CRE Tech Talks

Episode #14: Transparency in Commercial Real Estate

Scott Sidman, SVP of Building Engines
Brandon Sedloff, Managing Director of Business Development at Juniper Square

Scott: Brandon Sedloff is the Managing Director and Head of Business Development at Juniper Square, a San Francisco based technology company, transforming the way GPs and LPs in real estate exchange information.

I got to know Brandon most recently in his role leading a real estate and technology initiative while he was directing corporate partnerships at the Urban Land Institute, or ULI, as it's more commonly known. For those of you unfamiliar with ULI, it's a global real estate research and education institute.

While there, Brandon, being ahead of the curve on many fronts, innovatively brought together real estate owners, operators, REITs, and investors with technology companies like ours, working together to help evolve the real estate industry through some terrific conversation and though leadership efforts and was terrific while he was there.

We're going to hear a little bit about his current journey. With that, I want to welcome Brandon to the podcast. Why don't we get started with having you tell us a little bit about Juniper Square and your journey there from ULI?

Brandon: Thanks, Scott. Thanks for having me today. I'm excited to do this for you and all of the listeners out there. As you mentioned, Juniper Square is a San Francisco based software company.

We've been around for a little over three years. The problem that Juniper Square is solving is the fact that many real estate investment managers today, much like throughout the rest of the real estate industry, track a lot of important information still in spreadsheets as well as in a number of disparate systems.

One of the challenges that that creates is that it's harder and harder for managers to report to their investors. Post-Madoff, as the economic conditions have continued to evolve, investors want access to more and more information. The managers need to have tools to comply.

That's one of the primary hand points that Juniper Square is solving for. I joined in July of last year to lead the sales in business development effort. One of the reasons that they were able to pull me away from ULI, which was a phenomenal experience, was that I am passionate about the intersection of technology and real estate.

I spent the last 15 or so years of my career building and managing professional relationships in the real estate industry. I've spent some time as a developer. I've spent some time doing advisory work, primarily for institutional investors. I've spent some time leading a non-profit in fundraising.

One of the things that I really like to do is to build businesses. Juniper Square was a unique opportunity because it was a business that had already gotten off to a great start. There's a good product market fit, meaning we've built something that really resonates with the needs that the industry has.

Before I joined, we had real customers really using the software and giving great feedback. As a result, I thought this was a really unique opportunity to marry both my experience on the relationship management side, as well as my relationships in the technology universe and the institutional investing universe, to come together to continue to evolve the product and the business that we have here at Juniper Square.

For those of you who may not have heard of us, we're currently serving nearly a hundred investment managers. All of our clients today primarily invest in real estate as an asset class. The software is agnostic to the specific asset class. We have groups that range from multi-family and mobile homes all the way through the core office and everything in between.

In total, our customers manage about 40,000 investor positions, using our software, and just north of $75 billion in investor equity. To put that in context, that makes us probably one of the most significant players in a space helping investors and investment managers report and receive information.

Yet, a lot of folks don't know about us, because for the first two, two and a half years of our business, we were flying a little bit under the radar, deliberately. We didn't have a website. We didn't do any marketing. All of our growth was via referral and word-to-mouth.

We liked it that way, because what that means is we had great customers who are really digging into the product and giving us great feedback. As a result, we've been able to grow the business very, very quickly over the last three years.

Scott: That's a terrific story. It sounds like you're sitting in a really good position. You've identified the problem that you're solving really clearly. It's a problem we believe in, certainly.

We have some insight into from our position here at Building Engines in terms of what our customers or typically, the managers and operators have to do in terms of relationships with their clients. You've got a great growth story. Really interesting journey yourself, as well.

We jump into some specific questions, but take it up to a 90,000-foot level and talk about some of the bigger problems, from your perspective, that you think building owners and investors in commercial real estate face today.

Brandon: It's a great question, Scott. I think that we share a very common problem and challenge, which is that around transparency. You'll speak a little bit to Building Engines' approach to transparency.

The way that we think about it at Juniper Square is that we want to provide a platform for investment managers and their investors to be able to seamlessly share information with one another.

From a Juniper Square perspective, we don't really have a view in terms of if you should be if you should be transparent, if you shouldn't be transparent. Where we fit into the sack is we are a software company -- software as a service -- that has built the tools that enables our customers to choose how they want to manage and how they want to report to their investors.

What this means in the context of what Juniper Square does and how Juniper Square helps its customers, it's really around information related to capital accounts. Think of that in the most basic context as dollars in and dollars out.

Our customers have outside investors and they manage money on behalf of those outside investors. And like your customers, Scott, who want to manage information related to their assets and the performance of their assets, our customers at Juniper Square want to know the performance of their investors' investments.

They need to report and communicate that information out to their investors. This includes things like how much money they've asked their investors for, how much capital they've distributed back to their investors, what their returns are.

One of the challenges that this industry has had is that that information, as basic as it may seem to both investment manager and investor, is actually really hard to get. One of the reasons that it's historically been really hard to get is because it's been stored in a lot of different places.

For many of our customers, they're coming to us from Excel spreadsheets where they're keeping this information. For others, they've deployed software to help with bits and pieces of the information that they need.

The one thing that's been lacking for a long time in this industry is a single system of truth, where investment managers can track all of the information related to their investors' capital

accounts, and be able to quickly report that information back out to their investors if they choose to do so.

One of the things that we found is that the more information that you have available and the easier it is for you to recall that, the more options our customers as investment managers have in terms of how they report.

That allows them to engender a lot of goodwill and positive rapport with their investors, and ultimately, as we know, our customers like anybody else in the industry need the capital to feed their businesses.

I think that's really one part of the equation in terms of how we think about transparency. The other is really a question around enablement. By enablement I mean is this a skill issue, or a will issue.

It's not uncommon for us to encounter managers who really want to be transparent in their reporting, but the problem is they don't have the tools that enable them to do that. Juniper Square becomes an enabler for them to unlock the capacity and be able to report to their investors in the way that they would like to it.

That said, for some, it's a will issue and they simply don't want to share information, and that is OK too. Juniper Square doesn't control how much information is shared. It only provides the tools that enable managers to share information if they want to be able to do so.

Scott: Very interesting and really well-stated. I think you clearly articulated both the reality in your environment, but also, interestingly, the reality in our world as well. Where we share common ground there is with regard to the need to share information with other people, right?

I think I heard it stated clearly to me recently by somebody who is an investor where they said, "Listen, we're not users of tools or technology, but we are consumers of information."

The better you can be at making information readily available to us in a form that allows us to understand clearly what's going on, the more value you provide. We have this appetite for information and data that is often challenging for us to get, or has historically been challenging for us to get from either our operating partners or management partners, and so forth.

For us and our customers, it's very much the same situation where they're looking at operational data and operational insights on a daily basis, and they use that for managing the day-to-day happenings in a particular property or portfolio for their own purposes.

Ultimately, that information needs to also be available to their customers who are your customers, the owners, the investors, the people who are funding the project, or the building and actually need some insight into what's going on.

Historically, again, that has not been something that's been readily available because the management teams they hire, platforms that they've used -- whether it's a platform like ours, a SaaS-like product, or an Excel spreadsheet, etc. -- haven't done an effective job at making that information available and transparent to the ultimate customer who is the owner and the investor.

Similarly, sometimes that information, they may not want to make all of it available. They may want to make some of it available, or put it in a format that synthesizes what's really important for them. A lot of similarities and parallels there, and I think you did an incredible job at articulating that.

Brandon: Scott, you made a really good point around the ability to control who gets what and how information is shared, and I think this is critical. For anyone listening who's evaluating a potential onboarding of a software provider, our fundamental approach to that -- and I've stated this I think a few times already in this podcast -- is that we are not in a position to tell any of our customers how, or what, or when they should be reporting.

What we're in the business of doing is giving them the tools so that they can report and communicate the way they want, when they want, how they want, and to whom they want to communicate it to.

That's a really important nuance because, as you and I both know, the psychology of the real estate industry is people don't want to be told how to do what they've always done. They want to have a way of doing it better and more efficiently.

I think you raised a really good point around big data, and if I may, I'd love to, Scott, just bring this back to a recent ULI conversation. As you mentioned, I started and led the Real Estate and Technology Group for the Urban Land Institute, which is a global real estate think tank with nearly 50,000 members in a hundred countries around the world.

I still continue to chair that group in a capacity as a member of ULI. A few weeks ago, we had our annual meeting in Seattle during the ULI spring meeting, and we gathered about 75 leaders from the real estate space, and the technology space, and some who have successfully bridged that gap.

One of the themes that bubbled up in the meeting was this issue of big data. Big data is kind of the buzz word of the moment. I'm sure many of you listening would be really interested in finding that magic solution, that magic bullet, so that you can leverage your data and make more money with less cost.

I think that one of the things that as an industry, specifically a real estate industry we need to realize is that big data is really truly a valuable asset. There's the old adage that I'm sure you know, Scott, and many of your listeners knows, which is "Garbage in, garbage out."

One of the things that I always suggest to real estate investment managers, operators, owners, brokers, etc., is get your data organized. The very first step of having the tools to use big data for business intelligent purposes, and to run algorithms, and do all the fancy stuff that we hear about is having organized data.

There's a number of different ways to get it organized, but tools like Building Engines, which help your customers aggregate your data and have it stored in a way that they can access it on-demand is one such tool. We do the same thing, but at the top of the capital stack for investor capital accounts.

It's really critical that before anybody begins thinking about writing algorithms and thinking about business intelligence, they take the time to get all of their data organized, so that they can use that data effectively on a go-forward basis.

Scott: That's a terrific point. It's interesting. Also, when you think about the analogue internally to the way we run out own businesses and the importance as we grow our own business that we think about data, the same is true for our customers.

Whether you're using tools like Salesforce, or in my case, marketing automation tools, etc., our lifeblood is our data. The effort we go through to keep that data clean and organized and optimized, so we can help ourselves grow our businesses is the same story for our customers as well. That's a great valuable lesson and important point, and thank you for sharing that.

One of the things following up on transparency, which I think we covered really well here is the emerging importance of the stakeholder experience. For tenants, or our customers who are investors, with your customers, how does data help to create a better experience? And what's informing their expectations these days?

Brandon: That's a great question, Scott. I think for us at Juniper Square, there's really two stakeholder groups that we impact most. One is our customer who's a real estate sponsor, a real estate investment manager, and the other is their end investor. Let me start with the former and then I'll kind of move through.

For the manager, the thing that they largely care about is a software system that's easy to use, that's intuitive, that's going to help them save time, hopefully help them save money, and most importantly, help them be better at their job.

I cannot tell you how many conversations I have with potential and current customers who ask me the question, "How many people do I need to run your software?" And I laugh and you laugh because you and I both know that software has come a long, long, long way.

When you think about your day-to-day life, you think about your iPhone, or your Android and you think about the apps that you use, how many times do you need to open an instruction manual to use an app? How many times do you need to call a human being to walk you through how to use that app?

Almost never because they're designed to be very intuitive and very user-friendly, both visually as well as from a navigation perspective. That is the era that we live in. This is the era of modern software.

For everybody listening who's gone through a terrible software migration, who's hired throngs of people to run their software -- who has people on their teams who running software today that if those people leave the software may break -- that's a really good opportunity to pick up and reevaluate the tools that you're using because modern software solutions like Building Engines, like Juniper Square are literally transforming the user experience.

For us, functionality, obviously if the software doesn't do what it represents to do, it's going to be a non-starter, but it's really the ease of use. What that means for our customers is that it's unlocked a whole new level of the types of people who engage with our tools.

Whereas before, it may have just been the head of investor relations, or the head of capital raising, and maybe the controller, or the CFO, today the folks that use Juniper Square range from the managing principals and CEOs of the firms all the way down through administrative assistants and everything in between, because the training and the onboarding is really, really simple, especially compared to the tools that they're using.

My opening comment, and Scott, you may have heard this if you've been at any conferences that I speak at, is I always ask the audience, "How many of you think of software as a four-letter word?" Usually, 80-percent of the audience raises their hands. The reason that they raise their hands is because they've been overpromised to and vendors have under-delivered.

The secret is out. That's no longer acceptable. There's companies out there who will overpromise, or promise appropriately and deliver above expectations with a really phenomenal user experience, and that is where software is going and that's a really different place than where software has come from.

I'm not sure if that makes sense to you, Scott, but on our customers, the manager side, that's really the key element that's shape-holding stakeholder experience as it relates to using Juniper Square.

Scott: Yeah, absolutely. I think, again, we share a similar perspective and thought process there. We deal with that all the time where we're talking to people whose beliefs about software are rooted in historical perspectives, from some very painful experiences.

They've deployed either very large, complex systems that just took way too long to get up and running and going, and just devoted tremendous amounts of time and resources to it, and oftentimes, as you said, weren't delivered from by the provider on the backends.

It was a tough experience, and I try to overcome them by telling them, well that's not the way it should be. You should look at some consumer-like experiences you've had. That's the experience you should get with business software these days.

For us, also very much the same, we have a couple of end users. We have our customer who is the buyer of our software, our system, who is sort of the end user, the management entity, the operator of a building or portfolio. More importantly, to them, from their perspective, it's their customer, the tenant in the building.

Absolutely, they don't have as a management entity these days, they run pretty lean. They don't have the bandwidth to support training, onboarding, teaching people, teaching their customers how to use an application that serves as the conduit between the two of them, so it has to be super simple to get up and running and easy to use and deploy.

If you begin the conversation by saying, "Well, we have a manual and extensive training," you've already lost because that's not what people need these days. It should be super intuitive to just get up and understand as you start using it.

Brandon: Absolutely. I think you hit on a really critical point relating to your customer's customer. As software providers, both of our organizations and firms care about this.

The reason that we care about it is we're signing up our customer, but if the tool that they're buying doesn't work the way that we represent it to work, who they're ultimately going to be letting down is their customer. That's where the system breaks down. That's where trust erodes.

There's a few other vendors that are in a similar space to Juniper Square and have a similar product. One of the things that's been happening is some of the customers from the incumbents have started to come over to Juniper Square, now that we're generally available. One of the primary reasons is because of that customer's end user experience.

One of the things that we've heard again and again is we deployed this software, we spent all the time we needed getting on boarded and getting trained. It was very clunky, it was very complicated. The straw that broke the camel's back was when our investors couldn't access the site, when our investors couldn't log in, when our investors started to have problems.

At the end of the day, that's a really different conversation because what that means is that they've put their reputation on the line, not just with you, their vendor, but with their end user, their ultimate customer. That's a critical business decision, one that could really erode trust in confidence if what they represent to be true is not actually true.

I think that's often overlooked by a lot of people when they're making purchasing decisions. I think the writing is very clear in the sense that a lot of our growth is actually coming from investors who have seen our software deployed with their managers who refer us to other managers that they invest with.

So that net promoter score, those customer referrals are something that we take very, very seriously because it basically validates that, yes, the product does do what we represent it will do and it does it in an exceptional way. It's really hard for someone evaluating software to know that unless they've had the ability to talk to the end user of that software.

Scott: That's terrific. There's nothing better than referral business, right? If you've done that well, you know you're on to something, that's great. We've spent a fair amount of time talking about data today.

When you talk about data -- I think particularly as you think about what you guys are doing, which is touching financial positions and investor-related data -- you have to talk about data security and security concerns.

What does Juniper do? What can CRE firm do to ensure that they're maintaining proper stewardship over data security? And perhaps, where do you see people falling short now today?

Brandon: It's a great question, and I think there's a lot of room for education here. Due to the nature of the information that our customers are entrusting to us, data security is critically important. I won't get into the technical specifications on this call because it may be a little bit too detailed for our customers, but I think at a high level, there's a few things that everybody should keep in mind.

Number one is, what is your right to your data? Who owns the data that you're sharing with the vendor? In the case of Juniper Square, we're very, very clear. Our customers own all of the data, all of the time. The only way that we can access customer data is if it's for a specific customer request and our customer is authorized to do so. I think that number one is who owns the data.

Number two is, how do you get the data out of the system? What if your vendor goes out of business? What if you decide that there's a better solution? How do you extract that data, and how hard is it to do so?

For Juniper Square, we've preemptively addressed that by allowing our customers to actually export a lot of the data on their own from almost every different page within our software application. That gives them a lot of confidence that in fact we're not actually trying to back up that data.

Number three is, where is that data being stored? Who's hosting it? What are their obligations? In our case, we're running everything in the cloud, and our host is Amazon Web Services, or AWS. For any of you on the line, you know that AWS represents a gold standard in cloud-based hosting and hosts many of the country's Fortune 50 to 5,000 companies.

Then the forth question is, how is that data being backed up? What happens if there's a system outage? In our case, we're actually backing up the data in triplicate in data centers on the East coast, on the West coast, and roaming data centers in the middle of the country. Those are a few of the basic questions that I always start with asking about data.

The one overarching theme that I would say is that before you start grilling your vendor on their data security policies, it probably makes sense for you to actually understand what those policies mean, and what you need for your organization, because it's not all things for all people.

In order to that there's plenty of great consultants that you can entrust, plenty of peers that you can talk to, but data security is a very, very complicated thing. For all of the secure and personally-identifiable data that our customers entrust to us, we've never once had a single issue.

I'll tell you the biggest issue that our customers face related to their data is twofold, and neither of it has to do with software like yours, Scott, or like ours at Juniper Square. It has to do with their employees.

Number one, is that data stored on employee laptops? Where are those laptops going? Are the hard disks encrypted? What happens if that laptop gets compromised, or stolen? Who has access to the data?

That's a huge issue. It has nothing to do with software. In fact, it actually has a lot to do with locally-installed software because that means you have to have the data stored locally on your machine versus in the cloud. That's actually a benefit of adopting a cloud-based software solution like Building Engines or Juniper Square, for example.

The second is phishing. Our customers are in the business of managing money and as part of that they ask for money in terms of capital they're receiving, and they distribute money in terms of capital that they're returning to their investors. There's some very, very sophisticated cyber warriors who basically phish for customer data.

The way they do that is they represent to be someone within your organization, they send an email that looks like it's coming from an email that's familiar that you know. When you click on that link that is when they're basically hacking into your system, extracting that data, and using it for malicious purposes.

That is by far and away the most common problem that we see -- especially with investment managers who are worried about sensitive information -- is the vulnerability that they have with their employees, in terms of being subjected to a phishing attack and sending money to the wrong person, or having personally-identifiable information compromised.

Scott: I heard it described recently as the biggest problem in data security is the "last inch" problem. It's the distance from your finger to the mouse and exactly for those reasons. The things you've outlined are exactly the things that we talk to our customers about in terms of how their data is protected with us, and the three things we recommend as you think about service providers and technology.

Who owns your data, how do you get access to the data in the event something happens with the provider? Where is the data stored, what are the security processes and procedures in that environment as well? Obviously, you guys are hosted at the most well-known place right now that you can be hosting applications in the cloud, at AWS.

The last thing I would say is that we invested in several years ago was SOC 2 compliance, not every firm can do that. We have the benefit of having that ability, which is where we have an external auditing firm come in and evaluate our company in terms of our internal controls, policies, and procedures that relate directly to the security of our system and application.

It's an audit process we go through every year. That's just that extra measure of security and comfort level that we provide our customers. Those are all the right things, and it sounds like you guys are doing a great job there.

As we think about wrapping things up, I'm really interested in your perspective. Now that you're on this side of the equation, this side of the table, the provider side, and given your experience at ULI, what have you learned -- maybe some beliefs, or biases you had that were dispelled, or some myths that existed about commercial real estate technology as a whole? And then, where do you think the CRE technology industry can get better?

Brandon: I'll tell you it's been a lot of fun to be on this side of the table. The biggest changes is obviously the cadence. This is a very fast paced, high growth part of the real estate ecosystem, meaning technology startups.

I think that the motivations of many of the leadership teams out there are absolutely in the right place. I've developed an even deeper appreciation for my peers who are using technology to help evolve the real estate industry.

One belief that's been codified in an even stronger way since I left ULI is this need to partner. The real estate industry, I believe, is really truly in the very early, early stages of using technology.

For a variety of reasons, both due to the organic way that the industry has evolved and the personal nature of deal-making that exists in a lot of the companies that are leaders in this space, there's been a lot of resistance to changing anything that's working.

I think that people are finally coming around to the fact that technology is not going away, and it's no longer cool to be a technophobe, or a Luddite. This is a conversation that I have with CEOs and CFOs nearly on a daily basis.

One of the opportunities here is to really embrace technology within your organization and find groups that you can partner with. The onus is on us, Scott, and all of our peers who are leading technology organizations to be honest, transparent, and ethical, and really be a resource for our customers.

To help our customers get up to speed, to help them learn our tools, to help them learn the competitive landscape, and to help connect them with others who can also be useful. The reality is there's not a lot of trust out there, and there's not a lot of conviction for how to use software.

The good news is there's an increasing desire to use it because people know that it's going to be very, very beneficial. I think partnership between real estate technology providers and their customers is critical, and I didn't appreciate how critical that is.

I think the second is that there has been a proliferation of new technologies to help real estate owners, asset managers, property managers, brokers, etc., do their jobs better. While I'm a really big fan of entrepreneurship, I'm a little bit nervous quite candidly that the plethora of options is quickly becoming overwhelming.

While I'm a big fan of options and I think options are great, one of the big challenges for our respective customer base is that they don't know who the right vendor is, and they don't have the right framework and set of information to make decisions. I do think that we are going to start to see some more consolidation in the space.

I think the big will continue to get bigger. I think the small will get rolled up into bigger organizations that give them more scale and more institutional power. I actually think that that's going to be a good thing because the plethora of options today can become overwhelming.

When people are overwhelmed, especially in the real estate space, they might suffer from paralysis, and paralysis means not making a decision. As the last parting word takeaway for everybody on the podcast, now and in the future, I would say think about how your firm is evaluating its technology purchasing decisions.

Do you currently have a person on your team -- whether they're senior or junior, whether they're new or an old organization -- that you can deputize to evaluate and recommend new software to you, or to your team?

If you don't, you ought to think about putting somebody in that position, and you ought to think about deputizing them to make recommendations, and to fail. If they fail, you need to know that failure is part of innovation and you can pick up and try again.

If you don't have somebody on your team who can be responsible for leading these conversations, it's going to be very, very challenging for your organization to adopt the range of solutions that you need in order to be successful and scale your business.

That's always my big ask. Think about how you approach software, identify somebody within your organization who can be a champion and a leader, deputize them to make recommendations and decisions, or at least get the ear of somebody who can, and try a few things out.

Learn from your mistakes, embrace your successes, and I have no doubt that when we have this conversation in half a decade from now, we'll be at a very, very different place in the adoption and utilization of technology within real estate organizations, specifically in our case, within real estate investment managers.

Scott: Wow, that's exceptionally well said. I certainly can't improve on anything you outlined there, and I thank you for sharing that with us. As always, Brandon, it's been a pleasure to speak with you.

I always learn something new every time we have a conversation, so I really appreciate you taking the time to share that insight with us, and with our audience, and with our customers. If people want to learn more or connect with you, what's the best way for them to do that?

Brandon: Yeah, absolutely. Junipersquare.com. Www.junipersquare.com, or you can email me directly at brandon@junipersquare.com. Junipersquare is all one word, so that's brandon@junipersquare.com.

Scott, a special thanks to you and your team at Building Engines. You guys are doing some incredible work, and I'm very appreciative of the opportunity to share our little story with your listeners and look forward to doing it again in the future.

Scott: Thank you. Likewise. For all our listeners, a reminder that the interview, in addition to being available on our website at buildingengines.com, under our Resources section, we will have a transcription of the interview available hosted on our website. We'll have a summary blog that accompanies the podcast and be sent out to all of you additionally.

We look forward to you joining us on our next podcast. I want to thank you again, thank Brandon again for joining us today, and we look forward to speaking with you again soon. Take care.

QUESTIONS FOR THE HOSTS?

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