

A man in a light blue shirt is wearing VR goggles and looking down at a tablet held by a woman. They are standing next to a wooden table with a model of a modern building. The background is a brick wall with a circular light fixture.

How tech strategies are driving the future of real estate

By: Kyle Bolden, EY US-East Region Market Segment Leader for Real Estate, Hospitality & Construction, and Henry Stratton, EY Global Real Estate, Hospitality & Construction Senior Analyst

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As we all know, 2020 was a watershed year, with the pandemic accelerating the adoption of technology in the real estate industry just as the global financial crisis sparked the rise of FinTech. Today, technology strategies continue to be a catalyst for change across every industry and company, and real estate is no exception. During our recent Directors' Roundtable, **Umar Riaz**, EY Americas Real Estate, Hospitality & Construction Consulting Leader, presented the [results of a recent EY survey](#) of industry leaders on the state of real estate technology and its adoption in the industry.

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We surveyed over 100 real estate market participants across the globe, and over two thirds of them said that adopting new technology solutions is a strategic priority.

– Umar Riaz, EY Americas Real Estate,
Hospitality & Construction
Consulting Leader

Riaz was joined by Kevin Danehy, the North America CEO of Willow Technologies; Evan Regan-Levine, Executive Vice President at JBG SMITH; and Robyn Beavers, Chief Executive Officer and Co-founder at Blueprint Power. **Kyle Bolden**, Ernst & Young LLP's US-East Region Market Segment Leader for **Real Estate, Hospitality & Construction**, moderated the discussion as panelists assessed the overall business case for real estate companies to adopt property technology (proptech) solutions to drive better efficiencies and improved ROI. The panel also explored the role boards play in helping real estate organizations build strong, resilient road maps for technology infrastructure and digital automation.

Evolving tech landscape in real estate

The global pandemic underscored the need for all facets of real estate to embrace technology. Initially, the real estate sector adopted tech solutions simply to protect the business by maintaining ongoing operations in a remote capacity. But real estate stakeholders also needed technology tools to rapidly pivot to build value in the pandemic economy. The urgency and suddenness of lockdowns showed that real estate organizations of every size and asset class must innovate to meet customers' changing needs and drive long-term resiliency. Technology has been a cornerstone of this innovation, and this is why the real estate industry is rapidly adopting leading tech strategies, including data analytics and systems integration.

Riaz and the panelists discussed the challenges real estate companies face in identifying and implementing tech solutions that are fit for purpose – a major impediment to wide-scale adoption. They also offered examples of leading real estate companies that are finding ways to overcome these challenges, positioning the industry for a period of rapid tech innovation and adoption.

Several prominent real estate organizations have emerged as major adopters (and, in certain cases, codevelopers) of state-of-the-art technology tools that have helped increase building operational efficiencies and improve how people live, work, play and stay in built environments. The success of these early adopters demonstrates the value of investing in tech transformation, and all real estate stakeholders need to consider how they can leverage technology and innovation to unlock value.

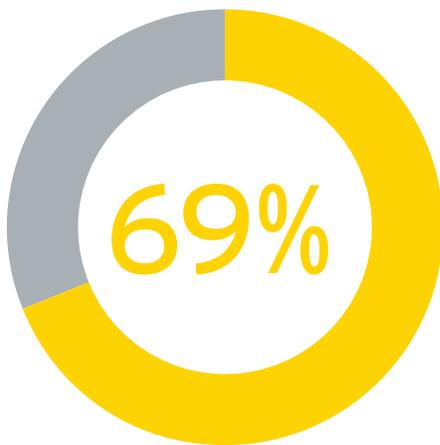


Shifting to a more proactive mentality

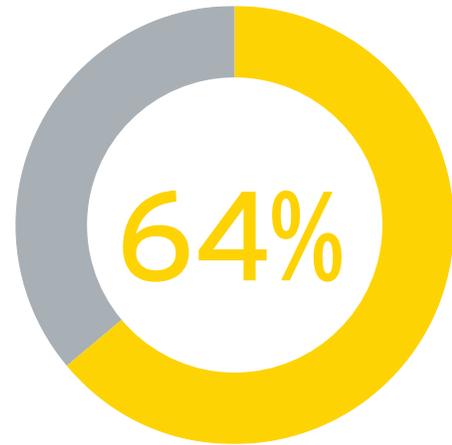
The real estate industry was slow to adopt new technology in comparison to other industries, largely due to underinvestment and skepticism around the value of new tools. However, as Riaz noted during the roundtable, the industry attitudes have shifted, with real estate companies now open to deploying technology solutions because “people recognize that technology can add a

lot of value to their business.” At the same time, he said, “there’s a lot of stress because they don’t quite know how to figure out which technologies are best for them.”

Our survey results highlight just how quickly opinions around tech have evolved in the real estate industry. For example:

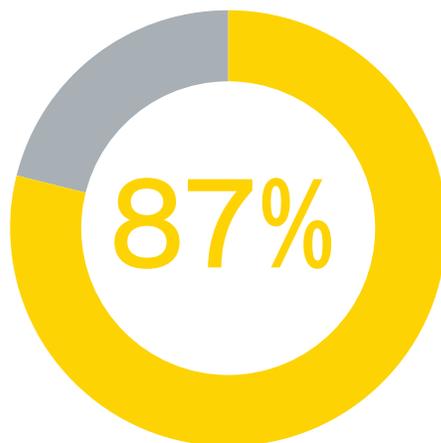


69% of real estate owners identified technology adoption as a high strategic priority (with **24%** rating it a medium priority)



64% subsequently cited increased efficiencies and reduced costs. Increased efficiencies and reduced costs were cited as the number one reason to adopt new technologies, followed by accessing new revenue streams and increasing income; accessing new metrics such as environmental, social and governance (ESG) data points; and helping make better investment decisions.

As our survey shows, collecting data at scale and applying advanced analytics to deliver near-real-time business insights are a significant challenge for the real estate industry.

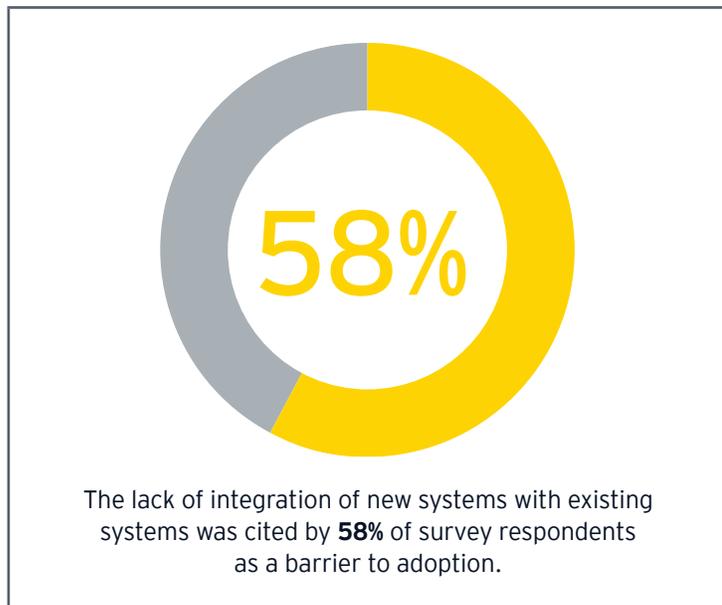


87% of respondents said they needed to capture and make use of data as a business priority. Furthermore, when survey participants were asked where they most expected to see accelerated investment due to the pandemic, technology was the number one answer. Real estate companies that were early adopters in this area were better able to capture near-real-time data at scale (e.g., deploying smart building technology to predict occupancy patterns and performance needs to reduce costs), which proved to be invaluable in navigating the rapid, unprecedented change.



Addressing the lack of fully integrated, end-to-end solutions

Another key challenge around tech adoption in real estate is the lack of fully integrated, end-to-end proptech solutions within a given organization. “Many solutions don’t talk to each other,” said Riaz. This means that integration – whereby company platforms and systems are able to connect and share data – is then left up to the real estate company that adopts these technologies. But without in-house capabilities to plan and execute systems integration, organizations often face significant operational and financial hurdles.



In addition, it impedes organizations from providing a seamless user experience at a time when customer expectations are evolving very quickly. As one REIT executive said, “people have grown to expect that a solution will do everything immediately.”

The status quo provides proptech companies with a major opportunity to shorten the path to value creation for themselves and their investors. First, tenants’ needs have shifted and are no longer focused on the same space types or amenities. In addition, real estate companies are only beginning to adjust to the seismic shift taking place in the industry. At the same time,

Danehy noted, “there’s probably a dozen different tenant engagement systems that offer the promise of being able to enhance the visitor experience and the employee experience,” but very few of them integrate seamlessly with a building owner’s current systems. As such, true customer-centricity will be essential for real estate companies to unlock long-term value, and proptech companies that provide this capability have the potential to grow rapidly.

Enhancing the customer experience

On this topic, Regan-Levine noted his company’s desire to “create the best possible environment for the best tenants” by being intentional about putting the tenant experience at the center of the REIT’s digital transformation. **For example, a multinational technology company recently selected this public REIT to assist with developing the site for its second headquarters. By highlighting its strategy to enhance the site’s digital capabilities through its acquisition of a 5G provider,** the REIT offered a key differentiator at a crucial time. According to Regan-Levine, this was “due in part to the company’s desire to attract cutting-edge tenants and to lay the foundation for a broader smart city.” This will allow enterprises to connect their people and systems in real time and transform customer engagement and experiences.

Facilitating wide-scale adoption of technology in real estate will require changemakers such as venture capitalists and entrepreneurs to collaborate with real estate owners, operators and developers to deploy fully integrated technology solutions that meet end users’ expectations. This is because new digital technology solutions require post-implementation support and ongoing product development to drive user satisfaction. Utilizing a customer-focused “hypercare support” approach toward building apps for tenants, smart apps for construction work, financial close management software and other leading solutions will drive better adoption rates by minimizing the issues and challenges that come with a new system.



Closing the technology talent gap and developing solutions across multiple sectors

Several of today's real estate industry leaders have emerged from the tech world, bringing with them a desire to streamline processes and facilitate innovations in service and product delivery when consumer expectations **are fundamentally changing. For example, Blueprint Power (whose CEO, Robyn Beavers, also joined our roundtable) is a New York-based real estate tech company that turns buildings into revenue-generating clean power plants. Asked how they brought this disruptive and innovative strategy to the real estate industry, Beavers responded, "I actually think real estate owners are the best partners because the buildings themselves are actually one of the most valuable pieces of the future energy grid. Another roundtable executive added that being able to generate electricity and shift to renewable energy sources allows building owners to not only reduce costs, but to also set forth sustainability targets for carbon neutrality as institutional investors don't just expect an ESG focus; they demand it.**

As competition for talent increases, prioritizing technology will become a key differentiator for real estate, which is the world's most important and largest asset class. Several real estate market participants, including owners, operators and developers, venture capital firms and academia, have begun to work closely with tenants to implement research and development laboratories to accelerate innovation in the built environment.

Leveraging technology to become a more sustainable industry

While the real estate sector is not known as a first mover when it comes to digital transformation, the industry has an opportunity to draw upon lessons learned by other industries that embraced technology to build personalization, improve operating efficiencies and deploy environmentally friendly solutions. For example, technology gave flight to customer experiences in the airline industry.

With the advent of the smartphone, airlines have leveraged technology as a means to reduce the stress of travel by simplifying the booking and payment process (including allowing bookings to be started and finished on different devices), facilitating post-booking interactions (nudging customers toward seat selections), positioning amenities (rental cars), customizing the in-flight app experience and providing content updates (e.g., weather, flight status). Riaz pointed out that "almost all technologies go through an S curve, whereby a large-scale tech transformation rapidly proliferates" to enable for digital transformation within the next 5 to 10 years

Utilizing the board to help leverage technology

The roundtable concluded with each panelist sharing their views on how boards can help improve operational efficiencies, create new products and services, and enter untapped markets through the use of leading tech approaches. The following five questions

can serve as a guide for board meetings, helping convey preparedness and confidence regarding what lies ahead when it comes to adopting real estate technology.

1 ▶ How is leadership leveraging technology to empower the organization to make better decisions, identify new sources of revenue, enhance the customer experience and reduce costs?

Many experts agree that real estate has the potential to lead the way in the recovery process. Expect to see significant acceleration of new technology solutions across all real estate asset classes. For example, in multifamily real estate, entire touring and leasing processes have gone touchless.

2 ▶ In the case of a recent acquisition, how should the company leverage technology to effectively integrate it and enable long-term growth?

Technology integration is critical, yet it is also one of the most difficult aspects of any merger or acquisition. Designing an effective plan for technology integration that meets broader business goals should involve careful assessment of both buyer and target.

3 ▶ Does the organization have the right mix of in-house talent to innovate?

The successful implementation of new front- and back-office technologies requires qualified CIOs, data scientists, cybersecurity professionals and enterprise architects. Organizations should consider using a combination of permanent hiring, upskilling employees, tech expertise among the board and consultant resources to fill any gaps in technology talent.

4 ▶ Where does the organization reside on the technology maturity curve?

A technology maturity assessment can help boards and management teams evaluate the current state and define clear, industry-oriented positioning with technology as the enabler or differentiator. A robust [cybersecurity program also must remain top of mind](#).

5 ▶ How does the business leverage technology to advance its ESG initiatives?

As public policy shifts toward “green” initiatives, there needs to be a closer relationship between technology and sustainability. For example, Robyn Beavers’ company, Blueprint Power, helps owners of infrastructure assets generate compelling excess returns by monetizing surplus clean electricity.

As we continue to define the future of work, school and a host of other activities that have been upended in the last 18 months, the real estate industry is poised to lead by example by adopting rapid tech transformation to keep pace with new customer and systems infrastructure needs. Organizations that consider the key points outlined above will be best positioned to drive long-term success.



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