Driving Change in 21st-Century Corporate Real Estate

BY **THOMAS BOGLE** | **SEPTEMBER 2019**

Every day brings a barrage of news about driverless vehicles, robots displacing factory workers, drones delivering products to our doorsteps, and the unremitting expansion of artificial intelligence into every facet of our professional and personal lives. No market segment is, or ever has been, immune from the impact of new technologies, from the invention of the wheel through the industrial and digital revolutions.

Embrace it or not, technology is now part of our profession's DNA. Undeniably, it's been a driving factor of corporate real estate's evolution over the past 10 years, and there's no doubt it will continue to be a catalyst in the future. The question is, though, is it ***THE*** driver or just one factor among many? Has technology so dominated today's imagination that when we think about tomorrow, we subordinate everything else?

I talked to several corporate real estate, or CRE, thought leaders – colleagues, consultants, outsource service providers and clients. I asked them to respond to an underlying thesis: ***that technology is the profession's number-1 driver***. As it turned out, these conversations served as a jumping-off point for wide-ranging discussions about the state of CRE – the significance of technology, certainly, but in the context of many other influences, such as demographics, human relationships and human intelligence, the changing workplace and the profession's growth and/or consolidation.

With regard to technology as an enabler, Carla Hinson, Newmark Knight Frank's executive managing director for Global Technology, said, "CRE teams require technology to keep up with the rapid pace of change in the industry – and remain competitive – but it's not all flying robots. Technology is a distinct enabler in CRE but it's only useful if the data are accessible and meaningful and properly governed. As new tech innovations are developed, it will be imperative that data become as much of a priority as functionality."

John Davis, a partner at Capstan Advisors, said he sees technology as more of an enabler, rather than a driver of change, at least in outsourcing. Said Davis, "It's gotten more flexible and it's allowed service providers to actually respond to varying client requirements, and maybe it'll become more of a driver when it gets cheap enough that corporations can do their own data warehousing and integration."

Sherri Parman, MCR, also a partner at Capstan, shared her colleague's assessment of technology-as-enabler. "My assumption," she said, "is that the evolution of technology has been a solution facilitating the true drivers of change." She also pointed out that client organizations are now expecting their corporate real estate teams to deliver a work environment that attracts and retains talent and adjust the portfolio to align with the business of the business.

Parman said, "Corporate real estate teams have to rely on the service provider to deliver the day-to-day services without a lot of oversight. For their part, service providers have to integrate across all corporate real estate functions and provide better strategic reporting, insight and data intelligence. I see technology as being an enabler or a solution to the elevated expectations being placed on corporate real estate teams."

For his part, Davis is attuned more to the robust economy and changing workplace demographics as drivers of change. Companies, he said, are asking their internal real estate groups and service providers for what he calls soft services; they want to know how they can locate, design and manage a work environment that keeps employees happy and attracts talent. According to Davis, "The workplace has to be a place where employees ***want*** to be. That seems to be more of a driver than technology."

Roy Abernathy, Newmark Knight Frank's executive vice president of Global Workplace Strategy and Human Experience, also weighed in, saying, "Today, we can be as, or more, productive outside the office, which has redefined the workplace and the strategies that support it. It's become less about where we work and more about how we want to live. Mobile has enabled more flexible workstyles and also allows work to penetrate our life anywhere and anytime and it's only accelerating. Employees and employers accept the tradeoff."

Abernathy added that businesses that were once fixated on campuses or (in) buildings have shifted focus to their people and a service model that runs at the speed of social networks. These drive interaction on a global scale and attract diversity of thought, culture and purpose.

CEO of Verum Consulting, Vik Bangia, MCR, agrees. He said, "The CRE business has changed from being more of a task-oriented, reactive function to one that now sits squarely in the company's strategic apparatus, which really focuses the corporate real estate department on creating enterprise value and developing explicit workplace strategies."

On the subject of workplace demographics and the relatively recent emphasis on the human element, Bangia sees the industry as playing a bit of catch-up. "Employee experience and employee engagement," he said, "haven't traditionally been building blocks of CRE education, so service providers and architectural firms are now keen on developing and delivering expertise in those areas to clients."

Another recurring theme in all our conversations was an acknowledgment of tech's important role as a ***formative influence***, with a belief that its value is only created by the skill and expertise of the people using it. Technology will never replace human expertise, intelligence, perception and insights delivered by smart humans, whether clients, consultants or service providers.

Or, as Peter Doran puts it, "Technology is only as powerful as the people exploiting it." Doran is president of Global Corporate Services at Newmark Knight Frank. He added, "Human intellect is needed to continually train computers to make sense of vast amounts of unstructured data and discover meaningful patterns and trends that lead to formerly unseen conclusions."

From where he sits, Monte Marcum said he believes technology is a number-one or -two enabler for change." As managing director of Trascent Management Consulting, Marcum said the corollary to that is talent. Technology is a tool, he said, but Marcum sees the people who know how to use the tool effectively and who can produce tangible results from it are the differentiating factors. "The talent on an account," Marcum said, "is what creates success across the spectrum, from proposal responses to service delivery, technical capabilities, the unique site-selection insights and local knowledge they possess. It's people that need to make those judgements." In short, Marcum believes the need for human input, intelligence and human interactions has not changed – nor should it.

Wayne Taub, vice president at Time Warner, goes even further. When asked if there are ways technology has made good brokers better, he, quite directly, said no, particularly on some of the larger deals Time Warner has embarked on. The best brokers, Taub said, are aware of who's expanding and who's contracting; they know what a corporation is doing before it is announced, and which developers are pursuing which opportunities. Technology, he said, will never replace relationship-driven market intelligence, nor will it replace information-sharing that leads to sensible occupancy opportunities.

Colliers Global CEO of Occupier Services, Scott Nelson, acknowledged that technology has been a catalyst, but also points to a lack of any industry-standard technology platforms. With so much diversity in corporate real estate technology, he said, we're still just scratching the surface and have a long way to go – and a big opportunity – to improve and standardize some of the ways work gets done on the client side and the service-provider side, and to make the activities more transparent and efficient.

Nelson points to consolidation among service providers and the accelerated growth of major global players as CRE's biggest driver, and as a net-plus for the occupier side of the equation. He noted that the services clients expect from providers are expanding, and occupiers have access to more specialist advisory and creative-management-consulting types of engagements now; more than they did ten years ago.

Peter Doran added that consolidation is a BIG driver of change in corporate real estate. The challenge for the CRE professional, he believes, is navigating the diverse, bleeding-edge technology landscape of over 6,000 products just in CRE and facilities management alone. The integration of service delivery, he said, will become more critical, with CRE relying on providers to innovate and integrate at their own cost and their own risk. He said technology innovation spurred the surge in consolidation as large firms scrambled to keep up with the changing priorities of clients. That's why CRE has such an appetite for tech firms, Doran said, especially those with full-service capabilities.

Research shows large service providers have been aggressively expanding their service lines through acquisitions, with the leading

CRE firms purchasing over 150 companies from 2014 to 2019, mostly in the U.S. Important to note is that companies' consolidation and acquisition strategies have disproportionately focused on expanding their footprint in ***technology***. Over that same five-year period, they acquired as many technology companies as companies specializing in four other major service lines – valuation & advisory, facilities management, multifamily, and property & asset management – combined.

Bill Concannon, CEO for Global Workplace Solutions at CBRE Group, added his perspective to the discussion, saying that service providers have evolved tremendously in the last several decades, enabled in part by technology. One change Concannon points to is the evolution of our service-delivery models. Today, we have on-demand facility solutions powered through technology, so we don't always need to craft a solution that dedicates one person to a particular building. This, he said, makes us nimble and more cost effective.

Concannon is quite bullish on tech's expanding impact in corporate real estate; he sees it continuing to be a big driver and expects we'll see more technology that enables productivity in building systems and recognizes trends in building performance. He also believes the trend around the employee experience is here to stay, noting that employee needs have changed. Younger generations, he said, can work anywhere at any time and we have expanded our services to make the workplace function better for this new group of employees.

In nature, you either evolve or you die; the same holds true in business. Corporate real estate isn't immune from the same evolutionary forces affecting virtually every industry and economic sector of our global economy. We're all grappling with the same questions in the digital age: What role will technology play in our business? How do we best adapt? And finally, where do uniquely human qualities of intelligence, experience, instinct, relationships and judgement fit into the equation?

The thought leaders in this discussion believe that corporate real estate certainly not immune to the impact of technology, and that the profession might be struggling to find the balance between exploiting its capabilities and respecting human value. Perhaps the answer lies in another point of agreement: that technology tools are only as good as the professionals using them. Technological innovations are inevitable but, at least for now, our profession needs smart, capable people to extract the value from the past decade's technology investments.

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