



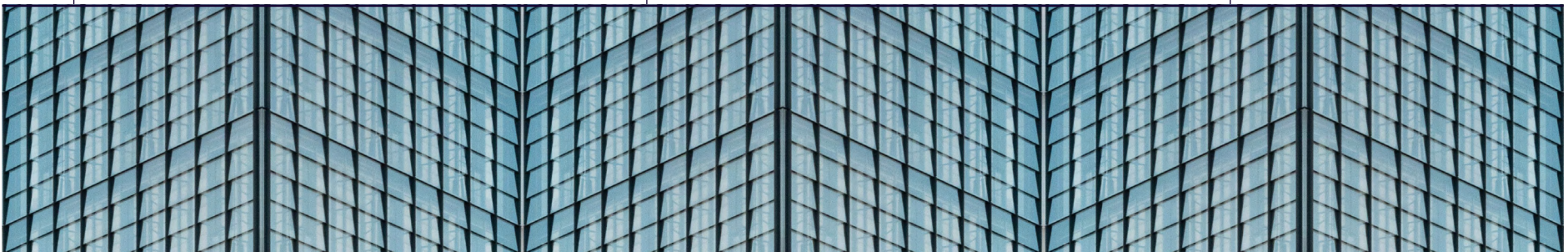
The 2023 VTS Global Landlord Report

New research on the strategies landlords are using to adapt to market trends, capitalize on opportunities, and streamline operational expenditure amid a shifting economic landscape



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About this study

Every year, VTS commissions an independent study to glean all-new insight into the challenges modern landlords face and what strategic initiatives are driving growth in the current state of the industry. 2023 brings a renewed focus on retention, and this report will outline the strategic business priorities of landlords as they aim to mitigate risk and seize opportunities during an economic downturn.

Across the office, industrial, retail, and multi-family sectors, VTS collected data on key business areas most concerning today's landlords. Compiled in the **2023 Global Landlord Report**, we discuss overarching themes that impact the market, including:



Disruption and ground-breaking changes in the commercial real estate industry haven't slowed over the past three years. Remote work, hybrid work, staffing shortages, logistics disruptions, and inflation continue to reshape how commercial real estate leaders prioritize, hire, invest, market, and grow.

This report highlights the factors that will guide commercial real estate leaders in 2023. It reveals how a large sample of senior commercial real estate leaders plan to invest, how they'll upgrade their technology, their top challenges and priorities, and what they're doing to optimize their marketing, leasing, and operational strategies.

INTRODUCTION

Renewing existing tenants is mission critical

Commercial real estate is at a crucial turning point. With demand for space still below pre-pandemic levels in the office sector, tenants have the upper hand in leasing conversations. Landlords need to capture the attention of quality tenants, maintain current occupancy, and drive value for their customers like never before. These are mission-critical for landlords to not only mitigate revenue risk today but position their portfolios for success in the years to come.

Focusing on renewals means the work doesn't end once a lease is signed. Landlords now need to consciously focus on creating exceptional in-building experiences, leverage the context of relationships across their portfolio and adjust expectations to account for tenants' rising adoption of flex work. Data for reporting and forecasting has become essential, and landlords now rely on tenant experience strategies to attract and retain high-quality tenants.

In this fourth annual **VTS Global Landlord Report**, you will find exclusive learnings about the state of the industry and how landlords are strategizing to weather the economic downturn and ensure they're positioned to capture the next opportunity in a year that began with a significant dip in demand — 49% of pre-pandemic levels.

Our research brings to light some intriguing data; landlords are prioritizing investing in ways to align business functions, making time to focus on what hospitality-like experiences mean for tenants, and how to shift leasing strategies to put renewals — over acquisitions — at the forefront.

The Global Landlord Report is an important study on the state of the market and how its landlords are responding to the challenges and opportunities 2023 brings. This research allows you to benchmark your industry peers and see how your business stacks up.

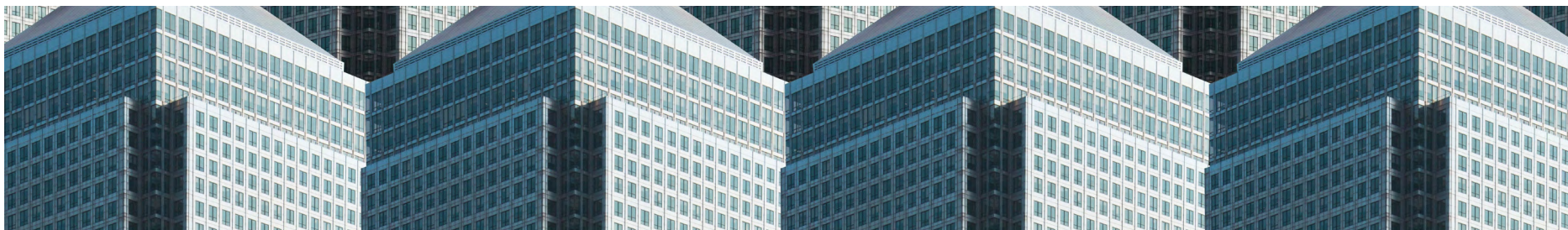
Hundreds of landlords from across the globe shared their experiences, which will only strengthen the industry and drive commercial real estate forward.

If you have questions or comments about this report, we would love to hear from you. Reach out to your client advisor or a member of our team, and we would be happy to assist.

I hope you find this research helpful as you continue to adapt and identify opportunities to win in the new era of CRE.



Nick Romito
CHIEF EXECUTIVE OFFICER, VTS



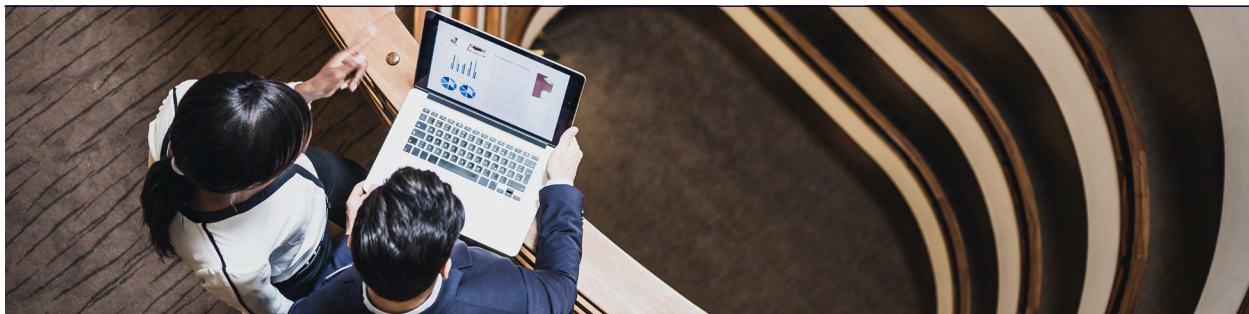
Key takeaways from the 2023 Global Landlord Report

At large, landlords are experiencing similar impacts of the current market.

- **57%** of landlords say managing the financial impact of the current economy is a top priority in 2023
- Despite the economic climate, **86%** of landlords are prioritizing technology investment

Landlords' primary focus for 2023 includes advancing tenant relationships, prioritizing tenant retention, and investing in extras that support positive tenant experiences.

- The top investment activities for landlords in 2023 are managing tenant relationships, implementing new tenant amenities, asset redevelopment, and maintaining tenant occupancy
- **90%** of landlords say technology is critical to managing their tenant relationships
- Nearly all (**91%**) of landlords say it is their business goal to create a hospitality-like experience for tenants on-site in buildings
- Touchless tech is imperative in enabling a positive tenant experience, as well as food and beverage options, tenant experience technologies, outdoor communal areas and building management systems



Despite the fact that **87%** of landlords say retention and renewal of current clients is more of a focus in 2023, more landlords don't have insights into tenant attrition or know what tenants are looking for from their spaces.

- Less than half (**41%**) of landlords are sure they have insight into upcoming renewals or tenants that are at risk of leaving
- Only **38%** of landlords are sure they have the tools that help them understand, in real-time, how tenants are using their space and amenities
- **54%** of landlords are investing in digital marketing software in 2023, compared to only **4%** in 2022
- Marketing automation is the top marketing investment for landlords in 2023, followed by photo content, corporate websites, content management solutions and digital advertising

Capital investments and portfolio priorities

In 2023, landlords are doubling down on retention. The dip in market demand paired with high interest rates has caused landlords to focus on maintaining current occupancy and renewing leases. But with the power in the hands of tenants, landlords need to inject energy into their engagement and renewal strategies.

Where retention is concerned, advancing tenant relationships is a top investment priority for landlords across sectors. From upgrading amenities to considering third-party offerings to redeveloping existing properties, landlords are taking a serious look at how their portfolio compares to what is available on the market and what tenants now expect.

Leasing vacant spaces will always remain a priority for landlords. However, given the financial impact of the current economic climate, retaining existing tenants is a top focus for landlords today. But elevated experiences are becoming table stakes, and tenants are becoming more desensitized to what used to be awe-inspiring.

Landlords have upped the ante by leaning into the trends tenants care about; ESG initiatives have taken CRE by storm, and personalized experiences have become a further differentiator for landlords who want their buildings to stand out.



KEY INSIGHTS

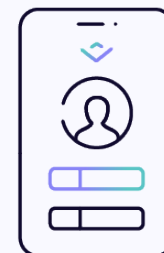
Landlords are spending most in areas that enable positive tenant experiences. These are the top capital investments landlords are making in 2023:



Touchless building or elevator technology



Food and beverage options (complementary and for purchase)



Tenant experience technologies



Outdoor communal areas



Building management systems

Across their portfolios, landlords are putting tenants first as retention becomes more important than ever before.



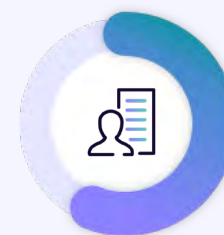
57%

of landlords are placing the management of tenant relationships above all else when it comes to investment dollars



55%

of landlords are implementing new tenant-focused amenities as a means to improve the likelihood of renewal



54%

of landlords say they plan to redevelop assets in 2023 to ensure their buildings meet tenant expectations

Adapting to economic conditions



The majority of landlords say that managing their portfolios in the down market has proven difficult, and despite technology being a top priority in 2023, the economic climate has affected nearly all of their ability to invest in tech.

This means landlords are becoming even more selective and including even more stakeholders in the purchase decision to ensure the best investments are being made.

The economy is also putting a strain on headcount, as landlords use headcount reduction as the top way to adjust to challenging economic conditions. Landlords also provide lower broker commissions and reduce their spending on service vendors to offset the lower demand in commercial real estate spaces.

However, the key to success in the current economy is understanding tenant sentiment with a keen eye on a tenant's likelihood to renew. Maintaining tenant relationships and confirming renewals with existing tenants will be more important than ever. That's why landlords are closely watching for any sign of tenant risk so it can be addressed and resolved as soon as possible.

KEY INSIGHTS

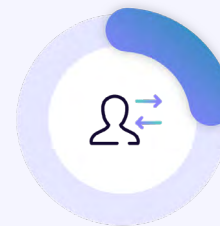
At large, landlords are experiencing similar impacts of the current market.

**57%**

of landlords say managing the financial impact of the current economy is a top priority in 2023

**93%**

of landlords say the economic climate has affected their technology investments

**22%**

of landlords don't have visibility into specific tenants who are at risk of economic failure, and may be unable to renew, despite landlords saying that retention is a top priority

**88%**

While understanding risk may be an issue for landlords, most feel very confident in their visibility into what tenants require of their space.

Top ways landlords are prioritizing adjusting for financial hardship and improving the bottom line:

- Employee headcount reduction
- Lower broker commissions
- Service vendor spend reduction
- Technology spend reduction
- Marketing spend reduction



Technology taking priority for investment

Even while facing economic headwinds, landlords prioritize technology as a top investment; whether adding new technology to their stack or optimizing current systems, they see the value technology can bring to their businesses. While landlords' ability to invest in tech may be hindered by economic constraints, and they may have to work within condensed budgets, landlords are still fighting to prioritize technology over other investment areas.

Landlords see long-term value in technology, especially tools that provide operational efficiencies, such as property management software and digital marketing solutions. 94% say they can measure their return on investment, and continue to recognize the importance of technology investment, even when the economy is down.

In 2023, there is a clear trend towards investment in management software as property management, leasing management, and tenant engagement software are atop investment lists. These solutions ensure greater efficiency and accuracy across portfolios and provide quality experiences for end-consumers.

However, digital marketing has also emerged as a frontrunner for landlord investment. Capturing the available demand in the market is becoming even more competitive, so marketing tactics that captivate tenants are essential to beating out competing firms.



KEY INSIGHTS

86% of landlords are investing in technology. Many landlords are prioritizing new tech, while a significant portion are making do with existing solutions.



48%

of landlords are focusing investment on adding new technologies to operations



38%

of landlords are focusing on consolidating and optimizing existing technologies

Despite a trend in tech consolidation, many landlords use multiple technologies to manage tenants.



Almost half (**45%**) of landlords use at least three technologies to manage tenant experience

Landlords have to consider every stakeholder when investing in technology. The main barriers landlords experience are:



New tools aren't integrated with existing technology (**78%**)

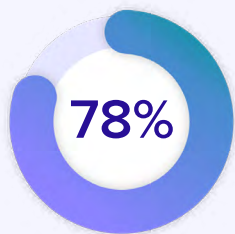


New tools are too complex (**62%**)



KEY INSIGHTS

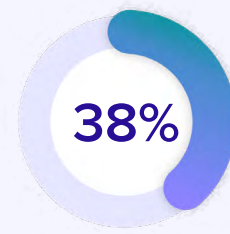
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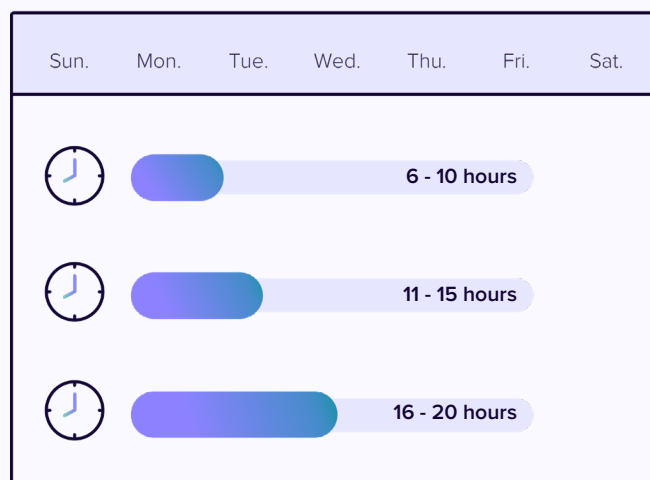
New tools are too complex



Brokers don't receive enough training on new tools



Digital marketing taking over the investment sphere is not surprising when you consider how long it takes to develop marketing materials:



40% of landlords spend **6 - 10 hours a week** updating marketing materials

18% of landlords spend **11 - 15 hours a week** updating marketing materials

21% of landlords spend **16 - 20 hours a week** updating marketing materials

Trends for optimizing and connecting teams emerge



As tenant expectations have evolved and the dynamic power has shifted toward buyers, landlords are taking a critical look at their operations. To ensure they have the right roles to support their goals, they are evaluating if their structure supports the changes 2023 will bring.

While some business functions were once siloed, in 2023, there is an emphasis on aligning internal teams. Leasing, property management, portfolio management, and marketing were listed as the teams who would benefit more from improved collaboration.

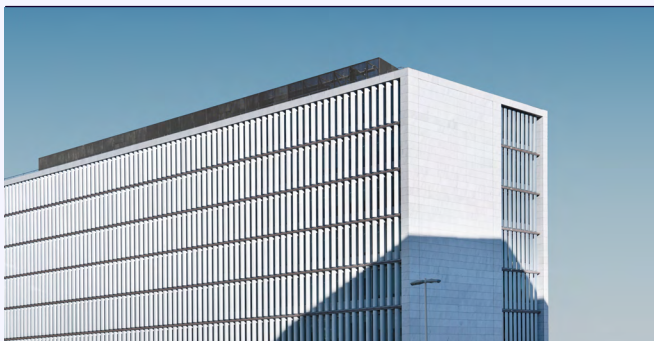
Not surprisingly, it was roles within these teams that were also deemed most important by landlords. Leasing, asset managers, property management, and marketing are the areas that landlords seek most often, and acquiring skilled personnel in these roles will determine how successful a portfolio will be.

There is also a direct correlation between investment priorities and the alignment of teams. Landlords are putting money towards relationship building, asset redevelopment, digital marketing, and software that supports

leasing, property management, and marketing automation. With this, it makes sense that landlords want teams to align to improve the flow of data between departments and improve the flow that brings in a prospective tenant lead and turns them into a closed lease.

KEY INSIGHTS

Landlords see value in removing barriers between teams to more effectively support leasing strategies.



Landlords want to see leasing teams align more effectively with both property management **(63%)** and portfolio management **(58%)**



49%

of landlords also want marketing and property management teams to be better connected

Landlords view some roles as more critical to their 2023 strategies than others. These roles will be placed at the forefront of strategic decisions and prioritized when it comes to increasing headcount.



80%

of landlords see asset managers as the most important role



70%

of landlords see property management teams as a top priority



Landlords see marketing teams **(41%)**, and brokers and agents **(38%)** as essential

Fostering growth through tenant relationships

With the modern workplace becoming more flexible, landlords struggle to maintain high occupancy levels: 51% are seeing daily occupancy rates dip below 30% of capacity.

However, with so many areas of business to attend to, landlords are finding it difficult to focus on tenant engagement. Not only that, but many landlords also need help knowing where their investment dollars can make the greatest impact.

Visibility is an overarching issue when it comes to tenant experience. While landlords want to create an atmosphere of hospitality for tenants, they lack insight into attrition and usage, and find it challenging to communicate with tenants. This lack of clarity is prevalent despite landlords leveraging technology to power tenant experiences.

Hospitality-like experiences can encompass many things to delight and engage tenants, most notably:

- Creating personal experiences across buildings
- Establishing an identifiable, recognizable, and trusted brand
- Providing service-oriented operations
- Enhancing environments with tenant-centric amenities

Despite these hardships, landlords aren't giving up. They are relying on technology to improve and want to leverage insights captured to renew existing tenants (which is where their focus lies, over and above acquiring new tenants).



KEY INSIGHTS

90% of landlords rely on technology to manage their tenant relationships, saying it is critical to their strategies. However, even while leveraging tech, landlords still face these top challenges:

01



Property managers don't have time to focus on tenant engagement

02



Landlords are unsure how best to communicate with tenants

03



Landlords don't know and can't measure what tenants find valuable

Landlords lack the insights needed to confidently make tenant-first decisions about their space.



66%

of landlords are unsure that they have adequate insight into what capital property investments and building features tenants require from their space



66%

of landlords are not confident that they have the tools to help them understand, in real-time, how tenants are using their space and amenities



59%

of landlords are unsure that they have insight into upcoming renewals or tenants who are at risk of leaving

Despite the above, landlords still aim to **elevate tenant experiences and look for ways to improve.**

91%

of landlords say it's their goal to create a hospitality-like experience for their tenants

93%

of landlords say flex work is important to their occupancy, retention, and engagement strategies

47%

of landlords say they are very good at engaging and communicating with tenants across their portfolios

87%

of landlords agree that retention and renewal of current tenants are more of a focus in 2023 than acquiring new tenants

The state of marketing in commercial real estate



Marketing has always been a tool of differentiation, but as 2023 headwinds hold firm, it's never been more important to carve out a competitive edge with advanced marketing tactics.

Landlords are using many different channels of communicating with both current and prospective tenants. Social media has emerged as the best way to engage with tenants, followed closely by portfolio websites, and building websites and microsites. With these top three channels being such visual platforms, it makes sense that when listings spotlight professional-level content, they are more likely to capture the attention of quality tenants.

Of the available digital tools on the market, landlords are prioritizing marketing automation solutions, photo content, and their corporate websites. It's easy to see why: marketing automation saves landlords time by removing redundancy and improving cross-channel accuracy. Quality photo content drives engagement. And corporate web and microsites allow tenants to easily view and share listings they're considering.

59% of landlords are leveraging digital marketing to first capture tenant interest, and 65% of landlords are focusing first and foremost on driving virtual tour attendance.

Data shows that landlords are welcoming new-age marketing with open arms. However, there are a few barriers: a learning curve that comes with adding new solutions, users being resistant to change their ways and adopt new processes, and new systems being unable to integrate well (or at all) with their existing tech stack.

Modern landlords are looking for ways to seamlessly introduce new technology to their operations while minimizing barriers. While existing processes may 'work' and close deals, the efficiency at which they're able to do so could improve.

KEY INSIGHTS

Landlords crave visibility into channel performance. These are the most important areas of business that landlords want to be tracking with digital marketing metrics:



73% of landlords consider de-anonymized listing views as the most important



69% of landlords consider understanding how long it takes a listing to get to market as the most important



46% of landlords consider knowing the total number of anonymous views of listings as the most important

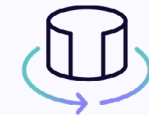
Top content marketing teams rely on to drive engagement:



Building and space photography



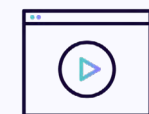
Accurate space details like condition, term, and amenities



Virtual tours



Printed/PDF brochures



Building and space videos

KEY INSIGHTS

Landlords are keen on investing in marketing tools that allow their teams to capitalize on limited tenant demand.



54%

of landlords are investing in digital marketing software in 2023, compared to only **4%** in 2022



57%

of landlords are putting marketing automation as a top priority, which is a new investment priority for 2023



92%

79%

Digital marketing is a key component of a successful strategy for **92%** of landlords; however, **79%** of landlords aren't leveraging the available metrics, analytics, and insights provided by digital marketing tools to inform decisions.

The power of data and insights

Commercial real estate is fast-paced, and today's industry is constantly pushing boundaries and evolving traditional methods of getting the job done. To do so, landlords need access to real-time data and the ability to distill insights they can act upon immediately.

However, not all landlords are confident that they can access the best or most accurate data. 67% of landlords don't fully trust the sources of information they have when it comes to market insights. This is due to a few factors:

- **Internal siloes create barriers to agility:** Without teams or systems collaborating and sharing information, data can go stale quickly. This means strategies are less effective or leave opportunities on the table that could have been otherwise capitalized on.
- **Market trends put pressure on teams to perform:** The current economy has called into question the effectiveness of marketing teams, and marketers need to prove the value of their efforts. They need a way to measure their bottom-line influence and track what channels are performing so they can optimize marketing dollars.

- **Technology doesn't give landlords the whole picture:** While their solutions always capture information, landlords aren't sure they are getting the real story. When data leaves them with the question, "so, what?" it's clear that what's being collected is arbitrary and that something is missing to put this data into action.

In short, a lack of visibility and data confidence leaves landlords unable to optimize business and investment decisions. Only 30% of landlords are fully satisfied with the time it takes to do due diligence for investments, and any delay can mean their business misses out on revenue opportunities.



KEY INSIGHTS

Landlords want to improve speed and agility but lack the visibility to do so.

**59%**

of landlords aren't sure they have access to the up-to-date and accurate information they need to make the best investment and leasing decisions

Of all areas of business, landlords have the least transparency into visitor counts and visit patterns, property occupancy trends, and tenants at risk of leaving

**48%**

of landlords only have some clarity into the economic state of their tenants' business

1 out of 5

landlords only has partial clarity into tenants at risk of economic failure

2.4 out of 5

landlords only have partial clarity into the industries that are at financial risk due to economic influences.

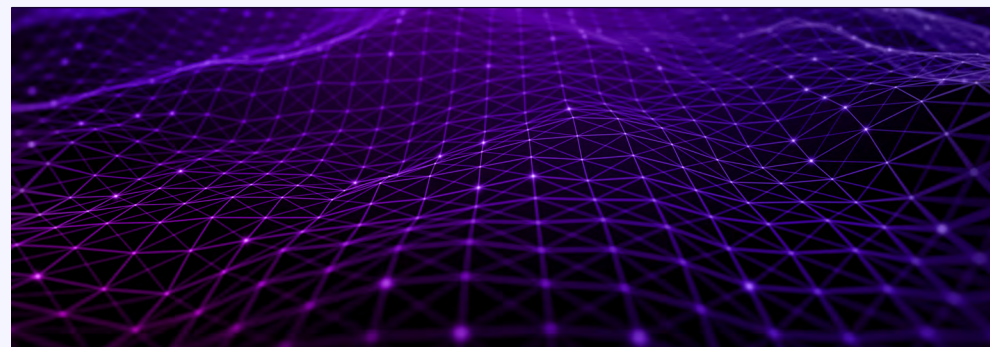
2 out of 5

landlords only have partial clarity into which leases are coming due for renewal.

2 out of 5

landlords only have partial clarity into the tenants that are at risk of leaving.

The majority of landlords **(95%)** have clear insight into which marketing channels are driving audience engagement. Only **5%** of landlords lack that insight.



Conclusion



Amidst disruption and change, landlords have continued to adapt strategies to keep up with industry changes. Extending the workplace to include remote and hybrid work models, adding new and consolidating existing tech, and leaning into retention and renewal have all been essential when determining strategic focus in 2023.

Armed with technology, landlords are optimizing digital marketing, enhancing tenant experience, and evolving to meet the expectations of today's modern tenants in a period of lower demand. It's never been more important to fill gaps economically, and employing a platform technology that connects teams and bridges existing systems is the best way to do that.

With an increased appetite for data-driving strategies, landlords are leaning toward cross-team collaboration in an effort to put insights into action. Timely, accurate data sharing is possible when teams work more closely together, resulting in shorter deal cycles, improved tenant relationships, and maintained occupancy throughout 2023.

About VTS

VTS is the commercial real estate industry's leading technology platform that transforms how strategic decisions are made and executed across the asset lifecycle.

In 2013, VTS revolutionized the commercial real estate industry's leasing operations with what is now VTS Lease.

Today, the **VTS Platform** is the largest first-party data source in the industry and delivers data insights and solutions for everyone in commercial real estate to fuel their investment and asset strategy, leasing and marketing automation, property operations, and tenant experience.

With the VTS Platform, consisting of **VTS Lease**, **VTS Rise**, **VTS Data**, and **VTS Market**, every business stakeholder in commercial real estate is given the real-time market information and executional capabilities to do their job with unparalleled speed and intelligence.

VTS is the global leader, with more than 60% of Class A office space in the U.S., and 12 billion square feet of office, retail, and industrial space is managed through our platform globally. VTS' user base includes over 45,000 CRE

professionals and industry-leading customers such as Blackstone, Brookfield Properties, LaSalle Investment Management, Hines, BXP, Oxford Properties, JLL, and CBRE. To learn more about VTS, and to see our open roles, visit www.vts.com.

