

How technology has changed and continues to change the commercial real estate industry - by Michael Zysman

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Over the past 18 years of my commercial real estate career, I have witnessed technology dramatically change the way our industry does business. Real time market data is available at the press of a button, accounting systems are digitized and transparent, mapping software allows anyone to view a property even in the most remote markets, digitized design and advanced building systems allow properties to be designed and built quicker and with less cost, digital advances in capital markets has changed the way properties are bought and sold. As technology continues to advance, there will be less traditional investment sales activity, cap rates will continue to compress, buildings will be built with new processes, and investors will be able to get more commercial real estate exposure.

When I first entered the commercial real estate business as a financial analyst, I would cold call properties, leasing brokers, appraisers, chambers of commerce, economic development corporations and others to get the raw data needed to create a market or property report. Today, I can log into a computer database and get the same information in real time that would have taken me days to accumulate in the past. This allows me to do more work with less employees, make informed business decisions in less time, and quickly underwrite deals in multiple markets and asset classes nationwide. In addition, online mapping software and social media allow investors to virtually view properties, tour their neighborhoods, and get a better overall understanding of markets.

Commercial real estate used to be viewed as an opaque asset class and now it has become one of the most transparent asset classes, due to access to real time market data and cloud-based accounting systems. Prior to cloud based accounting systems, investors were dependent on receiving periodic reporting packages from real estate owners and developers. Now, investors can log into accounting systems and see a property's occupancy, rent roll, operating statements, collections, leasing statistics, and contracts. In the multifamily and hotel sectors, investors can get real time data on rental rates and occupancy for most of their competitors in the market. For the office, retail, and industrial property sectors, investors can view recent lease comparables and get a full detailed picture on a market's supply dynamics. This allows investors to actively assess and manage how their investments are performing relative to the market, and have informed conversations with a property's operator and/or manager.

Many owners of commercial real estate have started to raise money from investors through CRM assisted syndication processes that allow smaller qualified investors the opportunity to invest in commercial real estate, rather than buying properties outright. Blockchain technology's integration into commercial real estate will allow the tokenization of properties, which will make the asset class more liquid. Further advances in Blockchain, CRM, and the data technologies discussed above will forever change the way properties are bought and sold by making the investment sales and syndication process faster and more transparent. As these technologies continue to improve, liquidity and investor demand for commercial real estate will increase as well. It will also continue to disrupt the traditional investment sales model, since these innovations will cause the underlying real estate to trade less frequently.

Computer Aided Design (CAD) was in its infancy when I started in the industry. Now almost all buildings are designed electronically and can be virtually viewed prior to being built. Modular construction and robotics innovation are dramatically changing the construction industry as well. Combined use of these design and construction technologies allow for buildings to be better designed, quicker fabrication of the building materials, on time delivery of the materials to the site, less onsite injuries, and decreased overall building costs.

As accounting, mapping, capital markets, design, construction, and real time data systems continue to improve and merge, investor demand for commercial real estate will continue to grow due to increased transparency, predictability, liquidity and accountability in the investment process. Ultimately, this will further increase the size of our industry and decrease property capitalization rates. Commercial real estate professionals who continue to embrace and use these technologies will continue to thrive in this everchanging market place.

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