

Transwestern Achieves Significant Operational Efficiencies and Cost Savings for a 47 Million-SF RREEF Portfolio

AT A GLANCE

CLIENT

RREEF

SIZE

47 million SF
132 properties
650 buildings
2,700 tenants

SERVICES PROVIDED

Management Services
Accounting
Construction
Management
Renewal Leasing
Due Diligence

THE CHALLENGE

In 2009, RREEF, one of the world's largest real estate investment managers, determined to outsource the property management and accounting of their office and industrial property portfolio. After 30 years of direct property management of their clients' portfolios, this was not a decision they took lightly. Not only did we need to maintain the properties' operational excellence, a large portion of the RREEF family would transition to the new property manager.

In September 2009, Transwestern was selected by RREEF to provide property management, renewal leasing, construction management and financial reporting for 47 million square feet. The portfolio totaled 132 industrial and office properties, comprised of 650 individual buildings ranging from California to Florida.

THE SOLUTION

Just three short months after selection, Transwestern assumed responsibility of the 47 million-square-foot portfolio in December of 2009 along with the on-boarding and integration of nearly 140 RREEF employees. Transwestern developed and executed a comprehensive plan that seamlessly transitioned property operations, human resources, and accounting/IT without disruption to RREEF's clients, asset-portfolio management team or the tenants.

HUMAN RESOURCES Nearly 140 management services and accounting personnel transitioned to Transwestern. Transwestern conducted team member reviews at 30, 90 and 180 days and defined the conditions and use of Transwestern's and RREEF's policies and procedures, and unified the two cultures. During the transition we created a repository for client-specific standard practices, cross-company policy and procedure matrices, and training programs.

ACCOUNTING Transwestern completed the full integration of financial accounting and reporting requirements for the portfolio in May 2010. This included integrating RREEF's property accounting offices in Chicago and Costa Mesa, CA, totaling 52 accounting personnel. 132 sets of books (cash, accrual and GAAP) comprising 2700 tenants were migrated from RREEF's CTI system to MRI, all of which was done over a highly secure data environment that satisfied both RREEF and Deutsche Bank's stringent data security standards. Eight phases of data testing covering 300 reports were involved in the migration/conversion.

OPERATIONS Transwestern completed Property Conditions Assessments (PCAs) for all office assets and integrated the portfolio into our Internal Quality Assurance (IQA) program. The following measures were also taken:

- Renegotiated vendor contracts.
- Implemented certificate of insurance tracking programs.
- Reduced cost and turnaround time of vacancy “clean and shows” by serving as general contractor.
- Developed comprehensive business continuity and emergency preparedness programs.
- Initiated responsible contractor and disabled veteran/business enterprise reporting.
- Implemented a single point of contact role for operations and accounting to ensure seamless communication and integration.

SUSTAINABILITY Transwestern benchmarked all assets in the ENERGY STAR® program, and initiated several no- and low-cost measures for energy savings. Transwestern also entered 300 buildings in the Greenprint Program, a global sustainability tracking initiative; instituted an energy tracking system and vacant space utility management program; and implemented on-billing financing and demand response programs with municipalities in certain markets. Transwestern recently achieved USGBC LEED-EBOM Gold certification for 5950 Sherry Lane in Dallas, and is currently pursuing certification of several other properties across the country.

Additionally, Transwestern assisted RREEF in establishing their Standards of Sustainability program across their portfolio, which includes registering and benchmarking all buildings to the EPA ENERGY STAR program, completion of the BOMA Energy Efficiency Program (BEEP®), adoption of green cleaning and low-impact landscape maintenance protocols, and the regular communication and reporting of all sustainability initiatives with tenants and clients alike.

VALUE ADDED BY TRANSWESTERN

Within this portfolio, Transwestern increased our value to the client in the following ways:

COST SAVINGS In the first year of operation, Transwestern achieved cost savings by several means. Certain assets reduced operating expenses by up to 20%. A negotiated fire/alarm sprinkler contract achieved a 9.9% reduction in this category across the portfolio. Low-cost energy management measures resulted in a 4.4% reduction in electricity expenses portfolio-wide. Transwestern also implemented many capital projects that reduced operating cost and will provide significant long-term value to the assets.

OPERATIONAL EFFICIENCIES A national procurement program not only reduced costs but streamlined purchasing processes. This included the integration of preferred RREEF vendors in certain categories.

RISK MITIGATION Transwestern successfully implemented the following risk management actions portfolio-wide: thorough lease administration; detailed semi-annual property inspections; annual environmental and roof reviews; ongoing safety inspections; and the development of property, regional and national emergency preparedness and redundancy data storage programs.

TENANT SATISFACTION Transwestern's tenant satisfaction efforts began with a smooth and transparent takeover of each property's operations, enhanced with a host of customized, property-specific tenant relation programs. Engaging Kingsley & Associates to objectively measure the full range of the tenant experience—including service delivery, the leasing process, property features and building maintenance—Transwestern achieved outstanding results across the portfolio with scores that met or exceeded the industry index. These high marks in tenant satisfaction have contributed to achieving high occupancy throughout the entire RREEF portfolio.

ADDED VALUE TO TENANTS Throughout the RREEF portfolio we also added increased value to tenants by reducing occupancy costs in several ways. We provided the opportunity for tenants to participate in bundled rate contract for energy services, to reduce power consumption by updating (retrofitting) lighting. Additionally, Transwestern consolidated contract services for cost savings, and provided the opportunity for tenants to purchase capitalized equipment at reduced prices

CULTURE Nearly 140 former RREEF employees found a home at Transwestern that provided career advancement and enrichment opportunities. Vice President Greg Herriman said, "As we faced the transition, Transwestern sounded very much like the RREEF that I knew, and it turned out to be true. Transwestern treats people with respect; more like a family. It helps us work together as a team to drive excellence and best serve our clients."