buildout

SECOND ANNUAL

Building CRE Report | 2024

Introduction

Slow and **steady** wins the market—when you're also thinking ahead.

At the onset of 2024, our industry was hopeful and eyeing a defined tipping point for the CRE rebound. That moment where we'd crossed the finish line on the downturn, and would begin sprinting into the next chapter. But, as the months have gone by, the revival of our industry has been on a slower uptick than we'd imagined. No clearly punctuated moment. No big closing bell. Just a series of soft signals, day by day leading to a better tomorrow.

But though the finish line has perhaps pushed out, the lessons we've learned about the ebbs and flows of our industry hold true - the importance of building great relationships and being experts on our market remain at the forefront of successful transactions. And, regardless of where they stand in the race today, the winning companies are looking two paces ahead.

As we present our 2nd annual report, we feel immense gratitude for how well our customers and our own company have fared in this market, and we're more certain than ever of the opportunity that lies ahead. Since 2010, Buildout has weathered many economic challenges alongside our CRE partners. It is what has shaped our product and services structure to continue to be the force that enables broker-led momentum. And we thank our users who have given us space to sprint ahead to experiment with newer technologies, while also methodically investing in our existing solutions.

True commercial real estate success does not always make headlines. When we see incremental, steady listing volumes increase month over month, we know the market is picking up speed. We are witnessing a recovery, albeit gradual rather than steep. And this annual report affords us the opportunity to give you insight to what we see from our own product suite knowledge and the connections we hold true.

Last year, we spoke about how Buildout has expanded our offerings to provide a holistic software suite that supports the entire deal cycle, and more. Since then, we have amplified our celebration of modern brokers and the emergence of AI features along with issuing the challenge that now is the time to look ahead and change the game. The emergence of 'proptech' happened because there is a fundamental need to spend time on things only you can uniquely do and shift all of the other noise to tech tools and platforms.

So if the market rebound wasn't as fast as you hoped—relish the opportunity that time affords us. There's opportunity in the slow pace to assess what your business needs, where you need to spend your time, and who you should call a partner. And in the long run, you will win.

As you explore our latest annual report, know that we shed light on trends as well as challenges we've all faced this past year. And to give a forward look to all the possibilities in 2025— and beyond.

HELEN CALVIN
CEO

BUILDING CRE REPORT 2024

Table of **contents**

04 SELECTION | STATE OF BUILDOUT

07 FOUNDATION | TODAY'S LANDSCAPE

09 STRUCTURE | PROSPECTING & CRM

13 DECOR | BRAND & MARKETING

18 CLOSING | MANAGING THE DEAL

22 WRAPPING UP | LOOKING AHEAD

buildout

BUILDING CRE REPORT 2024

Selection

State of Buildout

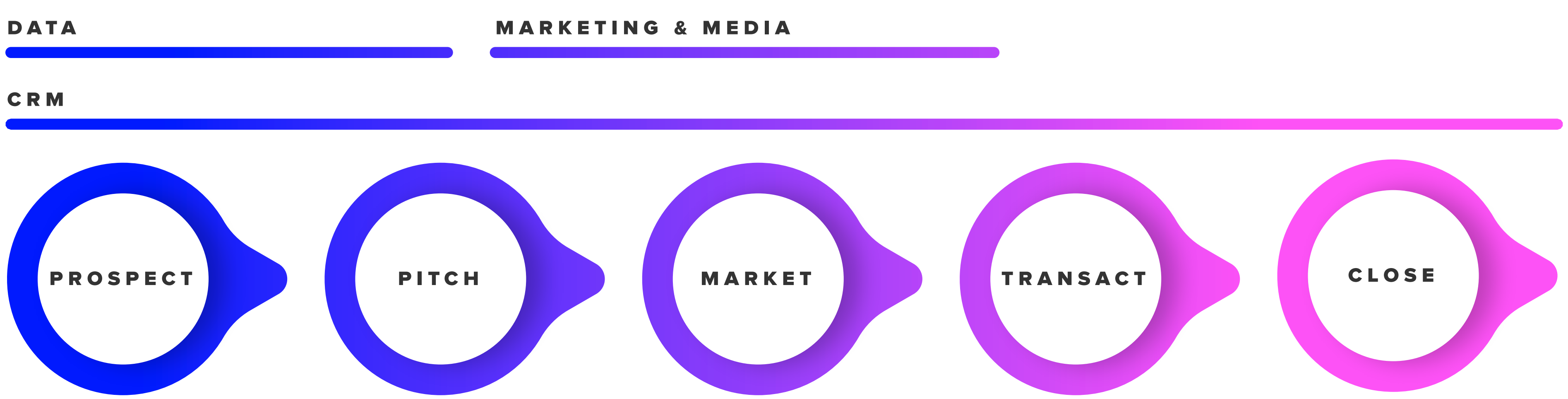
Buildout's focus on your **steady success**

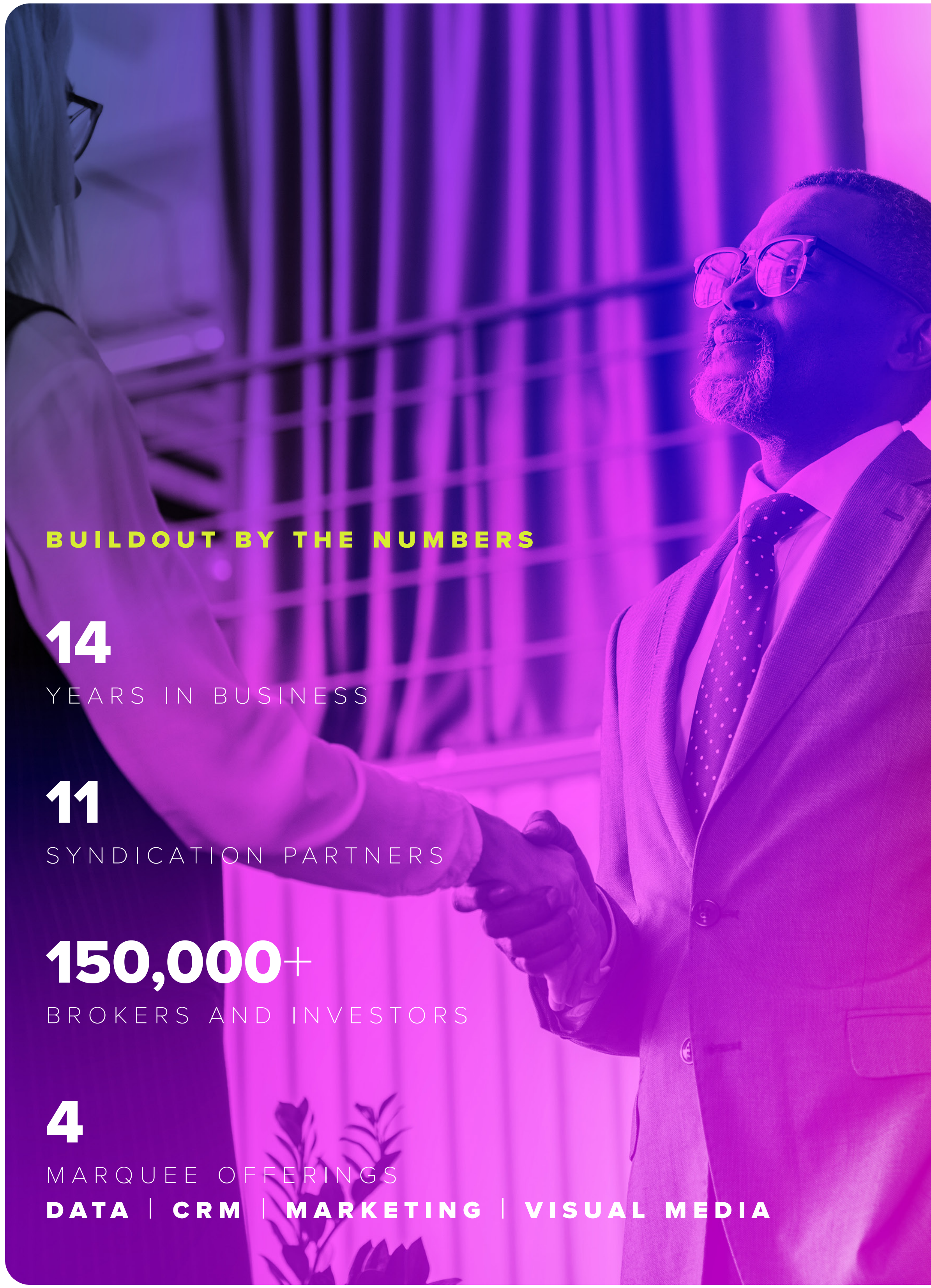
Buildout has a long-standing reputation in CRE technology. Our marketing product, Showcase, is trusted by the majority of the market, and the number of customers who expand their business with Buildout outweighs those who choose to let us go to the sidelines. This year was a humbling, grateful one on that front as well. Admittedly we saw several customers who, during the downturn, left for another provider that are now choosing to boomerang back to Buildout. Today, Buildout leads the industry in automated CRE prospecting, CRM, AI, marketing tech, and visual media services. We exist to accelerate the business of modern brokers.

If you are new to our concept of '**modern broker**,' let's take a moment to dive into this topic. A modern broker understands that this career is a long-term game. Individuals who come on the scene quickly, often burn out even quicker. Modern brokers are the cornerstone of the industry and understand that burning fast and bright doesn't help you win the race. They recognize that this is a rebound era and it's critical to double down on their strengths and know when to delegate to others and—most importantly—to technology.

This year, we've introduced significant innovations in AI and data tools, solidifying our evolution into a comprehensive suite of solutions. Every step we've taken has been a deliberate response to the needs of modern brokers.

Too much time was spent in branded marketing materials; we solved that. Too much frustration was spent wrangling CRMs or desktop tools to manage contacts; we solved that. Growth was being capped by mismanaged commissions; we solved that. Too many vendors to adequately pull together a visual story of a property? Solved that too. And this year we took all the excitement and discussion around AI in CRE and integrated new AI features in tools, seamlessly enhancing your efficiency. After all, we believe that success in CRE is broker-led, and tech-enabled.





We listen and we are here for you

Why not share some of our internal self-reflection? We are consistently seeking feedback from our users and customers so we can assess Buildout's core strengths and weaknesses, which we see as opportunities. In our reflection, we concluded that Buildout's marketing, scalability, and AI are particularly strong while identifying a few opportunities for Buildout to improve for our customers who are invested in our mutual futures.

STRENGTHS

01

MARKETING AUTOMATION CORE
15 years in CRE marketing to dominate the market with software that allows your brand to shine across docs, listing sites, email, and more.

02

RETHINK CRM
Through acquisition and proprietary build, we offer the most comprehensive CRM, molded to fit the nuances of CRE needs with the strength of Salesforce.

03

AI ADAPTABILITY
Customers turn to us to make AI a seamless feature to create efficiency and productivity to save you time.

04

QUALITY SHOWS
Customers share feedback that our user interface in our products is some of the best in the business; keeping things polished and fresh.

05

BROKER-LED MINDSET
Regardless of market conditions and technology advancements, Buildout continues to believe that CRE success is broker-led, but tech-enabled.

OPPORTUNITIES

01

BUILDING CONNECTIVITY
Users have expressed contrasting experiences in various tools. We have active plans to better integrate our CRM and marketing to streamline data entry.

02

SIMPLIFY PROSPECTING
Reducing the amount of steps to find, search, dig, and export data into fluid steps getting you closer to contact—faster.

03

PRODUCT ROADMAP
A desire to know where Buildout is going is being actualized through quarterly client webinars as well as new ways to review products in 2025.

04

BEING ACTIVE LISTENERS
In continuation of learning from our customers, Buildout is set to launch our first ever customer advisory board for raw and real-time feedback.

05

NEVER SETTLE
The demand is real but data accuracy in our industry is somewhat of an urban legend; one that we will continue to strive for and not settle for "good enough."

buildout

BUILDING CRE REPORT 2024

Foundation

Today's landscape

The **ups** and **downs** of the race

This time last year, we wrote about the unforgiving interest rates impacting all companies, franchises and firms—no matter the size. We know, and we all felt it, that in 2023, commercial property sales volume dropped 51 percent from the year before, to $374.1 billion, according to the MSCI Real Capital Analytics report [**source**]. Ouch. And as a result, we have seen various shifts to how brokerages/companies, as well as independent brokers and developers, have tackled the market with less people power, less closings, less resources, and less time.

As of today, the commercial real estate market is marked by a mix of challenges and opportunities, shaped by shifting economic conditions, evolving tenant demands, and advancements in technology.

ECONOMIC UNCERTAINTY

Economic factors such as fluctuating interest rates, inflation, and economic slowdowns in certain sectors have created a cautious environment for investors and developers. This has led to tighter lending standards and a more conservative approach to new developments. But, it is slowly beginning to change. Inflation has decreased and the unemployment rate is sitting closer to 4.1% average, [**source**] creating more economic potential. However, it's a small margin and the question still stands if there is enough healthy risk for investment.

RETAIL SECTOR ADJUSTMENTS

Retail real estate is undergoing significant transformation, with a focus on experiential retail, mixed-use developments, and omnichannel strategies. What our team heard and saw a lot while attending this year's 2024 ICSC Las Vegas, is that traditional brick-and-mortar stores are being reimagined to integrate with online shopping experiences. With the cost of living increasing, there's a real sentiment that consumers want fast, casual retail spaces to compensate.

Retail real estate fundamentals are anticipated to stay robust for the remainder of 2024 and well into 2025, driven by the ongoing lack of new construction deliveries in recent years. The retail availability rate is projected to decrease by 20 basis points, finishing the year at 4.6% [**source**].

OFFICE SPACE EVOLUTION

The office sector is still grappling with the long-term impacts of remote and hybrid work models. Many companies are reevaluating their office space needs, leading to an increase in flexible workspaces, adaptive reuse of office buildings, and a focus on creating high-quality, amenity-rich environments to attract employees back to the office.

According to CBC's Midyear Outlook report, small is in. The report states, "most of the tenant demand is for smaller offices (30,000 SF and less), particularly among medical providers and other professional services (financial advisors, insurance companies, lawyers and credit unions). Tenants are looking for flexibility in lease terms including early termination rights and sizable tenant improvement allowances" [**source**].

As a result, landlords are in a race to attract more tenants for a singular space as square footage gets broken down into multiple use cases. Where we see the squeeze hitting the hardest are for Class B and C buildings, it will take twice the amount of marketing and visual media, or more, to create interest.

TECHNOLOGY AND AI INTEGRATION

Earlier this year, in Spring, our team hosted a webinar called '**5 Ways brokers are leveraging AI**' to nearly 500 brokers. What we learned is that the majority of people want to use AI but simply don't know where to start. The vast majority of submitted questions were along the lines of "how can I use it? How do you initiate AI? How do you use AI in your daily operations?" These are all action-oriented questions and it's clear brokers are already using or at the point of leveraging new tech.

Adoption of AI in the U.S. overall is relatively low with only 5% of businesses utilizing the technology currently. However, the adoption rate varies by industry with real estate, as a whole, sitting at 8-9% [**source**]. The above-average use follows the trend of white collar, office jobs having a bigger impact brought on by AI. Same study shows that 55% of the real estate sector sees marketing automation as an application for AI with 25% see it being applied to data analytics.

Overall, technology is playing a pivotal role in shaping the CRE market. From AI-driven property management and analytics to the adoption of proptech solutions, technology is enhancing efficiency, reducing costs, and improving decision-making processes across the industry.

INDUSTRIAL AND LOGISTICS GROWTH

Industrial real estate, particularly logistics and warehousing, continues to see strong demand driven by e-commerce growth. But, much like its office space cousin, small footprints tend to have less vacancy. Also, the need for faster delivery times and supply chain resilience has led to increased investment in strategically located facilities.

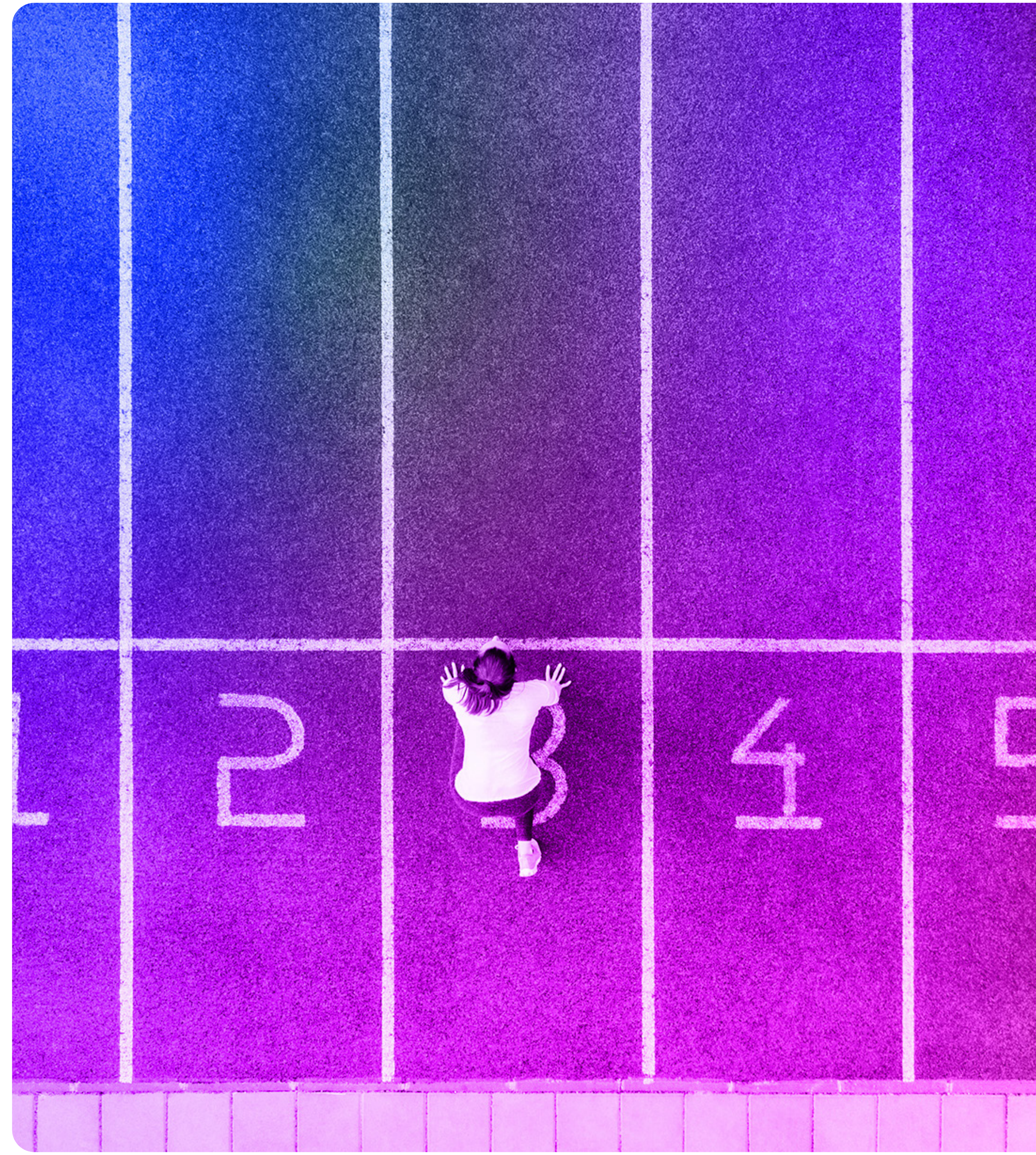
With that said, the U.S. industrial market is projected to experience gradual growth, with a full-year forecast of 62.8 million square feet of industrial absorption in 2024 [**source**]. Again, slow and steady.

BUILDING CRE REPORT 2024

Structure

Prospecting & CRM

Racing towards new **opportunities**



We've all been there. At the starting line, filled with optimism and ready to go. But CRE is much like a race through wild terrain where you cannot see the path laid out in front of you. There are tools and resources you can use to study and prepare before you launch to make the exercise less daunting. Prospecting for your business is that same starting line. And the best preparation is a mix of what you can control and the data tools leveraged to enable decision making.

This year, we launched forward with our game-changer product **Connect**, which is a counterweight to our product **ProspectNow** (and just wait til you see what we have coming up next!). Why? Because having a data companion with you on the go or in the office helps you make the right turns and stops. And let's be honest—data in our industry is tough. When you have businesses that own businesses that own properties and other deals layered with even more complexity, it's hard to unlock. We've worked hard to provide a data network that has complete owner data for over 40M commercial properties and 100M residential. And do trust, we are not done yet because the evolution of artificial intelligence is just now tapping into the potential of breaking open the prospecting game. Partnering with the right AI tools provides:

- **Efficiency** | Shoring up the time drain on researching, gathering, analyzing
- **Accuracy** | Go with gut or go with calculations, AI helps to problem-solve complex data situations
- And our favorite, **optionality** | Giving us nuance to see things before it happens to make changes and decisions

While many are simply using AI to speed ahead, we believe brokers should stay in the lead while tech enables their hard-earned expertise. We know by your own feedback in our annual **DNA of CRE Survey**, that the best prospecting still comes from the broker-led, human-led, parts of the business: one-to-one connection. So let's jump in to explore how AI is great at helping you move in a thousand different directions at once while helping you identify the best path to invest your time.

Finding the **strategic approach**

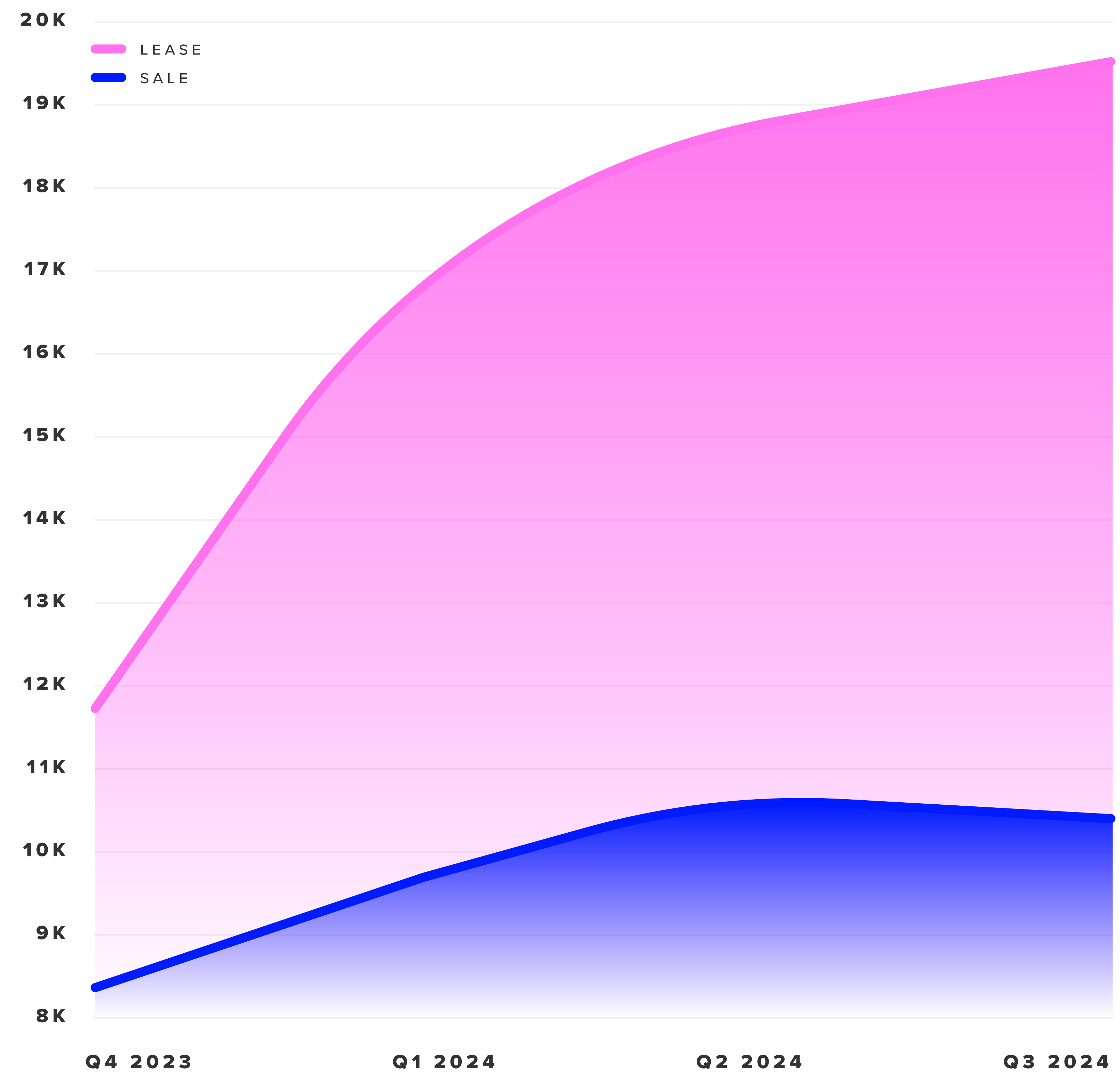
What's changing in prospecting with the rise of AI is not necessarily how, but where you apply your efforts. That's why we've focused our efforts this year in developing more in our data products to help you sort through the noise for the best opportunities. For example, our property's likely-to-sell-score feature is one step toward giving you optionality in your strategy.

But if you aren't in one of our data tools yet, we still wanted to provide some direction for this year's report. We've always suspected that it wasn't persistence alone that won the tortoise the race but smart navigation. In that spirit, we want to share some of the insights we've gotten from looking at the map of the nation through the lens of our data and marketing tools.

Overall, 2024 saw more movement in the market in response to constant anticipation of the Fed adjusting interest rates. There was consistent, year-over-year growth across both sale and lease deals entering the market and steady improvement across every property type, with office and retail reflected in lease deals.

Office and Retail saw the largest by-volume growth compared to other asset types represented in Buildout, likely due to buildings being broken apart into smaller units. With e-commerce and hybrid worker trends, both sectors have seen more demand leasing higher-quality units with less square footage. All other asset types, especially Industrial, saw steady year-over-year growth.

LISTINGS ENTERING ON MARKET YTD (BY DEAL TYPE)

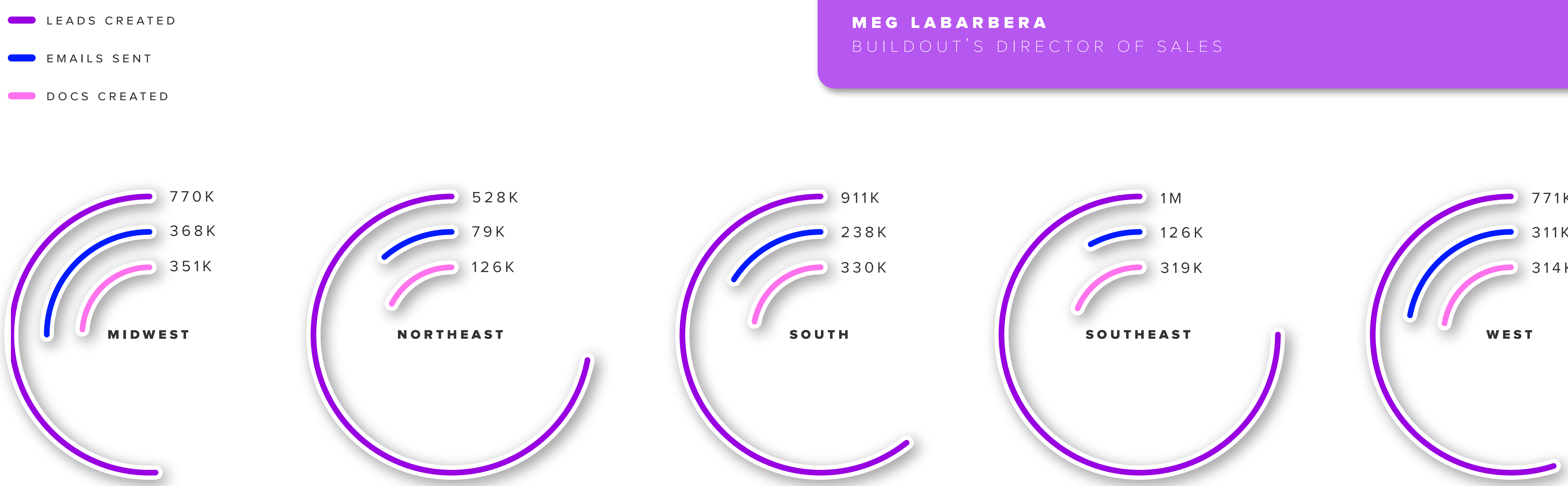


Regional insights

While our regional data is limited to the location of our customers, we're seeing interesting trends particularly in the Southeast. **Industrial demand has driven sales growth since COVID-19**, but the Southeast is also seeing more active lead responses than other regions—even while sending far fewer property emails, 56% of the national average.

> **AI can save you time** in the research aspect. Instead of compiling that data, sorting through it and putting it into your own digestible format—that can take hours if not days or weeks of your time or your team's time—you can leverage AI to pull all of these data points and compile highlights, important details into a really easy-to-read format.
>
> **MEG LABARBERA**
> BUILDOUT'S DIRECTOR OF SALES

ON MARKET LISTING ACTIVITY YTD (BY REGION)



BUILDING CRE REPORT 2024

Decor

Brand & marketing

Taking time to get the **story right**

Buildout created the first branded marketing docs solution nearly 15 years ago, which we now call Showcase. With an overwhelming amount of commercial real estate's total listings powered by our software, we know the right mix of marketing to promote your properties. In last year's report, we highlighted the impact that investing in a higher volume of marketing efforts can have on lead numbers—but without variety, you risk burning interested parties out on your message.

That's why we've continued to expand features in Buildout Showcase to help your brand stand above your competitors across offering memorandums and flyers, landing pages, social media, and more. Part of that approach included bringing our visual media services arm, formerly Oval Room Group, further into the fold by rebranding it as Buildout Media. Because it's not enough to simply reach your leads first, you have to run with your best possible foot forward.

LET'S EXPLORE

- **The incredible listing momentum of 2024**
- **The celebration and importance of marketing**
- **Investments made in visual media**

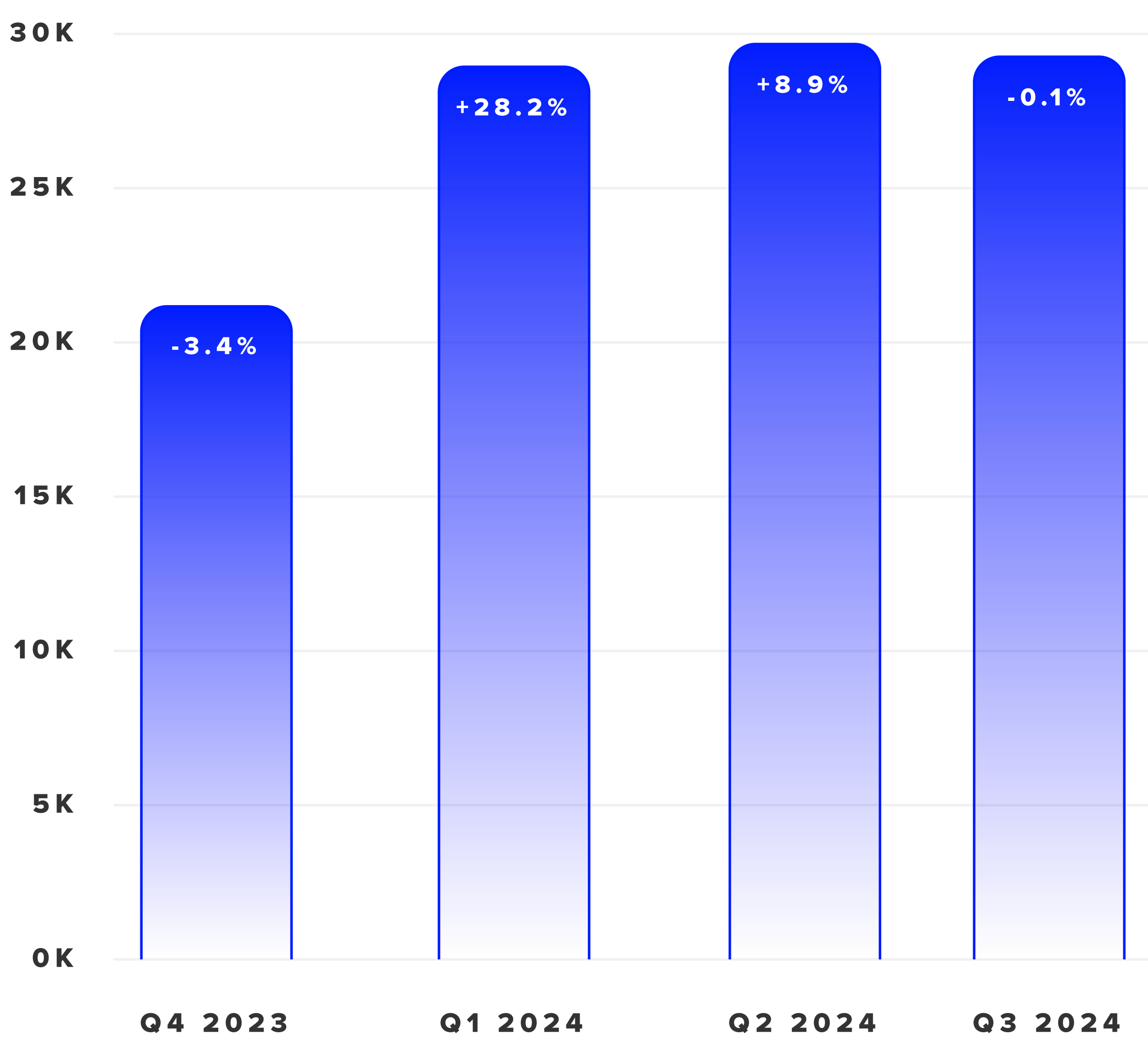
Leaps and **bounds** ahead

With more than four million total leads earned by brokers using Buildout so far this year, it's clear our customers know what they're doing. Our numbers reflect the subtle but growing optimism we had leading up to the Fed's announcement to drop the interest rates by 50-basis points. To be blunt, there are stark comparisons in lead volume from 2023 to now. Even across properties in Buildout without marketing documents, listing volume and lead numbers jumped up an average of 200%.

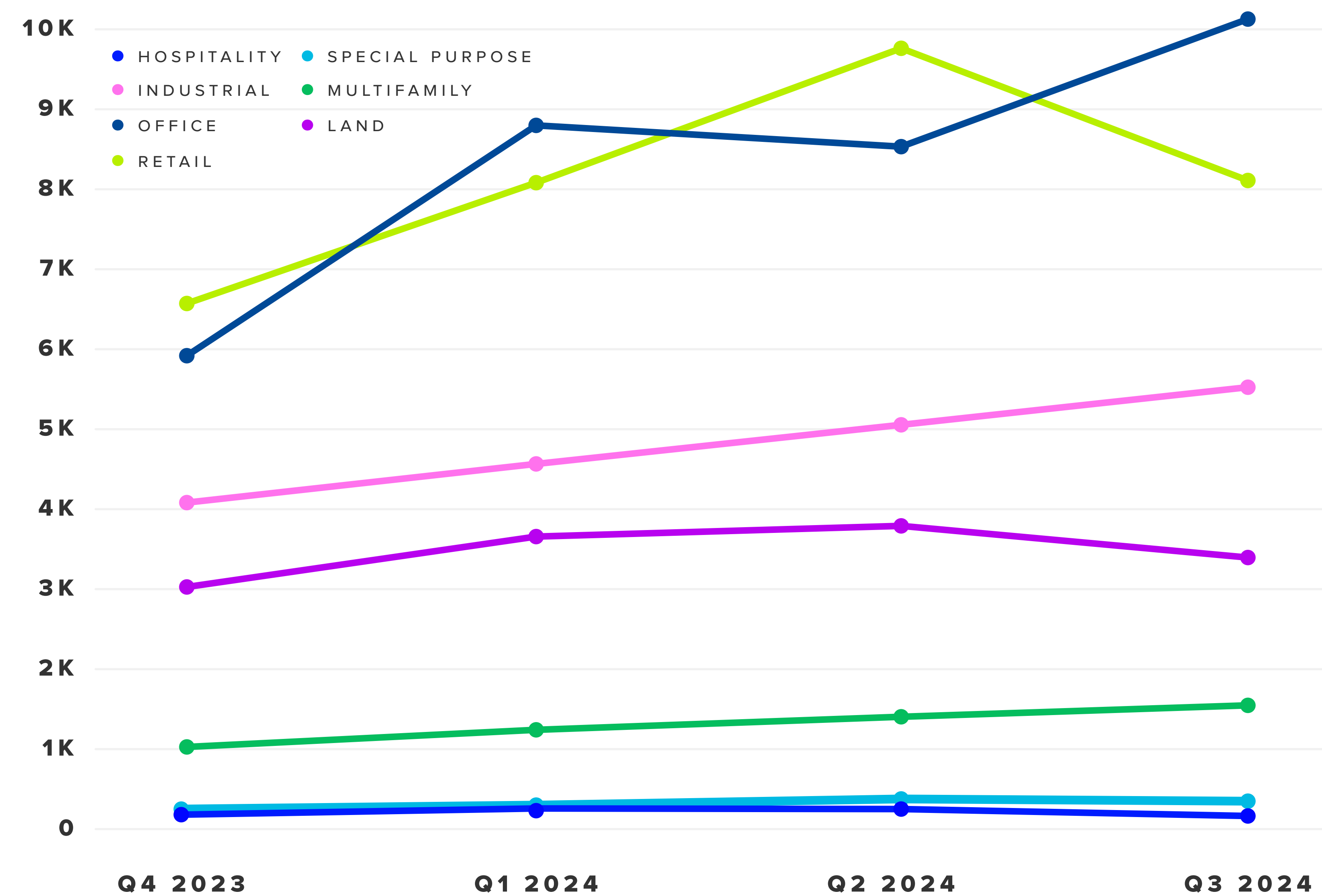
We are outpacing 2023 significantly with the listing volumes coming on market with the majority falling in the leasing category by 2x of its sales counterpart. And from what we can see, the most consistent rise goes to the industrial category—slow and steady.

**Data pulled 9/26/2024*

LISTINGS ENTERING ON MARKET (PER QUARTER)



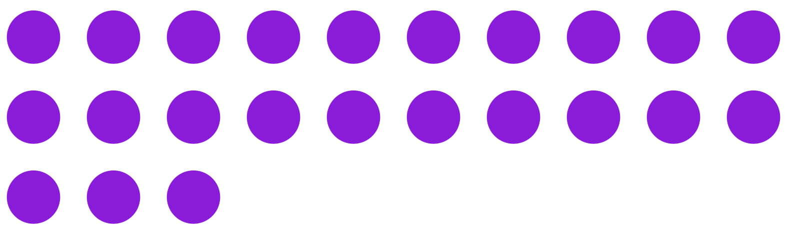
LISTINGS ENTERING ON MARKET (BY PROPERTY TYPE)



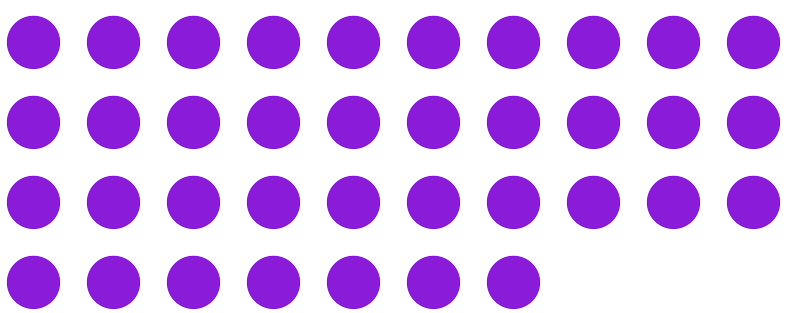
Marketing equals **lead growth**

From what we can tell, properties with email promotion are on the rise at a 4x growth rate from the start of this year. But what is more incredible is that at this time last year, properties with 5+ emails saw an average of 13 leads. Now? That has almost tripled year over year with a starting 37 leads.

EMAIL PROMOTION

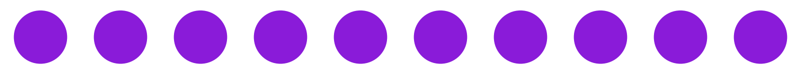


AVERAGE LEADS GENERATED (1+ EMAIL)

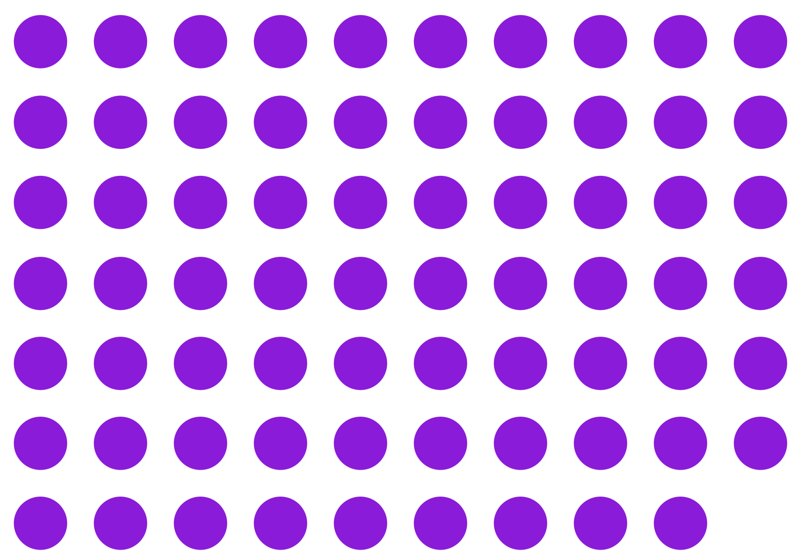


AVERAGE LEADS GENERATED (5+ EMAILS)

DOCUMENT PROMOTION



AVERAGE LEADS GENERATED (1+ DOCUMENT)



AVERAGE LEADS GENERATED (5+ DOCUMENTS)

Properties with 5+ documents significantly outperform other listings in Buildout, and interestingly scale far ahead of properties that have a single document but send 5+ emails. This suggests that leveraging the full range of document templates available in Buildout to vary the type of messaging and content shared around a listing could be the most effective way to earn a high volume of leads.

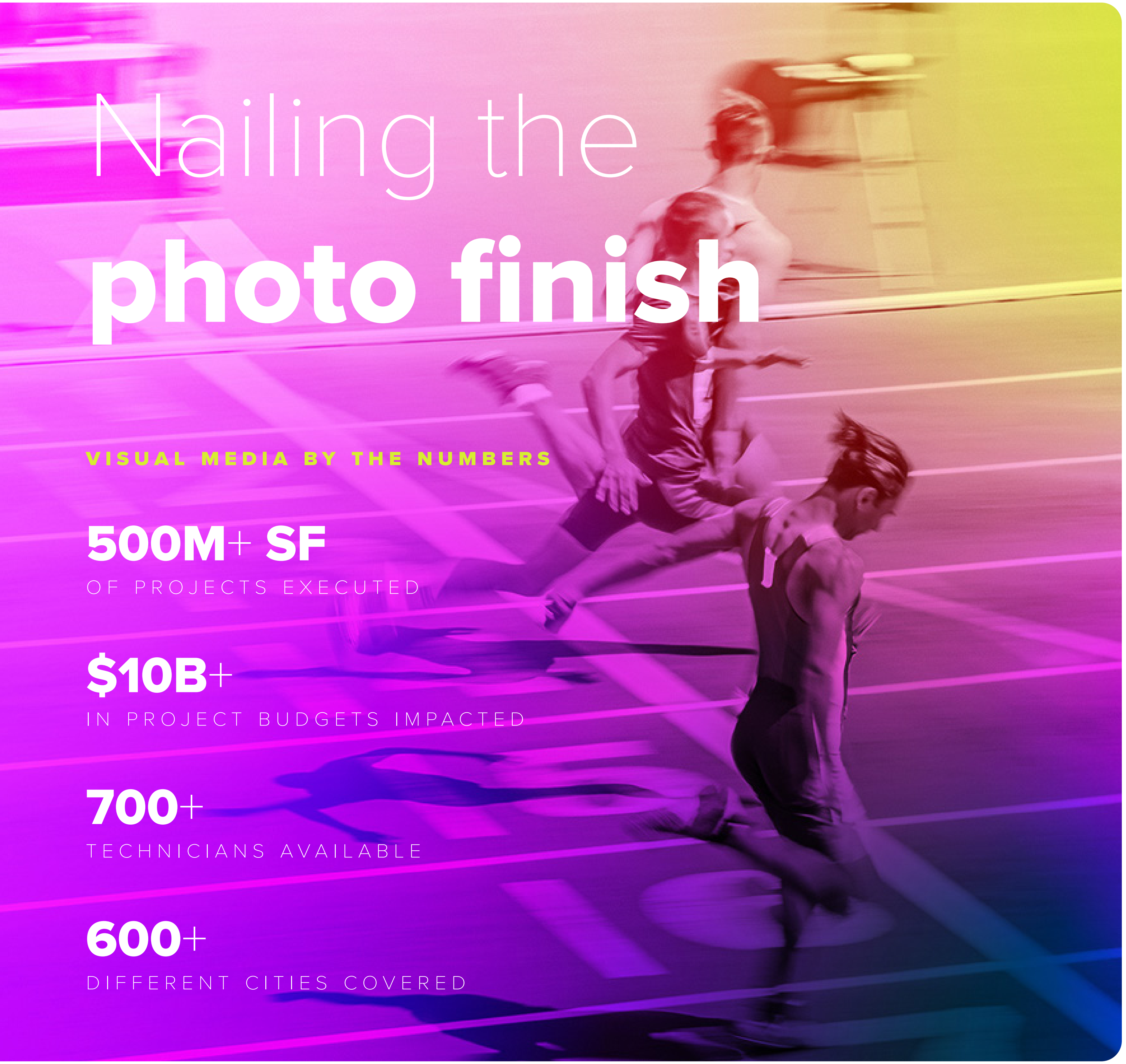
CUSTOMER HOT TAKE

In preparation for this report, we asked the team for some of their favorite customer testimonials. Account Representative Jackie Wilfinger brought up what she knows of Bryan Industrial Properties and the narrative that their Director of Marketing Matt Rossman has shared.

Matt is a professional who understands the importance of brand consistency and efficiency. Before Buildout, his team struggled with creating cohesive marketing materials. Developing a single brochure often took up to two weeks, and the lack of unified branding strategy left them scrambling. But everything changed when they started using Buildout. With its easy-to-use, one-click system, Buildout transformed how Bryan Industrial Properties approached their marketing. The platform enabled them to establish a unified brand presence across all materials, from brochures to flyers, significantly enhancing their market image.

> Being able to **rapidly generate** what we need and do it **in a cohesive way that unifies the brand** is really what we've been after and [Buildout] provides a great solution for that.

MATT ROSSMAN
DIRECTOR OF MARKETING
BRYAN INDUSTRIAL PROPERTIES



Nailing the **photo finish**

VISUAL MEDIA BY THE NUMBERS

500M+ SF
OF PROJECTS EXECUTED

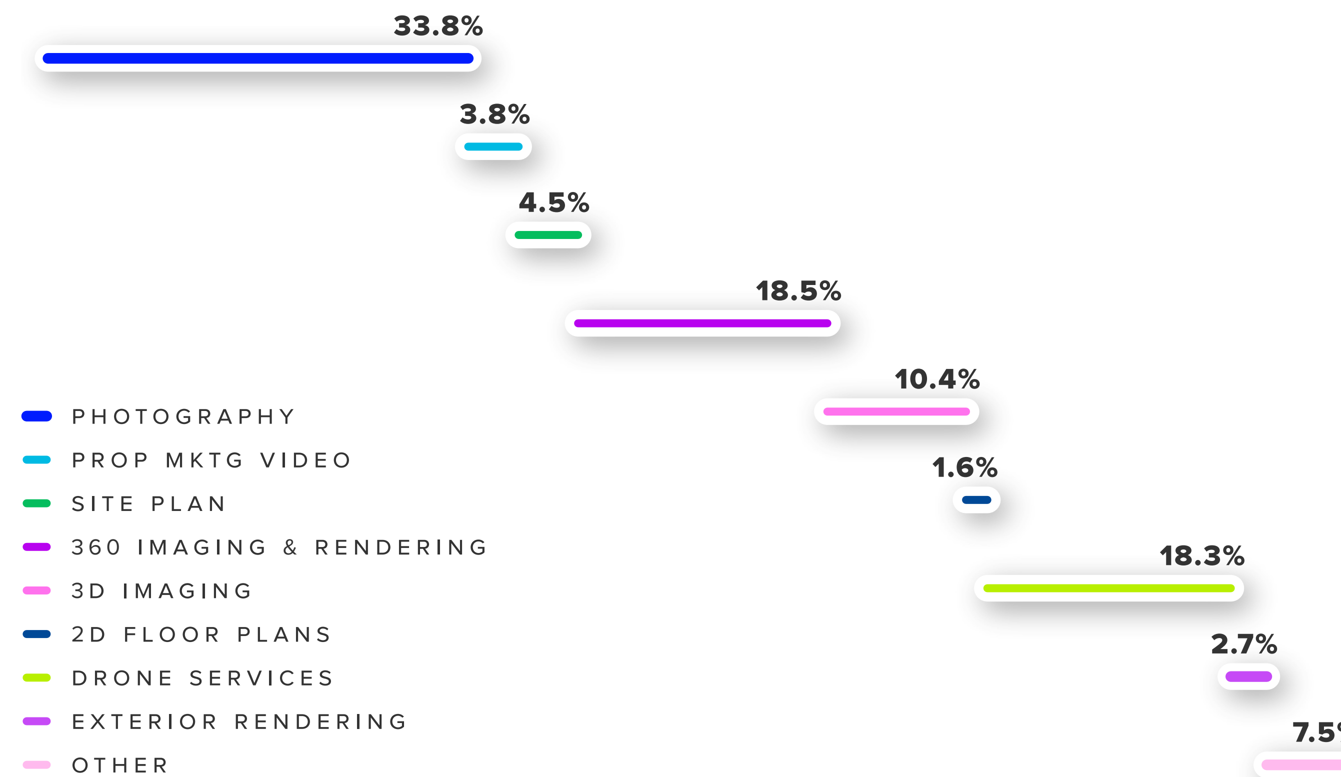
$10B+
IN PROJECT BUDGETS IMPACTED

700+
TECHNICIANS AVAILABLE

600+
DIFFERENT CITIES COVERED

If you have made it this far, you are starting to pick up that we think marketing is pretty important. And marketing extends far beyond just a property listing website and document creation. Marketing taps into the vast network of visual services to bring those properties to life. That's where Buildout Media comes in.

Annual studies like the DNA of CRE will show that photography still ranks the highest at 84% as the most commonly used visual media for listings. Larger firms with 11 or more brokers report higher usage of image enhancement (30%) compared to smaller firms (25%). Additionally, the use of 3D models is significantly greater among larger firms (19%) than smaller firms (11%). The following is a breakdown of the recent 1,000 services our media team has provided this year. And you'll see photography sentiment runs true here but with our customers leaning next into drone services followed by aerial 360 maps.



So if you are still considering where media fits into the mix of your marketing investment, consider the following for when we chat:

- **Make buyers and prospective tenants swoon** | Stunning designs and innovative media options will give your properties the pizzazz they need to stand out.
- **Effortlessly creating, made possible** | Leverage a single team of experts that will work with you to select the perfect solution to bring your vision to life.
- **Seamlessly integrate into your marketing campaigns** | Say goodbye to boring, static web pages and hello to a whole new world of capturing new leads, gaining exposure, increasing sales.

buildout

BUILDING CRE REPORT 2024

Closing

Managing the deal

Winning the prize | **Transaction data**

How you close a deal matters. In our 2024 DNA of #CRE broker report, 83% of respondents said getting referrals from past clients was their top method for winning new business. That means extending client nurture work beyond prospecting, all through the end of managing a deal. Buildout's Rethink CRM and Manage & Close tools help brokers see the full return on relationship work across the entire deal cycle.

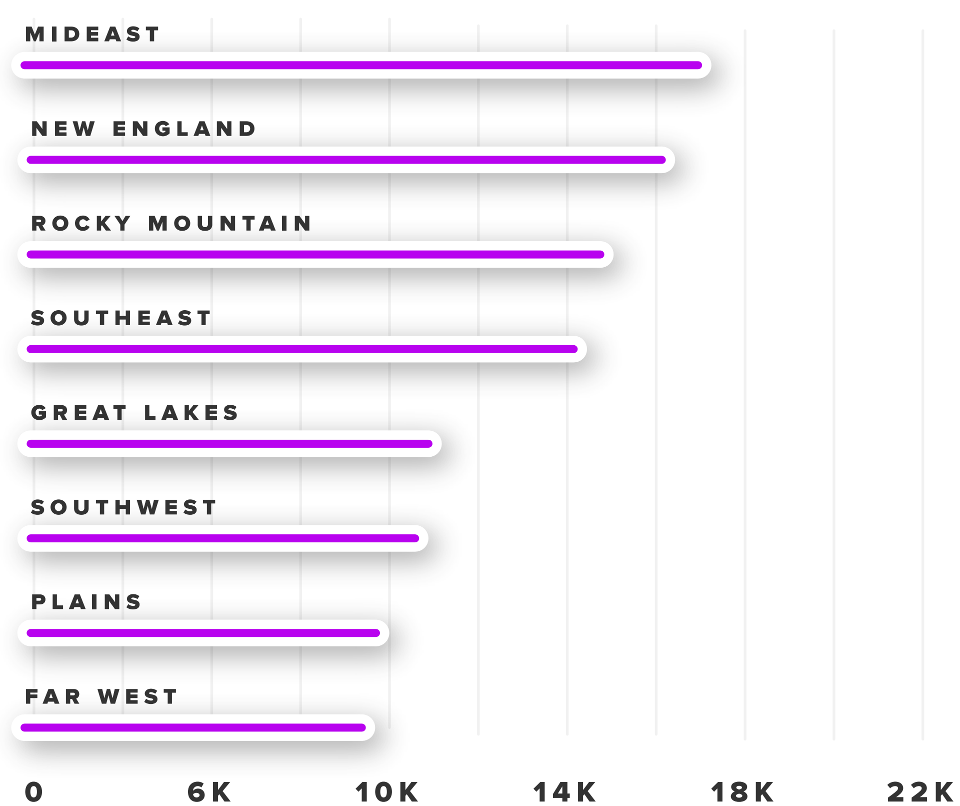
LET'S EXPLORE

- **Which brokers are making top dollar and where?**
- **How does Buildout see the CRM demand evolving?**

Which brokers are **making top dollar**, and where?

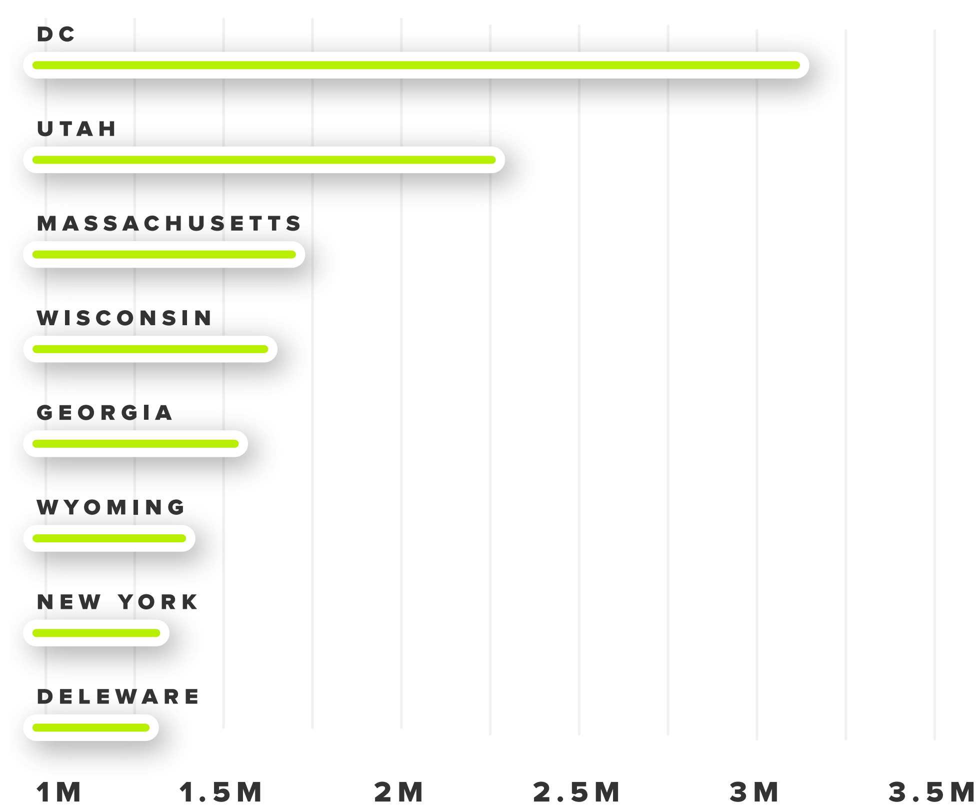
Back by demand, we highlight the various data gathered on average deal sizes along with commissions from brokers across the nation.

AVERAGE COMMISSION (PER BROKER BY REGION)*



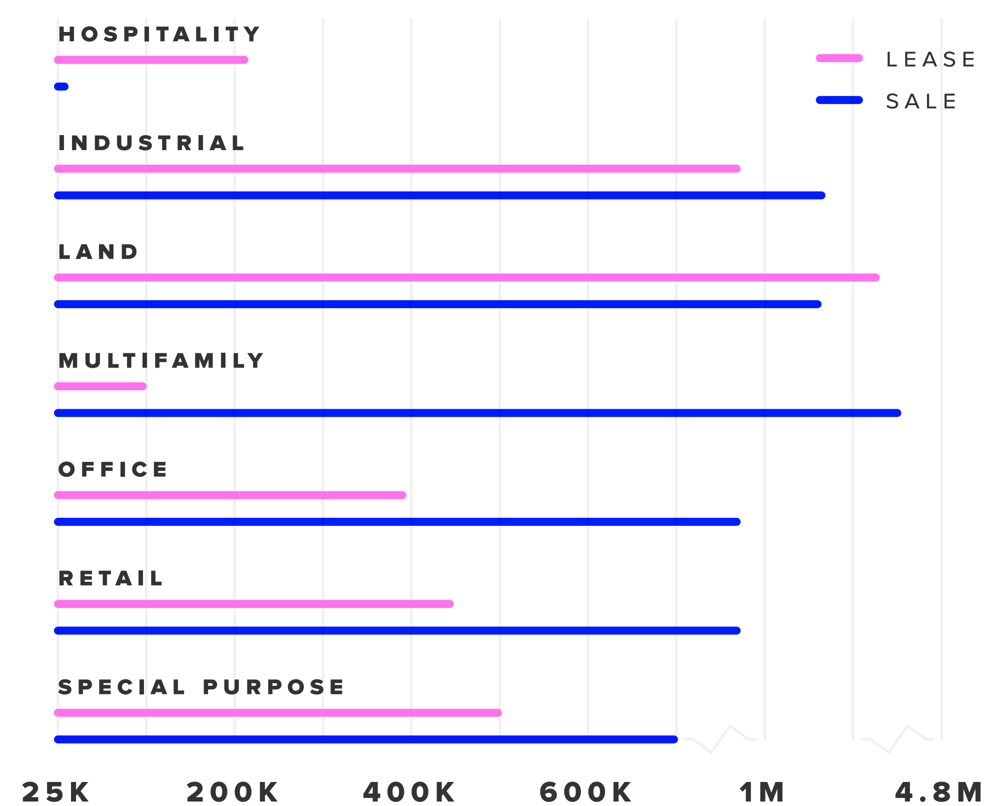
The contenders at the top with Mideast ($17k), New England ($16k), and Rocky Mountain ($15k) are a contrast from 2023 findings that had the Southeast region at highest which has since seen a 15% dip.

AVERAGE TRANSACTION VALUE BY STATE (TOP EIGHT)



Not shocking to see that the top states with the highest average of transaction value are District of Columbia (we know it's not a state, state) at $3.2M; Utah at $2.4M and Massachusetts at $1.7M.

AVERAGE TRANSACTION VALUE (BY PROPERTY TYPE)



Land is king in the lease world, topping out at an avg. transaction value of $4.35M with industrial in second at $1.08M. Flipping that to the sales side, multifamily skyrocketed this year with an avg. transaction value of $4.68M,still keeping industrial in that second spot at $2.14M.

**The key stat here is Avg. Broker Commission. This is the average commission for an individual broker on a deal, based on all deals YTD. All data represented is for 2024, YTD.*

Demand for a **CRE CRM**

Say that 10x fast: CRE CRM, CRE CRM, CRE CRM....

We know we are biased here at Buildout as we have acquired multiple CRM tools and built other solutions. Our bias is that CRE is just built differently. And we explore a huge number of options so you don't have to when it comes to managing your deals. With Rethink as our leading solution, we launched a white paper earlier this year all about helping you figure out the right fit for your business. [See **Buildout's Ultimate CRM Guide** for more insights into full-cycle success.]

CRM has historically been an underserved area in commercial real estate (CRE) tech, with many players entering the market only to bow out when brokers realize their needs aren't being met. Globally, CRM software revenue hit $48.7 billion in 2021, and it's projected to grow at a compound annual growth rate of 14.2% through 2028. With this rapid expansion, the range of options can feel overwhelming, making it essential to carefully evaluate who's behind these solutions.

We understand that the fast movers in this industry will push full throttle toward a solution, but simply rushing towards a CRM system won't cut it for those of us striving for success. Most tech companies offering CRM solutions provide general tools that can be adapted for various industries. However, commercial real estate (CRE) is unique, and the demand for a CRM specifically designed for its nuances is growing rapidly. In fact, our annual **DNA of CRE** survey shows that 37% of brokers plan to invest in CRM this year.

In most industries, a single contact record only needs one address. But what about an investor with properties in different cities across the state? Or a strip mall with multiple tenants, each with different lease expiration dates—key information for brokers to reach out to the owner. While you can add custom fields to collect the necessary data, generalized CRMs fall short when it comes to managing these intricate relationships. For brokers, overcoming these core requirements is where standard CRM systems fall flat.

CUSTOMER HOT TAKE

Our very own Account Management leader Maddy Niehaus, shared the story of Forum Commercial Real Estate Associate Broker Brian Manning about how tools are critical—regardless of firm size. That in a down market, having a streamlined process is crucial to staying ahead. Brian and his team needed a solution that would allow them to focus on what they do best: closing deals and building relationships.

Brian puts it simply: "I seriously don't understand why brokers wouldn't use Buildout." For Forum, the choice was clear. With Buildout, they have a trusted partner that helps them maximize their time and resources.

I seriously **don't understand why brokers wouldn't use Buildout**.

BRIAN MANNING
ASSOCIATE BROKER
FORUM COMMERCIAL REAL ESTATE

BUILDING CRE REPORT 2024

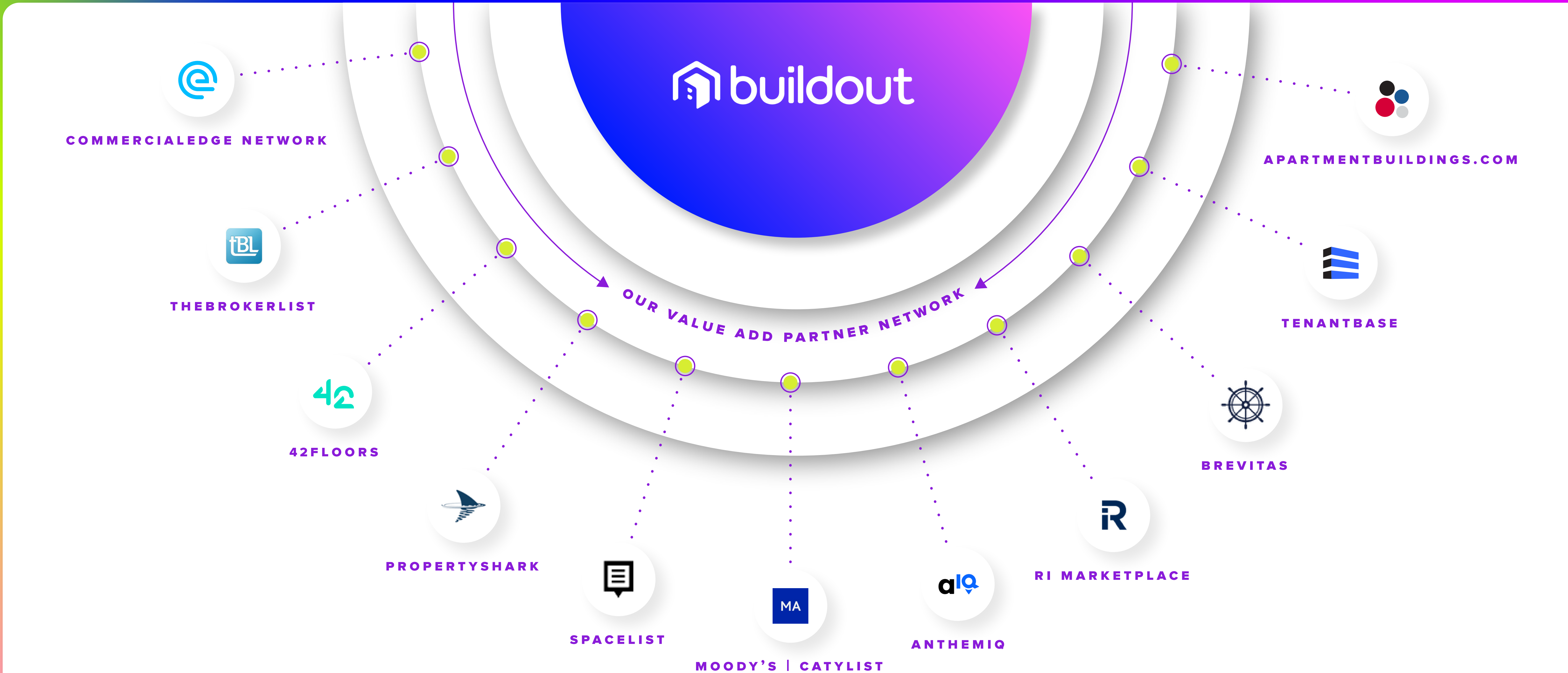
Wrap up

Looking ahead

Looking **ahead**

From our perspective, we've already observed significant shifts in listing and activity volume compared to this time last year. This gives us a solid outlook for the rest of 2024, regardless of any changes from the Federal Reserve. We remain confident in the potential for strong growth over the next five to ten years. The recovery will be gradual, beginning between Q4 2024 and Q1 2025, and will be income-driven and uneven, leading to divergence among sectors, with some emerging as winners while others may lag behind.

For us here at Buildout, we are excited for some big Q4 2024 product updates that will surely be an added asset with all the potential that 2025 brings. While challenges remain, including uneven recovery across different sectors, the gradual economic rebound and increased market activity lay a promising foundation for growth. Key indicators suggest that new opportunities will emerge for those who embrace AI, adapt to emerging trends and allow technology to be an enabler of success. As the market enters a new phase, stakeholders who embrace innovation and remain agile will be well-positioned to capitalize on the opportunities that lie ahead, ultimately driving our industry towards sustained growth and prosperity.



Headerquartered in Chicago, Buildout is the leading commercial real estate software suite in North America. Buildout is trusted by over one-third of CRE brokers to find, win, marketing and transact more listings faster, at top dollar.

LEARN MORE AT **WWW.BUILDOUT.COM**