Disruption is on the Horizon

By: Kristin Geenty, SIOR

Techies have taken notice of the business of Commercial Real Estate. Ten years after changing the way we buy books, share and buy music, and view photos, the tech world has declared the Commercial Real Estate model ripe for disruption. Over the past 14 months several startups have set their sights on changing the way Commercial Real Estate transactions and the business itself are done. While none have succeeded so far, proponents of gamification, crowdsourced knowledge, and information curation over creation, are determined to find a way to disrupt the very process of a real estate transaction from creation to completion.

Disruption in the technological sense is not an impediment to success. Wikipedia defines disruptive technology/disruptive innovation as “a technological innovation, product, or service that eventually over-turns the existing dominant technology or status quo product in the market.” It’s the status quo in the brokerage world that start-up technology companies seek to upend, beginning with relationships. Relationships are not the cornerstone, or even integral to business in the Millenial worldview. Data, analysis, and transparency excite Millennials, and that’s what they want from their real estate brokers and if they don’t get it, they’ll create it themselves.

42 Floors is the newest Millennial darling to break into the commercial real estate market. It began with seed funding from YCombinator, an incubator known for growing such companies as: Reddit, Dropbox, Airbnb and 447 others since 2005. 42 Floors is the brain child of techie, and co-founder, Jason Freedman, who was disillusioned by the brokerage guidance he received when looking for a small office space in San Francisco. He thought every broker from every different company showed him the same five CoStar listings. The point is not the way in which he conducted his search, but that his bad experience drove him to try and democratize office leasing information from floor plan, to interior photos, to the coffee purveyor, the caterer, and even the interior landscaper.

The first wave of tech focused on brokers and landlords streamlining transactions, financial analysis, and tours. Evernote® replaced the Post-It®. Dropbox allowed us to easily sync files across our devices. DocuSign® made the electronic signing of documents easier than ever before. TenEight® replaced the checklist or excel spreadsheet when noting tenant or buyer property comments or ranking preferences during tours. Rate Blend® is also killing the need for a spread sheet when working on rents and financial details of properties. The Analyst lets you create investment reports on the fly sending pdf’s from your iPhone to your drop box and into the ether. Vlingo® and Dragon Diction® take voice recognition to the next level by initiating an action after translating your words to text. Property tours are constantly upgraded most recently with TourWrist®, which creates 360 degree virtual tours from your camera or iphone. These applications all produce a better experience for our clients, but they are not disrupting the basis of the tenant, landlord, and broker relationship because they are broker centric. The next wave of Commercial Real Estate tech is all about the tenant and buyer, not their representative.

Whether 42 Floors, with its vertical integration of services, can create a new business model for our industry remains to be seen. At the same time that 42 Floors attempts to be the best consumer centric model, Xceligent and its Commercial Search is working to aggregate commercial data exchange systems, MLS information and to gather listing information from 400 listing brokerage firms to create a LoopNet/CoStar competitor for the broker, proving that there are still startups looking to make brokers toolkits more robust.

The ultimate disruptor in our business may well come from the use of space itself. Co-working spaces are so main stream that even New Haven, CT, a city of 110,000 people, has two co-working spaces, both of which are thriving. Loose Cubes® is a listing database focusing on the availability of co-working spaces. Old machine shops or woodworking spaces and other non-conforming properties in cities are becoming hacker spaces, another co-working concept. Hacker spaces provide an opportunity for like minds with different skill sets to work together to create a new technology, like a “nearly hand knit” garment made with robotics. In one hacker space, the 3-D printer churns out machine parts while an independent inventor draws his plans for a closed system water recycling, indoor, year-round tomato garden. Hacker spaces are no longer limited to Portland or other progressively minded cities, there’s not a major city in the U.S. or the world that isn’t home to a Hacker space. Not only do they provide the space and a built-in brain trust for idea sharing, but hacker spaces supply artists, makers, creators and geeks with basic power tools, soldering tools, hand tools, 3-D printers and most everything else they need whether to create or code.

Traditional offices are morphing into the Google model quickly. Employees require less space as standup meetings,ホテルing, huddle rooms and flexible working hours become the norm. Millennials do business differently than we ever have. They came of age working in teams in the classroom. Google gives answers faster than critical thinking. Infographics distill massive data sets into easily digestible pieces.

The next generation of business owners and C-Suite occupants are looking for brokers who use technology as they do. This is the generation of workers who consider access to social media during business hours to be as valuable a perk as vacation days.

Prepare to serve them by curating information for them. Content is free and available to everyone. It’s up to the experienced curator to weed through the noise and direct his or her clients in the direction that best suits their needs. It is what brokers have always done, but now, instead of a bound book of photos and maps and demographic information, the best broker will win with one picture, much like the guy on Pinterest who pins the very best beer cap mosaic table top photo on his board.