Willem Potgieter, Director of MDA Property Systems, discusses what is often seen as a grey area in the commercial and industrial property industry- measuring the efficiency of property management systems and offers an effective way of achieving this based on almost a decade of specialising in this niche market.

**Measuring the Efficiency of Property Management Systems**

**Introduction**

When commercial property companies undertake to implement a new property management system the typical first step in the assessment process is to put together a list of requirements. These requirements can normally be categorized as follows:

- **Key information**
  - Pertaining to Owners, Properties, Tenants (with Leases) and Suppliers.

- **Processing**

- **Reporting**

The focus of the adjudication process is to assess a particular property management system’s compliance with each item on the purchaser’s list of requirements. Hardly any attempt is made to verify or measure expected efficiency gains.

This article proposes a further criterion be added to the evaluation process that measures a property management system’s efficiency.

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Measuring System Efficiency using SER

In order to measure the efficiency of a property management system a new decision-making criterion needs to be added. This criterion is termed the System Efficiency Ratio (SER). The SER is expressed as the number of tenants in a property portfolio over the number of computer users on a property company’s network i.e. no. of tenants/ no. of users. The higher the SER ratio the more efficient a property management system is used. For example, an SER rating of 50 is more desirable than a rating of 15.

An integrated and well-designed property management system should have a higher SER ratio than one that is modular and relying on batch-type interfaces between property and financial information. The magnitude of the SER ratio may also indicate to what degree one system is more efficient than another.

MDA Property Manager© - An Integrated Solution

The MDA Property Manager© system is a comprehensive and integrated property management system. It covers the basics of rent collection basics of Rent Collection, integrated General Ledger to Strategic Asset Management for portfolios of properties.

From inception the design of the system has been based on business processes. System modules were specifically not developed as this ‘breaks’ processes and limits automation opportunities. Particular care and effort (and money) are spent on ensuring stream-lined business processes.

Although MDA often claims significant efficiency improvements, the measuring proves to be difficult. Using the SER creates some basis for comparison.

Data results

The first data set used for this article consists of 3 major property Managing Agents and 3 prominent Investment Companies. The second data set is an extracted list of the top 15 MDA Property Manager© commercial clients. Although the data set seems small it represents a significant number (more than 75%) of the JSE Property Listed Sector.

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Due to the sensitive nature of the information, actual company names are not used. Rather, companies were grouped into two categories;

1. Management Companies; a company that is predominantly a managing agent and,

2. Investment Companies; a company that is predominantly an owner.

Graph 1 shows that the SER of the 3 Management Companies range from 25 to 32. This is very similar to the SER of the Investment Companies which ranges between 25 and 41.

Graph 1
Graph 2 shows the same information as in Graph 1, but adds the 15 largest MDA users by number of tenants. The worst MDA SER is 68. The best SER is 280, with the average and mean being 170.

Conclusion

Where providers of property management solutions often claim that their systems improve efficiency, it is difficult to measure. This article puts forward a criterion, System Efficiency Ratio (SER), which can be used for measuring the expected efficiency gains when companies consider implementing a property management system.

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