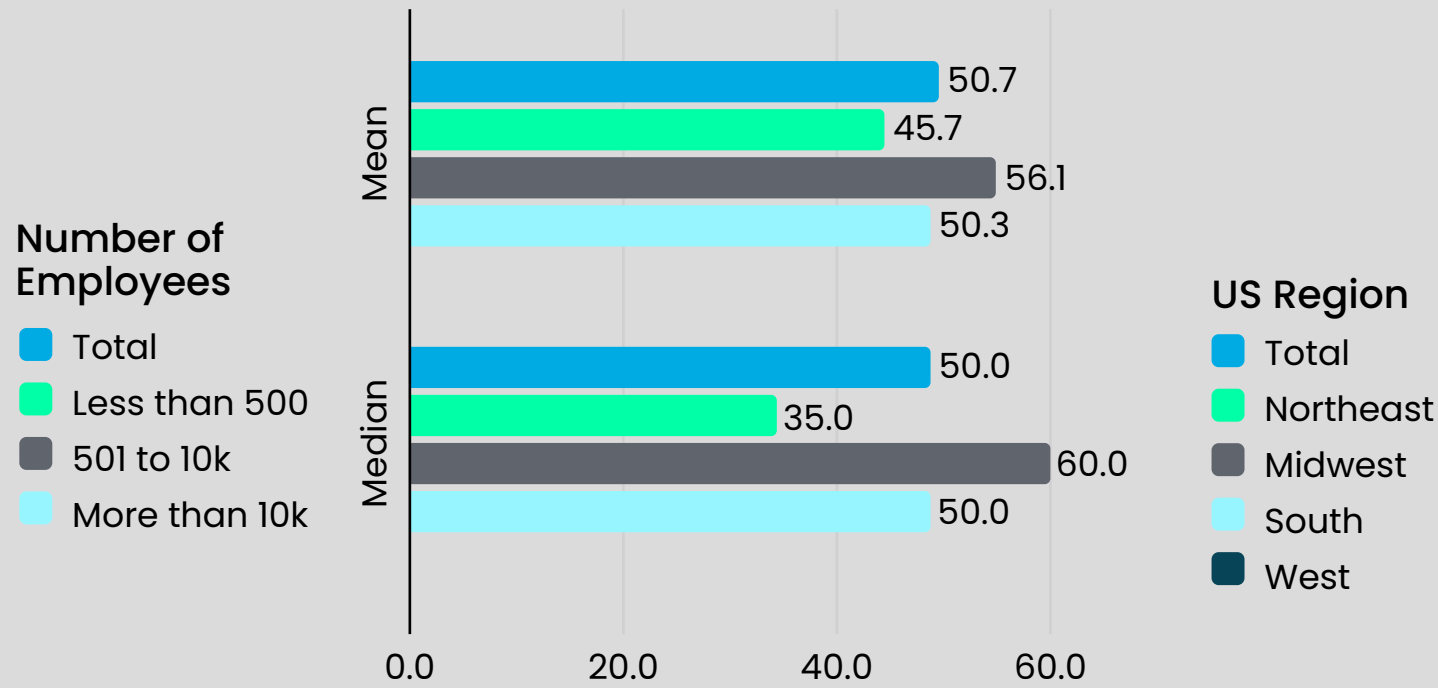
Biggest Challenges by US region



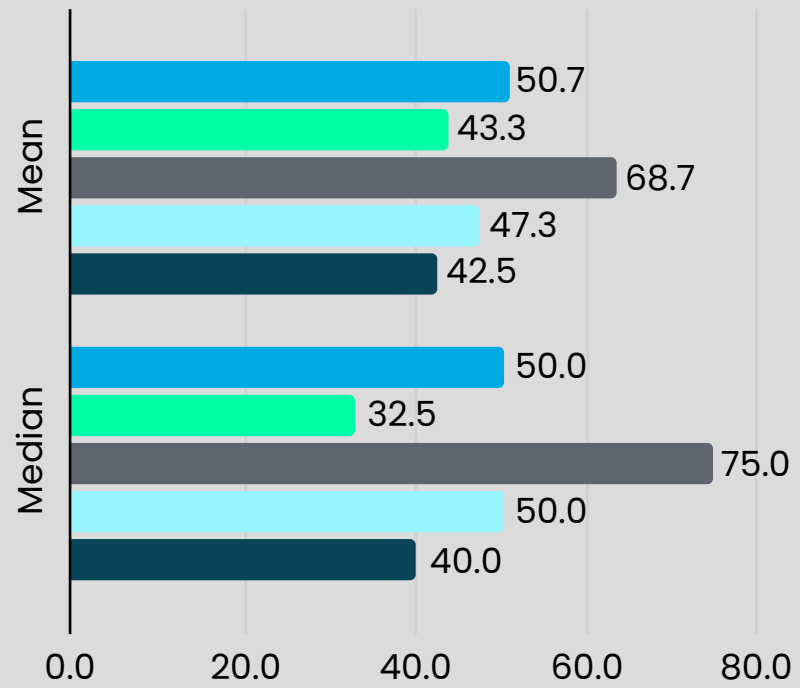
US Region

- Total
- Northeast
- Midwest
- South
- West

Percentage of Overtime by Company Size

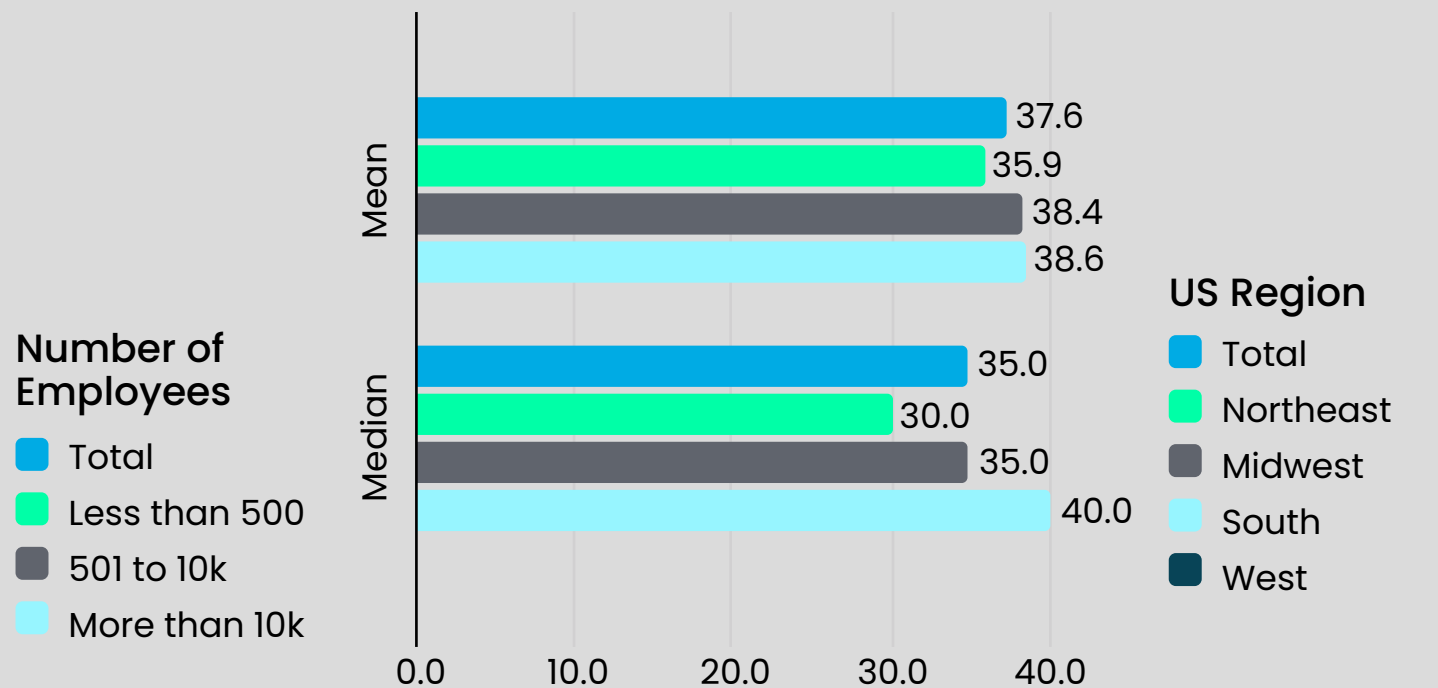


Percentage of Overtime by US region

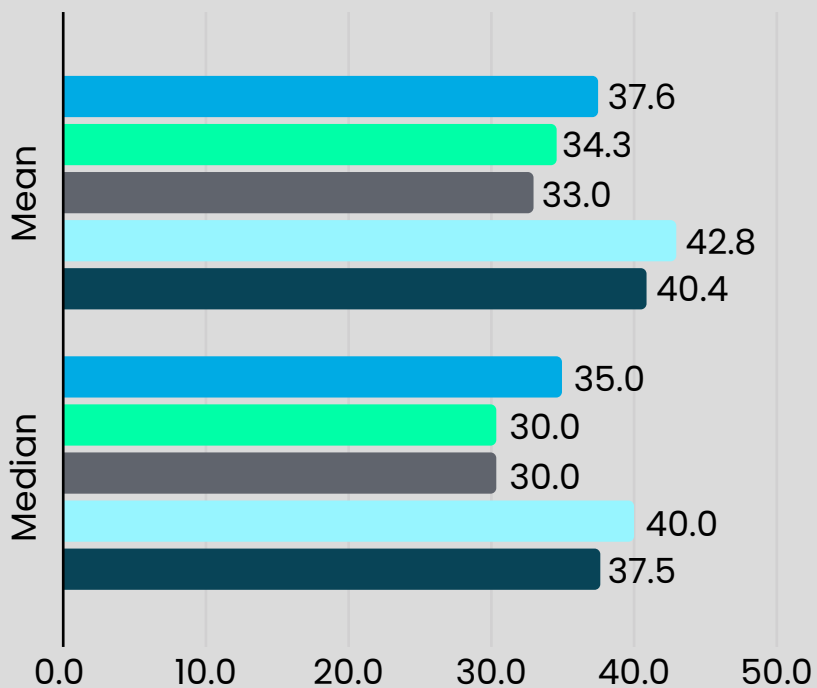


Researchers discovered that project managers spend around 38% of their workday completing manual data entry. As a result, 51% of American project managers put in more than eight hours a day at the office, and 64% of project managers working in the Western United States work overtime weekly.

Manual Task Percentage by Company Size

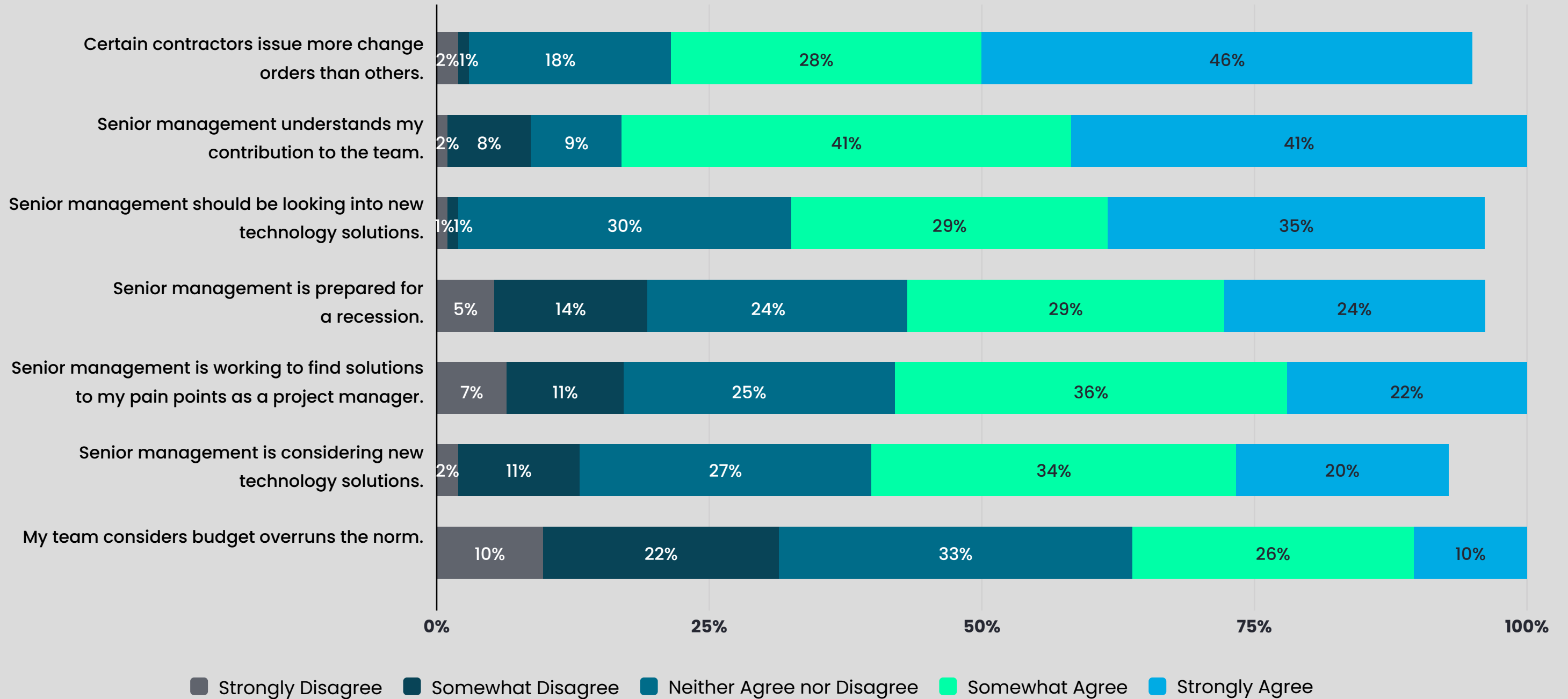


Manual Task Percentage by US region



In response to the question, "What do you wish senior management better understood about your role, question one project manager wrote, "how much administrative work is actually involved." Another respondent echoed that sentiment, replying, "How much time goes into seemingly small tasks" to the same question, while a different participant answered, "How all the administrative work can take up valuable time."

Impact of Stakeholders on the PM Work



In addition to negatively affecting their work-life balance, some project managers believe that excess low-value tasks undercut their effectiveness. One interviewee wrote, "Time spent on tasks that are considered administrative which takes focus away from the project itself." Similarly, another project manager commented, "The high volume of tedious administrative tasks is a drain on productivity."

One survey participant wished that leadership knew, "The fact that administrative tasks and calls take up most of my time making it hard to get to the project site and spend enough time there." The feedback provided by the project managers explains why only 41% of them feel that leadership understands their contribution to their teams.

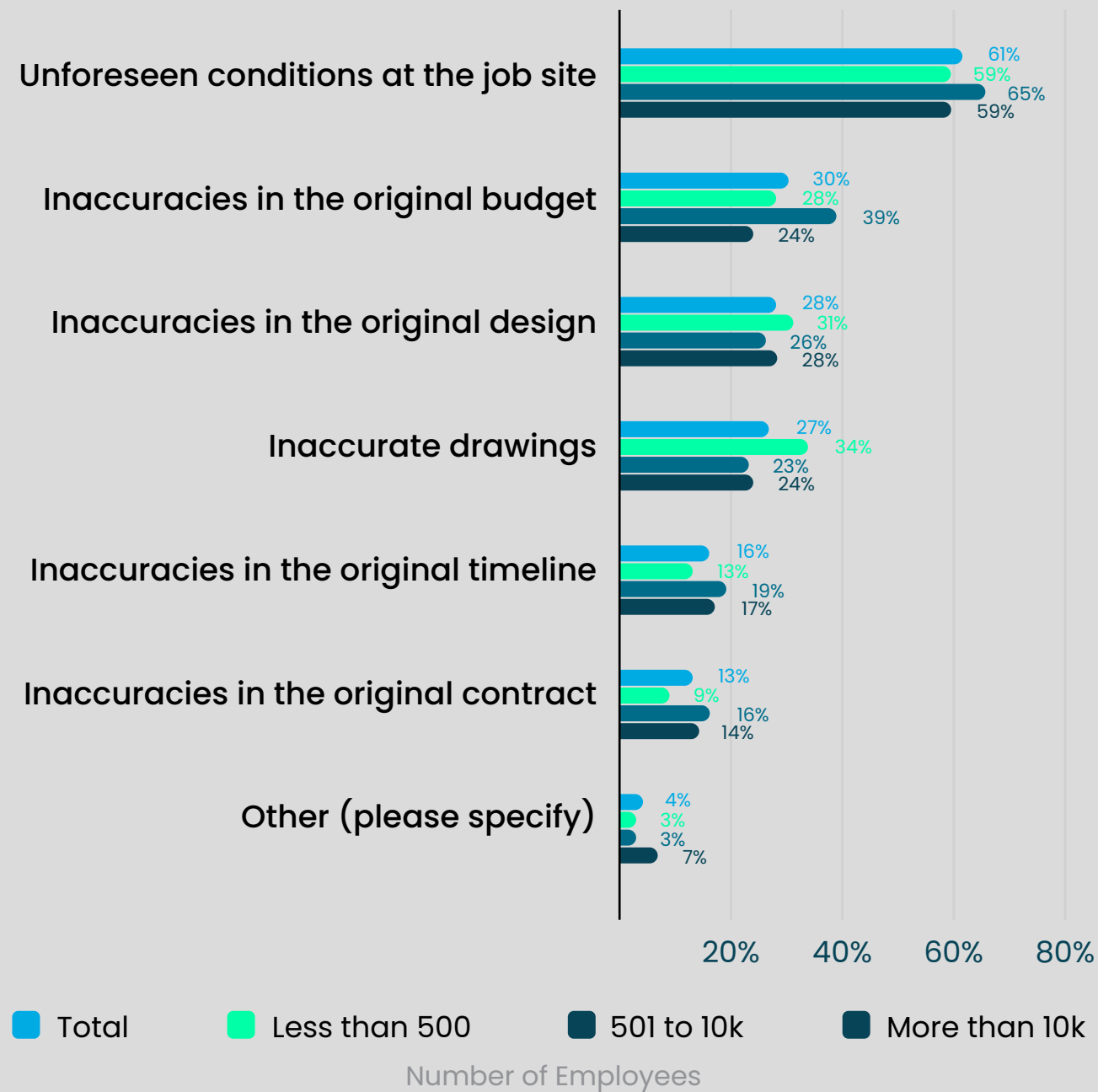
It also indicates that many of them believe spending too much time on admin work feeds into another major pain point; an inability to keep their spending and timetables on track.

The Inability to Keep Projects on Budget and On Schedule

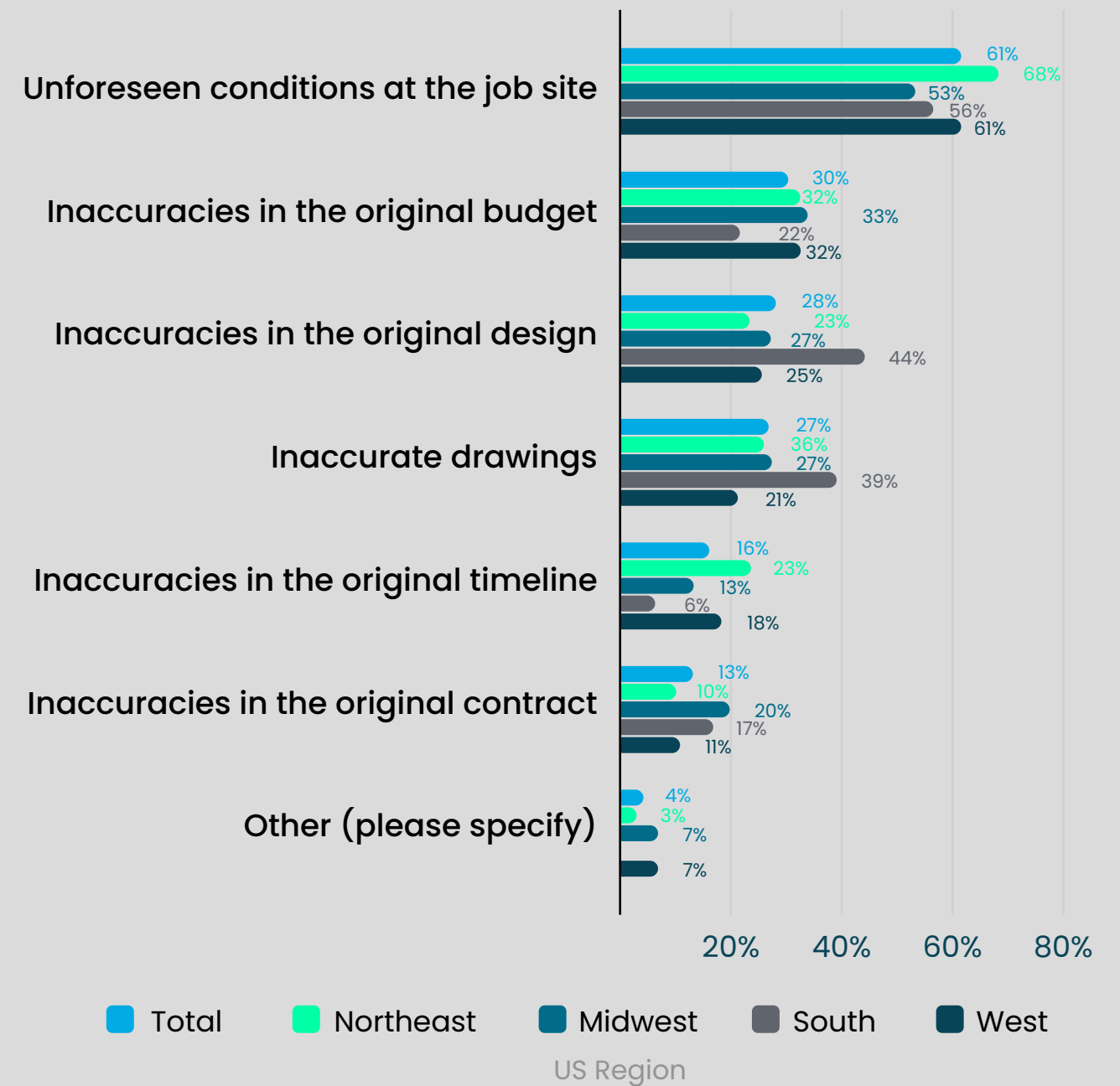
NewtonX’s survey revealed that 62% of respondents consider “keeping projects on budget and on schedule” their second-biggest pain point. Right now, 57% of interviewees worry that they aren’t equipped to minimize and manage risks to their projects. Survey participants indicated that dealing with vendors who follow low bids with a series of pricy change orders (49%), and inaccurate original budgets (30%) are major contributors to the problem.

Project managers told interviewers that at least 50% of their portfolios are affected by vendor inconsistency. 46% of project managers strongly agree that “certain contractors issue more change orders than others,” and 61% found that “unforeseen conditions at the job site” are the source of those change orders. Those responses indicate that real estate firms aren’t equipping their team members with tools that allow them to vet their vendors properly.

Change Order Causes by Company Size



Change Order Causes by US Region





Several survey participants identified service provider qualification and performance tracking issues as contributing to their budgeting problems. When answering the question, “What’s the biggest obstacle to bringing in projects within budget?” one project manager shared, “Reliable vendors who can deliver the project within timeline.” Similarly, when asked, “What is the toughest part about being a real estate project manager,” a project manager offered, “Holding vendors accountable.”

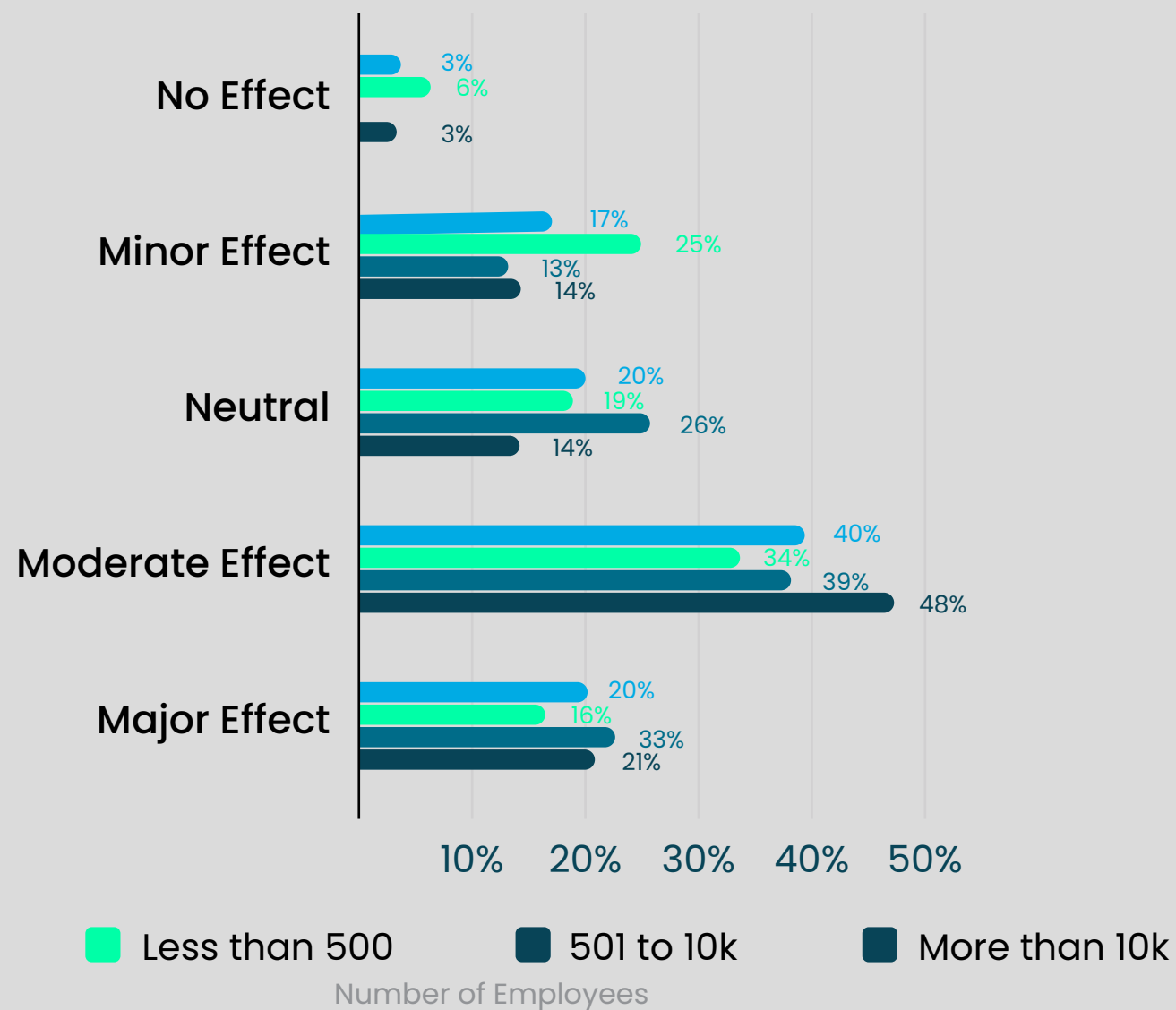
Some project managers also listed supply chain and design issues as reasons for cost overruns. But survey respondents pointed the figure at rising materials and labor costs as the second biggest driver of their budget problems.

The Ongoing Threat of Inflation

In April 2022, the U.S. inflation index hit a four-decade high of 8.5% as food, gas, vehicles, home furnishings, and rent costs saw double-digit increases. Government leaders and economic analysts pointed to supply chain bottlenecks, post-coronavirus pandemic stimulus spending, and Russia's invasion of Ukraine as the primary causes of the surging inflationary pressure. In response, the Federal Reserve initiated a series of interest rate hikes to bring stability back to the marketplace, but prices have continued to climb.

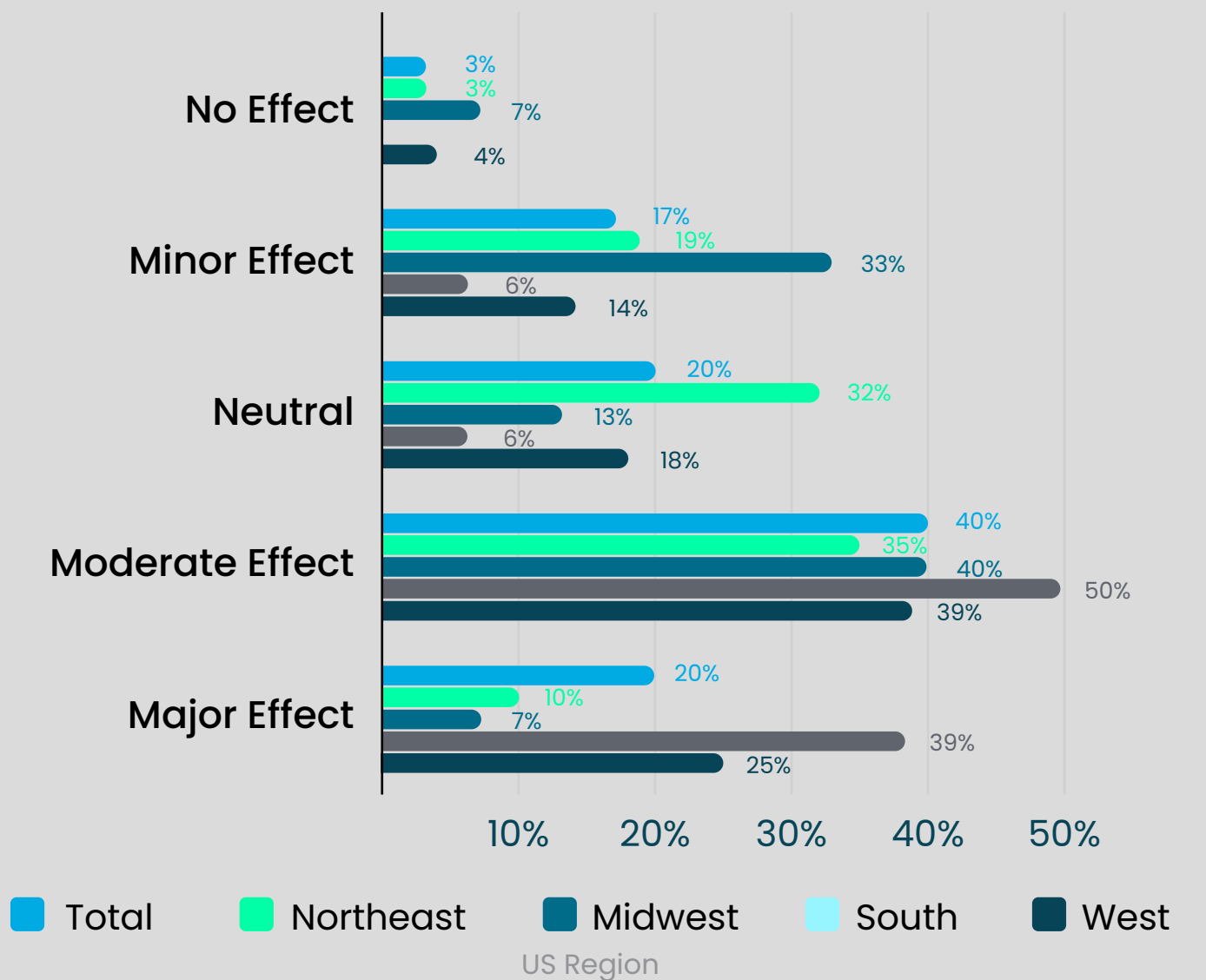
Consequently, 60% of project managers anticipate rising inflation will have a "moderate" to "major" impact on their business. Moreover, 68% of interviewees believe mounting inflationary pressure will require them to make more strategic purchasing decisions. Anxiety about economic uncertainty is more widespread among project managers for large corporations (86%). And 52% of all survey respondents plan to become more diligent in selecting vendors and procuring building materials.

Significance of Inflation by Company Size



PMs from companies with more than 10K FTEs believe inflation will have a moderate impact on their role (48%), which is more than PMs from companies with less than 500 FTEs (34%).

Significance of Inflation by US Region



Almost half of PMs from the South (39%), higher than average of 20%, believe inflation will have a major effect on their role.

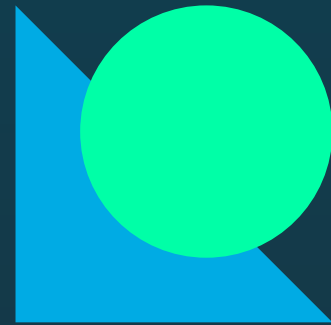


A July Bisnow report indicated that project managers' concerns about a paradigm shift in the industry are well-founded. The publication noted that developers across the country have seen their projects fall apart due to plummeting investor confidence. Additionally, the Mortgage Bankers Association anticipates commercial and multifamily real estate lending to decline by 20% year-over-year to \$733 billion in 2022.

The economic uncertainty affecting the U.S. has prompted grim predictions from leading market analysts. "If you're in real estate, you are in [a] recession. It's just a matter of time when it goes to financing, refinancing, [and] restructuring. It's going to show up," declared Georgia State University's Economic Forecasting Center Rajeev Dhawan. "The cost of doing business is going to be much higher."

Ultimately, every U.S. real estate development firm will face major challenges when operating in a recession economy. However, technology adoption can help project managers mitigate the impact of rising inflation. Modern solutions let organizations modernize their workflows, reducing the time staffers spend on low-value tasks. In addition, AI-driven solutions give project managers access to predictive analytics tools to prevent future budget overruns and identify upcoming activities.

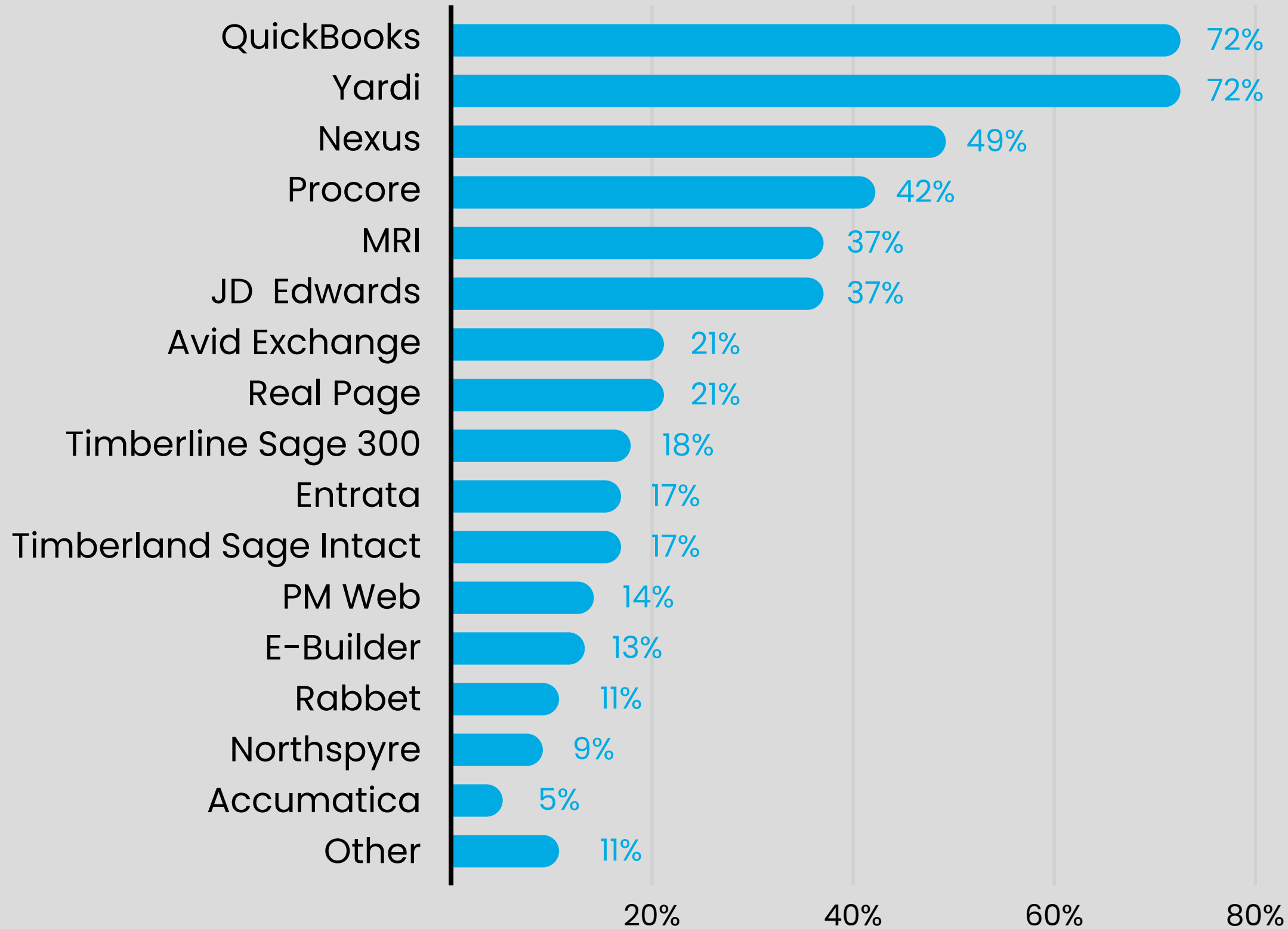
In effect, firms can utilize technology to provide their portfolios a degree of recession-proofing.



Part II:

**Project Managers' Go-To Real Estate
Development Software Programs**

Tools Awareness (Total)

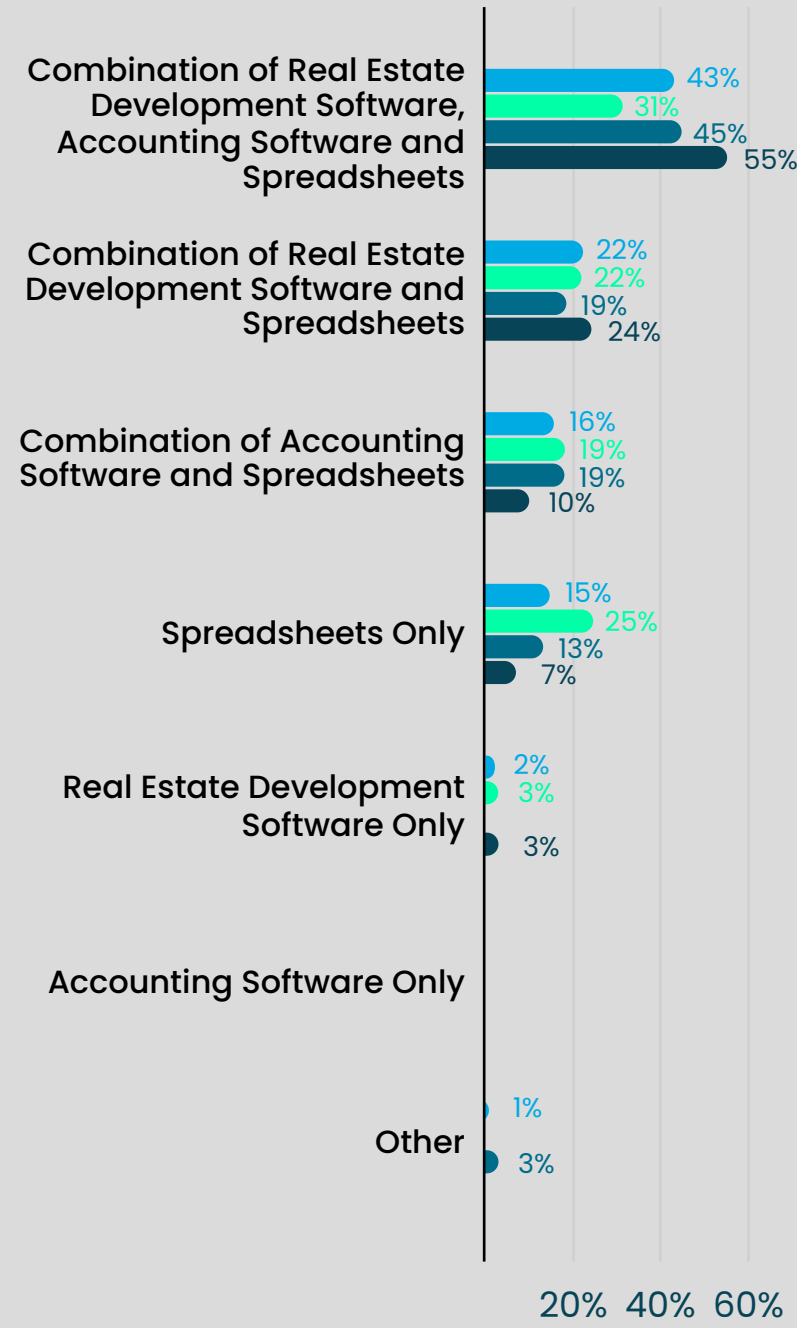


In addition to detailing the sector's most significant anxieties, survey results revealed which technology platforms are most popular among U.S. real estate project managers.

Yardi, a property management program, and QuickBooks, an accounting software package, have the highest awareness (72%) among property managers. Since those platforms launched in the mid-1980s, their status as the entrenched solution for real estate developers make sense. Appropriately, they are the most well-known solutions in the sector regardless of company size or region of origin.

The study found that most project managers (44%) use a combination of real estate development software, accounting platforms, and spreadsheets in their work. Yardi (43%) and Procore (31%) ranked as the most popular real estate development programs. Its findings show leaders are willing to invest in multiple software solutions to help their teams succeed.

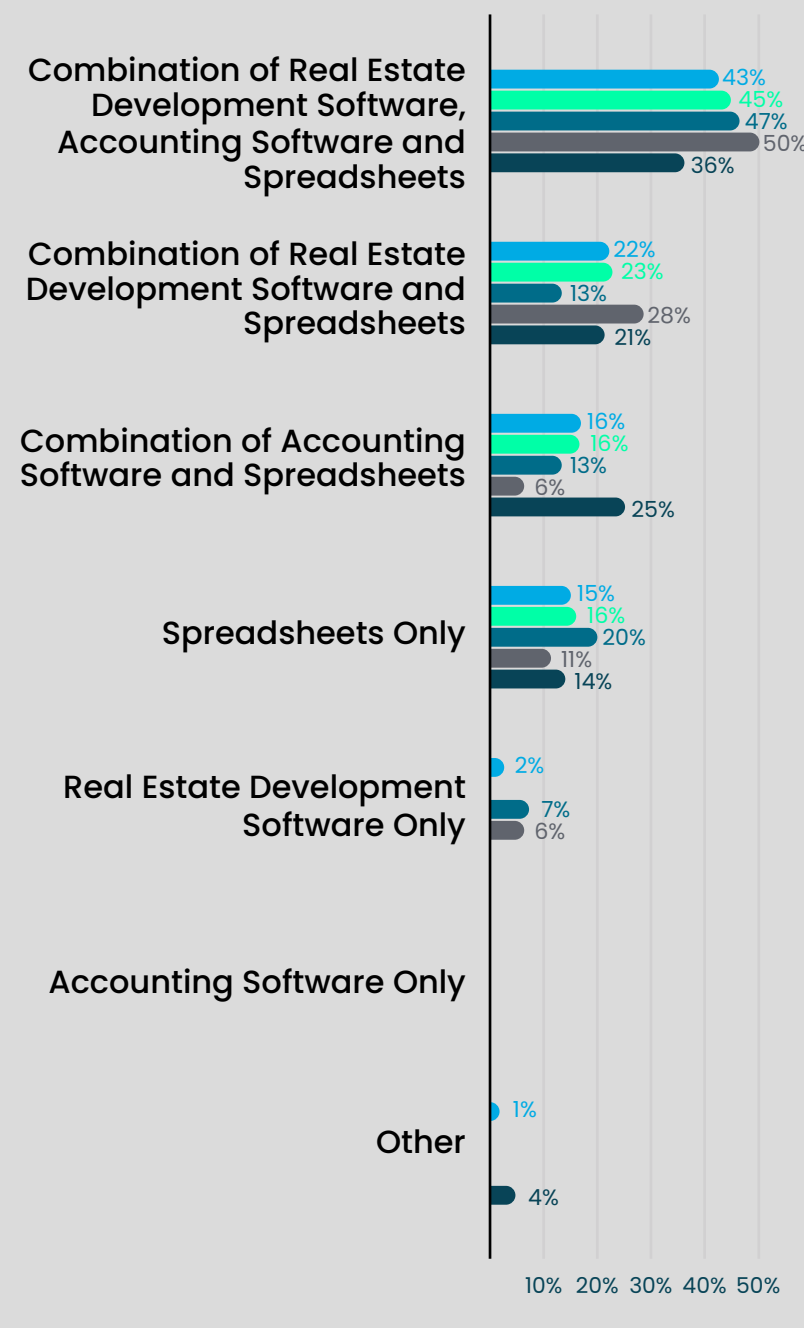
Tools Used by Company Size



Number of Employees

- Total
- Less than 500
- 501 to 10k
- More than 10k

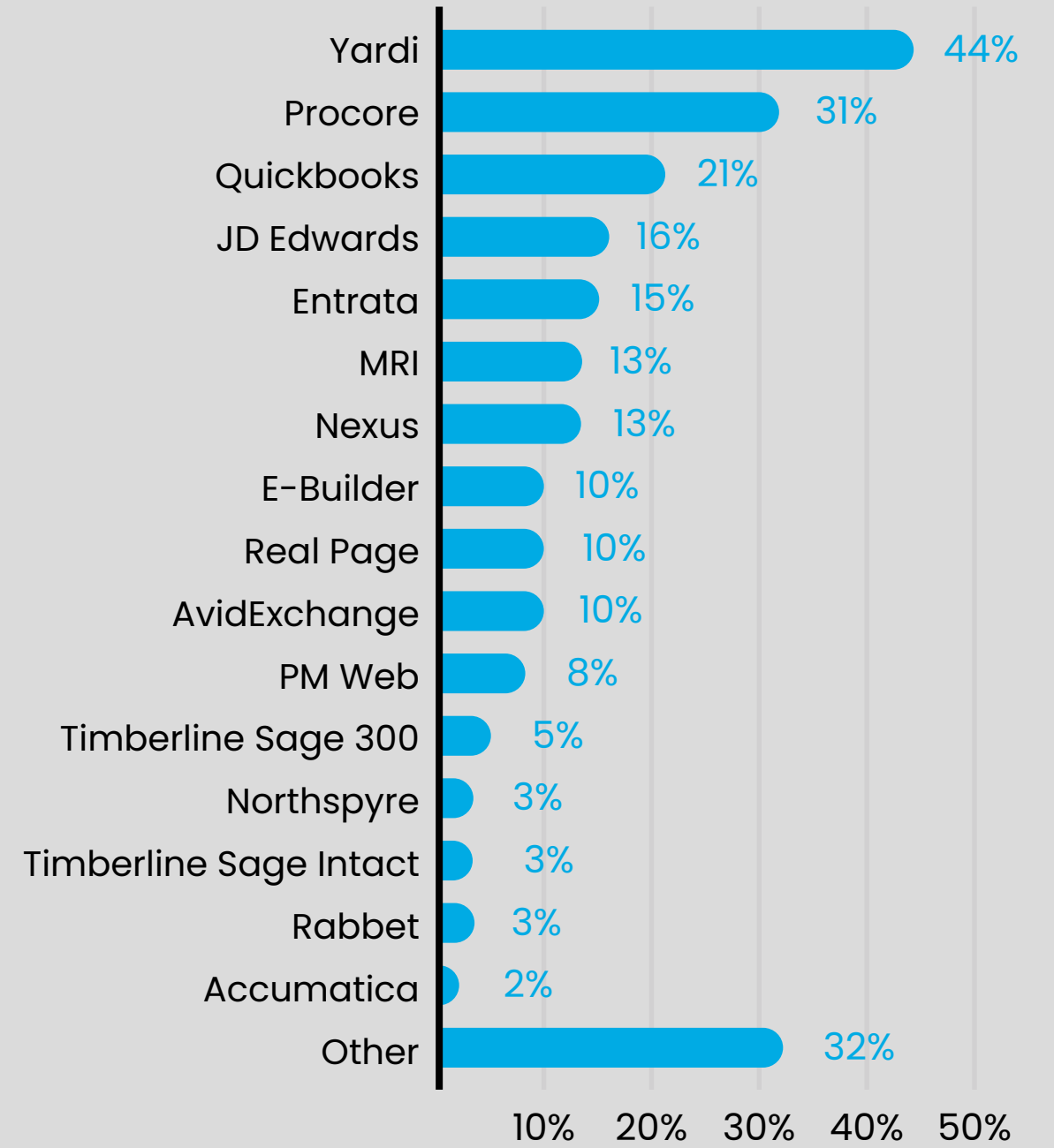
Tools Used by US Region



US Region

- Total
- Northeast
- Midwest
- South
- West

Tools Awareness (Total)

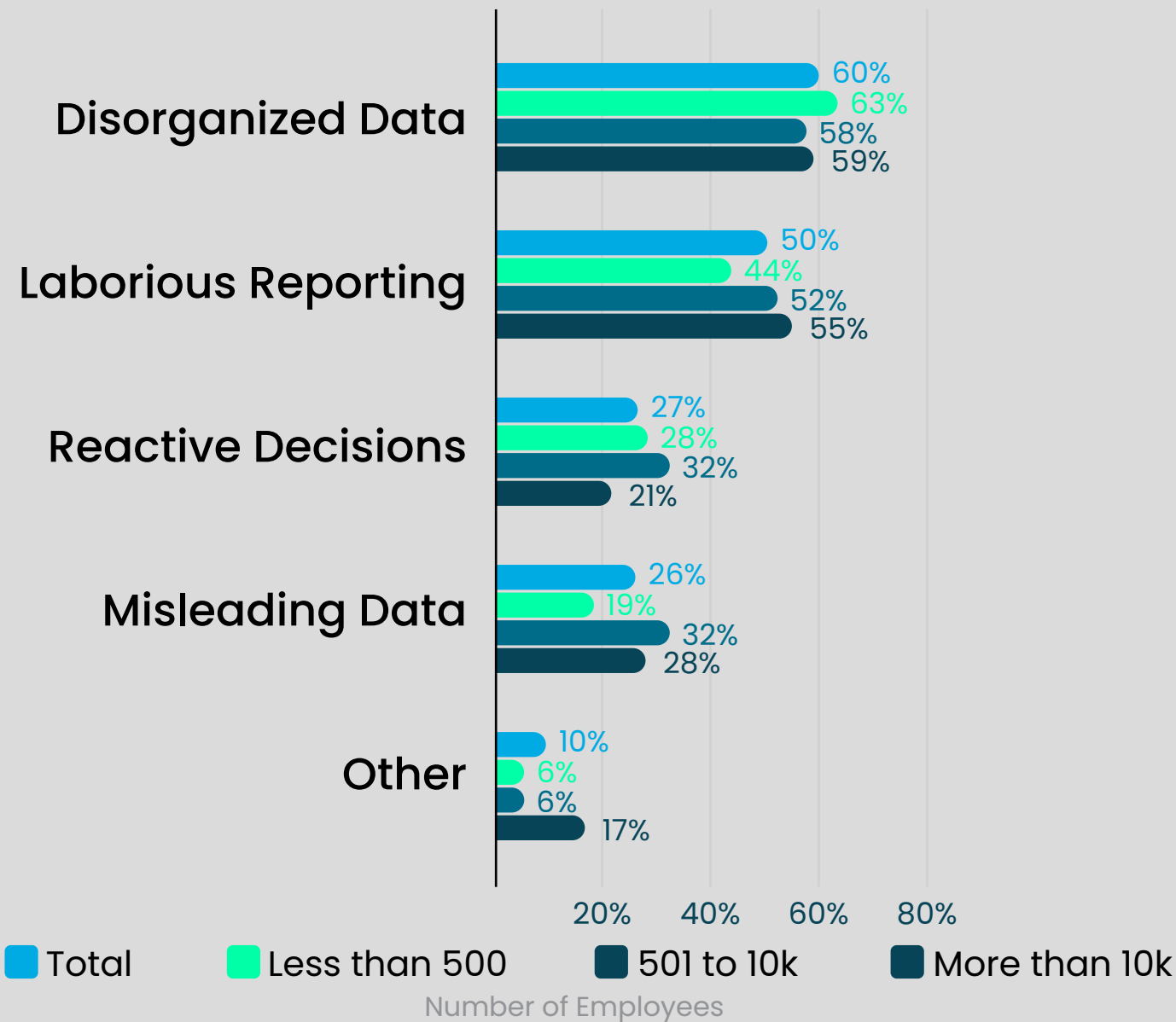


But the survey also uncovered the fact that project managers aren't thrilled about using three different systems to facilitate their work. Respondents named "disorganized data" (60%) and "laborious reporting" (50%) as the most pressing challenge with using their current software solutions. And these pain points are shared by organizations with under 500 employees and companies that employ over 10,000 people.

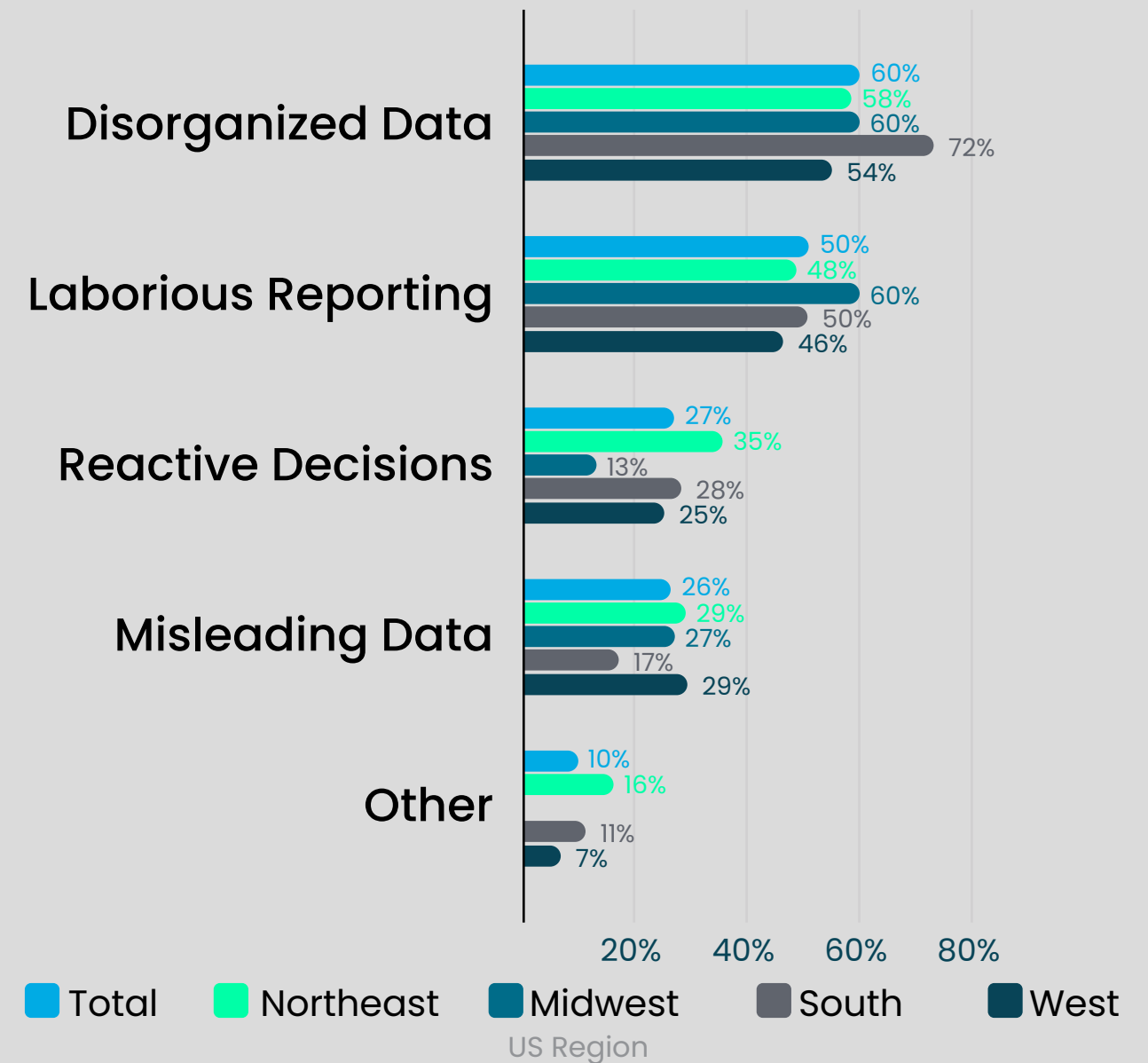
In this context, "disorganized data" refers to the roadblock project managers run into because their software tools lack integration features. When employees use programs such as email, spreadsheets, and accounting tools to access and manage large swaths of information, project data becomes decentralized and fragmented. Using unintegrated software without automated functionality means teams must spend a large amount of time manually collecting and collating project information and resolving keystroke errors.

For similar reasons, project managers brought up "laborious reporting" as a pain point. One, relying on decentralized and fragmented data makes it very difficult to track down data points needed to build an accurate snapshot of the project. And two, using legacy and force-fit software solutions requires project managers to manually prepare request packages and monthly cost reports.

Pain Points with Current PM Software by Company Size



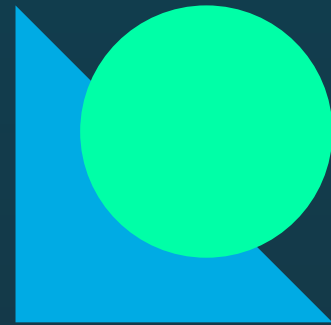
Pain Points with Current PM Software by US Region





The need to equip project managers with modern technology that can eliminate these pain points is apparent. Today, technology powered by sophisticated AI programs can automatically gather and index project information, create a single source of truth, and generate complex reports in seconds. And they can seamlessly integrate with any data management programs that are already part of a company's existing digital toolkit.

With project managers feeling the burn, leadership must consider alternative approaches to their entrenched development processes.



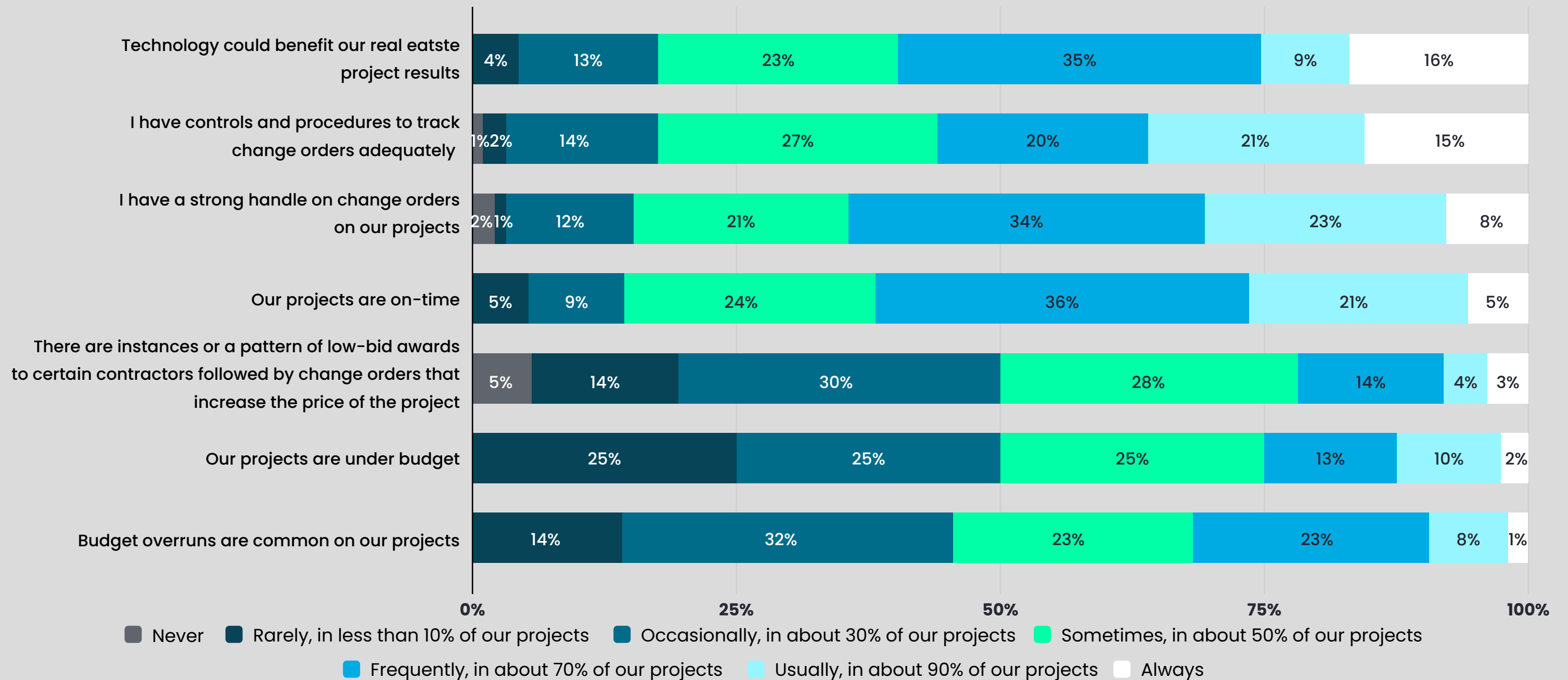
Part III:
The Commercial Real Estate Industry's
Technology Enablement Gap

One of the most interesting findings of the project manager survey is widespread frustration with the sector's technological enablement gap. The survey's respondents want their real estate software to function more seamlessly to make their work easier and faster, but that isn't happening for a few reasons.

Part of the issue is a lack of recognition of the full capabilities of cutting-edge AI-driven platforms. The findings reveal that project managers' awareness of modern real estate intelligence is considerably lower than their familiarity with legacy software and accounting programs.

Nevertheless, 60% of project managers believe technology could help them improve 70 to 90% of their project outcomes. The respondents also said that working with software that can eliminate administrative tasks like manual reporting, information gathering, and data entry (54%) is a priority. The interviewees also expressed interest in programs that can collect and process all project data to help automate and standardize reporting (43%). The survey's participants also have a strong desire for digital tools to help them address problems like vendors following low bids with a series of pricy change orders (49%) and inaccuracies in initial budget forecasting (30%). Unfortunately, only 22% of project managers feel that their employers are working to alleviate their pain points.

Frequency of the Following Issues to Occur

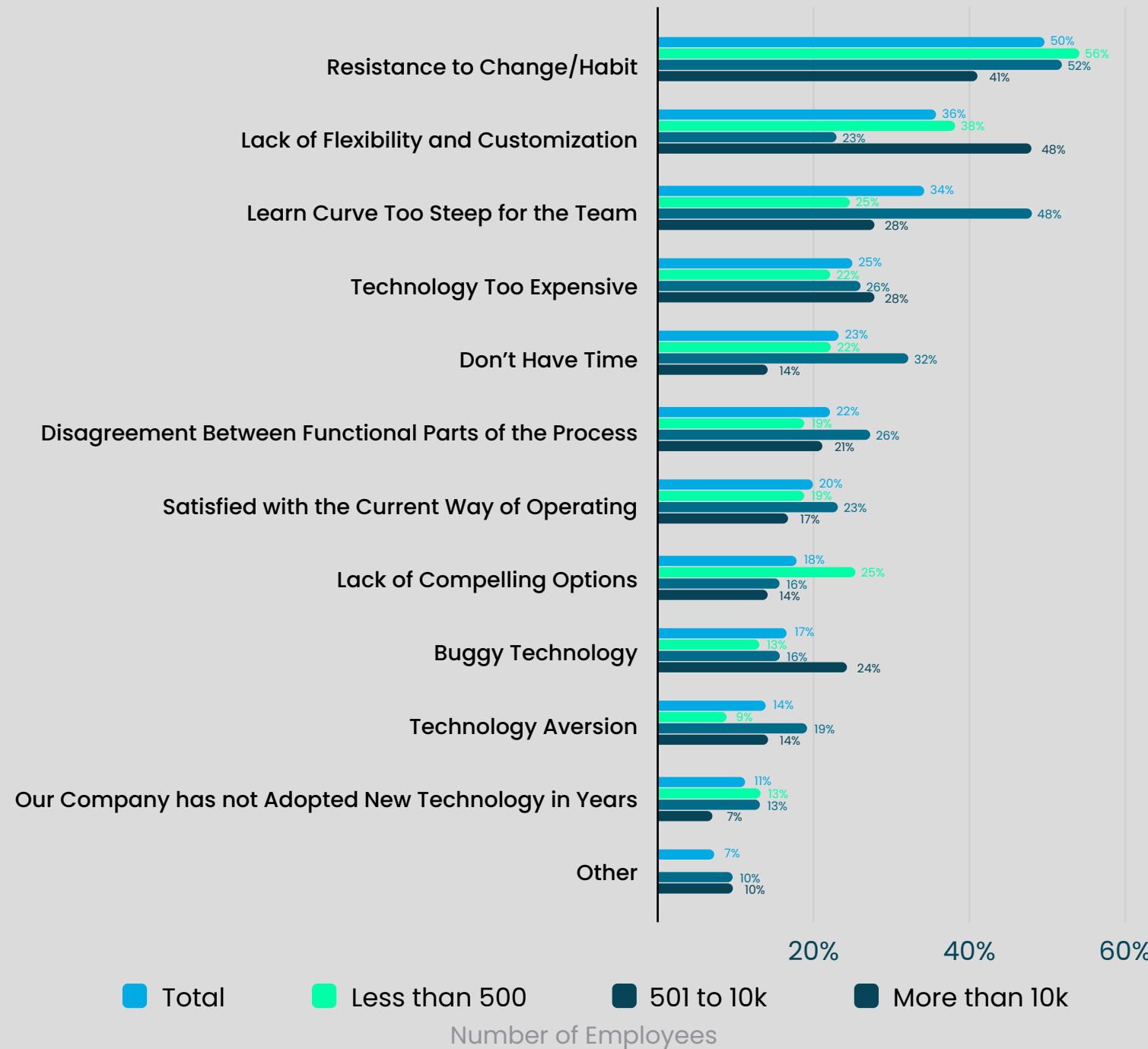


So, why is there a significant disconnect between the leadership and real estate development teams?

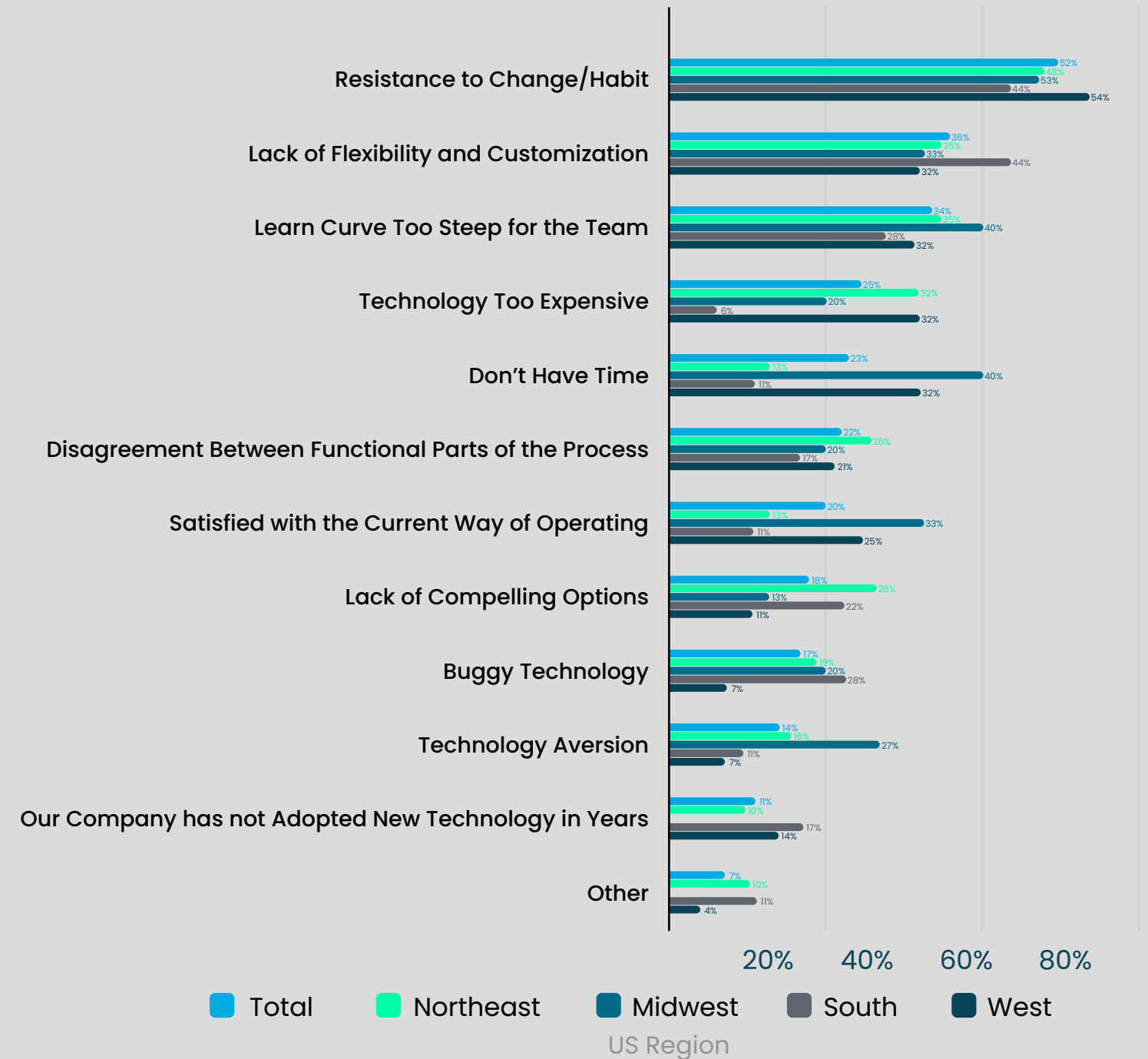
The survey data indicates that the underlying causes of the technology enablement gaps are organizational resistance to change (50%), lack of a compelling reason to make a purchase (48%), too many unknowns (38%), insufficient software flexibility (36%), and steep learning curves (34%). Notably, only 25% of project managers identified software as too expensive because their organizations have failed to adopt new real estate intelligence platforms.

Nevertheless, some of the survey's respondents are aware of the fact that change is coming to their industry. When asked about the biggest technology trends impacting real estate project managers, the interviewees offered access to real-time data (27%), reduced administrative workloads (24%), and the implementation of automated workflows (15%).

Adoption Failure by Company Size



Adoption Failure by US Region





Conclusions



The big takeaway from the Northspyre commissioned NewtonX commercial real estate project manager survey is a desire for more support from leadership and modern technology.

Regardless of their employer's location or size, commercial real estate project managers are unhappy with their jobs. Spending too many hours completing administrative tasks is cultivating dissatisfaction. Depending on force-fit platforms that lack integration features is leading to noticeable inefficiencies. And the looming financial impact of rising inflation is increasing anxiety about lacking solutions that can address their most significant worries.

Still, the survey revealed that the sector is ripe with opportunities and challenges. Project managers' dissatisfaction with the limitations of their existing software tools has provoked a hunger for new technologies and methodologies. The industrywide desire for innovation suggests less hesitancy to embrace modern tools exists than is commonly perceived.

While not as well-known as accounting software and spreadsheets, advanced solutions exist and have track records for helping real estate firms become more efficient and profitable. The onus is now on leadership to prioritize finding solutions that will enable their project managers to succeed.