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LEAP and REAP

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Technology at play in the real estate lease administration space.



Srikanth Ramachandran

Real estate leasing involves a landlord and a tenant. Sounds simple. Complexity enters in the form of the terms and conditions that the parties agree to. "Each lease document runs to around 120 pages and on an average has 700 data points that are critical to both the parties," says Srikanth Ramachandran, President & CEO, NTrust Infotech. "It becomes important that these data points are captured correctly and managed regularly. This is where real estate lease firms come to play," he explains.

Founded in 2003, NTrust provides IT solutions and KPO (knowledge process outsourcing) services to the real estate lease administration space. Headquartered in Chennai, the company has an onsite office in the US. The company employs 300 employees, two-thirds of whom are based in India. It plans to expand its team size `multifold over the next 12 months'.

"Most of the lease administration service providers offer some part of lease management task as an add-on to their brokerage services. But the market needs a comprehensive solution. Which is why we decided to develop a Web-based enterprise solution and package it with a lease administration service to be a third party managed back office service provider to the real estate segment," says Srikanth, on the *raison d'être* of his company. Excerpts from an interview with eWorld:

What are the sources of complexity in real estate leasing?

Complexity arises because of the huge size and number of lease documents. A restaurant chain such as KFC or Pizza Hut has its presence in more than 5,000 outlets in the US. Each Lease agreement is signed between different parties under different terms and conditions. It is important to note that no two lease documents are similar. Understanding and abstracting the right data makes the whole process complex.

Why do corporates outsource lease management? How big is the market?

Real estate lease administration is becoming increasingly important to organisations because; Corporates do not possess enough in-house expertise to carry out this specialised function and effective management of lease terms, obligations, and cash flows have great impact on an organisation's overall profitability. It is important to note that Real Estate cost is the second most important outflow for a client after their HR costs. The market for outsourced lease management is estimated at around \$10 billion.

What are the activities you do under lease management?

Under real estate lease administration are the different functions of lease abstraction, validation, expense reconciliation, data management, compliance management and financial analysis.

On challenges that you faced at the time of inception of NTrust.

The initial challenge was to get the team trained in the global real estate business practice. Unlike banking, credit card processing or telecom billing where people grew with the business knowledge, we have to train our team in real estate fundamentals.

As India is considered by many for its labour arbitrage, convincing customers that we have knowledgeable resource pool in this domain area has been very difficult. In order to counter this, we went to the extent of guaranteeing 100 per cent guarantee on dates and dollars (quality) backed by an insurance to showcase our skills.

Who was the first client for NTrust?

Staubach, a leading real estate service provider in US (they are partnered with DTZ for global reach), was NTrust's first client. The relationship has grown substantially in the last two years and Staubach views NTrust as a strategic partner.

For the product, the first customer for NTrust's REAP product provided in a ASP model is Catalina Restaurant Group which owns family dine-in restaurant chains such as Cocos, Carrows. They have over 300 stores in the western region. NTrust was able to implement the system within 45 days and integrate it with their ERP service provider. After this implementation, CRG was able to ensure correct payments for all its lease obligations and was able to reduce the time taken for financial reporting by 50 per cent.

What is REAP?

REAP{trade} - Real Estate Asset and Portfolio Manager, is an enterprise software product developed indigenously in India for the global Real Estate Lease administration market. This software supports features both for tenants and landlords and has international language support. This product enables real estate departments to be SOX compliant.

Let me tell you about LEAP, too. It stands for 'Lease Examination and Abstraction Process', our company's back-office support service. Over a period of two years we developed this process for lease administration activity. The process is ISO, BS7799 and CMMi-certified, enabling us to provide 100 per cent quality guarantee. Revenue break-up between REAP and LEAP is 60-40, in the total revenue of \$12 million, in fiscal 2005-06.

Do you handle non-English lease documents?

We are now expanding the LEAP process to address non-English leases too. Testing is on for German leases. We will be extending this to other European and Latin American languages.

Skill-sets required of your employees... What are the comparable costs in the US?

We employ individuals with good accounting background. We have a three-month internal training programme to train employees. The average cost of employing an in-house real estate professional in the US is \$80,000 per year.

On the training process at NTrust.

Our training process is interactive in nature. We provide training on basic real estate concepts first. Every training module is followed with lots of practice sessions. On a daily basis, the training is split between theory and practice. We identify fast performers during the training and they take an accelerated training track. After the training, they are evaluated at practical work. If a person does not produce 100 per cent error free work in three tries they are relieved from the work.

What is your management style?

We follow an 'empowering the individual' management style. What it means is that every individual is explained their role and responsibility. The KRA and KSA are defined for each person and each employee sets their own performance targets during each review cycle. In their work they are encouraged to make their decision to meet their work allocations. When they have problems they are expected to go to their managers with possible solutions and managers are also directed to provide guidance to the team and not assistance in doing their work. This has built the self-confidence of the team in a big way and productivity is increasing.

Given the real estate boom, do you plan to market your product in India sometime?

The real estate practice is evolving in India right now. We will be extending our global knowledge to the Indian market in building this practice and will be offering this service as a managed service provider to the Indian retail and corporate market. We are watching the Indian real estate market and will be actively looking at opportunities to bring the global knowledge to this segment.

Who are your target customers - landlords or tenants?

NTrust has mainly been on the tenants' side of the real estate business. Recently we entered into a 50:50 joint venture with Real Foundations, a leading management consultant in the real estate space. Real Foundations has been more on the home builders' side, and so we hope to extend our offerings to the landlord segment too. Real Foundations is working with many leading real estate enterprises in the US. Through this partnership, Real Foundations will market NTrusts' capability to deliver value and open the pipeline of knowledge about current processes available in India. Our offerings will be a long-term contract to provide fully managed service to REITs and owner operated segments. The market size break-up between landlord and tenant is 60-40.

What are the other verticals in real estate that can be outsourced?

Property maintenance and home building market.

Your clients.

We have four major global real estate firms in our client list for our services and 15 customers for our REAP product. Staubach, Trammel Crow Company, Equis, Great Atlantic and Pacific Tea company, Robinson May, Central Parking, Liz Clairbon.

More on Srikanth Ramachandran

A few lines from Srikanth's bio: Srikanth has a Master's degree in Computer Applications from REC Trichy and holds an MBA from the Anderson School of Management at UCLA. Right after his graduation, Srikanth launched his entrepreneurial career when he co-founded Reputech Computers, a software company specialising in Industrial automation software. In his first four years at Reputech in addition to various award winning SCADA implementations he developed a reverse engineering case tool CDIG for 'C' programs. After the initial success of this product with MNCs in India, he sold this product to Pentafour Software and relocated to the US to run their North American Operations. As the company's country manager, he grew Pentafour's North American revenue 15 fold over three years. In 1997, he launched Sigma Project Services, a professional services firm located in Los Angeles, which he grew to \$18 million in revenue in four years. At SIGMA Projects he had the unique distinction of developing and supporting four different lease administration software products. In his constant interactions with this industry, he identified a big demand for well-trained lease administrators. He acquired DOMAIN CS, a leading lease administration software from Baylogics, and in 2003 launched NTrust Infotech to specialise in real estate lease administration software and solutions.

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