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ARE YOUR PROPTech SYSTEMS WORTH THE INVESTMENT?

At home, technology is everywhere: doorbells, thermostats, smart lights – the list goes on. Increasingly, technology is everywhere in a piece of commercial real estate too, whether or not the users of the space know it is there. It is used to manage leases, open doors and track user behaviour, among many other things.

But is all this technology being used effectively? Are there improvements that could be made to proptech platforms to deliver the functionality that asset and property managers today are really looking for?

These questions have come into focus more clearly because of the pandemic, which accelerated certain societal changes considerably. To find answers, real estate software provider Yardi carried out a survey of UK asset managers and landlords, questioning them on current technology use and where the proptech sector could improve its systems. This article details the results of the survey, as well as opinions from respondents across asset classes.

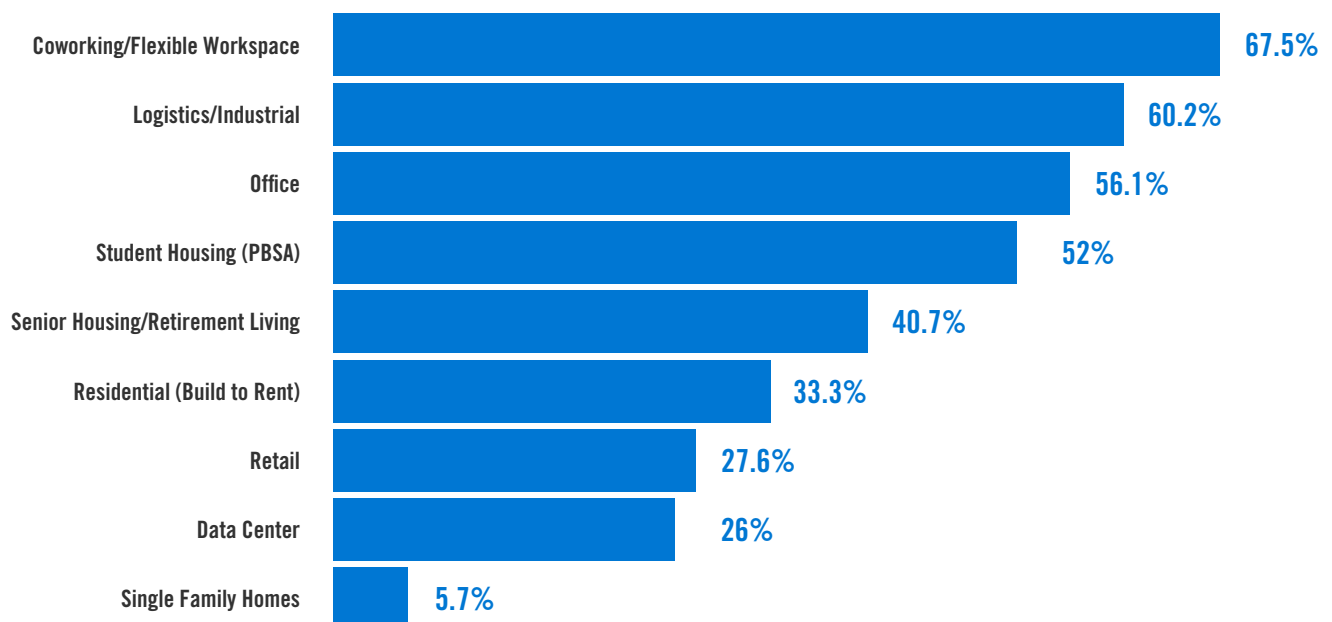
“There has been huge disruption in all areas of real estate, which has changed the level of technology needed,” Yardi VP International Neal Gemassmer said. “Changes have been created by the pandemic, but also driven by societal change over the last decade. Today, the key word for the entire real estate industry is flexibility, and technology is vital to managing space the new way. So how are people using it today and how can technology use be improved?”



QUESTION 01

WHICH ASSET CLASSES DOES YOUR PORTFOLIO INCLUDE?

The spread of asset classes managed by survey respondents highlights how technology has become integral to all sectors. Proptech first disrupted the residential sector, but for several years platforms have also been emerging with the aim of streamlining the commercial real estate sector. Today, whether used for asset management or budgeting, or to facilitate tenants' use of a space, technology is everywhere.



QUESTION 02

HOW MANY TECHNOLOGY APPLICATIONS DO YOU USE TO MANAGE YOUR PORTFOLIO?

The results of this question show that real estate organisations use a lot of different proptech platforms — almost a third use more than six different applications, which can suggest inefficiency, Gemassmer said.

“Real estate organisations generally use many apps that are not connected, which creates lots of problems,” Gemassmer said. “There is no single source of truth for data, which means you will always question that accuracy and timeliness. It is far more efficient to find a partner that has more within its own offering. This makes it easier to manage elements such as GDPR, as well as to scale systems.”

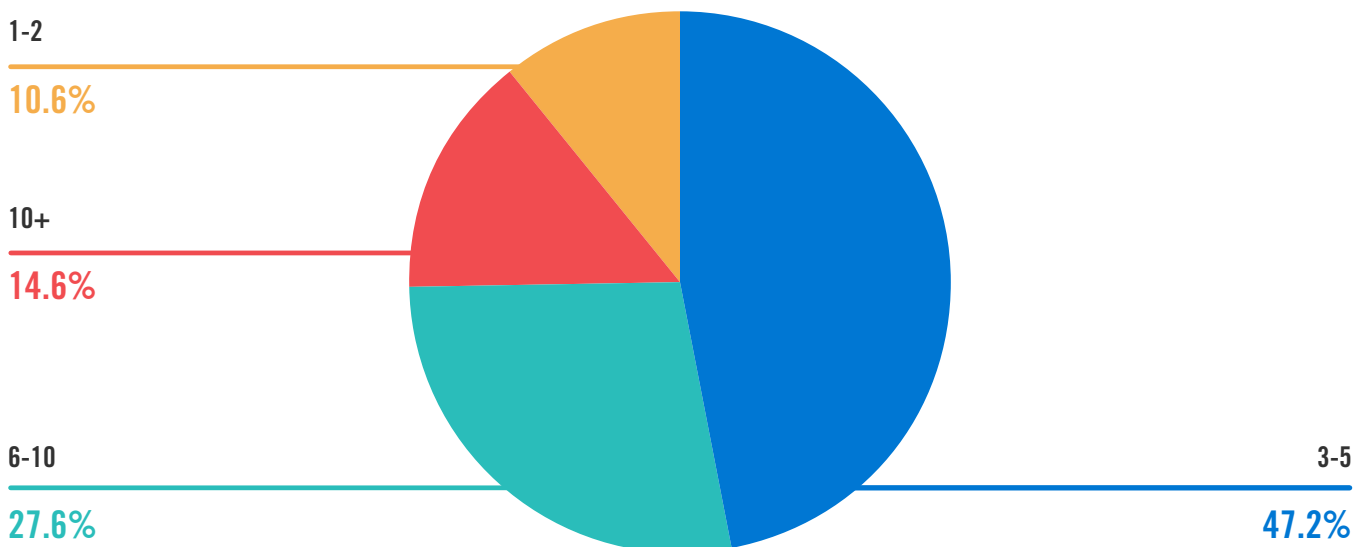
Ruchit Gupta-Chaudhary, Head of Systems & Digital Transformation at Way of Life, the residential platform looking after Long Harbour’s BTR portfolio, said that his company uses several different proptech applications, not counting all the enterprise customer relationship management technology the team uses to monitor and manage customer interactions. One of the main challenges he highlighted was that the way platforms talk to each other needs to improve, to avoid duplication of work and optimise operational efficiency.

Flexible office operator Runway East CEO Natasha Guerra said that SaaS bloat “is definitely a thing and something we suffered from in the past”.

“Software for 10 users suddenly looks expensive when scaled to 30-40 users but can be difficult because it’s likely integrated into your processes,” she said. “So we’ve done some painful but necessary consolidation of the platforms we use but there are still areas we could be more efficient and that’ll likely mean adding platforms.”

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Yardi VP International, Neal Gemassmer



QUESTION 03

WHAT FUNCTIONS DOES YOUR COMPANY USE TECH SYSTEMS FOR?

Proptech is clearly currently most used to manage real estate, rather than for marketing or to manage customer interactions. Simply put, a building owner or manager will have to invoice people and know who is in their space, which makes technology for these areas essential.

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Avison Young Director, Real Estate Management, Jonathan Aspinall

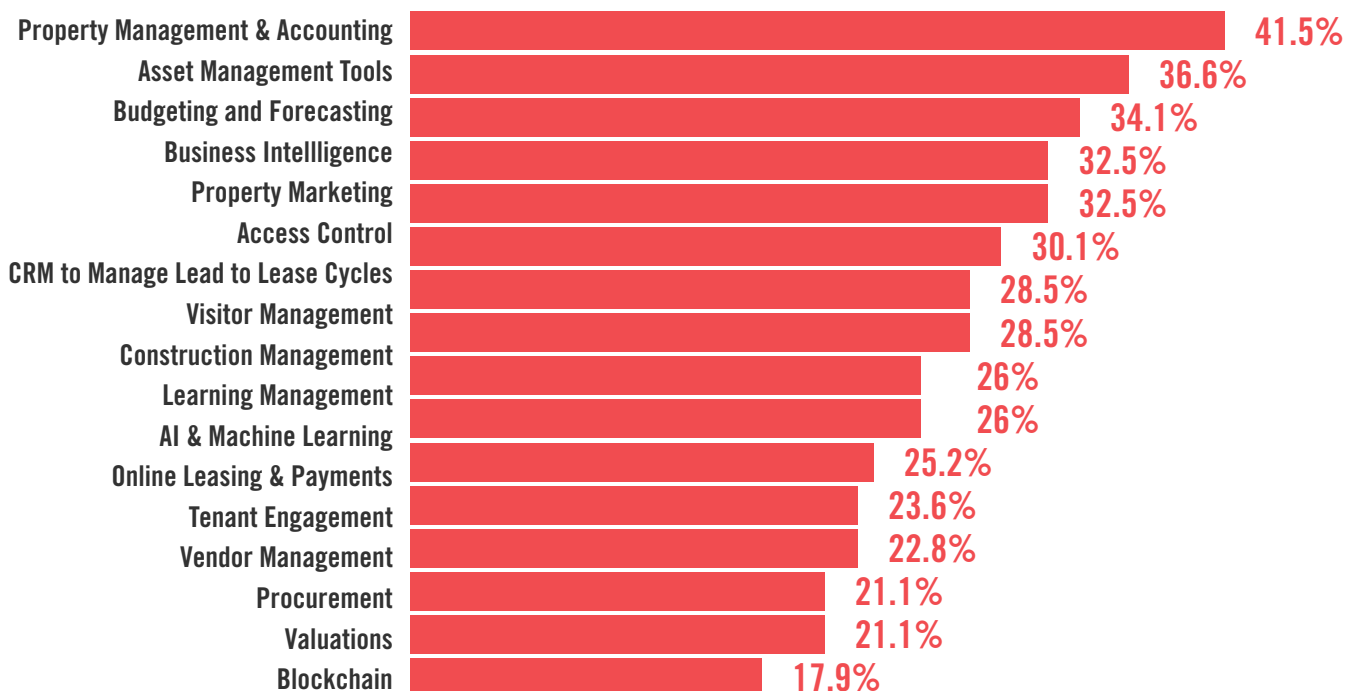
Avison Young Director, Real Estate Management, and real estate investor Jonathan Aspinall said that his firm mainly uses property management applications such as to hold tenancy data and raise invoices. He also highlighted how proptech is increasingly being used to report on energy management, an increasingly essential part of ESG reporting.

"We starting to get into an Internet of Things approach, to understand in more granular detail how the business operates," he said. "We look at things like indoor air quality.

There are lots of different areas where we have technology assisting us and this has increased massively in the last few years."

Gemassmer predicted that asset managers are likely to increase their use of technology to monitor customer behaviour in particular. These types of platforms deliver real insights into how a property should be designed to meet different customers' needs.

"For example, people want to track how many people come in and out of a building, how tenants are using the space, so a landlord can understand whether they need to add access control security," he said. "Today in real estate, people aren't just renting a space but want it to be designed in a certain way with different functionalities."



QUESTION 04

DOES YOUR FIRM USE CLOUD-BASED OR ON-PREMISE TECHNOLOGY SOLUTIONS?

Today, property owners and managers have a choice: to use an on-premise technology platform, hosted on servers stored somewhere in their building, or to opt for a cloud-based platform, where all data is stored by the service provider. There are pros and cons to both options, but cloud-systems are increasingly viewed as the best option, Gemassmer highlighted.

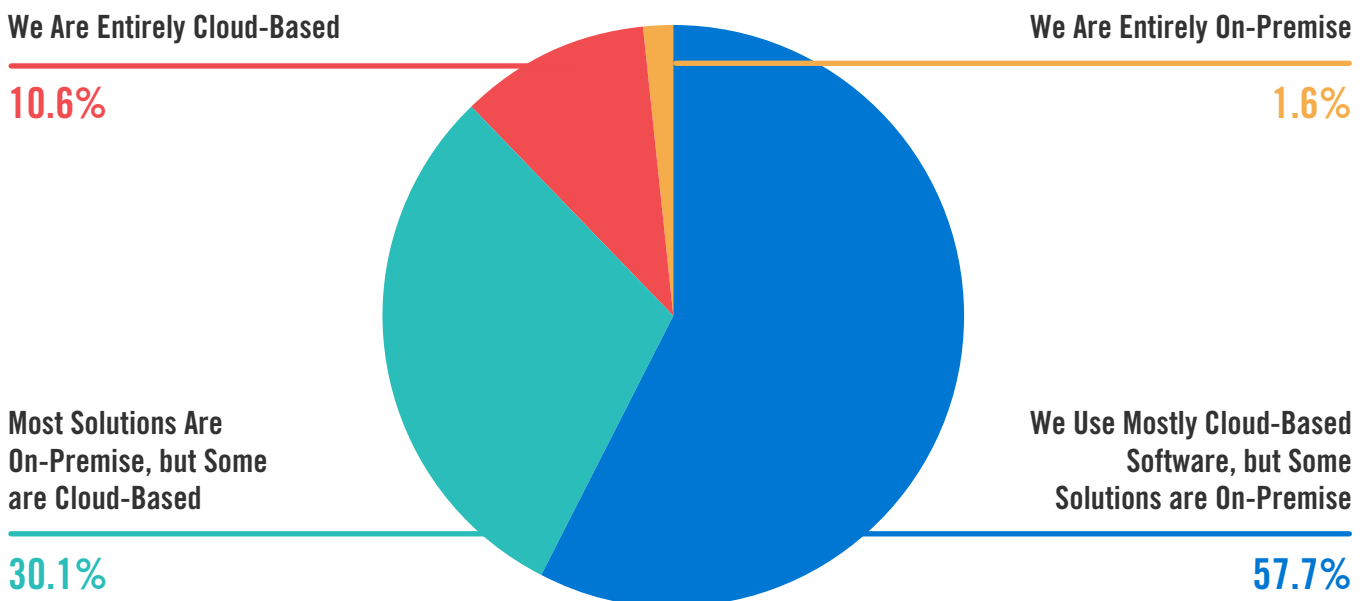
"The world is moving to the cloud, which makes it so much easier to access information compared to an IT system that sits in an office," he said. "Covid taught us that it's very different to move to remote working with an on-premise system. This has driven investment into technology. Today, the question isn't whether to use a cloud system, it's 'what else can I put in the cloud'?"

Gupta-Chaudhary said that all Way of Life's platforms are cloud-based, for multiple reasons.

"The benefit of using a cloud provider is you don't need to resource internally for support, backups, updates and so on," he said. "Secondly, we work all over the UK, with assets across regions, so we wanted to make sure everyone could access systems efficiently wherever they are working from."

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Ruchit Gupta-Chaudhary, Head of Systems & Digital Transformation at Way of Life



QUESTION 05

WHICH OF THE FOLLOWING CHANGES WOULD HELP YOUR COMPANY DERIVE MORE VALUE FROM YOUR TECHNOLOGY?

Results show that there are many improvements that can be made to proptech platforms to help users derive more value. Two responses stood out as most desired: 'Better standardised integration' and 'Faster implementation and onboarding'.

"Faster implementation for sure," Runway East's Guerra said. "We've used external agencies to help with some migrations or builds which I wouldn't say was a raving success. Equally, we don't have a requirement to employ a big tech team who might help speed up platform implementations. The likely solution to that is finding more internal resources. There's a lot more we can do which will pay us back with efficiency over the longer term."

On standardised integration, Gemassmer pointed out that there are many terms that the industry doesn't have a uniform approach to, such as using square metres or square feet. This makes it hard for proptech platforms to work together as data varies hugely.

"We need more collaboration and means of sharing across platforms," Gemassmer said. "We need to move towards the democratisation of real estate – it no longer makes sense to be secretive about data. People want to consolidate the vendors they use.

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Avison Young's Aspinall highlighted how a uniform way of presenting data would be extremely beneficial for those who manage a wide portfolio.

"If you're an investor, you might have a building managed by someone in Birmingham, another managed by someone else in London and countless others," he said. "If you want to understand overall energy use across your portfolio it's hard to get information in a common format. It's coming, but it's not there yet."



QUESTION 06

WHAT IMPROVEMENTS WOULD YOU LIKE TO SEE THROUGH A MORE EFFECTIVE USE OF DATA?

Proptech applications are collecting a vast amount of data, but in many ways the sector is still in its infancy in using this data effectively. The high proportion of respondents who indicated they would like 'to better understand operation costs' and 'to better manage the budget forecasting process' shows how they believe more could be done to ease these processes.

"Generally, budgeting is difficult as each lease has a different contract and all leases renew at a different time," Gemassmer said. "So, if you could consolidate the data, you could look at revenue much more easily. This is even more important since Covid arrived."

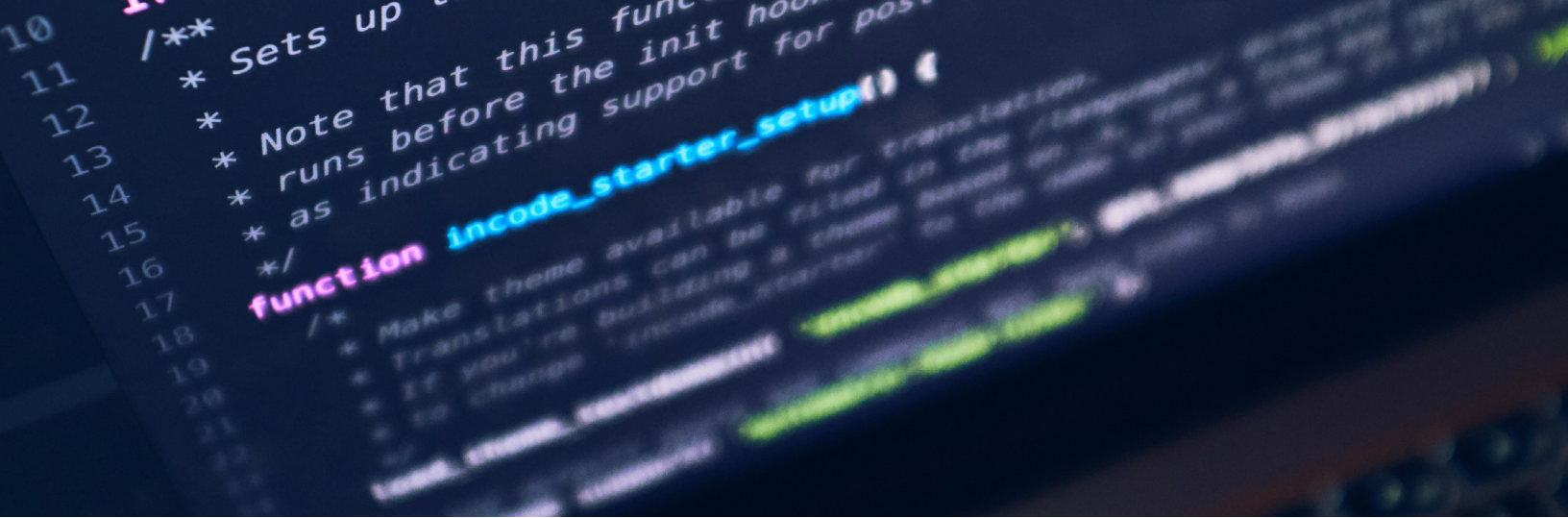
Better understanding tenant and resident satisfaction has also become more important in the last few years. Go back a decade or so and landlords were only concerned with the happiness of the person who signed the lease, but today most asset managers have a focus on ensuring all users of the building are happy. Runway East, for example, makes decisions based on data collected about users' activities and preferences.

"You don't know what you don't know, or perhaps you can't analyse what you don't collect"

Runway East CEO Natasha Guerra

"For sure our decisions around space design and facilities have and will continue to be informed by data," Guerra said. "You don't know what you don't know, or perhaps you can't analyse what you don't collect. Understanding customer satisfaction goes beyond a net promoter score response, especially learning how you're serving the needs of different businesses at their different stages, so things like measuring engagement and product interaction points is also key to optimising for everyone's experience."





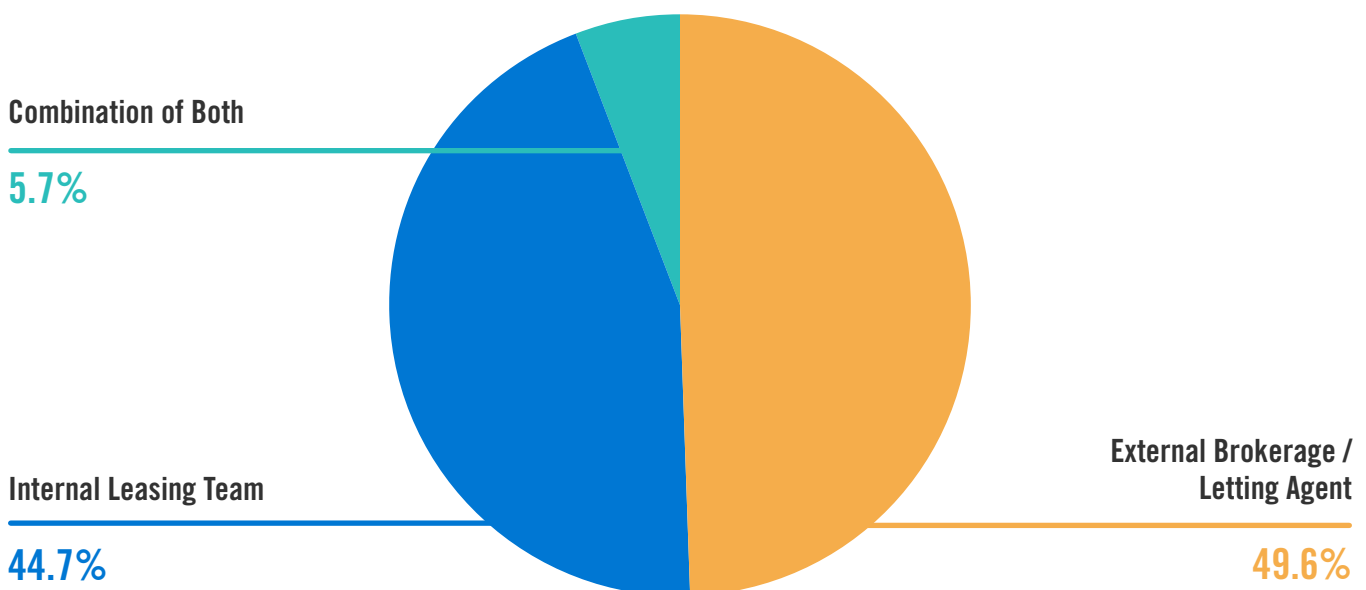
QUESTION 07

HOW DO YOU CURRENTLY MANAGE YOUR LEAD TO LEASE PROCESS?

This graph shows that there's still a long way to go in using technology to help businesses manage their lead to lease process, Gemassmer said. Almost 70% of respondents outsource at least some if not all of their process.

"A lot of people still use the old model, outsourcing their demand creation, which means they're not building a personal relationship with their customers," Gemassmer said. "This is also expensive. We forecast that people will use management technology to have more of a relationship with lead generation to manage the process more efficiently."

Gupta-Chaudhary reported that his company uses enterprise customer relationship management technology to monitor customer interactions, such as tracking how effective social media, paid marketing and other marketing or leasing strategies are at engaging customers with the brand and product.



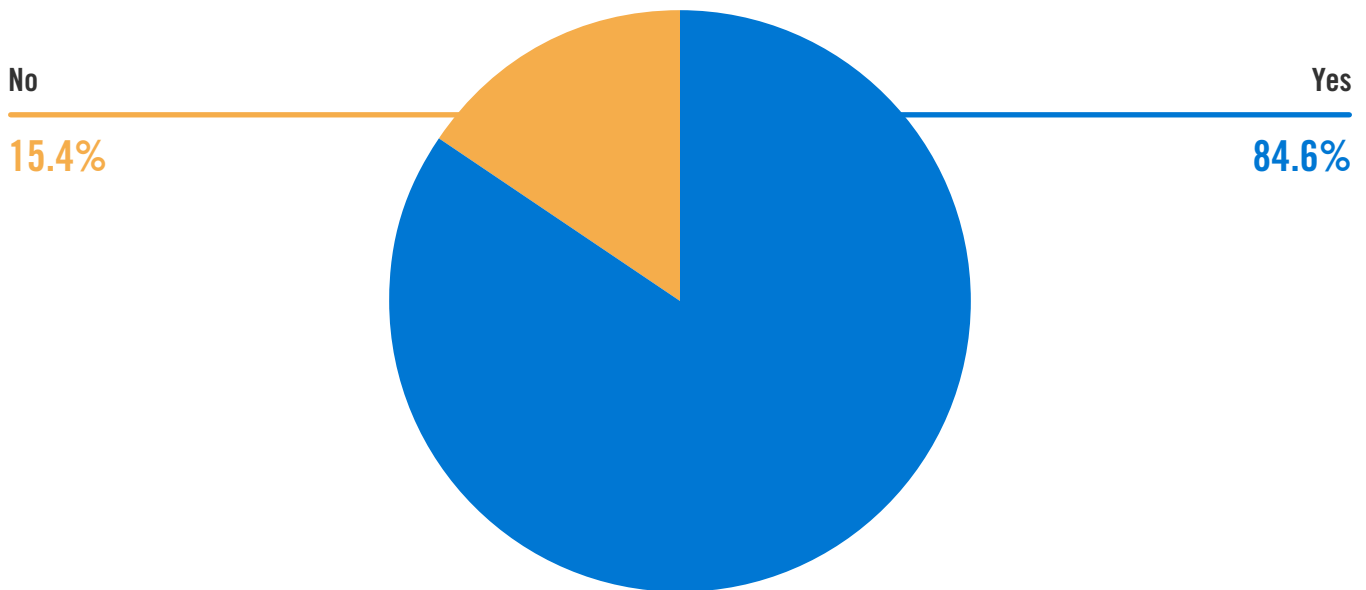
QUESTION 08

DO YOU HAVE AN ONLINE LEASING PROCESS INCLUDING ESIGNATURE?

When the pandemic first struck, many industries were faced with delays while they waited for a physical signature on a piece of paper to be circulated. In response, one by one they started to accept e-signatures. The global e-signature market is projected to grow by 26.6% by 2030, according to Prescient & Strategic Intelligence.

However, acceptance of digital signatures is not currently widespread in the commercial real estate sector, as the survey demonstrates. Only 50% of respondents currently have an online leasing process that includes an e-signature. Gemassmer believed this won't be the case for long, however.

"Digital signatures have been available for some time, but they're still not common in commercial real estate as a lot of contracts are bespoke," he said. "Why isn't this online? This is a huge area of inefficiency. We continue to see this as an area of improvement for the sector."



QUESTION 09

WHAT KINDS OF CHANGES TO YOUR BUSINESS DO YOU EXPECT TO SEE IN THE NEXT FIVE YEARS?

"Mixed-use is permeating all asset classes," he said. "The office is becoming flexible, retail is introducing both flexible space and last mile logistics units, and student accommodation is introducing flexible space as well as the concept of short-term rentals during summer holidays"

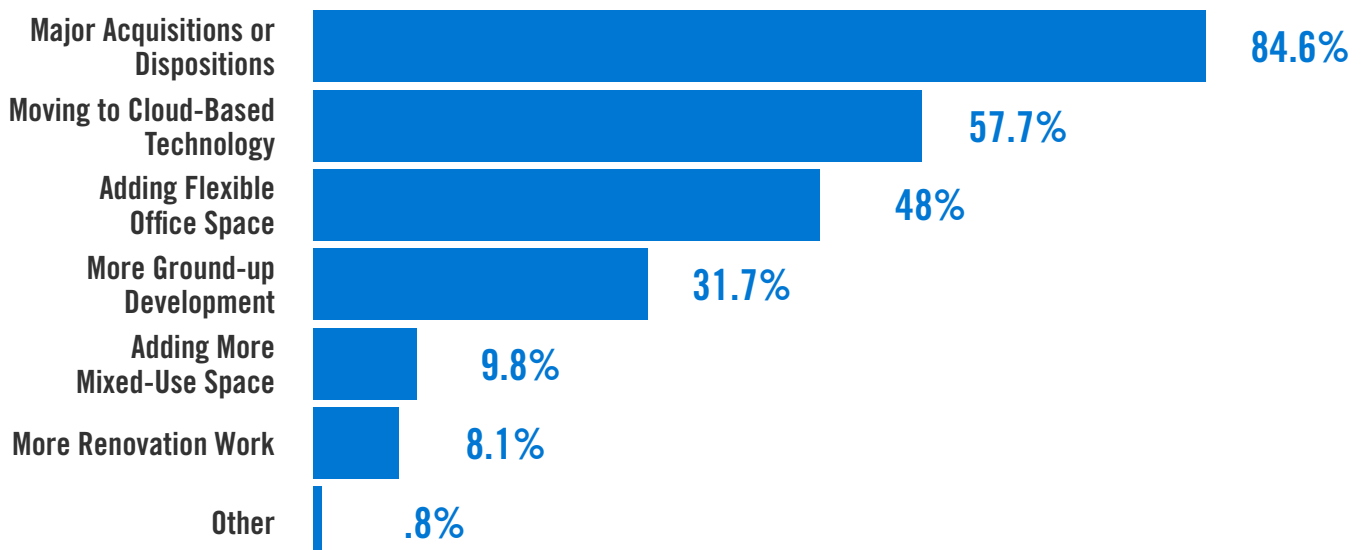
Yardi VP International, Neal Gemassmer

The popularity of the most selected responses to this question can in part be attributed to today's desire for flexibility, a trend driven by societal change as well as the pandemic. It's perhaps unsurprising that the most popular response to this question was 'adding flexible office space'. The pandemic has driven an entirely new way of working for most businesses and the adoption of flexible space to complement or replace a permanent office space has boomed.

Moving to cloud-based technology can be viewed as a move to flexibility, as these systems can be accessed anywhere and often have a more flexible payment model compared to on-premise systems. The addition of mixed-use

space gives asset managers more flexibility about who they are targeting with space, a desire that spans commercial real estate according to Gemassmer.

"Mixed-use is permeating all asset classes," he said. "The office is becoming flexible, retail is introducing both flexible space and last mile logistics units, and student accommodation is introducing flexible space as well as the concept of short-term rentals during summer holidays. All this creates more options for asset managers but will increase their need for the right technology platforms to efficiently manage space."



QUESTION 10

WHAT DO YOU SEE AS THE BIGGEST OBSTACLE TO ADOPTING NEW PROPTech PLATFORMS?

The three most popular answers to this question all relate to labour and costs. Selecting and installing a new piece of technology, whether done in-house or outsourced, can be a time- and resource-consuming business.

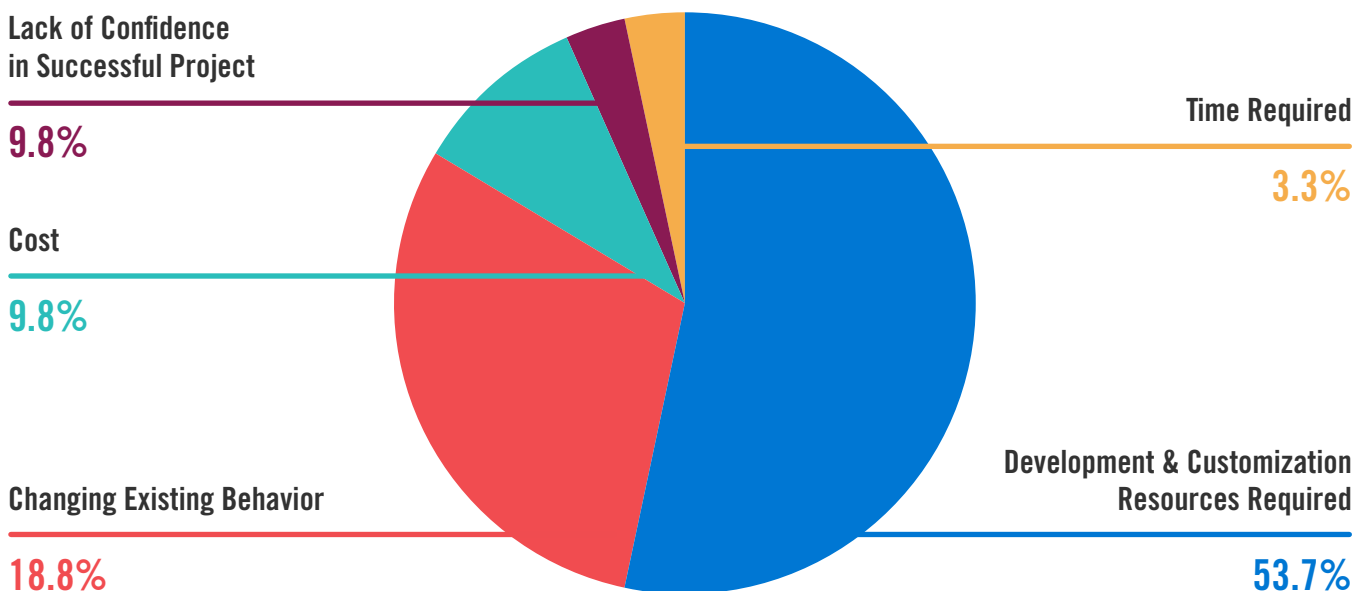
"This says that people are concerned about the benefit of the change and whether it saves money – what's the payback?" Gemassmer said. "However, people are trying to understand operational costs and they need to have a plan to allow them to do that more easily. So clearly there will be a return on investment over time."

Avison Young's Aspinall believed that the payback is there, as collecting the right data enables a business to learn how a business operates and therefore make efficiencies. He said the main obstacle was consolidation, created by using multiple platforms without a standardised method of reporting.

"What's holding the industry back from bringing data more into decision making is that the overall dashboard and analytics are missing," he said. "What is needed is more of a top-level view, interoperability between applications. The experience can be tricky for users otherwise."

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QUESTION 11

WHICH PROPTech INNOVATIONS DO YOU EXPECT TO HAVE A SIGNIFICANT IMPACT ON THE INDUSTRY WITHIN TWO YEARS?

"The investment in proptech for real estate has never been larger and it's only going to increase," Gemassmer said. "Covid has also made organisations more aware of how technology is essential. The trend we've been seeing over the last four years to increase flexibility and mixed-use needs technology to make it happen and we will see a lot of innovations emerging."

Overall, the most popular prediction from respondents was that the real estate sector will further embrace the 'internet of things/smart devices' and 'big data analytics'. One feeds into the other: people want to understand how space is used, so they monitor using smart devices, which collect data that can then be consolidated to inform better decisions. Gupta-Chaudhary described how Way of Life is focused on both areas.

"Big data is huge and we're investing 40% of resources into data and business intelligence – how we capture data, clean it, warehouse it, deliver it to asset managers and investors," he said. "In terms of the Internet of Things, we've recently launched two schemes with infrastructure belonging directly to the landlord rather than a third party operator. This allows us to easily up-spec aspects such as access control or devices that help improve their ESG footprint. BTR is at the point where people already pay a premium to live in a scheme, but there will likely be further premiums to live in a smart home."

Runway East's Guerra believed that all innovations listed were on the way, as well as something else that no one has seen coming, particularly in the area of ESG reporting.

"There are already really exciting companies creating IoT devices that can measure energy at an individual office level which we hope will result in reducing the carbon impact of the industry," she said. "You now use your phone to unlock doors with IoT locks, which is a small but pretty neat impact too. Maybe in the next decade, that'll be replaced by AI-enabled facial recognition cameras."

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TIME TO LOOK AT THE BIG PICTURE

It's clear that proptech adoption has accelerated across the industry, particularly during the pandemic. However, the gradual adoption has created for some users a piecemeal system, comprising too many applications. As soon as new solutions come available, real estate organizations add them to their suite of tools but the effect can, at times, lead to the inefficiency such tools aim to dispel as users switch between countless dashboards.

As businesses increase their use of proptech, the most forward-thinking will align adoption with their business strategy. They might look to the future, to ensure their assets and management systems are able to expand using a selection of tools that work together. Another option is to invest in a system that has all the functionality a business needs in one place.

There is certainly far more technology heading towards the commercial real estate sphere, as we increasingly understand the best way to apply the Internet of Things, AI and big data. All these tools can help real estate organizations to adapt to the evolving business pressures they face, such as the need to offer flexibility and ever-growing awareness of a building's impact on the environment. More and more elements of a business are going to become digital, from signing leases to drilling further into operational costs.

Where the number of tools continues to increase, we could start to see more collaboration between technology providers. The concept of a standard for proptech, including universal ways to input and manage data, might be blue sky thinking right now, but could be reality one day.

In the meantime, it is never a bad time to assess which proptech systems an organization uses and whether they are deriving the most value from their investment. As societal demands continue to evolve post-pandemic, not least how we work, it is ever more important to assess whether your proptech systems really are working for you.