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Technology and Real Estate: A Perfect Pairing?

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Market Analysis

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Technology is destined to change the way the commercial real estate market operates, but a debate is raging as to how and how much. Will it create a sea change in the industry, or will the impact be less than transformational?

Certainly, technology has revolutionized the daily lives of most people—including the way they communicate, work, shop, eat and entertain. Yet some industry analysts contend that technological change has been slow to take root, and commercial real estate generally operates as it always has.

In some sense, this is true. Generally speaking, the structure of the market is unchanged. Commercial landlords lease the same basic property types, buy and sell based on cash flow projections, and take out mortgages. Ownership is concentrated in the hands of private companies, which tend to be zealous in guarding proprietary information. Also relatively undisturbed are the metrics by which real estate is measured: occupancy and demand levels, price per square foot and so on.

Yet in other senses, there has been a transformation in an industry in which analysis was once performed on napkins and deals completed at country clubs. While the sector may still only be scratching the surface of its potential use of technology, there have been massive improvements in the availability of data used for underwriting. In software, that helps property owners manage assets more efficiently. In technology, that enhances access to investors.