



The Importance and Surge of Retail Proptech - by Nathaniel Mallon

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Nathaniel Mallon
Verada Retail

Proptech in real estate has experienced a surge over the past decade – the use of information technology has improved the ability of individuals and companies to research, buy, sell, and manage real estate across all asset classes. Within the retail sector, proptech has streamlined multiple processes for brokers, landlords, and tenants, improving businesses' capacity to identify optimal retail spaces for their operations.

With a decade of innovation in the industry, real estate proptech has seen an immense amount of development, supported by funding from venture capital firms across the globe. In this article, we will dive into the growth of the proptech industry, identify how retail proptech has improved the sector, and highlight how proptech will adapt moving forward with changing consumer demands.

Innovation in the Industry

Funding for proptech has remained relatively high since its inception. A report released by the Center for Real Estate Technology and Innovation (CRETI) announced that venture capital-backed proptech companies raised \$19.8 billion in 2022. While numerous companies have leveraged private interest, some have made headway in the industry, transforming operations and interactions for real estate professionals across the board.

Funding Billions: Opendoor and Compass

Two companies have made headlines for their massive funding efforts in recent years. Opendoor, an online company that buys and sells residential real estate, and Compass, a company that supports the entire buying and selling workflow, have both surpassed the billion-dollar benchmark in funding.

Launched in 2014, Opendoor has developed a program that can predict the price of a house by using technology to analyze the various factors that contribute to valuing a home. When a seller is interested, Opendoor values a home and creates a cash offer for the homeowner. Once a seller accepts the offer, Opendoor then purchases the home, completes renovations as needed, and resells the home.

Opendoor has raised nearly \$2 billion since its inception. Starting off strong, the platform raised \$9.95 million in 2014, \$400 million in 2018, and \$300 million in 2019, and has continued to obtain private funding to support its growth.

Trailing not far behind in funding is Compass, an advisory company that has funded \$1.5 billion since 2012. Developed for tenants and realtors, Compass is a real estate technology company that provides an online platform for buying, renting, and selling real estate assets. Compass technology includes a marketing center designed to streamline functions for Compass agents, providing tenants with an improved experience.

Initial momentum in proptech has been in the residential sector, which most experts attribute to the sheer velocity this asset has seen compared to others. Commercial platforms, however, are emerging and altering the environment of commercial real estate.

Making Headway with Millions: Placer.ai and Reonomy

Placer.ai, an analytics platform founded in 2016, uses foot traffic data to generate insights into properties. Since its inception, the company has funded \$192.5 million. Placer.ai is connected to roughly 30 million devices in the United States, tracking customers' movement. The company uses machine learning to develop analytics based on the data that can help businesses understand a specific location. The technology is primarily used by tenants, brokers, and landlords.

Close behind in funding, Reonomy is one of the most utilized commercial real estate platforms today. Founded in 2013, it has gone through multiple rounds of funding, raising a total of \$128.4 million thus far. Reonomy relies on big data, partnerships, and machine learning to leverage predictive algorithms, ultimately providing unparalleled access to property intelligence. Its system enables individuals, teams, and companies to unlock insights and discover new opportunities in the market.

Changing the Retail Industry

Dozens of other proptech companies are influencing the real estate world – many finding great momentum in their funding rounds.

House Canary, designed for buyers, sellers, investors, and mortgage lenders, has raised \$129 million; it uses predictive algorithms to forecast future store performance. More specifically, it uses historical data and geospatial databases to identify the top market to enter.

Localize, designed for buyers, has funded \$56 million; it uses artificial intelligence (AI) consulting to find ideal locations for buyers by matching individual preferences.

Redfin, designed for tenants and landlords, has funded \$319.6 million. It uses AI consulting to estimate home values.

As managing partner and active broker at Verada Retail, I constantly rely on proptech throughout my business process. Furthermore, I encourage our team to leverage the innovative technology to ensure we stay competitive in the New York City market. On a daily basis, we rely on various platforms, including Placer.ai and Reonomy. Furthermore, we rely on Esri's ArcGis, a platform designed to help broker's research markets, identify new opportunities for growth and expansion, and manage their investments at the market and neighborhood levels.

We also rely on proptech for our marketing, content, and social media needs. One of the most transformative platforms we use includes Matterport. With this technology, we are able to create

virtual walkthroughs of every property we list, allowing prospective investors and tenants to view the space from the comfort of their home or office.

However, among every proptech company that has been introduced in the past decade, one similarity exists: the convergence of technology has improved the retail real estate process.

Improved Client Services

Simple functions have allowed brokers, agents, and landlords to improve communication, while more complex systems have offered enhanced data analytics. Pulling these resources together, brokers and agents can now improve their services to clients, using data such as foot traffic to help businesses identify the optimal site for their newest location – whether it be their first store or an expansion.

Maximized Efficiency

From leasing to sales, the integration of AI and predictive algorithms has streamlined the real estate transaction process. Real estate professionals can spend their time assessing data and brainstorming with clients and their team, rather than collecting data. As a result, brokers in commercial real estate can provide clients a more personalized experience and increase their efficiencies throughout the day.

Business Integration and Scalability

Beyond proptech for real estate, systems are being introduced to service businesses directly. For example, Oracle Retail offers a suite of cloud-based retail management solutions, designed for users looking to adopt cloud solutions, including scalability, reliability, and security. Furthermore, Oracle Retail Customer Engagement (ORCE) provides a complete set of tools to help retailers engage with their customers across all channels, while Oracle Retail Supply Chain Management (SCM) helps retailers optimize their supply chains and improve operational efficiencies and customer service. Using proprietary technology, Oracle is changing the way businesses grow, providing a simplified process to scale their operations.

Brendan Tharapp, managing partner at Verada Retail, further explains that technology has transformed the firm's ability to service its clients. Mallon said, "We use proptech throughout every step of the leasing and sales process. From using foot traffic and analytics to identify possible tenant sites, to leveraging real-time listing services to market our listings, proptech has changed the way we do business."

The Future of Retail Proptech

A recent report from the Center for Real Estate Technology and Innovation (CRETI) outlines the hardships that proptech may face in the future. From 2021 to 2022, proptech funding declined 38%. However, the future of proptech funding is simply shifting, and experts in the industry have outlined

how 2023 funding and innovative proptech solutions will adapt to meet changing economic conditions.

Noting the shift away from the pandemic, Paige Pitcher, head of strategic partnership at Moderne Ventures, said, "The pandemic accelerated adoption of real estate tech, and now wage inflation and shortages are further emphasizing the need to digitize to lower operating costs and unlock new revenue opportunities."

The rise in technological adoption across all industries, including retail real estate, has been a true phenomenon, expediting the integration of proptech into daily processes. As we move forward, proptech has become part of the foundation, and new ideas are anticipated to expand available services.

Jeanne Casey, global head of proptech and innovation at Nuveen, said, "We are at an exciting inflection point for tech adoption, and I'm looking forward to seeing the proptech industry continue to mature in 2023. Although the choppy macro environment will create challenges for startups, real estate incumbents are much more open to working with new proptech companies than they were a few years ago. The startups with the strongest value propositions, focus, and discipline will emerge stronger than before. I'm excited to be a part of this next phase of the maturation of our industry."

According to some experts, those that succeed moving forward will be those that adapt to changing consumer trends. Platforms have been developed as a base, but changes must be made to ensure that values are being considered in technological adoptions of the future.

Ashkán Zandieh, founder and co-chair at CRETI, said, "... It's not all gloom and doom. An area that continues to gain tremendous interest is climate-related real estate technology. Across all sectors of the real estate industry, owner-operators, owner-developers, occupiers, and managers are exploring Climate Tech as companies address climate change, develop differentiated energy sources, and differentiate their assets."

It's an exciting time in the world of business – a time when real estate and technology collide, and a future established on effective systems and improved client relations is at the forefront of design. Growth is inevitable, and only time will tell how proptech will adapt to the ever changing environment in modern society.

Nathaniel B. Mallon is managing partner and associate broker at Verada Retail, New York, NY.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540