



A Snapshot of KPMG's 2018 PropTech Survey



It can be difficult to measure the pulse of PropTech in an industry where the potential impact is massive yet the technology is really just now emerging. Nevertheless, KPMG's 2018 PropTech Survey reveals several emerging trends and perspectives that offer a glimpse of how Canada's real estate leaders are responding to the industry innovations around them.

It is a cautious relationship. While a majority of this year's respondents recognize the need to engage with PropTech in order to adapt to their changing global environment, a majority have yet to implement a digital strategy. More telling still is that while nearly three-quarters see today's digital innovations as opportunities within their organizations, many have yet to take meaningful steps to integrate artificial intelligence (AI) or advanced data analytics within their environment.

Where's the disconnect?

While most real estate leaders recognize the value that today's PropTech tools can bring to their operations, many have yet to make the investment. There are several reasons why Canadian leaders may be cautious to react.

Unrealistic expectations and assumptions.

When asked about disruption in our 2017 CEO Outlook survey, 75% of Canadian CEOs said they viewed it as an opportunity rather than a threat to their business. 86% also said they were not waiting to be

disrupted by competitors, but were actively disrupting their sector instead. Despite this outlook, an overwhelming 96% said that in three years they would be largely the same firm as they are today. This leads us to believe that the Canadian real estate industry and their leadership may not be taking disruptive forces as serious as they should.

Not feeling the pressure. Real estate owners and operators have not felt the same pressure to upgrade as other industries. Therefore, they are several steps behind in PropTech adoption. It appears that the Canadian industry even lags a lagging industry.

Not quite ready yet. Canadians have yet to reach the same levels of confidence and comfort around the likes of AI, automation, and data analytics. Granted, they've seen these tools applied successfully in other industries, but many have yet to see those same benefits take shape in the real estate space.

A lower appetite for risk. Canadians are more cautious by nature. Amidst talk of cyber threats and tightening data

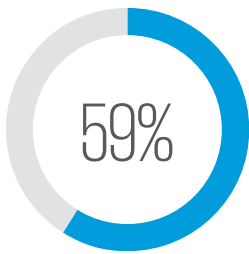
privacy legislation, organizations may be reluctant to invest in technologies that might make them more vulnerable.

Despite these reservations, Canadians are moving forward. It may be at a slower pace than our international colleagues, but appreciation for PropTech is building compared to previous years.

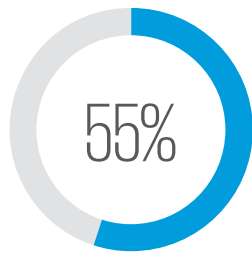
Tomorrow's tools

Real estate players rank artificial Intelligence (AI), robotic process automation (RPA), and data analytics as the most impactful tools in the industry over both the short- and long-term horizons – and rightly so. AI and automation have the potential to significantly improve operations, drive customer and industry insights, enable real-time asset performance monitoring, and streamline day-to-day real estate transactions. Similarly, Internet of Things (IoT) applications have the power to connect the industry in new and enriching ways, monitoring asset performance and informing decisions throughout their life-cycle.

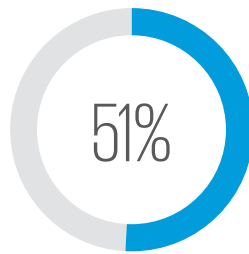
What industry pain points do respondents believe can be improved through technology?



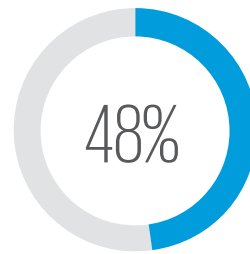
Building management



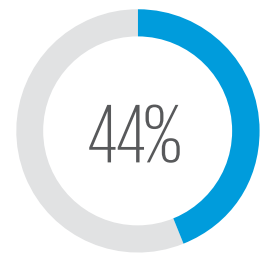
Data management, security, and privacy



Performance measurement and tracking



Customer experience



Planning permission process

While Canadians are more than aware of their potential, actual investments in AI remains slow.

Partnering up

It is encouraging that 93% of 2018's respondents recognize it is advantageous to engage with external partners to respond to the technological challenges and opportunities facing the industry. While this kind of activity is still low, we've seen more and more real estate companies taking a small equity interest in a tech provider. They are playing a venture capital game; and although many of the investments may not prove to be successful, a meaningful number of them will.

It is worth noting that while these types of innovative partnerships are common in other industries, the real estate participants are just coming a little later to the party.

Getting it right

On the road to innovation, there is no sure path. Transforming to meet the demands of an increasingly digital, connected, and on-demand world is more about experimentation than following antiquated strategies.

45% of organizations are not currently investing, or have plans to invest in PropTech start-ups

In short: there is no "getting it right" because that "right" has yet to be defined and it could mean different things for different industry participants. That can be a tough concept to embrace – especially in an industry with varying financial resources and appetites for risk. So while the steps are smaller, the good news is Canadian's are moving forward.

Takeaways

2018's survey reveals industry participants at different stages in their digital transformation. No matter the stage, however, It is important to keep a few considerations in mind.

Transformation is a journey. Innovation is a process. There is no end, and there is no perfect solution. It's a continual activity and one that thrives on an acceptance of failure and a culture of experimentation. Growth requires taking that first step even though you may not fully know where it will lead.

You don't have to go solo. There are many external partners who can help fill the technological gaps and manage the change ahead. Look outside your ecosystem and the industry itself for those who can bring new perspectives, tools, and skills to your table. Be willing to ask for help.

Keep moving. There is a theory that once you get an organization to move along at a change of dynamic, you'll reach success by sheer momentum.

When it comes to real estate KPMG in Canada has helped equip the latest tools, skills, and insights to rise above market challenges. To learn more about PropTech trends, technologies, and transformation strategies, visit kpmg.ca/bcre.

Let's do this.

Contact us

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