

Executive summary | Roundtable II | June 14, 2023

Wipfli Real Estate Leaders Exchange

Host: Cory Bultinck | Wipfli

Subject matter expert: Kelly Fisher | Wipfli

Facilitator: Austin Evans | Profitable Ideas Exchange

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Introduction

Eight leaders from the real estate industry met by phone to share leading practices and discuss topics of mutual interest based on an agenda created through a series of pre-interviews.

From Wipfli, Cory Bultinck, partner and national real estate leader, hosted the exchange and Austin Evans of Profitable Ideas Exchange facilitated. Kelly Fisher (practice leader of accounting, tax and consulting services at Wipfli) joined to provide subject matter expertise. The focus of the discussion covered the following topics over the course of the hour: exploring artificial intelligence (AI) technology and enhancing financial strategies.

Artificial intelligence

Cory Bultinck of Wipfli introduced the conversation on financing considerations and the exploration of leveraging AI.

- To provide context on Wipfli's perspective in the AI discussion, Kelly Fisher welcomed the traction AI language models are receiving, and noted ChatGPT was able to amass 100 million active users in only two months.

In response to the rise of generative AI, Wipfli has prioritized the advancement of its next AI adoption phase.

- While the hype around AI technology has created an image of a catch-all solution, Fisher emphasized the importance of maintaining focus on the business value to the organization when considering AI implementation.
- Organizations face the difficulty of striking a balance between integrating different systems and adding to them or considering prebuilt solutions such as Power BI and Tableau that will likely offer a wide range of possibilities in the next nine to twelve months. In the interim, companies should proactively establish data security preferences and confirm their information architecture and data sources can leverage these emerging capabilities effectively.

Artificial intelligence

The group had interest in exploring the various applications of AI within the real estate industry.

- Symmetry, a startup out of St. Louis, recently integrated AI into their system to optimize financial reporting, saving approximately 80 hours of time for one member organization's accounting department.
- This leader also shared that they were utilizing ChatGPT for pitch deck narration and Placer.ai to monitor and drive foot traffic to their retail locations.
- Fisher urged the group to exercise caution when utilizing public language models such as ChatGPT, highlighting concerns regarding internal data leaks.

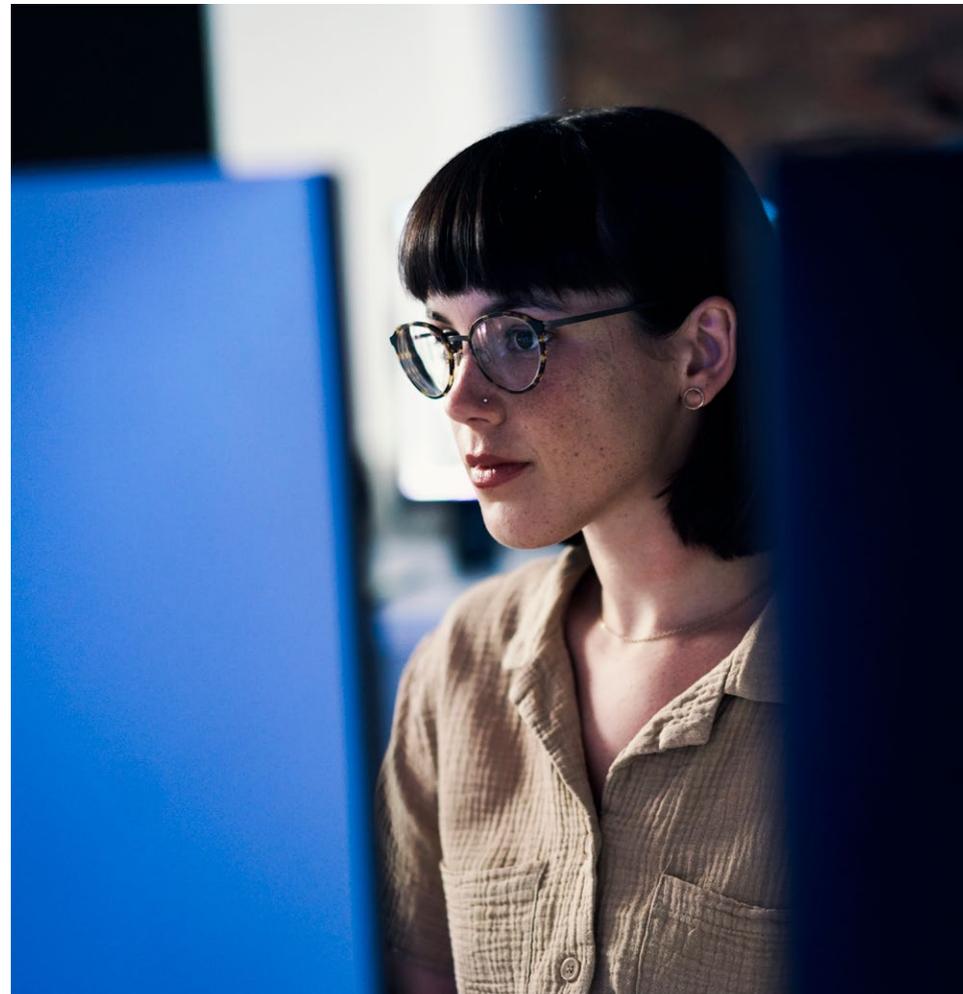
Currently, most organizations are in the testing phase and are actively experimenting with various AI platforms to address different use cases.

- One organization is collaborating alongside an AI bot company to automate their bank reconciliations and streamline the process of daily bank deposits for their accounts receivable team.
- Recognizing the data privacy concerns posed by AI solutions, leaders are looking for a streamlined solution that offers a secure system to minimize the risk of inadvertently exposing sensitive personal or financial information.
- One participant is considering an alternative to Juniper Square that is Systems and Organization Controls 2 compliant and emphasized the importance of ensuring proper data protection measures are in place.

Artificial intelligence

Kelly Fisher urged the group members to engage with their partnering CIOs and CTOs to gain clarity on their AI road map and identify potential challenges or alignment concerns.

- As companies grapple with the challenge of managing disparate information and understanding the underlying software platforms, the industry is moving towards API-first strategies that will offer streamlined visual data and automation in the next six to nine months.
- For example, one member is outsourcing an assistance program at an affordable rate, effectively bridging accounts payable and accounting gaps and allowing the organization to prioritize higher-level tasks during periods of constraints.



Financing challenges

Facing the challenges of rising interest rates, participants were curious to hear different approaches to raising capital and exploring lender options.

- Finding capital sources for investments has become increasingly challenging, leading to a shift toward cash deals and higher upfront capital investments to lower loan-to-value ratios.
- While acquiring low-priced deals in office real estate hasn't been a major challenge, as one member of the group noted, difficulties surface when selling or refinancing properties due to the tight margins.

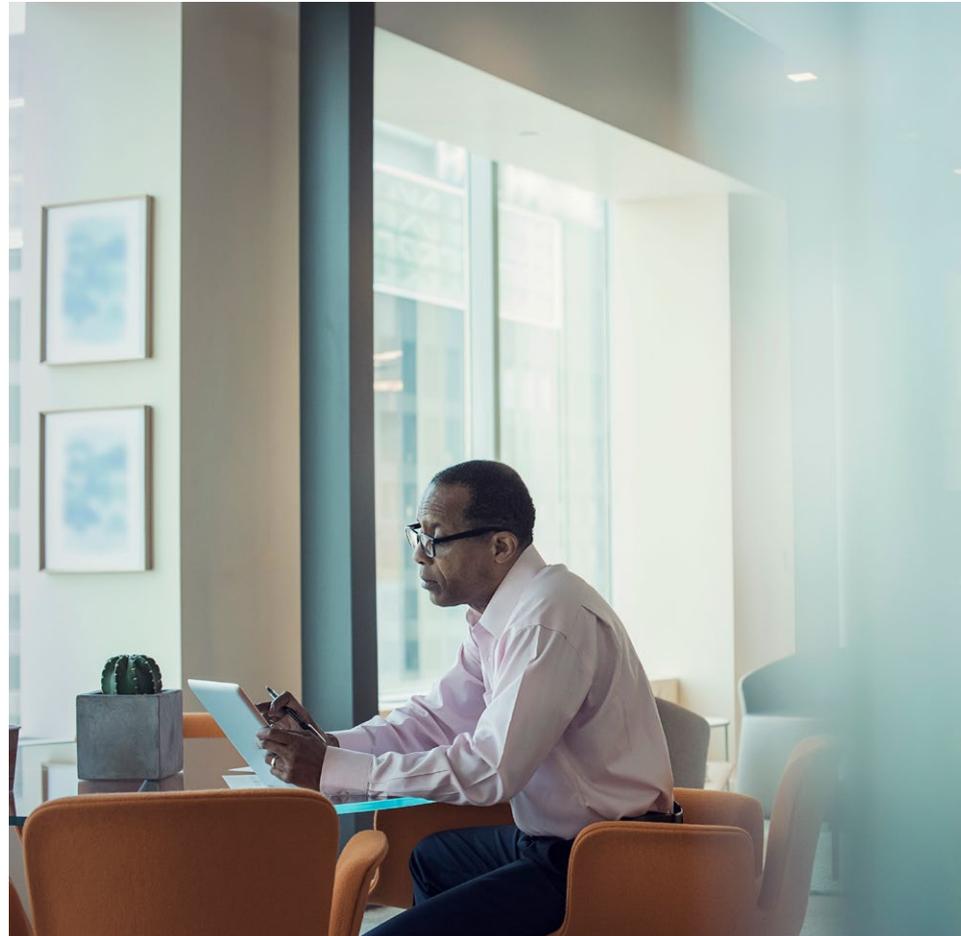
Following the collapse of Silicon Valley Bank in March, many regional banks are tightening up their lending standards.

- Most leaders are falling back on building partnerships to find equitable credit.
- Real estate organizations are exploring all lending options and some have delayed projects until they can justify the high interest rates, considering 6% has become the new normal.
- In one instance of creative financing, a tax credit deal along with leveraging community bank credit unions and partnering with nonprofit organizations that offer favorable debt terms made a senior living facility financially possible.

Financing challenges

Insured cash sweeps are another viable safeguard against a bank failure.

- Insured cash sweeps allocate cash across multiple banks to stay within FDIC limits. They provide coverage for large sums while keeping funds consolidated in one institution without incurring fees.
- One CFO pointed out that there isn't much room for any long-term holdings in the current market, with the need to distribute funds to investors despite minimized cash reserves. Leveraging banks to secure favorable interest rates while also exploring alternative options such as bonds and sub debt to optimize returns for investors means remaining flexible with cash reserves.





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