



Generative AI: Real estate's new partner



January 16th, 2025

Generative AI in real estate overview

Generative Artificial Intelligence (generative AI) is making a home in real estate. Traditional AI excels in tasks like image recognition and fraud detection by following predefined rules and historical data. However, generative AI, a subcomponent of AI, uses deep learning to unlock new capabilities, creating new content such as text, images, and videos, making it more versatile and capable of understanding complex patterns. Slowly but steadily, stakeholders across the industry are exploring ways to drive value, enhance efficiencies, and improve customer experiences through generative AI solutions. Similar to other industries building their AI foundations, there are investment strategies, implementation obstacles, security and ethical concerns, and workforce impacts to consider along the way.

These insights come from KPMG in Canada's 2024 generative AI business poll, which provides a snapshot of generative AI adoption within Canada's real estate market. The appetite for this transformative technology is evident, with 59% of respondents having already adopted the technology in some capacity. Of those who have not yet adopted generative AI, 97% are planning to implement it in the future.

100% of real estate survey respondents say generative AI is important to their competitive advantage and market share (60% "extremely important" / 40% "very important").

Use cases for generative AI

Use cases for generative AI vary throughout the real estate community. For example, property managers are using generative AI to enhance customer experiences through advanced chatbots, tenant portals, virtual tours, and interactive property management tools. Meanwhile, fewer customer-facing teams are beginning to leverage generative AI to monitor and analyze property activities, optimize portfolios, and accelerate and enhance key processes (e.g., policy administration, contract analysis, lease management, etc.), among other value-driving activities.

"Generative AI provides the ability to collect, control, and interact with data in a more meaningful and user-friendly way. In real estate, we're seeing companies use that ability to get closer to their tenants, enhance policy administration, conduct deeper contract analyses, and assess their lease portfolios for exposures and concentrations, among other value-driving activities."

Chris Hough, Partner in Management Consulting, AI and Digital Solutions, KPMG in Canada

Top perceived benefits of generative AI in real estate

- 01 Driving efficiencies and productivity
- 02 Facilitating more personalized services
- 03 Increasing profitability
- 04 Upskilling workforces

On the construction side of the business, project teams are exploring generative AI solutions to gain greater insight and control over material costs, scheduling, stakeholder coordination, and other key back-office activities.

With all the capital projects we're seeing right now – whether it's tenant improvements, renos, or reconfiguration – there are opportunities to take advantage of generative AI. For example, if you can use generative AI to support your customers through chat boxes and answer their questions, you'll not only be improving your customer relationship but also reducing customer support costs.

Second adopters

Canada's real estate players see the potential of generative AI, yet adoption appears to be lagging behind other industries. For many, this reluctance stems from a fear of the unknown and a preference to wait and see how generative AI solutions perform among their peers.

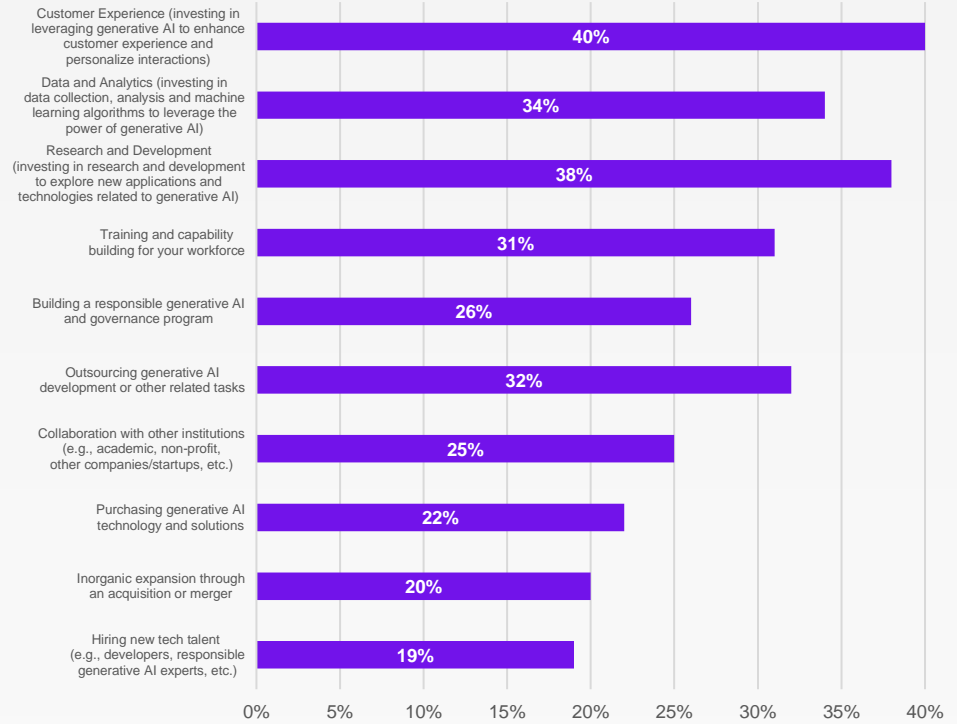
"The biggest question real estate companies struggle with is whether to build or buy. Leaders often debate between purchasing a first-party generative AI app or developing a custom-built tool tailored to their specific needs, as each option has its pros and cons. The rapid evolution of these technologies creates uncertainty and hesitation, making companies resistant to adopting them immediately. They prefer to observe what their peers are doing before making a decision."

Idriss Benjelloun, Manager, Data & Artificial Intelligence, KPMG in Canada

Emphasizing the customer experience

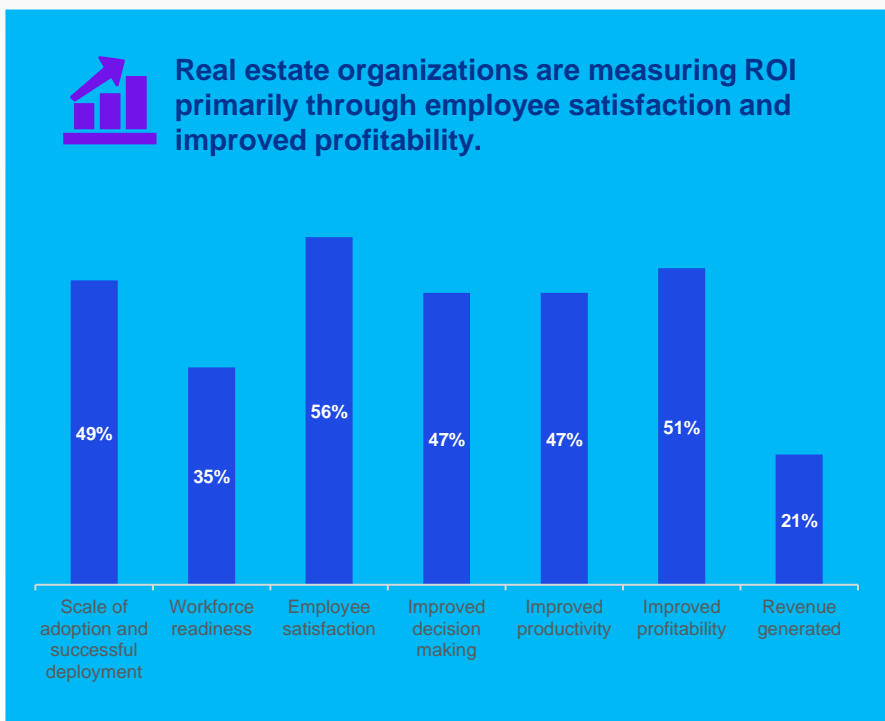
Canada's real estate industry recognizes AI's potential to derive benefits across various aspects of the business. To realize these benefits, the majority are focusing their generative AI investments on upgrading the customer experience and exploring the full potential of generative AI through more research and development. *48% of respondents expect the greatest opportunities from their generative AI investments to be improving supply chain efficiency to bolster their bottom line.*

Where organizations are focusing generative AI investments



Measuring ROI

Real estate organizations primarily measure ROI through employee satisfaction (56%) and improved profitability (51%).



Like other industries in the early stages of generative AI adoption, real estate organizations are challenged to pinpoint where—and to what extent—generative AI is making an impact. It is one thing to say, anecdotally, that automating back-office tasks or enhancing customer experiences through generative AI solutions has created value, but it's another to quantify these improvements in a way that provides an exact return on investment (ROI).

"Real estate is all about value creation, and the industry is still learning how to implement generative AI solutions which can lead to an increase in cash flow and, therefore, value."

Tom Rothfischer, Partner, National Industry Leader, Building, Construction & Real Estate, KPMG in Canada

Understandably, real estate companies are more willing to make investments where they can charge them back directly to their tenants. Therefore, when that link becomes more tenuous, as is the case with generative AI, it becomes harder to justify the expense.

Obstacles to implementation



38% of respondents

Indicate that they have already experienced cyberattacks or deepfake activities



92% of respondents

Are concerned their employees will put "sensitive information" into public generative AI tools



44% of respondents

Are extremely concerned about the risk of using public generative AI tools

Fitting generative AI into the real estate world comes with its challenges. For most, the primary barriers include cybersecurity concerns, workforce adoption setbacks, and the difficulties of integrating generative AI into legacy systems.

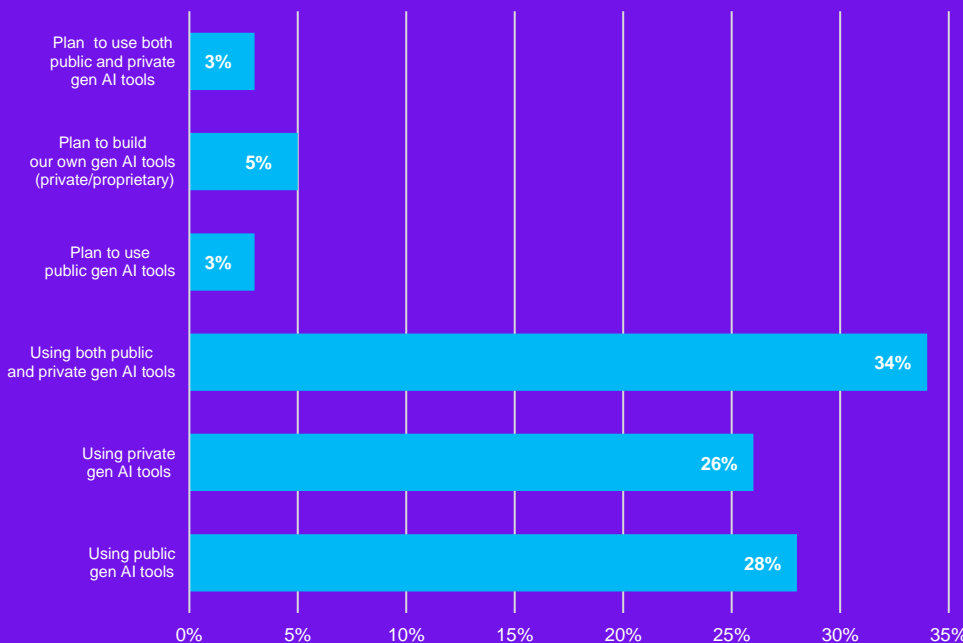
Cybersecurity concerns can be attributed to several factors. For instance, 38% of real estate survey respondents indicated that they have already experienced cyberattacks, malicious actor activity, or deepfake techniques used to impersonate company personnel or customers. Furthermore, there is an increasing awareness that bad actors are using generative AI to design attacks that current workforces are not yet trained to handle.

These cybersecurity worries also stem from many real estate organizations using public generative AI platforms instead of private AI solutions, which offer greater access control and data security. Specifically, 92% of respondents are concerned their employees will put "sensitive information" into public generative AI tools. In fact, 19% of those using generative AI at work admitted to entering private financial data about their company into a public generative AI tool. This indicates a need for stronger employee training and continuous guidance on generative AI usage and best practices; for example, what content and prompts can and cannot be used in public generative AI tools to protect the firm from potential reputational, legal, and financial risks.

"The number one generative AI risk mitigation measure you can put in place is to provide employees with a private, in-house solution – especially for those just starting. There may be some limitations regarding what is available for that private generative AI solution to learn, but you ultimately have greater control and peace of mind knowing your data isn't in the public domain. And that can go a long way towards accelerating adoption."

Chris Hough, Partner in Management Consulting, AI and Digital Solutions, KPMG in Canada

How real estate companies are integrating AI



Lack of workforce skills is another barrier to adoption. Generative AI solutions require teams to be trained properly before they can efficiently and responsibly use generative AI. However, less than half of respondents (41%) provide mandatory Gen AI skills training to their employees.



93% of respondents

Indicated that integrating generative AI into operations has prompted them to rethink employee training and development.



75% of respondents

Identified challenges related to understanding and adoption among employees.

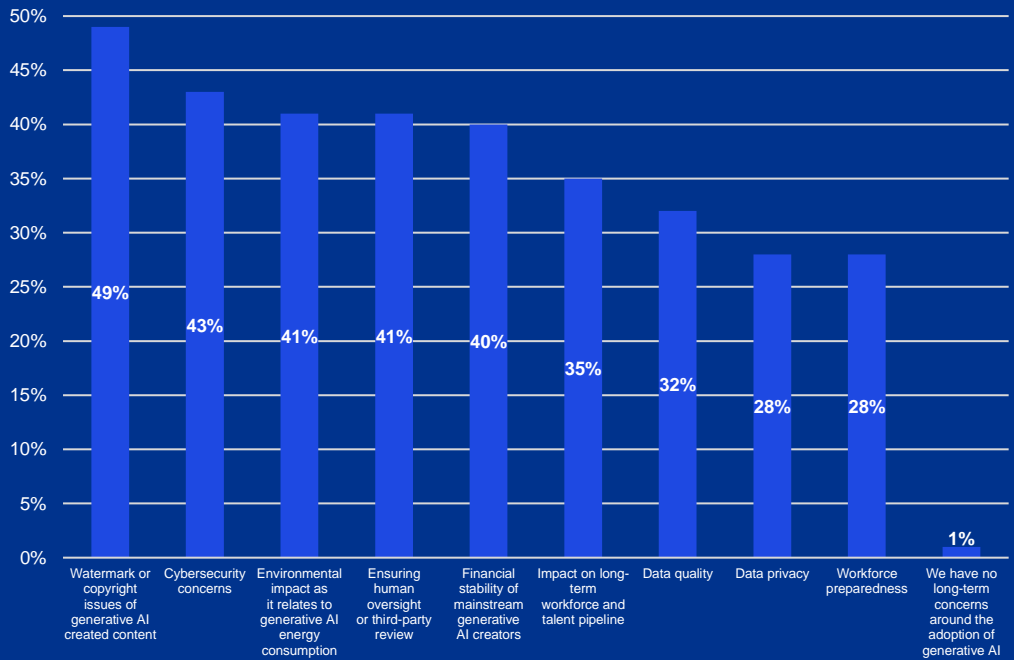
There are also concerns that organizations are not prepared to manage the ethical considerations of using generative AI, particularly the possibility of employee misuse or utilizing data in a way that might perpetuate biases and stereotypes. To that end, only 40% are somewhat confident that they are prioritizing a trusted or ethical approach.

Lastly, barriers to generative AI adoption come from the age-old aversion to change, which can surface in any long-term industry.

"Change aversion is something we're facing in this industry, especially when it's very driven by bricks and mortar. There are those in the industry that have a little bit more trouble visualizing how you translate generative AI into a very physical world, so there's a natural skepticism built into that."

Chris Hough, Partner in Management Consulting, AI and Digital Solutions, KPMG in Canada

Long-term concerns



Workforce considerations

The implementation of generative AI has introduced several workforce considerations. Among these is the perception that automation leads to joblessness when, historically, it has instead redefined jobs and led to new ways of working.

"Generative AI is not just a technological change; it is fundamentally a cultural shift that must be driven by effective change management, talent enablement, and personalized training."

Idriss Benjelloun, Manager, Data & Artificial Intelligence, KPMG in Canada

Despite concerns about how generative AI will displace the current workforce, there is an understanding that generative AI solutions can, in fact, enhance the employee experience. In particular, 87% of business leaders believe that generative AI will help reduce employee stress and burnout. 52% of those who have used generative AI at work reported saving 1-5 hours of work per week. Among them, 68% have redeployed that time on strategic tasks (e.g. high-value activities and brainstorming), with 22% saying they used the time for personal activities. Organizations can direct their employees on best practices to utilize the time they are saving with the support of generative AI; this can assist companies in measuring value creation and ROI.

"As humans, we deal with an ever-increasing amount of data daily. Generative AI tools integrated into your work environment, such as Microsoft 365 Copilot, can be incredibly helpful in finding, summarizing, and processing this abundance of scattered information in a few clicks."

"When used optimally, they can also remove writer's block, reduce cognitive overload, and boost your confidence in decision-making, allowing you to spend more time on what really matters."

Idriss Benjelloun, Manager, Data & Artificial Intelligence, KPMG in Canada

Top level takeaways

With the right strategy, generative AI can be a powerful and transformative tool. Through KPMG Canada's AI consulting services, we work with clients across industries to determine the generative AI investments and implementation game plans that best fit their business objectives. Below are some takeaways to help real estate organizations do the same:



Identify, initiate, and validate AI use cases:

Determine where generative AI can most effectively address your organization's specific issues, challenges, and opportunities and begin there.



Start small:

Organizations don't need to invest heavily in generative AI. Pick a challenge, inefficiency, or function you believe will benefit from generative AI and pilot it with a select group of people to see how it performs.



Build the culture:

Effective generative AI solutions require a workforce that is trained in the ethical, effective, and secure use of generative AI solutions and the data they require.



Manage risk, keeping governance and reputation in check:

Establish generative AI usage policies and guidelines, along with a governance structure that has clearly defined roles and responsibilities.



Leverage insights from other industries:

Many industries leverage KPMG Canada's Trusted AI Framework to accelerate their AI journey while building trust and confidence at every step. The industries may differ, but some lessons and insights can be applied to the real estate industry.



Empower generative AI champions:

Your organization may already have AI-savvy employees who can identify generative AI use cases, hone in on potential solutions, and champion their implementation. Tap into these internal experts and work with them to achieve buy-in from their peers.

Contact us

Discover how KPMG Canada's AI consulting services can help your business.

As AI reshapes how we work and live, organizations must be simultaneously bold, fast, and responsible. KPMG in Canada can help your enterprise collect, manage, and capitalize on the use of their data. Implementing and scaling responsible AI requires dynamic guidance on the usage of the technology platforms and the management of data infrastructure and governance. We have a comprehensive suite of AI solutions to help your business stay ahead, supporting your contribution to a sustainable and prosperous future.



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