

BROKERS TURN (SLOWLY) TO BIG DATA

By John Salustri

Despite the growing sophistication and availability of commercial real estate data, there is a truth that has never changed, even since data first became commoditized. Namely, the value-add that the broker can bring to those stats.

On the dark side of that coin, those early days of “data-for-everyone” also ushered in the new and threatening concept of disintermediation. Today, the tide of technology continues to roll in and the broker who hesitates is likely to drown. Those who learn to swim, on the other hand, find themselves redefining their client-facing roles.

Success in today’s market demands what it always has: a mastery of market data. It is only the nature of the data that has changed, becoming much more sophisticated, comprehensive, and accessible. The smart players, as always, are using it to their advantage—well beyond the needs of the one-off transaction.

Brokerage...And Beyond!

For Kevin J. Riley, SIOR, president of PCGRE in Pittsburgh, big data marks the difference between a broker and a strategic adviser. “A really good adviser figures out what will make the company they’re representing more successful in all avenues of their business,” he says, “not just locking in the cheapest rent. I encourage my clients to think about

what attracts people to work for them, what retains people, and what attracts customers to their services.

“Those are bigger-picture questions about their space, beyond just the rent piece,” he continues. “Arguably, if you’re paying \$100,000 per year for rent, but your employee base is unhappy and non-productive, then maybe you’d be better off paying \$200,000 per year if everyone on your team was as productive as they could be.”

Those are the decisions an adviser, armed with the proper data, can make. Such an approach is particularly impactful for Riley’s typical clientele, which he describes as middle-market occupiers who may not have a strategic real estate presence in-house.

Phillip M. Breidenbach, SIOR, agrees. “As an industry, we need to learn more about data and analytics far beyond just the blocking and tackling of commercial real estate,” says the executive vice president of Colliers International’s Office Properties Solutions in Phoenix.

He cites such data-based tools as labor analytics and mapping to help clients “accomplish their objectives. It sounds obvious, but it’s not. It’s listening to the client’s need for a building close to their employees. Well, of course, but who are those employees? They’re college or post-secondary-educated professionals with a salary range

between \$60,000 and \$80,000 a year. Well, that demographic is located here, in this suburb or this hamlet. That’s where the rubber meets the road.”

Big Data can inform internal operations as well, including marketing and advertising. Breidenbach says, “tracking open rates and click-through rates and how much time people are spending on a page helps us better understand what marketing content is most impactful.”

He believes that such data analytics is catching on in what is historically a tech-averse industry. On a scale of one to 10, he would put the industry’s data-adoption rate at a three. “But it’s trending in the right direction,” says Breidenbach.

“There’s been a slow, broader migration to develop new competitive advantages and find new value-adds,” says Tim O’Brien, SIOR, president of O’Brien Commercial Real Estate LLC in Indianapolis. And as that migration continues, the access to more advanced tools is levelling the playing field.

“There are more technology tools and resources for commercial practitioners than ever before,” he says, “and we’re only at the start of what’s to come. Because of broad, inexpensive access to these tools and resources, the smaller firms are more equipped to compete with the larger firms.”

With the current shake-up among data providers, O'Brien says, "there is a scenario of cost structure that favors larger firms, and those who remain are cost-challenging for smaller firms. But I'm a firm believer in market forces and a reversion to the mean. There's no doubt that another player will enter this space and compete to put downward pressure on current pricing. It's just a matter of time."

Mythbusters

While time is clearly on the side of millennials, this is not to say that this up-and-coming cohort has the corner on technology.

"If you look at technology adoption by generation, there are people who are in their 60s, 70s and 80s who are as, or more, adept than people in their 20s," says O'Brien, "but that's a small minority." On the sliding scale of adoption, he says, there's an indirect proportion between age and enthusiasm. But, "among active users, there's less of a generational difference. Among non-users there's a significant gap."

Riley agrees: "It's much more about the personality and the desire to provide excellence in what they do than it is about a generation." One senior member of his team "is the most proficient user of data [he's] ever met. On the opposite side of the scale are those younger people who, because data is so easy and accessible, don't even take sufficient time to figure out what it truly means. It's noise to them."

For Breidenbach, it is as much cultural as it is generational. "I see the next generation doing a better job with data analytics," he says. "But this is an industry that historically has put most of its focus on the creation and development of relationships over everything else. When you're in the

business of relationships you don't spend as much time on analytics."

Culture and history, of course, go hand-in-hand. "Those of us who've done this for two or three decades and done so successfully, can justifiably ask why change if this works?" he says. "Those numbers are big and scary. I don't like them and I don't want to know what a pivot table is."

But that history has a self-fulfilling prophecy. "Unlike so many other industries, the brokerage community trains its next generation," he continues. "And when we do so, we're training people to be like ourselves, including this lack of desire to understand data."

That, he says, is changing, especially as an increasing number of degree-granting real estate programs spring up in colleges and universities around the country. And don't forget the power of designations, as those offered by SIOR and CCIM, which have "really advanced the core competencies of the broader market," Breidenbach says. "At the end of the day, I honestly think it all comes down to re-education."

Skill Sets for a New Day

Which brings us to the topic of capabilities. Just as in any industry reformed by technology, be it automotive, education, medicine or real estate, new talents must be nurtured to rise and thrive alongside more traditional skill sets, such as the above-mentioned development of relationships.

As Riley points out: "the next generation of executives that are used to getting information at the click of their fingers will marginalize the traditional broker role. They have to be well-rounded and strategic-thinking, not transaction-oriented." As we said at the top, swim or drown.

Riley also believes that a broker--make that strategic adviser--must do more than negotiate a lease. "To be successful today, real estate professionals need to truly understand what makes their clients' businesses tick, and then help them facilitate a menu of opportunities that address those needs. There has to be a willingness to challenge a client to think bigger than they maybe have."

The good news, he adds, is that "most SIORs I know--myself included, think of themselves as substantially more than transaction jockeys."

And that includes a solid competency with numbers. "Brokers now have much more financially driven skill sets," says O'Brien, "well beyond 'here's your rent and operating expenses.' Understanding the financials from all perspectives--the landlord's, the tenant's, the buyer's and the seller's--is essential. It's a much more financially analytical industry than it was maybe 20 years ago."

"One of my big takeaways from the rise of Big Data is that in a lot of situations people think it makes them smarter," says Breidenbach. "It doesn't. It makes you more confident. It's your ability to clarify the data and find the nuggets of gold that you can pass on to your clients that justifies your existence today, interpreting that data for their benefit."

"Big Data isn't the enemy," he says. It's a powerful tool that elevates--at least when properly executed--the client's expectations and as a result, the brokerage community as a whole. Whether we're speaking on an individual broker basis, or as a company or a community of professionals, "We'd be remiss if we weren't doing the best we could for our clients," Breidenbach concludes. "Today that means using tools such as data to provide the analytics they need." ♥