

PREDICTIVE PRICING ANALYTICS



A primer on how predictive pricing analytics influences economic behavior and drives performance in the real estate markets

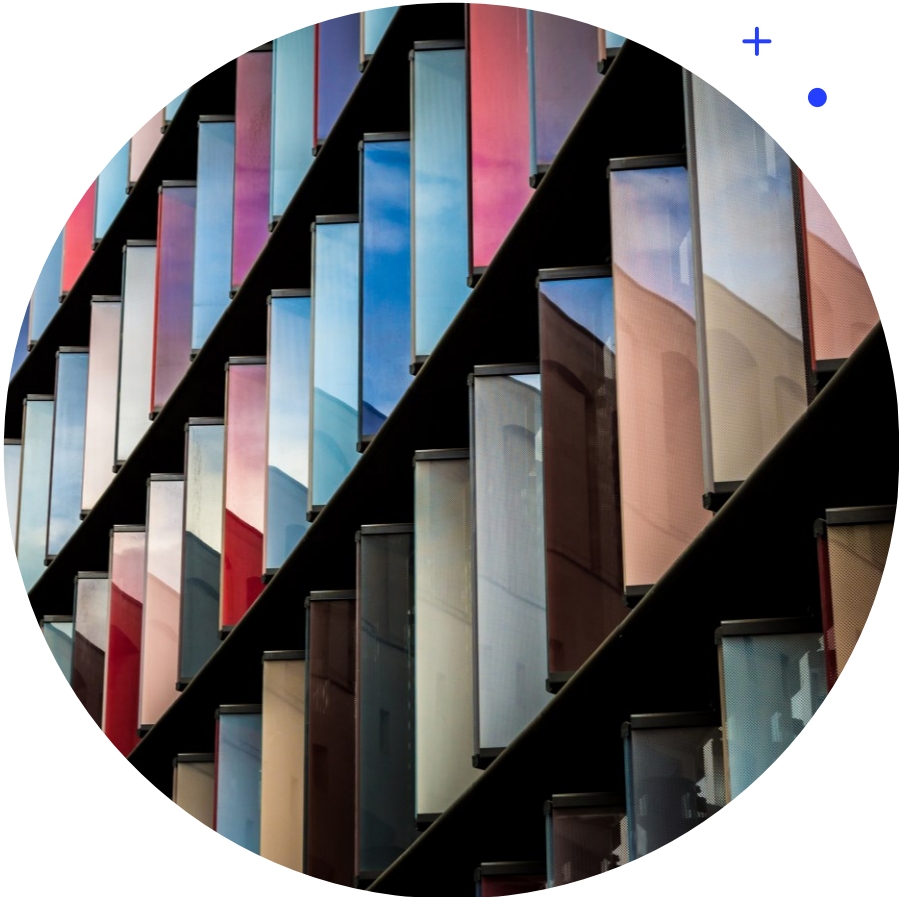
F9Analytics

Since 2013 we have been focused on developing varying forms of predictive analytics - before it was vogue. Fundamentally, we understood the importance of analytic price management in financial performance. We lived it.

As institutional investors, we recognized the disconnect between price management at acquisition, and price management during operations. Where the former was rigorous and price sensitive, the later was loosely managed and allowed for price leaks.

These price leaks lead to adverse performance and usually come in the form of non-accretive lease pricing aggregated over a portfolio for the investment horizon.

At F9Analytics, our predictive pricing software delivers on our vision of pricing performance, providing real estate companies the necessary algorithms for solving technically challenging problems across real estate portfolios – be it commercial or residential.





WHAT IS PREDICTIVE PRICING ANALYTICS?



The fastest and most effective way for a company to realize its maximum profit is to get its pricing right. The right price can boost profit faster than increasing volume will; the wrong price can shrink it just as quickly.

Harvard Business Review



Pricing Analytics Technology

Pricing analytics is the process of using applied mathematics with data and technology to optimize pricing strategies and decisions. Where AI fails at basic math, pricing analytics software uses well-tuned mathematical algorithms designed specifically for this purpose. Pricing analytics can help businesses understand customer behavior, demand patterns, competitive dynamics, and market conditions. Pricing analytics can also help businesses measure the impact of pricing changes on revenue, profit, and customer satisfaction. Pricing analytics can enable businesses to achieve various objectives, such as increasing sales volume, maximizing profit margin, enhancing customer loyalty, and gaining competitive advantage.

**WHY IT MATTERS NOW FOR REAL
ESTATE COMPANIES?**



Pricing is one of the most powerful levers for improving profitability. Research shows that price management initiatives can increase a company's margins by 2 to 7 percent in 12 months—yielding an ROI between 200 and 350 percent.

Deloitte, Getting Pricing Right.



Increasing Cost of Capital

In a rising interest rate environment, predictive pricing analytics become even more important for the following reasons. First, higher interest rates increase the cost of capital for businesses, which means they need to generate more revenue and profit to cover their expenses. Second, higher interest rates affect the demand and price sensitivity of customers, which means businesses need to adjust their prices accordingly to capture the optimal value. Third, higher interest rates create more uncertainty and volatility in the market, which means businesses need to monitor their pricing strategies and react quickly to market changes. Predictive pricing analytics can help businesses achieve these goals by leveraging price to influence economic behavior to drive demand and benchmark operating performance.

**THE BENEFIT FOR REAL ESTATE
COMPANIES?**

A large number of companies still don't understand the untapped opportunity that superior transaction pricing represents. For many companies, getting it right may be one of the keys to surviving the current downturn and to flourishing when the upturn arrives. It has never been more crucial—or more possible—to learn and apply the skills needed to execute superior transaction-price management.

McKinsey & Company

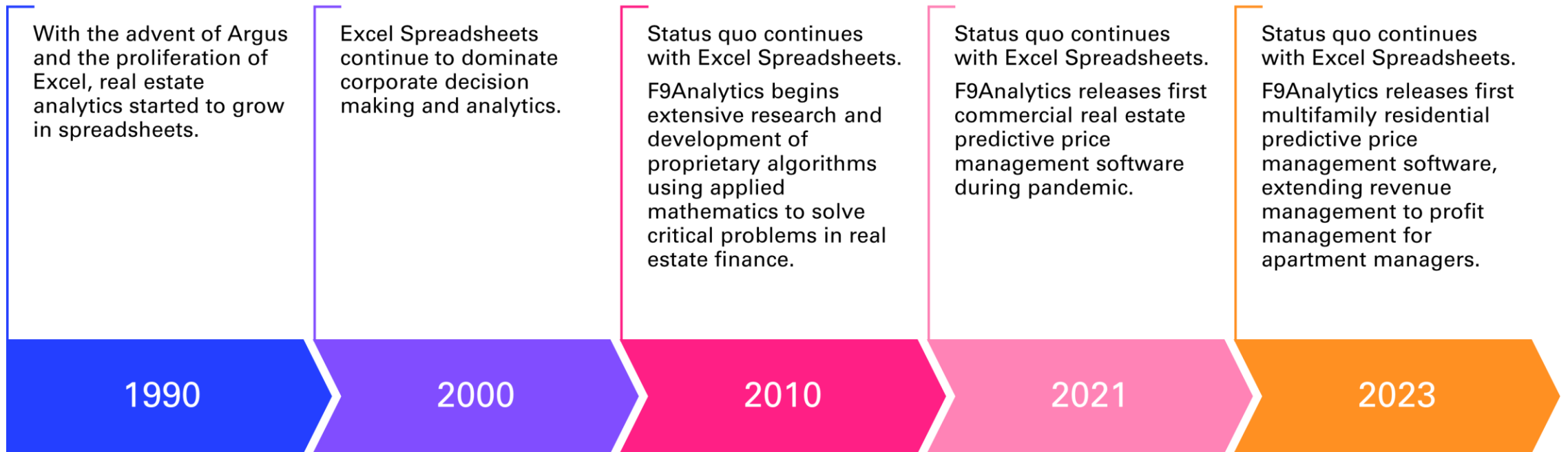




Predictive Pricing for Performance

- Predictive pricing analytics is a mathematical approach applied to finance that uses data as well as advanced algorithms to predict the optimal rent for a property at any given time.
- By using predictive pricing analytics, real estate investors can optimize their income by adjusting the rent based on market demand, incentives, vacancy rates, and other factors that affect the rental value of a property.
- Predictive pricing analytics can also help real estate investors reduce their vacancy costs by identifying optimal lease durations and incentives that influence tenant economic behavior and drive demand.
- Additionally, predictive pricing analytics enable real estate investors to gain insights into their target market, their competitors, and their tenants' preferences and behaviors, which can help them improve their customer satisfaction and retention.

History of Predictive Pricing Analytics



Putting it all together, we can see there is a strong case for many companies to consider investing in pricing and revenue optimization. Not only is improving pricing already the “fastest and most cost-effective way to increase profits,” but it is gaining in importance as the velocity and complexity of pricing decisions inexorably increase. Furthermore, a new generation of information technology provides the information and algorithmic power needed to analyze and exploit market opportunities.

Robert Phillips, Pricing Research Amazon



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