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For real estate owners and investors, it’s digitize or fall behind - by Mike Sroka

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Real estate has often been called an old-fashioned business due to the emphasis on relationships and human intuition, but recent history shows that commercial real estate is an industry increasingly driven by data and digital collaboration. Some of the biggest real estate players, like Blackstone and Oxford Properties, are embracing digital deal management across their global real estate operations. It’s clear that digitized deal management is becoming the transactional norm and that those who don’t adopt a more digital model will be at a major strategic disadvantage in a fast-paced market. While this paradigm shift has been gaining momentum for several years now, the COVID-19 pandemic has rapidly accelerated digitization as a necessity for real estate investors and owners.

Compared to financial services, real estate investment has traditionally lagged in digitalization, but property is increasingly being transacted in a manner similar to stocks or securities: with decisions being made based on robust data and deals progressing through collaborative, digitized processes such as underwriting and due diligence. With COVID-19, the need for real-time access from anywhere at anytime for a geographically remote workforce has been pressing, but the advantages firms are realizing from digitizing and moving online are far from temporary. The market is becoming increasingly global and complex, and so the speed, efficiency and accuracy afforded to real estate players by going digital is the new normal.

Large, expansive portfolios and global networks have made interconnectivity and transparency crucial. Similarly, process control and access ensure due diligence and business intelligence even in new markets. Now in the midst of a tighter economy, digitizing real estate has become only more top of mind. Teams moved remote overnight and previously in-person workflows, such as check-in meetings and pipeline reviews with spreadsheets, are difficult to manage. Teams need centralized data and accurate communication of deliverables across time zones. Given the strategic advantages of these digitized processes even before the pandemic, it’s unlikely that companies will return to manual spreadsheets on the other side of the slowdown.

For some time, Silicon Valley waited on investing in proptech and the real estate industry because the larger tech industry saw more value in offering wider SaaS products—i.e. focusing more on one-size-fits-all solutions. When SaaS tools changed the way people work through apps like Dropbox, DocuSign, Box or Slack, every company was a potential customer. What this view ignored is that real estate is the world’s largest asset class and that it operates differently than other investment arenas, with many particularities even within property submarkets and geographies. More generic deal management and collaborative technology isn’t particularly helpful for property investors and owners looking to transact. Analysts' work, even from one real estate firm to the next, is more often than not highly specialized to the market, modeling methodology, investment strategy and more.

Additionally, land and building investments themselves are inherently complex with a large number of stakeholders and a great deal of due diligence and negotiation required because of the concrete and real-world nature of the assets. With platforms built by real estate professionals for the way real estate professionals work, firms that invest in the built environment are seeing major advantages.

Especially now, one year into the post-COVID environment, SaaS technology specifically designed for real estate professionals has the added advantage of providing immediate scale at a time when headcounts and teams need to be lean and as efficient as possible. Digitized deal management brings increased risk-adjusted returns by up to 200% basis points. Teams can evaluate 20% more deals and source these efficiently from automatically updated databases. When an investor is ready to move on a property, digitization brings 30% fewer errors in underwriting and due diligence, as well as reduces deal turnaround time by approximately 10 days. In a fluctuating market where speed is paramount, that time is crucial.

Essentially, the move to digitization in real estate is already a reality for many of the largest players in the market, and operating with the same tools and in the same systems may very well be the difference between a bounceback 2021 or a stagnant year for firms looking to take advantage of the massive amounts of dry powder waiting to be deployed from capital sources this year. The market is cautiously optimistic and ready to be active again, but originators and owners are waiting for the right investors and the right opportunities. Having the digital tools to find those strategic opportunities and seize the moment is perhaps the most important change in how real estate will transact this year and for the foreseeable future. The clock isn't going to dial back when it comes to data and collaboration, and firms need to adapt now to ride the inevitable coming wave of growth.

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