MAXIMISING PROPTECH'S POTENTIAL IN RESIDENTIAL PROPERTY

Part One

Introduction

Nigel Howell – Chief Executive, FirstPort

PropTech represents probably the greatest opportunity for our sector at the moment.

I always think we're very lucky in what we do, the people in our sector design, build, finance and operate people's homes and there are assets no more important to people, and no place more important to people, than their homes.

We're doubly lucky that we're living in this time when there's new technology and new opportunities to improve the way we manage peoples' homes and the experience they have of their homes and how they're going to use them going forward. So it's a great opportunity and a great time.

But a difficult time to make a connection between what we know about homes and how people are using them and the possibilities of technology and where it could lead us. So a difficult time to detect what are the right things to do.

This briefing paper is based on the proceedings of the Maximising PropTech's Potential in Residential Property briefing hosted by FirstPort at The Soho Hotel, London on 21 May 2019.

Spencer Kelly – Presenter, BBC – Click

I'm a massive fan of technology and I believe that despite a lot of things we're hearing these days it is going to get us out of more problems than it gets us into.

Although that seems dubious at the moment. It seems scary or overwhelming at times and especially for those dealing with some older residents, technology is not always what they've grown up with.

But of course, we're all consumers of technology, be it a smart phone, TV or washing machine. The chances are your customers will increasingly demand more and more technology to be fitted in the places that they live in. Many working people these days want a good working internet signal so they can work at home when circumstances permit.

"If you think older residents are 'anti-technology' in 2018 OFCOM stated that: 40% of baby boomers use a smart phone; 25% use a tablet and 50% use social media."

Once anyone uses social media, even if you don't know it, you are over your fear and acceptance of technology.

There are numerous new technologies which will make life easier for older people. For example, there are sensors you can put on your fridge door which can tell someone remotely whether the fridge door is being open or closed. So if you're worried about an elderly relative you can at least see if they're up and active without being too intrusive. This is a less invasive way of checking they're mobile and okay.

Another way to see if someone is active in their home, rather than use a camera, is to use radio waves which create a non-visual picture of activity in the home.

Some of the new technologies are also sensitive enough to check heartbeats. So at night, for example, when someone isn't moving you can still check they are breathing.

Telehealth services also have the ability to dial in to a doctor's surgery so you can have a consultation at home – it just requires a decent broadband internet connection.

Smart speakers like Amazon's Alexa are changing the way we interact with technology.

Personally I think speaking to technology is the most natural form of interaction with technology. So already devices like Amazon's Alexa can tell you what the weather forecast is or read you the news whilst you get ready for work. What I think is most interesting is this idea of quick convenience that innovation is developing towards. So it starts in one industry – take the ease of which you can book a lift using Uber – at a click of a button the driver knows where you are and the taxi is there in a matter of minutes.

The expectation that you can just click an app and something happens very quickly is going to spread to other areas. It's already in shopping. You can control your home heating system; you can monitor your energy use, through an app, on your phone.

You can now control your home heating and monitor your energy usage using a smartphone.

So if you're thinking about managing properties wouldn't it be great that instead of making a phone call to arrange a meeting you just have to click an app to report a fault – say, the light bulb needs replacing. Or the lift's not working. Ideally the lift will be fitted with the technology to diagnose its own operation so it can report potential faults, before they actually happen.

It means that the people who manage the phones dealing with these issues are freed up to do more interesting work. Rather than just dealing with frustrated customers.

We really are not far away from buildings which are going to be smart. Which will be built with sensors everywhere. Every element of a building can produce data to do with what we want. So you can collect data to reduce energy waste. So then faulty light bulbs and lifts can report themselves before they become faults. Thereby reducing downtime and inefficiency.

Already there are plenty of industries – aircraft and cars – where sensors can detect wear and tear as it's happening and call in an engineer before anything goes wrong and you have downtime. You can imagine that parts of your property know if something is wearing out and schedule an engineer to come out before a breakdown occurs.

Technology is making our lives easier. We strive to make things more efficient. There is no reason why that won't affect pretty much any industry. As things become more automated the staff that you have can do the more interesting things.

So let's expand on those ideas.

Interview with the PropTech experts

Dan Hughes – CEO, LIQUID Real Estate Innovation & Alpha Property Insight
James Dearsley – Co-Founder, Unissu

BRIEFLY TELL US WHERE YOUR LOVE OF TECHNOLOGY CAME FROM, AND HOW YOU GOT HERE.

Dan Hughes: My father used to work in technology, so I was brought up always playing with the latest prototypes, so when I started working I decided not to go into technology!

I've worked for a number of different property companies which included working with R&D and technology. I then moved to Ordnance Survey to lead their activity in the land and property markets – that's when I became really interested in the data side of things.

I think if you look at the real estate sector generally an awful lot of decisions are based either on human interaction, or gut feel. A lot of the time that is just the human brain – the world's most powerful computer – just calculating what to do next. The problem in property specifically is that we're just not yet good enough at knowing what to do with the data we've got available to us.

As a sector we treat data in exactly the same way as we treat property; a physical asset that can't be replicated, but with data that's not the case. From our point of view data can have lots of benefits but we have to change the way we make use of it.

James Dearsley: My career in property started at Foxtons where I spent four years. I loved it, and grew to love the property sector too. I then worked for an international developer for seven more years. What then segued me into the technology side of the industry was that even back at Foxtons, 1999 – 2003, was the point at which the organisation developed into becoming a very technology savvy business and they implemented changes which showed me for the first time what the sea change of digital transformation could achieve. Everything was becoming technology enabled and the whole way they ran the business became technology led.

The power Foxtons had between 2012 and 2017 was because of the changes they put in place in the early 2000s.

Equally, in the international development world where I was a sales and marketing director, it generally took more than a month to launch a development. In Spain, Turkey or Cyprus, from a developer giving us the plans for us to launch it to all our networks would take a month. We used to get a two inch thick pile of plans that came through the post from a foreign country which we than had to convert into something coherent as a sales and marketing campaign. Over the seven year period we digitised the whole process, going from a month and a half launch period to a 48 hour, multi-lingual, technology enabled launch.

So that's really where my love of it came in. I saw the efficiency gains and the ability to look at the technology gains as a positive force for good. Rather than look at it negatively and how will this impact me personally – which I still think the property sector is guilty of today – I've only ever seen a lot of the positives you can derive from technological innovation.

Spencer Kelly: This attitude towards technology which we've been talking about is not unique to this industry by the way. At every event that I do the industry they're representing is struggling with the idea they're slow to do this digital transformation.

BUT, HAVE YOU SEEN THE ATTITUDE CHANGE IN THE LAST FEW YEARS? DO YOU THINK THIS SECTOR IS GENUINELY SLOW?

James Dearsley: I think Dan and I would both agree that it is. What I'm very fortunate to see is a global shift. I've started to see the sea change from America move in to the UK, move in to wider Europe and then out to Australasia and South America. I've recently had a visit to Africa and started to see this mentality there.

We're about two years behind America in this PropTech world, in my view. I see two main areas of resistance for change: a personal one asking, 'Am I able to change, do I want to change?' And then the business case: 'Should we bother to change?'.

That's often led by a top down approach in digital transformation. If you've got the boards of directors wanting to make this change, recognising they've got to be seen to be making a change, you'll initiate this movement towards technological adoption.

Dan Hughes:

> "I think real estate is slower than other sectors to adopt technological change."

Real estate is an asset which by its very definition is slow to move. We buy a commercial building for many years. We buy a house for several years. Buildings are there, they don't change. Assets like equities can change in seconds. Property can stay the same for centuries or decades.

Because of all that stability we've built up an industry which is slow to change. It's part of our attractiveness. Probably even four or five years ago people would just dismiss technology completely. 'We're a people business, so what difference could it make?' would be the prevailing attitude.

Real estate is slower than others to adopt technological change but attitudes are changing.

I think we've gone through a phase of talking about technology a lot, which is fantastic and gets people on board. But what it's done is focus on this new thing which is coming over the mountain; it's about disruption, it's about fear, and it's about change. It's only in the last year or two that the sector has started to engage. I think the real key to change is being able to demonstrate why you should bother doing it.

Having something that tells you you shouldn't have built or bought that building yesterday isn't really that helpful. It's still going to take you several years before you can change your decision.

Age is a factor too. So if you are sixty you've had a different background to someone who's twenty. I think what happens in real estate is similar to a lot of professional services. The people at the top are the people who are very good at professional services. Some of them are very open to change. And some of them aren't. That has never been a factor before in how they get to the top but it's now becoming an increasingly important skill.

HOW DO YOU THINK YOU SHOULD DEMONSTRATE TO THESE PEOPLE WHO DON'T WANT TO CHANGE, THAT THEY MUST?

Dan Hughes: I think ironically, not talking about the technology is useful. I think you need to find a specific problem that it's trying to solve. How do you measure retention rates, in a rented property, for example? How do you make the selling process quicker? How do you build more houses for less? We have a real productivity problem in this country. How do you prove that technology isn't just about replacing jobs and that it's also about increasing productivity?

So for me it's not about the technology, it's about what are the specific problems we're facing, and how to solve them.

James Dearsley: I also think there's another angle to that, which is it's not just about the technology. If I'm asked to define what PropTech actually is, one of its defining characteristics is about the mentality shift brought about by technological change. Not to court controversy too much, I would observe that we are defined by a certain demographic group – of men, over the age of fifty, all in blue suits and ties.

There is massive inertia. Before the leap is taken there need to be case studies proving the cost benefit and that this is going to work. There's a real fear of doing the wrong thing.

What we're currently quite happy with is sticking to what we've always done.

The book by Matthew Syed called Black Box Thinking shows up the differences between the aviation industry and the healthcare sector. The aviation industry is very forward thinking about how failure is noted and judging mistakes. Whereas the healthcare sector is a blame culture. If property were to pigeonhole itself we'd find ourselves nearer to the healthcare sector than the aviation sector. We have to get out of that mentality.

The aviation industry is very forward thinking where technology is concerned.

Dan Hughes: I agree with that. If you're going to build a residential block of flats, you'll go and find the land, and then you'll get planning permission which will take a long time. You'll then go through the process of construction, and then you'll go and sell whatever it might be or you'll manage it for several more years. I think in real estate all of our business processes take a long time. Technology is now capable of changing things so fast. What we now need to change is that mentality of 'let's just try it', but don't get into something we can't get out of quickly. Thinking R&D is a waste of money needs to change.

Spencer Kelly: I see this mentality elsewhere. Don't be afraid to fail but make sure that whatever you do try you can get out of very quickly if it doesn't work. It's called rapid prototyping. So you work out something really quickly, assess whether it works, and quickly learn whether it's going to work or not.

CAN YOU GIVE US SOME EXAMPLES OF HOW PROPTECH IS BENEFITING PEOPLE, IN THEIR HOMES, AND PROFESSIONALS IN THE PROPERTY INDUSTRY?

Dan Hughes: I think technology can help everything but it shouldn't just be about the technology. An example would be that if you look at blocks of residential apartments, or indeed offices, it's all about community. An easy way of addressing this and taking a first step into technology can be with the various community app providers out there. Technology is a very good way of helping people to engage with your communities.

James Dearsley: My company Unissu was brought about by the fact that the sector couldn't discover what technology to use, be it on a B2B or B2C basis, so we've catalogued over 7,000 businesses globally. On a consumer level it's very hard to pick out the early winners. There are certain applications which are helping both sectors. If you look at the buying of properties, there's a number of legal tech companies that are helping with block management. For example, Leverton are using Artificial Intelligence to digitise leases so that they are instantly searchable, rather than paying fortunes to legal companies to read specific clauses. It's the 'boring' PropTech stuff but it benefits the industry and the consumer to drive efficiencies in the process.

Orbital Witness just raised £1.2m of seed funding and is another company whose aim is to benefit the industry in terms of speeding up the process of land provision and planning. So there's a lot of stuff that I find quite exciting that is just about speeding up process.

In terms of people in their homes, I think we've got to be very careful of this. There are a lot of really cool businesses which can help our consumers, especially in the residential space in terms of managing tenants. We've done a lot of work with Housing Associations and how they impact change, for example. On one hand they've really wanted to embrace PropTech for their tenants but there's a massive caveat - we've warned them to be aware of the technological underclass. Those who haven't got a smartphone, a good internet connection or live in a rural location which is struggling to provide broadband access.

> "We have to remember those who don't want to be surveiled, or those who just don't know how to do it."

Dan Hughes: I spoke to someone about Artificial Intelligence and their view was 'as soon as I can join a conference call that works first time, or get WiFi on my train, I will agree to anything technology can provide'.

We've got to be mindful of the technological underlass, including those living in rural areas with poor broadband.

This is part one of a two-part briefing paper on PropTech featuring Spencer Kelly, Dan Hughes and James Dearsley. Part two discusses the impact of PropTech on construction and retrofitting technology into older residential properties.

Meet the speakers

Spencer Kelly
Presenter, BBC - Click

Spencer is a respected technology presenter and computer scientist who's been in the business for over 20 years.

As part of a life-long love affair with science and technology, Spencer graduated with a double first in Computer Science from Cambridge University. He has also recently been awarded an Honorary Doctorate of Technology by the University of Coventry.

After a seven-year stint as a breakfast radio host, Spencer joined the BBC as a Presenter on Click and has travelled the world to seek out not only the most advanced tech but simple devices which make a huge difference.

James Dearsley
Co-Founder, Unissu

James is recognised as one of the leading thought leaders on the future of the real estate market.

His role as the Co-Founder of Unissu, the global leader of PropTech data, information and resources, means he has an unrivalled perspective on global PropTech trends. As a result, he is a much sought after speaker on the future of the property industry both in terms of how people and companies in the sector should adapt to facilitate change.

Dan Hughes, CEO, LIQUID Real Estate Innovation & Alpha Property Insight

Dan has spent his career working across the built environment and has held senior roles in some of the world's leading data organisations.

Dan led the Land and Property Sector strategy and commercial activity at Ordnance Survey before leading the global marketing function at IPD, part of MSCI. He then joined RICS as Director of Data and Information Products whilst also leading their PropTech transformation strategy.

Dan was voted one of the Top 50 Data leaders in the UK in 2017, voted Number 1 PropTech Influencer in the UK and the most influential person online in PropTech. In 2018, he won the inaugural EG Tech Award for bridging the gap between property and technology.

Like to learn more?

We have four decades of experience as a full service residential property manager. Working on behalf of developers, investors, freeholders and over 200 Resident Management Companies we manage 196,000 homes across the UK.

If you would like to discuss the findings from this paper in more detail, please come and talk to us.

📞 01582 393 756   ✉ marketing@firstport.co.uk   📶 firstport.co.uk

Previous briefing papers in this series of events can be downloaded here:

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