WHAT'S NEXT FOR PROPTECH AND WHAT ROLE WILL AI PLAY?

TANK

For many years, the property and real estate industries were viewed as slow and archaic in how they operated. As other sectors were rapidly adopting new technologies to enhance customer experiences and drive efficiency, people were left feeling frustrated at a lack of progress and disjointed ways of working.

THE EMERGENCE OF 'PROPTECH'

The term 'proptech' is still relatively new. However, the UK is already home to over 900 proptech companies, with the majority headquartered in London. From scale-ups to start-ups, innovative new solutions are being developed everyday to tackle inefficiencies across the sector.

According to the "Global Real Estate Perspective" by JLL, the UK capital city raised an impressive $13.6 billion in 2023. Interestingly, the majority of this investment was targeted directly at proptech companies, with sustainability a key focus.

This is perhaps no surprise given that private sector developers and consultancies have pledged to take action in an attempt to meet the Government's net-zero commitments by 2050.

From artificial intelligence (AI) and the internet of things (IoT), to virtual reality (VR) and big data, the market is tapping into new possibilities and unlocking an exciting future.

According to a report from Allied market research, the global proptech market is projected to reach a staggering $119.9 billion by 2032, growing at a CAGR of 16.5 per cent.

Whether it's 'smart' living devices that enable the remote management of appliances and systems in the home, or solutions designed to help commercial landlords understand the energy efficiency of existing assets, there's significant potential.

The third roundtable of 2024, hosted by digital marketing and PR agency, Tank saw experts from across the property and technology sectors discuss how the market has been impacted by the growing use of technology and where proptech is headed.

PANELLISTS INCLUDED:
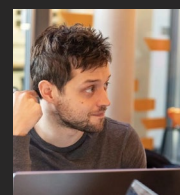
James McArthur
director at NG Chartered Surveyors

Daniel Barker
senior director, real estate at NODE Technologies

Suzanne Luscombe
strategic growth director at resicentral

Izzy Rhodes
founding director, Swain Architecture

Gareth Parker
chief technology officer at Naismiths

THE TERM 'PROPTECH' IS STILL RELATIVELY NEW, WHEN DID THIS ALL START AND WHAT ARE THE BROADER IMPLICATIONS?

Suzanne

I'd say that the more traditional, residential building sector is the least progressed in terms of proptech adoption and, to many, proptech does still seem quite scary. The student, urban, co and senior-living sectors have all expanded massively over the past 10 years and this has created new opportunities for proptech, mainly due to the funding available.

For these businesses there are clear benefits. Whether that's improving risk detection or gaining a better understanding of how buildings are performing, the investment is worth it. More recently, we've seen residential and estate management businesses adopting proptech solutions, due to the efficiency savings and the fact that AI can collate and analyse vast sets of data. Those who haven't adopted proptech are still paying teams of people to do this.

AS THE DIRECTOR AT A CHARTERED SURVEYOR FIRM, WHEN YOU VISIT YOUR CLIENTS, WHAT ARE YOU BEING ASKED ABOUT PROPTECH?

James

A lot of the buildings my clients own are existing buildings and trying to introduce proptech is a challenge. As well as logistical implications, I'd say there's still a general lack of understanding about the tangible benefits of proptech.

Weighing up cost versus benefit is another hurdle. However, we are certainly seeing adoption rates increasing with new buildings we're taking on. For me, it's a case of visiting a client and being able to clearly showcase what proptech is available to them, what it can do and the challenges it helps them to overcome.

One of the main benefits of AI is that it can make information gathering and reporting much faster, but there'a a huge variety of solutions out there targeted at combating different challenges.

FROM A DEVELOPER'S PERSPECTIVE, WHAT DO YOU THINK?

Daniel

It's a similar challenge for us as our service is targeted at institutional landlords and developers. When I interviewed to join the business it was owned by two electrical and mechanical engineers. One side of the business is focused on the M&E work – the pipes and wires – and the other side specialises in connectivity. It's this that makes our offering unique.

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James

HOW IMPORTANT IS EDUCATING THE MARKET?

Daniel

Our challenge is to educate our clients that they need to be thinking about efficiency. At the moment I'd say this is still a bit of a grey area that needs addressing.

For example, say you own a building with poor internet connection, is that the responsibility of the landlord or the tenant to fix? There's no set rules around this. You'd be surprised, but instances of this sort of issue are actually increasing. In the drive to make buildings more efficient, some are now over-insulated and don't allow 5G connectivity.

That being said, the needle is turning slowly and landlords are realising that buildings are about more than just how they look, they need to be operational.

Suzanne

There's two points you touched on there that are fundamental. First of all it's the end-user and what the expectation is.

We have younger generations coming through into the workforce and because of how they've grown-up, there's an expectation that everything will be 'smart' and connected. This isn't only an expectation at home, but also when they are at work.

Retention rates are important to landlords, and the last thing they want is companies moving to different commercial premises. From constant internet connection, to being able to operate their lights, security and keycard from an app on their phone, landlords need to think about this sort of thing. There's also an ever-growing number of start-ups and scale-ups that need great workspaces.

Izzy

As an architect, I come at this from a slightly different angle but from my own experiences of renting offices, I know one of the top priorities is how functional it is. You want people to be able to come into work and crack on.

HOW IS PROPTECH IMPACTING THE RETROFIT MARKET?

Daniel

The main point to make here is around evaluation, and this is especially important for the retrofit market. There's a growing pool of ageing assets, some of which are managed by landlords who don't necessarily have the capital to update these assets. However, as the EPC regulations start to bite, the building won't be legally lettable anyway and people will end up with a distressed asset portfolio that will inevitably have to be sold to someone who has the capital to invest in it. If we can help make these assets 'smart', it won't come to that.

> *That being said, the needle is turning slowly and landlords are realising that buildings are about more than just how they look, they need to be operational.*
>
> Daniel

IS ALL OF THIS CONCENTRATED IN LONDON AT THE MOMENT?

Gareth

I think 2022 was the 'big boom' moment for proptech. If you think about it, there were a few crises going on at the time and there was a need to innovate. People were struggling with the cost of energy and the wider cost of living crisis. You also had businesses wondering what to do with their assets and office spaces, which were increasingly being viewed as 'dead' assets, with so many people working from home. Solutions were emerging to help people understand more about affordable rent and energy consumption, as well as creating incentives for better energy management. Tech companies thrive in this sort of environment and I anticipate that we'll see fintech levels of growth in the proptech space over the next few years.

There's also the benefit of being able to harness greater pools of data. People initially thought, 'let's get a bit more connected', and it went from there. You can also review historic data, the health of previous projects as well as building a clearer picture of risk. You always get creativity from strife.

WILL AI REPLACE CREATIVITY?

Izzy

As an architect, we create drawings in sketch-up. To enhance this whole process, someone has developed a piece of software that takes these basic sketches, combines them with a couple of example images and generates a far more detailed sketch. This will never replace creativity though, you still need the idea and initial inspiration. AI can help with identifying conservation areas, planning regulations – it's tasks like this that drain time.

Gareth

I always think that we want to get to a point where AI can do the boring things, so we can do the fun and creative things.

WHEN ADOPTING PROPTECH, WHAT ARE THE MAIN CONSIDERATIONS?

Suzanne

It doesn't matter who's living there. You have to give people customisable technology as not everyone will want every single solution on offer. For example, some people want to be able to use their phone to turn the lights on, but not everyone will want that so they'll require a light switch.

We always talk about the 'smart' journey and this applies to both retrofits and new builds. You need to deploy the technology that's suitable, however there also needs to be a focus on cost versus value. Due to the current market growth, a lot of proptech solutions are actually becoming cheaper as the market is more established. We also see people getting tripped up by an over complicated and incredibly expensive technology stack. If you don't integrate proptech solutions, there's a risk you will end up with a costly package of software.

James

Different people want different things. For example, a building owner might decide to implement a digital door entry system, but humans don't like change and they might prefer to stick to what they know. This doesn't mean that the digital system shouldn't be implemented, as this will future-proof the property – you just need to offer people a choice.

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Suzanne

It's fear of change. If people don't know the steps they'll have to take and the implications, they're unlikely to get on board. Let's say you have a senior living block, the residents might not want some of the technology, however there's software out there that can monitor vulnerabilities – which is of course relevant. Or in social housing, you can monitor fuel poverty. Sometimes these solutions are working in the background and the end-user is actually none the wiser.

Gareth

A lot of the software we're talking about is already available. There's a principle called Jakob's Law, which is focused on the usability of technology, with users expecting websites to work in the same way as other websites they already know. The same can be applied to proptech. We need to be making technology as intuitive as possible if we are to fuel wider adoption.

James

We adopted a property management system in 2019 just before Covid. If we hadn't done that, I struggle to see how we'd have carried on operating as it automated loads of processes.

Before we did this, I thought I needed more people, actually we just needed to automate processes. Right now, I'm trying to use this as an example when speaking to landlords. With a proper data management system, I can look at the data and make better decisions.

This is where I see AI making the biggest impact. I don't think it'll replace anyone's job, but it's well placed to help with data analysis and understanding what action needs to be taken.

Suzanne

It's not actually about employing more people, it's about using proptech to your advantage. There's two points to every building, first of all there's how you build a building. But that doesn't take into account how it's then going to be used. People should be looking at their portfolios to understand which ones they need to get rid of, or the ones that are most inefficient.

Suzanne

I hope proptech doesn't get too ahead of itself with AI. A normal program can actually do a lot of the things people think only AI can do, it's more about education at this stage.

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Yes, I always think that we want to get to a point where AI can do the boring things, so we can do the fun and creative things.

Gareth

IF YOU COULD HAVE ONE THING THAT WAS AUTOMATED, WHAT WOULD YOU WANT TO MAKE YOUR LIFE EASIER?

James

I have lots of meetings and a tool that can take notes, summarise meetings and extract the key information that I need to know would be really helpful. For example, when I take on a new portfolio, I can spend a couple of days understanding the documents, this drains time.

Izzy

We'll go out and spend a couple of hours with a client, getting the brief, and then developing a plan. However, having a piece of software that can pull all key information together, from planning regulations to different local authority rules, would save a huge amount of time.

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Gareth

WHAT'S THE NEXT BIG THING?

Suzanne

I think greentech is emerging. Proptech is a very broad term and looking ahead, I think 'proptech' will become an umbrella term and all of the elements that play into it will become more recognised. This will help with the education piece, as people will more easily be able to understand the impact and value.

Daniel

I was at a conference recently and it's clear that there isn't a shortfall in the number of proptech solutions out there. We have the platforms and the integrators, everything just needs to become rationalised in terms of what the end-user wants. Any tech around ESG and carbon reduction will be big over the next few years in the retrofit market.

Suzanne

I'd say we need to set an open standard for how we share data across the industry. Whether that's ESG or new construction projects, data sharing will help secure funding. This might be green funding, or funding to help with carbon off-setting projects.

Also, being able to prove to consumers that taking certain steps will actually save them money will be really powerful.
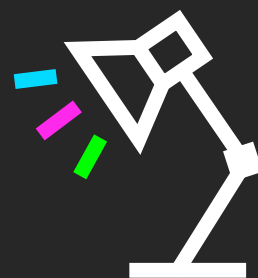
Platforms need to be intuitive and enable the secure sharing of information. At the moment, we have data all over the place and that needs addressing.

Proptech is a very broad term and looking ahead, I think 'proptech' will become an umbrella term and all of the elements that play into it will become more recognised.

Suzanne

CONCLUSION

From the discussion, it's clear that educating the end-user needs to be prioritised and the technology needs to become more intuitive, if we are going to see mass adoption of proptech. That being said, the ongoing investment in the market is showing no sign of slowing, and this will undoubtedly lead to further innovation.

Improving experiences

From residential to commercial applications, proptech will enable better end-user experiences. From vulnerability monitoring in senior living complexes, to increasing convenience with 'smart' devices, as users become more familiar with the technology expectations will rise.

Proptech will become an umbrella term

As the proptech market becomes more established, sub-sectors will emerge. There's huge potential in the greentech space, as reducing carbon emissions becomes even more pressing, and consumers are increasingly environmentally conscious.

AI won't replace creativity

Across the property and real estate sectors, AI will help with collating and understanding vast data sets – but will assist but not replace creativity. Humans will still be required when it comes to designing and building communities across both the residential and commercial sectors.

Education is key

The industry has a responsibility to educate people on the benefits of new technologies if adoption is to increase. From landlords seeing tangible ROI, to consumers adopting more energy efficient devices in the home, there has to be a logical reason for them to take action.

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