

## RealComm 2005

### Real Estate at the Speed of Light

Amidst the gently waving palm trees and dazzling blue skies of Anaheim, California, a mere stone's throw from the fantasy world of Disneyland itself, the great and the good of the Real Estate technology community congregated to promulgate their own vision of the future.

A future in which common data standards for real estate data would be taken for granted; a world in which the completely wireless office, retail outlet, hotel or coffee shop becomes the norm. A world where a request for a small repair is made by a tenant via a portal and is seamlessly transferred through the order, deliver, checking, invoicing, and payment stages to appear in flexible, real time financial reports accessible through the web without the need for human intervention along the way.

A wonderful vision – but how close are we to the reality? Attending the conference gave us a great opportunity to meet the providers of the technology which will deliver this vision and to hear the impressive panels of speakers on every related topic. Our overall impression was, surprisingly, that the US on the whole is less advanced than the UK and Europe in many areas of automation and the processing of data. On the other hand, the Americans have some wonderful visions of what the future might look like for retail and entertainment.

The vision of DestiNY – a huge new entertainment/retail/lifestyle development in upstate New York was breathtaking. The 800 acre site will provide some 75 million square feet of retail, hotels, leisure and entertainment in an innovative operation where the occupiers will be committed to providing their service at any time or place within the complex, not just from a fixed outlet. Traditional leases will not be granted, instead the businesses will operate in some type of turnover or shared profit scheme with 97% of workers being direct employees of DestiNY.

The most futuristic element however is the commitment to create this virtual city without using a single watt of energy from fossil fuels.

DestiNY's grand commitment to sustainability and environmental responsibility was not, it seemed to us, reflected in the rest of the show. There was far less discussion of global warming, energy efficiency and sustainability than we would have expected in a European context, although one of the oft-repeated mantras was "the \$100 dollar barrel [of oil] is just over the horizon". This prediction came up in a number of briefings and presentations but the net result seemed to be a fear of a crashing economy rather than any positive actions to be taken.

There was indeed a mood of pessimism pervading the halls with serious concerns about job losses to overseas low wage economies. Statistics were presented that caused restless shuffling round the room – Labour costs in the US are \$21 per hour. In Mexico they are \$1.70 and in China and India \$0.92 and \$0.70 respectively. A number of big American corporates are taking advantage of these cost differentials – AIG, AOL, Caterpillar, Delphi and Dell are all offshoring some of their processes.

This was explored further in the session on outsourcing. A presentation by Sun Microsystems described their aim of not having any systems at all within Sun, just a reporting interface. According to Mark Marquis of RealSuite, 20% of US firms already outsource some of their functions and a further 65% will consider it and are implementing IT systems with some type of outsourcing in mind. From outsource to offshore is not a big step...

So how can technology help us keep up? Anant Yardi gave as his opinion the need for us to take advantage of the changes in communication. Fibre optics, broadband, VoIP, Blackberries and other PDAs are all key to cutting costs and improving business efficiency. WiMax in particular was discussed by a number of speakers. With a 50 km range and a 70mb capability it will change the way individuals and businesses communicate and do business and hence the amount, quality and location of the real estate they need.

This theme of the changing nature of the workspace was taken up in a number of seminars. It was suggested that rather than freeing workers to work at home as was envisaged a few years ago, in fact the new wireless technologies will work to create different, but communal working areas. Humans are naturally sociable and do not like to work in isolation, but the provision of central office locations with the costs (that \$100 dollar barrel again) of commuting and energy and the inflexibility of traditional space will lead people to work in smaller communal spaces such as coffee shops, hotel lounges, airports and libraries where they can interact socially but still be able to take advantage of more flexible working practices. Even within the traditional office environment the layouts are changing. As work is becoming more "collaborative" with groups ebbing and flowing round projects, so the need for individual space is reduced. Cisco has reduced its area per person from 181 sq ft to 114 sq ft.

The conference was entitled Real Estate at the Speed of Light and many exhibitors and speakers were concentrating on improvements in the automation of business processes in both property management and brokerage to improve efficiency and cut costs.

In the property management and accounting arena we were surprised to learn that back office processes in the US are significantly more labour intensive than in the UK, leading typically to teams of 12 to 15 people managing a portfolio that in UK would be managed by perhaps 6 people.

One of the reasons for the additional work may be the fact that only about 20% of tenants pay rent by any form of electronic transfer with the rest still paying by cash or cheque. There were several asides about how wonderful it will be when we can all stop using our cheque books, particular in relation to the payment of utilities, followed by nods around the room. We did a quick straw poll of the British contingent and concluded that most of us do not even know where our cheque books are, so infrequently do we use them. This familiarity with electronic banking has a long way to go in the US.

What is increasingly popular, and indeed we saw an example of it at the show itself, is the automated reception and virtual concierge services. The techniques vary from a Lara Croft type android to a real person simultaneously visible and actively engaging with visitors in a number of locations. This can lead to lower overheads but the same, or improved, levels of service. The scope for this is perhaps greater in the US where many buildings are manned by uniformed security guards rather than the traditional receptionists we see in UK and Europe but it could be away of extending cover out of hours.

The keynote sessions prognosticated that over the next twelve months automated workflow would improve, paperless transactions would increase and that IT as a service to property owners and occupiers would be merged with Facilities and Property Management rather than be seen as an added extra. Disappointingly, according to a survey in for CIO Magazine, at present IT departments are not delivering what is required – apparently 80% of IT managers believe they are planning strategically but only 30% of their senior executives agree with them.

Mark Lewis of Grubb & Ellis believes that the Real Estate industry is not behind in technology but is behind in its decision making methodologies. He painted a picture of falling real estate yields, an increased drive to cut costs at home to compete with the low cost economies, resulting in downward pressure on platform costs and pressure to come up with alternative workplace strategies.

Allied to this, Lewis and others cited the increased global movement of capital, the globalization of accounting standards, the requirement for more rigorous controls demanded by the Sarbanes Oxley Acts and expansion of REITs as investment vehicles as factors which will demand more transparent reporting.

This theme was picked up in a number of sessions covering the issues of reporting, data analysis and information exchange. As in the UK there is increasing emphasis on the need to define and measure performance in a structured way with high level “dashboard” information available to senior executives into which they can drill to obtain more detail where necessary.

At present, however, achieving flexible reporting on information possibly contained in several different systems still seems to be eluding the majority of firms. Part of the issue is the difficulty experienced in putting together a valid business case. Senior executives want the information quickly, and available to them wherever they are but are reluctant to commit money to a project to deliver it because it is difficult to demonstrate a monetary value.

One of the key tools to address data availability and comprehensiveness was felt to be the improvement and roll out of international data standards. The importance of data standards was reinforced in a number of sessions and OSCRE, together with UK’s PISCES were strongly supported - UK firm Calvis’ Chris Lees scooped a DIGIE award (Commercial Real Estate Digital Innovation Awards) for his work in this field.

Overall, the strongest message of the show seemed to be that the US in particular, but the West in general, needs to keep educating and innovating to maintain our global position. A more strategic approach, with an emphasis on developing and implementing the technologies required to simplify data accessibility and integration to enable business decisions to be made quickly and effectively is probably the key idea for IT directors to work on.

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