

# Exploring the New Normal in Real Estate Investment Management

The global impact of Covid-19 has been swift and severe, forcing change upon people, businesses and entire industries at an unprecedented pace and scale. As markets around the world scramble to regain a foothold in the post-pandemic landscape, a common theme has emerged in the accelerated application of technology.

At the recent PERE Asia Summit, held from 16-18 November 2020, Anita Lyse, Head of Client Segments and Global Head of Real Estate at Alter Domus, led a panel of industry experts through an insightful virtual discussion around the impact of Covid-19 on real estate investment management, and future trends arising from new developments in digitisation, analytics and blockchain technology.

PANELLISTS

MODERATOR



**NICK MOORE**  
 Founder and Executive Director of Lionpoint Group



**SUNG LEE**  
 Executive Vice President, Global Accounts at Altus Group



**NEAL GEMASSMER**  
 Vice President, International of Yardi Systems BV



**ADRIAN LAI**  
 Chief Executive Officer of Liquefy



**ANITA LYSE**  
 Head of Client Segments & Global Head of Real Estate at Alter Domus

## Accelerating Adoption of Technology

Acknowledging the pandemic’s impact on nearly all aspects of fund management – from market environments and fund raising to deal pipelines – Lyse commented on the overall positive effect Covid-19 has played regarding the adoption of technology, noting, “People and companies have embraced technology over the last six to nine months way faster than what we have seen over the last six to nine years.”

Nick Moore, Founder and Executive Director of Lionpoint Group, agreed. “The reaction we’ve had from many CTOs is that Covid has been good from a technology perspective, because it really opened the eyes of the business to what technology had been telling them for years – which is that we need to digitise, and we need to invest in technology so that we can be nimble and react quickly to what’s happening around us.”

Citing the logistics sector as a particularly strong example, Sung Lee, Executive Vice President, Global Accounts at Altus Group, explained how Covid had accelerated the replacement of brick and mortar with online shopping. “Online retailers are responding to this trend by investing in more logistics space and technology: robots, logistics management software, reshoring technologies, last mile delivery optimisation and restocking management systems. We’ve seen similar patterns and trends for other property types as well.”

According to Neal Gemassmer, Vice President, International of Yardi Systems BV, the current pandemic has shone a spotlight on how technology will become a differentiator going forward. He shared, “It’s not only highlighted that the owners of the real estate may lack the tools, but downstream their different partners are often not as digitised as well. Not surprisingly, it’s apparent that organisations that have heavily invested into technology prior to the pandemic have certainly had an advantage overall.”

### Evolving Transparency Expectations

In times of crisis, investor demand for insight into their assets increases. Lee remarked, “The industry is demanding more granular or lease-level analytics because of the nature of the current crisis and its impact on property fundamentals. Also, because of the advancement in technology, we’re seeing more predictive analytics at a portfolio level for risk management and decision-making purposes.”

“This means property management systems, BCRM, cash flow forecasting valuation and all reporting solutions all need to be in sync, and also align data and analytics back to the common users for real time analytics and reporting purposes. In this regard, cloud-based applications, API technology and data-management-as-a-service are all gaining momentum in our industry,” he added.

Noting similar trends, Moore found, “We’ve got many clients who moved from a typical monthly or quarterly reporting process to daily reporting on at-risk assets in certain sectors, and the level of granularity of detail that was being requested from asset and property managers was far greater than what they’re used to providing in normal BAU reporting.” As a result, many firms discovered that they simply didn’t have the tools in place – or potentially had parts of the solution, but lacked an integrated environment from a technology perspective.

Guiding the discussion towards regional differences, Lyse asked Gemassmer for his insight in dealing with a global client base. He observed, “Certainly in North America, just because of the higher level of adoption of technology, there’s been less of an issue. However in Asia, which has traditionally operated across multiple different countries and fiefdoms, the ability to get granular data as a property manager from an external service provider has been more challenging.”

### Blockchain Applications

Lyse next turned the conversation towards tokenisation and blockchain technologies, emphasising recent developments in practical applications for the real estate investment sector. Remarking how the technology remained a mystery to some in the industry, she called on Adrian Lai, Chief Executive Officer of Liquefy, to provide a few insights.

“Tokenisation is a way for asset owners to access new fundraising channels leveraging blockchain technology,” explained Lai. “While the technology itself is intriguing, over the past year the exciting developments in Asia

and Hong Kong have been applications in the real estate industry. What’s being tokenised, similar to REIT products, is actually securities.”

In this usage case, managers could apply for a license in one jurisdiction (say, for example, the UAE) that allows them to operate primary and secondary markets for a tokenised real estate product, even though the underlying property assets may reside in a completely different jurisdiction (for example, Hong Kong). Lai continued, “It’s still very early stages for applications in the real estate industry. We’ve now seen several use cases evolving in Hong Kong in 2019 and over the past 12 months – usually from single asset origination, although we have also seen real estate private equity.”

“At the end of the day, the blockchain is basically a ledger to record transactions and ownership. It replaces a traditional register of members. Digitising this ledger allows us to manage individual investors much more effectively than before – as we’ve seen with crowdfunding structures, which have now been done in a number of markets,” said Lai.

### Re-evaluating Valuation

Investment managers are always looking for valuation processes that are robust, auditable, comply with rules and regulations and provide access to data for additional analytics and reporting on a real time basis. These needs have only accelerated during the current pandemic, with the rising popularity of monthly and even daily-valued funds.

According to Lee, “From a technology perspective, workflow and data management solutions, valuation and performance benchmarking, and data analytics tools are all becoming important parts of the valuation management process. These tools streamline the appraisal process and provide critical data and analytics back to the investment community on a real time basis.”

“For example, we track about 400 data points on each appraisal or review, and we benchmark them against similar assets using our database of 8,500 properties. In this case we’re providing additional objectivity and some consistency in our review process. Recognising the benefits of this approach, we have seen numerous clients outsourcing their entire valuation management functions – I think it’s a trend that’s likely to continue for some time,” he added.

## Big Data Analysis

Although big data has been a buzzword for many years, differences between “on paper” and “in practice” have proven quite challenging in real estate investment management as every asset class is different, every geography is different and every firm is structured differently.

“If you are a single sector manager with an in-house management structure, then likely your data is quite good because you have control over accounts, you have control over definitions of data, and you’re managing that in-house on one single platform,” says Moore. “The next step up is multi-sector managers, and now data is different, the terminology is different, and you’re dealing with many more data points. Now extend that geographically. The management of assets in North America, in Europe and in Asia have different legal requirements and use different definitions.”

Although firms have struggled with these challenges for decades, Moore indicated that technology-based solutions are beginning to appear. “We’re now seeing a lot of cloud-based tools coming to the market to help with data management and aggregation. We’re also seeing a big effort from the top down to try to clarify definitions of data and educate all parties along the value chain of real estate of what that means, and to use technology to capture that data in a more streamlined and normalised fashion.”

Gemassmer pointed out that standardisation remained key to reaping insight from big data, commenting, “I think what’s different now is that technology allows us to have a more effective process to collect that data in a standardized process. The challenges are how to align data collection processes across different sectors and different geographical areas.”

“Another interesting point will be data residency. As with GDPR, governments are increasingly looking at personal information that needs to reside on-shore. I think this will be a challenge in terms of how one aggregates and anonymizes data so there are key metrics we can view and make decisions from – while still working within a framework of data residency that will increasingly require personal data to be stored at the local point,” he continued.

Providing his view on how blockchain technology could assist in the process of data gathering, Lai added, “A blockchain-based or machine learning-based protocol can be used to ensure security and reliability of data sharing. As they feature higher security levels and resistance to attack than traditional database sharing models, blockchains are particularly useful for sharing and processing data amongst a number of devices – which is only going to become more popular in the future.”

In addition to collection, another major challenge in data management comes from translating the numbers into commercial insight. “From our perspective, the challenge is not only getting the data but also putting it in usable form,” said Lee. “I think we’re really continuing to push the boundaries of what data can do – in terms of forecasting, analytics, benchmarking, as well as creating new products and services.”

## The Next Frontier: Robotics and AI

Before drawing to a close, Lyse touched on the final topic of robotics and process automation, as well as applications of artificial intelligence in property investment.

According to Moore, “What we’re seeing is that the application of automation and RPA benefits the most in processing very large volumes of similar data – firms such as large administrators working to process tens of thousands of similar documents, like capital call statements from investors. However, I think we’re a long way from figuring out how to adopt AI for real estate.”

“The direct applications for machine learning and AI, at least today, are very much on the resident and tenant side,” concluded Gemassmer. “As we go up the value chain, machine learning will be applied to the budgeting and forecasting process – all the way through to other operational areas such as facilities management, such as making the decision whether to repair or replace a broken piece of equipment.”

## KEY TAKEAWAYS

The Covid-19 pandemic has accelerated the adoption and application of technology in real estate investment management, from fundraising and valuation to reporting and forecasting. As technologies such as tokenisation and blockchain allow managers access to new markets and investors, developments in data collection and reporting are allowing finer granularity and more timely valuations than ever before. To this end, administrative and technology service providers are pushing the boundaries to provide more streamlined solutions and insightful, actionable data for their clients.

## GET IN TOUCH

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