



CREModels underwriting, analysis and software collaboration contributes to growth for RISE

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\$100K+

savings after transitioning from full-time, in-house underwriter to working with CREModels' expert real estate analysts

~182

hours saved annually formerly spent finding and correcting errors in manual spreadsheets

0

anxieties regarding data integrity due to CREModels' bulletproof approach to model governance

RISE cofounder Jim Grossmann is on a mission to help alleviate the housing crisis by building infill apartments and condos as efficiently as possible.

A Volumetric Building Companies factory with 250 workers fabricates entire apartment units and ships them to RISE development sites in Massachusetts, where crews assemble them in a process often likened to building with Legos. (The technical term is "volumetric modular construction.")

"Those 250 factory workers pump out somewhere between 800 and 1,000 units a year," Grossmann noted. "To build 800 units on site, I would need a workforce of 1,800 workers. You're dramatically reducing the amount of hours put into the build."

But at Boston-based RISE, efficiency doesn't end at the jobsite: The middle-market builder-developer relies on CREModels' managed services and the CRE Suite real estate modeling platform to

- maximize the efficiency and accuracy of its underwriting, analysis and modeling
- improve internal and external collaboration
- guarantee data integrity
- market new real estate investment opportunities

The approach supports RISE's drive to deliver high-quality housing where it is needed most. Grossmann, who started out as a union carpenter, said he learned the critical importance of efficiency in his 21-year career at Suffolk Construction, where he served as national CEO prior to cofounding RISE.



"Getting your preconstruction and design right—not having to value-engineer things later—that's how you get the biggest bang for your buck," said the veteran builder-developer. "Underwriting is part of your planning. That's when you value-create. I see CREModels, not as just as a modeler; but also as a planning partner."

BENEFITS OF SCALABLE UNDERWRITING

Prior to working with CREModels, RISE had hired a full-time, in-house underwriter who created his own models from scratch in Microsoft Excel spreadsheets. But years of experience in construction estimating had made Grossmann wary of problems that can arise from such a manual approach—for example, broken formulas, mistyped numbers or accidental erasures of important data.

"As we started to scale, I began to have a lot of anxiety around data integrity," the executive explained. "When you have everyone going into an in-house Excel spreadsheet, it is so easy for someone to hit the wrong cell or button and change the math."

The ebb and flow of RISE's real estate development pipeline also meant that an in-house analyst position was not a good fit for the company. This echoes the experience of many CREModels real estate clients.





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RISE cofounder Jim Grossmann

RISE now leverages the CREModels analyst team for all its underwriting. When the need is high, CREModels can task two or more analysts to get the job done quickly. “Commercial real estate is a seasonal and cyclical industry, and it is not uncommon for in-house underwriters to get overwhelmed during those busy parts of the cycle,” noted CREModels Managing Director Mike Harris. “Our analyst teams can handle that capacity for our clients. They’re like shock absorbers that allow them to keep on rolling.”

When demand for underwriting and analysis is low, a single in-house team member at a real estate company might put in a handful of hours or none at all, spending their downtime tinkering with low-value tasks like learning new features in Microsoft Excel.

“If you’ve got, say, eight projects in the pipeline, not much iteration is required,” Grossmann said. “Yes, you might have four people come to you in a week and say, ‘Hey, can I get some updated underwriting?’ But then they will disappear for three weeks after that, and your underwriter has nothing to do. So the scalable nature of CREModels as a resource has been fantastic.”

The resulting ROI also has been significant. “When you consider the overhead and office space and everything else that goes into having a fulltime, in-house resource, we went from paying out the door \$180,000 to saving six figures annually,” Grossmann explained. “That is a very real and tangible result.”

DATA INTEGRITY ADVANTAGE

RISE relies on CREModels’ flagship software platform, the CRE Suite, for enhanced financial modeling, rock-solid data security and integrity, and an easy-to-use collaboration environment.

CREModels’ multipronged approach to model-governance within the CRE Suite preserves all iterations of clients’ financial models. The cloud-based platform also provides safety features to protect clients’ data from inadvertent introduction of errors. “That model-governance is incredibly important,” Grossmann said. “It has relieved all my anxieties around data-integrity.”

Prior to the change, RISE spent too much time manually tweaking individually created spreadsheets



and hunting for errors. “CREModels’ system is fully built out, with fluid and highly efficient interactions that allow me to get what I need much faster,” Grossmann said. “I save easily three to four hours a week by not having to go back-and-forth like before.”

AN EXPERT SOUNDING BOARD

Making sure the underwriting for RISE’s projects was neither too conservative nor too aggressive was another of Grossmann’s goals, in part because this is such a critical factor in investor and lender presentations.

Since CREModels’ analysts have modeled thousands of multifamily projects, they can provide valuable insights into the market-appropriateness of our clients’ underwriting.

“The way that CREModels acts as a thought partner is important to me,” Grossmann said. “We’re a five-year-old company and for now are working just in Boston. They do a great job of telling me what they’re seeing in the market and in financial models. Having them as a sounding board has been a huge value-add.”

To run trend analyses, RISE periodically reaches out to the highly accessible CREModels team to request custom dashboards and views. “What I’ll get back is something like, ‘Sure, I see what you’re asking for. We can do that, but would you like to have these other features, too, because we do a lot of these,’” Grossmann recounted. “A few hours later and—boom—you have it. The efficiency of that interaction, from my perspective, is huge.”

RISE currently has 1,888 multifamily residential units modeled in the CRE Suite. “The other day, the team produced a dashboard for me showing average rents



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and loan-to-costs spreads across all of those units at once," Grossmann said. "Being able to access that immediately was very powerful."

VALUE-ADD FOR INVESTORS

As RISE scales up, it is bringing investment opportunities to prospective Limited Partners across the country—anywhere from \$50 million family offices to investment powerhouses with multibillion-dollar portfolios. Grossmann now uses efficiencies gained from CREModels as a marketing tool with these prospects, which are able to quickly and easily connect to the CRE Suite. "I recently pitched one of the country's biggest asset-management firms," Grossmann recounted. "CREModels connected them with the platform yesterday and they are now inside the models."

The platform allows RISE's internal and external stakeholders to access project financials without losing track of calculations, all iterations of which are automatically saved, or inadvertently breaking formulas and/or disrupting the model itself. By contrast, an error-prone, in-house approach could trigger legitimate data-integrity concerns among sophisticated investment prospects.

In addition, CREModels' independent review of RISE's underwriting and analysis instills confidence. "We're showing them that we have a highly experienced third-party modeling partner that works directly with us, is available to them as needed, and that prioritizes data integrity and accuracy through model-governance," Grossmann said. "It is a definite selling point."

CAPACITY TO GROW

In Grossmann's view, even if materials prices and interest rates continue to decline, the U.S. will face high construction costs for the foreseeable future. "To give you the scale of the problem, a high-rise, multiunit residential building that I built back in 2018 in Boston cost \$360,000 per door," Grossmann noted. "Today, that same project would cost \$700,000 per door."

The real issue, he says, is not just interest rates or high commodity prices; it is the lack of highly qualified and experienced laborers. Simply put, today's lower-quality crews make more mistakes and take longer to get

projects built, increasing overall costs. "Designers, developers, contractors, subcontractors and municipalities all have the same problem," Grossmann said. "People just don't know our business enough."



But volumetric modular construction allows RISE to rely on a smaller, highly skilled and productive workforce. By being more efficient on this and other fronts—including using Procore for project-management and leveraging CREModels' managed services and CRE Suite platform—RISE is already cutting costs in ways that give the company a first-mover advantage.

"We're building our company and expertise around delivering infill, multiunit residential buildings as productively as possible, in a way that answers this housing crisis that we have as a country," Grossmann concluded. "Our idea is to make a volumetric, scalable play to grow."

As Harris sees it, RISE's multifaceted approach to efficiency and volumetric construction holds potential lessons for other builder-developers. "Making an actual dent in design and construction costs is notoriously difficult to achieve," he said. "Jim understands the urgency better than most and is pursuing his goals with singleminded determination."

The entire team at CREModels, which works with some of the biggest institutional investors as well as one-man shops, has been impressed with RISE's vision and culture. "It's an exciting company and business model, backed by some really big names in the investment space," Harris said. "We are thrilled to be working closely with RISE as they expand their platform into the future."

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