

INTRODUCTION: WHY PROPERTY MANAGERS SHOULD THINK LIKE ASSET MANAGERS

The Evolving Role of Property Management

In recent years, the commercial real estate (CRE) industry has undergone significant changes, reshaping the roles and expectations of both property managers and asset managers. Traditionally, property management has focused on the day-to-day operations of a property, including tasks such as tenant relations, maintenance, budgeting, and ensuring compliance with relevant regulations. But today, that scope is expanding.

This shift is the result of a combination of economic pressures, industry trends, and advancements in technology, including:

Increased Investor Focus on Asset Performance

- **Owners of income-producing properties commonly prioritize net operating income (NOI) and asset value:** Investors are looking for ways to optimize income streams and reduce expenses, making it essential for property managers to take a more strategic role in financial decision-making.

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Property managers are no longer just operational specialists; they are increasingly expected to contribute to the overall financial performance and strategic direction of the assets.

- **Cap rate compression¹ and rising operating costs:** With shrinking margins in some markets, owners expect property managers to focus on cost control, lease optimization, and value-enhancing initiatives to maintain strong financial performance.

The Growing Influence of Data and Technology

- **Access to real-time analytics and performance tracking:** Property managers now have the tools to provide investors with actionable insights on occupancy trends, expense patterns, and capital planning.
- **Integration of property technology (PropTech) solutions:** Property technology (commonly referred to as PropTech) is changing how real estate professionals analyze and make informed decisions about real estate investments. From automated lease management to predictive maintenance systems, technology has enabled property managers to make data-driven decisions that directly impact asset performance.
- **The growing influence of data and technology:** Automated intelligence (AI)-powered tools are revolutionizing how property managers interact with data, offering enhanced forecasting, automated workflows, and deeper insights. With advancements in machine learning, managers can minimize energy consumption, predict maintenance needs, and improve the tenant experience through intelligent building systems. Asset managers can also use AI to simplify complex decisions by analyzing vast amounts of data and streamlining the decision-making process, thereby enhancing both the accuracy of decisions and the time spent researching and evaluating options.

1. We will explore capitalization (“cap”) rates later in the book. For now, just know that “cap rate compression” generally means that property values are increasing faster than rental income – often because 1) more investors are competing for properties, 2) lower interest rates, and/or 3) strong, stable market conditions. **For Sellers:** It’s a good thing! Lower cap rates mean property values are increasing, allowing owners to sell for a higher price. **For Buyers:** It makes investing more expensive. They pay more for properties, often accepting lower initial returns. **For the Market:** It signals strong investor confidence, but it can also lead to concerns about overvaluation if prices rise too quickly without income growth.

Shifts in Tenant Expectations and Market Demands

- **The tenant experience is now a competitive advantage:** Tenant satisfaction and retention directly impact income – and, ultimately, asset value. In today’s highly competitive leasing environment, property managers must take an even greater role in enhancing tenant engagement, offering flexible lease structures, and implementing service-oriented management strategies.
- **Workplace and retail transformations:** The rise of hybrid work models, e-commerce-driven changes in retail, and the demand for environmental, social, and governance (ESG) initiatives mean property managers must be forward-thinking in their approach to leasing and space utilization.

The Blurring Line Between Property Management and Asset Management

At one time, the delineation between the work of asset managers and property managers was clearly defined. However, today, the lines are blurring. In some cases, certain traditional asset management functions are handled by property managers. More importantly, by making good, data-informed decisions, property managers can positively impact the owner’s financial returns and, ultimately, asset value.

- **Real estate managers** must deeply understand and be comfortable reading and interpreting lease documents. Additionally, property managers and leasing team members must collaborate to ensure that the leases align with the owner’s long-term financial objectives.
- **Capital expenditure planning and lifecycle asset management:** Instead of just handling day-to-day property operations, property managers are increasingly involved in forecasting capital expenditures (CapEx) and ensuring they align with asset repositioning strategies.
- **Risk management and regulatory compliance:** With increasing regulatory requirements (e.g., sustainability mandates,

tenant rights, and building codes), property managers must assess and manage risks that could impact asset value.

The Rising Demand for ESG and Sustainability Initiatives

- **Energy efficiency and green certifications:** Property managers are expected to implement and manage energy-efficient solutions and **sustainability programs** to minimize energy consumption and optimize **environmental stewardship**. In many cases, this means incorporating various certification programs and standards into their practices in order to maximize asset value.
- **Investor demand for Environmental, Social, and Governance (ESG) reporting:** Many institutional investors (like insurance companies, pension funds, and private equity investors) now require detailed sustainability reporting, and property managers play a key role in collecting data and implementing sustainability measures.

This shift is being driven by investor expectations, **data-driven decision-making**, changing tenant demands, and the integration of sustainability into real estate strategy. Those who adapt to this new reality will play a crucial role in the long-term success of commercial properties.

Achieving the owner's expected financial returns on their real estate investments entails maximizing net operating income (NOI) and identifying strategies to optimize long-term asset value.

Tenant Expectations

At the same time, tenants' expectations are evolving. Today's commercial real estate tenants want more than just space. They want a high-functioning, technology-driven, sustainable, and flexible environment that supports their mission.

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Today, property managers are no longer “just” operations experts. Instead, they are expected to act as strategic partners who contribute to financial planning, risk management, tenant retention, and asset value optimization.

The most successful property managers take a **tenant-first approach**, understanding that tenants today base their leasing decisions on more than “just” cost. While cost is often a key driver in tenant decision-making, tenants are increasingly evaluating leasing options based on their overall experience at the property, efficiency factors, and the property’s alignment with the company’s business objectives.

By delivering on these expectations, property managers can not only attract premium tenants but also improve the potential for lease renewals, all of which enhances asset performance and creates long-term value for the property owner.

The evolving role of property managers is driven by several key factors that are reshaping expectations in the commercial real estate sector. No longer seen as purely operational specialists, property managers are now expected to contribute to the overall financial performance and strategic direction of assets.

Property managers who can think like asset managers are well-positioned to respond to evolving tenant needs, leveraging their operational insights to make strategic contributions that benefit both tenants and owners.

This evolving role presents an opportunity for property managers to assume more impactful positions within their organizations. By adopting an asset manager’s mindset, property managers can transition from being viewed as “asset babysitters” to key drivers of property value.

Over time, the distinction between property management and asset management will continue to blur, and those who can navigate both roles will set themselves apart.

Even if you do not aspire to become an asset manager, the ability to “think like an asset manager” will help you advance your property management career and make you an invaluable and indispensable resource.

The Value of Adopting an Asset Manager's Mindset

So, what does it mean to “think like an asset manager?”

Asset management focuses on the long-term goals of a property, primarily maximizing the asset's value and achieving the financial objectives set by the investor(s).

Unlike property managers, who traditionally focus on keeping operations smooth and costs in check, asset managers are focused on the strategic decisions that affect the asset's performance, such as **capital improvements**, risk management, **market positioning**, and **tenant mix**. They consider the “big picture,” understanding how every decision impacts the property's **value** and the investor's **return on investment (ROI)**. Asset managers typically serve as the “quarterback” of the property team, overseeing and connecting various functions, including property management, building engineering, leasing, construction, legal, risk management, and a host of other roles.

When property managers adopt an asset management mindset, they approach their work from a distinct perspective. They recognize that each decision they make – whether operational, financial, or tenant-related – has strategic implications. For example:

- They analyze how maintenance expenses can be optimized to improve NOI.
- They understand the impact of tenant retention on the property's long-term value.
- They view capital expenditures as investments as opposed to costs.
- They think beyond the day-to-day operations of the property and the short-term financial planning associated with the annual business plan. Instead, they think strategically about how to optimize the property's operational and financial performance over the long term.

This shift in mindset to “think like an asset manager” allows property managers to make decisions that align more closely with the

investor's goals (financial and otherwise), improving property performance and asset value over time.

Moreover, thinking like an asset manager empowers property managers to take “ownership” of their roles in ways that foster growth, both for their properties and their careers. By understanding the financial and strategic decision-making process of asset management, they gain credibility with owners and expand their career opportunities.

Asset managers are more than just financial stewards. They are strategic value creators who maximize property performance through NOI growth, market positioning, capital planning, risk management, and long-term asset appreciation. By implementing targeted value-creation strategies, asset managers can enhance investor returns, ensure portfolio resilience, and maintain competitive properties in an evolving CRE landscape.

*A well-managed asset doesn't just maintain value;
it appreciates in value.*

By adopting this mindset, property managers can create greater value for their owners, become indispensable partners, and reach new career heights in commercial real estate.

