Tech is taking up residence

Guest comment by **Josh Glastein**

Multifamily housing is on the verge of a paradigm shift in its use of technology, writes Berkshire Residential Investments' chief information and technology officer

The sector has lagged others in technology use; companies are hesitant to adopt new technology, instead relying on tried and true methods. But the revenue-driving value of the data hidden away in legacy applications and offline spreadsheets is becoming undeniable. Technology is fast approaching the point where this wealth of information can be exposed and leveraged to improve operational efficiency and investment decision-making. Emergent technology is going to quickly become a differentiator in the industry.

Investment in proptech has grown tremendously in the last few years. RE:Tech has reported venture funding at $9.6 billion in 2018. That number varies depending on the source, but the evidence supports an increasing value in the industry. Software is being developed to aggregate data from disparate sources, sift through it for insight and autonomously identify areas of focus and opportunity.

At the asset level, property management tools from firms like Yardi and RealPage are already incorporating artificial intelligence (AI) and machine learning (ML) into their products. These advances will soon be considered table stakes to efficiently manage properties. Software is starting to make prescriptive recommendations on management decisions to optimize expenditures and improve thin profit margins. Additionally, AI and ML enable real-time data analytics. Decisions that were previously based on monthly reports can now be made in real time.

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Accessible real-time data at the asset level can easily be rolled into portfolio-level reports. Business intelligence (BI) tools make it easy to slice and dice the data. The massive amount of data available is unwieldy without this functionality. Portfolio management now has far more insight into the comparative performance of assets in their funds. Metrics can be evaluated across the portfolio to identify under-performing assets and make corrections. Key decisions on high-performing assets can be emulated to improve overall portfolio returns.

Investment strategy

Technology has the potential to add the greatest value to the investment process. Investment decisions are currently based on theories supported by statistical analysis and anecdotal evidence. There is a growing opportunity to drive decisions based on a larger universe of data sets. AI and ML facilitate far faster calculations than was possible in the past. More esoteric data, like Yelp data, not traditionally associated with driving real estate value can be incorporated. Multiple regions can be analyzed simultaneously. Automated valuation estimates are becoming more accurate. BI tools can depict results that tell a story far more convincingly than PowerPoint slides and Excel charts.

There is no silver bullet yet that will direct investors to profitable assets and investors still need to drive analysis with investment theses. However, research teams will convert reams of data into consumable information and be able to make knowledgeable insights. Leveraging advanced technology will differentiate firms and give them a clear competitive advantage.

Moving forward with caution

The industry is still maturing, and the effectiveness of the AI and ML algorithms is yet to be proven. There are an overwhelming number of start-ups in the proptech space looking to be recognized as a breakthrough product, but waiting until leaders emerge is a wise approach. Finally, technology is only as good as the data behind it. Technology will no doubt be a game changer in the coming years so embracing it in a thoughtful way that considers ROI is the key to success. ■