

Technology adoption in real estate investment firms: A paradigm shift

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21 February, 2019

Real estate investors are facing tough market conditions in an environment plagued by geo-political risks, trade wars and rising interest rates. There has been a growing industry consensus about the current real estate cycle in Europe coming to an end soon. It will not only mean that it will be harder than ever for investment firms to find good investment opportunities, but it will also require better control and management of their existing portfolios in case of a market downturn, making a strong case for technology.

According to a recent KPMG survey, 97 % of the industry believes that technology innovation will impact their business, but more than half rated their business 5 or below out of 10 on technology maturity. Despite the impressive growth in investments in real estate, the industry is still playing catch-up in adopting technology.

The technology adoption puzzle

There are several factors that have led to a slow adoption of technology solutions amongst real estate investment firms. The foremost being an over reliance on the age-old alternative of Excel spreadsheets, despite manual processes and operational risks that come with this approach. There is also the mindset that real estate is about buildings and physical structures whereas, in today's world, being in control of the firm's data is of paramount importance. Those who venture out for a solution are inundated with the process of finding the 'silver-bullet' technology. They feel there exists a huge language-barrier between them and the technology providers, wherein most providers fail to bring in an investor's perspective in their solutions. The few who have managed to deploy a technology solution often struggle to make it work because of the complexities and effort involved in consolidating data from multiple sources, standardising it and keeping the system up-to-date on an ongoing basis. No wonder even firms managing billions in investments are still on the fence.

Some of the early-adopters though have identified these gaps and responded by creating new capabilities in-house to bring about technology adoption. While earlier this role was played by chief technology officers, new roles such as innovation officers or digital transformation officers, who have both the requisite real estate domain expertise and technology skills, have emerged. However, not all investment firms have the wherewithal to create such specialized roles or teams. So, is there a better way to implement technology solutions – one that leads to smoother adoption with minimal disruption and a better success rate?

A new operating model

Clearly, an off-the-shelf cookie-cutter technology solution won't make the cut. What investment firms need is a new operating model that runs on a solution that is not just 'powered by technology' but also 'enabled by domain experts'. In essence, it means a provider that not just provides a technology platform but complements the offering by taking full responsibility of ongoing data management and aligning the solution with the firm's current business processes. This operating model will ensure better technology adoption and enable real estate professionals to focus on what matters most to them – unlocking more value from their investments. At Oxane Partners, we aim to support real estate investment firms with such an approach that will drive a lasting digital transformation benefitting the industry as a whole.

There is no denying that the right solution can immensely empower investment managers to deliver on their mandates. Not only can they be leaner and reduce operational costs but also get powerful actionable insights into their portfolios. Investment firms, both big and small, should be embracing technology and innovation today to ensure that they are successful tomorrow. Those who do shall create a competitive advantage allowing them to be nimble in reacting to market opportunities and threats as well as delivering superior value to their investors.

About the author



Vishal Soni is co-founder of Oxane Partners, an independent solutions provider to Alternative Investments industry with a focus on commercial real estate. Prior to founding Oxane Partners, Vishal was part of the structured finance desk at Deutsche Bank, where he was underwriting and modelling commercial real estate transactions, both from a financing and acquisition perspective, across European jurisdictions.
