

Global AM Perspectives

Episode 5: Data Strategy & PropTech Innovations

Participants:

- Phil Marra, US Real Estate Funds Leader, KPMG
- Sander Grunewald, Global Head of Real Estate Advisory, KPMG
- Wouter Truffino, Holland ConTech & PropTech and Global PropTech

Voiceover:

Hello, and welcome to "Global AM Perspectives", a KPMG podcast series for asset managers, fund managers and investors around the world. In today's episode, we're looking at PropTech innovations in data and real estate and I am delighted to be able to introduce Phil Marra, US Real Estate Fund's Leader, and an audit partner at KPMG in the US to lead this discussion.

Over to you Phil

Phil Marra:

I'd like to welcome Sander Grunewald, the KPMG Global Head of Real Estate Advisory, who's based in Amsterdam and also our PropTech leader. With Sander is Wouter Truffino, CEO and founder of Holland ConTech & PropTech, and a global PropTech leader also based in Amsterdam.

Wouter Truffino:

Hi there. How are you?

Sander Grunewald:

Hey Phil, good to be here.

Phil Marra:

Let's start off with you, Sander. You recently released the sixth edition of KPMG's Real Estate Innovation Overview report. Can you give us a little bit of an overview of that report?

Sander Grunewald:

Yeah, for sure, Phil. Yeah, indeed, it's our sixth overview of a real estate innovations. A couple of years ago, we started it, this... We did an engagement for a client and we had to inspire on the innovations that were out there. And the overview we created was so interesting that it turned into a publication that we repeat on a yearly basis now. This year we have 42 countries in the overview and over 700 of innovations.

And what we try to do is to create an overview that triggers and inspires the industry to go into innovation, go out there and see what's out there to innovate the business model. What we did see is last year, almost 20 billion was invested in PropTech. It was down from the year before, but still in this COVID year is a significant amount of money that flows into innovation for the sector.

Phil Marra:

Wouter, I'd love to get your views around these trends. What are you seeing in the marketplace? And what do you think the most impactful trends will be going into the future?

Wouter Truffino:

Yeah. Thank you, Phil. I think the Internet of Things, well, the three you mentioned, but the Internet of Things is of course, all kinds of connections that multiple device's sensors make within real estate. A lot of data is coming out of that. So Internet of Things will create a lot of data, but we need to create a data platform where all the data is coming together and there, the digital twin is coming in. So digital twin can help us to really create a better understanding of all the data that is coming out of all our real estate buildings, but also what we need to do with that. And I think that's probably the next step for us is to really understand how our buildings operate and how we can make them more energy efficient, but how we also get people to the right places, but also how good air quality is within buildings.

But we have more and more of these kinds of questions that we can bring together when we really understand how our assets are being used by our tenants. And I think that's possible and then for sure if we see all the innovations coming up right now. So that's why I liked to work together on this overview. You see a massive change and some have said already US\$20 billion is invested in real estate. US\$20 billion. That's a lot of money. That's not invested in real estate. That's investing in innovations in real estate. The market is changing. It's not changing fast, but the

change is coming. So you really need to understand which innovations are coming your way. So we really focus on Internet of Things, on digital twins and see what's what's happening there. I think that's really important for real estate professionals.

Phil Marra:

You know, Wouter, when I went through the survey in the report, what I think is that, maybe 2021 was the perfect storm for real estate organizations to adopt new technologies. Obviously COVID had a significant impact and people needed to use technology more than they had. So they had to be very fast adopters. I think you said US\$20 billion was invested in the digitalization of real estate companies. That's a very significant investment. What are you seeing as the top trends for real estate organizations? What are they focused on right now?

Wouter Truffino:

Well, yeah, you see a lot of pledges being made by real estate investors, by real estate owners. And they all make pledges on sustainability because they all want to have net zero buildings. So, but that's for 2050, some may say 2045, but I think when you really want to have your buildings net zero in your portfolio, you should start acting right now because if you don't act right now, you will not be there in 2050. So those pledges are amazing, but now we need to come into action. And I think 2021 made for us some changes, especially in Europe. In Europe, we have a New Green Deal with all kinds of regulation. On the 14th of July, it was announced. And those regulations really made also tenants to have also a different kind of view on what kind of real estate they are renting and what kind of real estate they are in.

And because they also made all kinds of climate pledges and they realized that that buildings have a huge impact for that. So the demand on sustainability is really high. So I think that's one trend: the tenant. They really want to have a healthier and better workplace, and also a net zero workplace. And then I think trend number two is OpEx costs. They will drop enormously the upcoming years because of all those insights we get from all those sensors, and Internet of Things, an additional trend that is coming and bringing it together, your operational costs will drop immensely, enormously. So that will be also a massive change that it we will see the upcoming months. And then of course the value of buildings. Real estate is about money. It's only about money, money, money. Well, okay. Location, location, location.

And then it's about money, money, money. But if we make the value of our buildings way better, because they are way smarter and healthier and people want to be in there. But we can also create more value because we know how the building is being used and we can create extra value. And with that extra value we can create a lot of value for investors as well. So I think

those are key elements of change, and that is actually coming all together right now in 2021. So I think this is a perfect storm to really... well, embrace technology and embrace the future of real estate.

Phil Marra:

Wouter, Thanks. I think that was very interesting. Sander, let me come to you. We're quickly approaching 2022. What do you think is coming next? And what should real estate organizations be thinking about to get ahead of the curve?

Sander Grunewald:

My first response would be: What do organizations need to do and what do PropTechs to do to find each other and to get the chemistry wide, to get the value and the puzzle done. And there are a lot of great innovations out there in the market look into the overview, it's a long, long, long list. And I also truly believe that the sector is willing to look into it. But what we often see is that it's not always the match for heaven, the match that you want to have to really create a value. And it starts, if you asked me, with culture within the real estate sector and the investors within the sector, to getting a mindset of innovation, of experimenting. An agile process to just give it a try based on your digital or innovation strategy. experiment with innovations, with PropTechs out of the booklet. So don't invent the wheel every time over and over, but partner with innovations. And for the PropTechs, when developing your product, look into the real demands from the industry.

As Wouter just mentioned, the key trends. Keep talking to the industry and co-develop your products. And if those two come together, Phil, I believe in this perfect storm that Wouter described just perfectly, that 2022 can be the year where the differences being made, where the industry is really finding the acceleration in innovation. Because as mentioned, tenants demands for it. Investors have to deliver on the ESG promise that has been made over the last years, and now they really have to deliver, and they need innovation to make it happen because otherwise I'm afraid they can't deliver the promise. There is a lot of challenge, if you for example, look at retail and leisure, that was already started, but due to COVID, it's accelerated. Those business models are under pressure. You need to be innovative to keep your business model alive. So I think 2022 is going to be the year of truth, and I truly believe that they can make it work.

Phil Marra:

Sander, that's great. Wouter, I'd love to get your thoughts around 2022. What do you believe is going to be the next big thing coming towards real estate innovation?

Wouter Truffino:

Thank you. Well, I think it is already happening. So 2022, well, let's look back a little bit too into the COVID year. In the Netherlands, we have one real estate developer, I won't mention the name, but they are well known in the whole world for their smart and healthy buildings. And they just announced their revenue of 2020. And it was the best year ever. And why was that the best year ever? Well, I think it was because they start focusing five years ago on data, data, data. So not any more on location, location, location, but also on data, data, data. How can we create a value with all kinds of data that we can create within buildings? And how can we create with that building a smarter and a healthier building for our tenants, but also for our investors that really want to have those buildings in their portfolios.

And that mind shift that they started, well maybe five or 10 years ago already, is now paying off. And it paid off the most in COVID year. And that's incredible. So you see that real estate companies, when they really start to embrace the change, they can create way more value than they did ever before, even when there's a pandemic. And when real estate is maybe a little bit more tricky. So I would encourage... Well, 2022, it will also be about smart and healthy buildings. And if you focus on that and you add technology to that, and you really can create a way more value on those parts, you will be the winner of 2022. And you will be the Tesla of real estate. And everybody wants to be the Tesla of real estate.

Phil Marra:

Well, we'll take those words. I absolutely agree that data will drive better decision-making and that needs to be not just looking internal at the organization at costs, but how you manage customer relationships and manage your stakeholders, including your investors. He who gets the best data, analyzes it better, will make better decisions and therefore win the race. Sander, I'd like to come back to you on one thing. You mentioned that we have an interactive database available with all of this information. Can you just spend a couple of seconds on what people can do to get the inspiration? And in my words here, I believe it's the art of the possible that you can do in real estate innovation. And that's what I really love about the database.

Sander Grunewald:

If you use the link that is provided with this podcast, it directs you to the KPMG website, and there you can find the real estate innovations overview 2021, and you can download it there that's one. And of course we strongly recommend to do that, but also there is an interactive dashboard on the website where you can play around with the data and can see... actually slice and dice the data per geography, per fields of play, per value chain element. And it gives you really good

insight and understanding of the innovations that are out there.

And maybe, Phil, one final comment from my side, because I can imagine if you're a real estate investor, or if you are having a larger portfolio of real estate can also be as owner-occupier, and you hear this podcast, you might think, "Oh, gee. How am I going to navigate through this innovation landscape?" And I have two recommendations or one recommendation: don't make too big at the start, Experiment is small steps. Look at your strategy, see where your pain-points are and just experiment and make it small steps, if that fits your culture. Other companies might think, "Well, if I do this, I have to do as rigorously." And then you make a big step, but always stick to your strategy, stick to what fits your company. And it can be small steps, can be large steps, but just try, give it a try. You will benefit from the process.

Phil Marra:

Sander, I wholeheartedly agree. I think with any type of large investment people want to see Return on Investment. So if you're able to get some quick wins in the innovation, I think that will help with building momentum and being able to generate larger and larger projects.

Gentlemen, thank you for your insightful commentary. I'm excited to see how real estate PropTech will evolve for real estate organizations over the next few years. I hope our Innovation Overview Report and our interactive database give our listeners and their organizations inspiration as to the art of the possible for real estate innovation opportunities in the future.

Voiceover:

Phil on behalf of our listeners I'd like to thank you for leading today's discussion. It's been fascinating to hear from you, Sander and Wouter (woo ter).

I am sure you will agree it was really interesting to hear from Phil, Sander and Wouter, and on behalf of the listeners I would like to thank them for taking the time to take part in this podcast.

Thanks to all of you for taking the time to join us on podcast.

To let us know what you think about this episode, or if you have any ideas for future episodes, please email us at assetmanagement@kpmg.com. And remember, you can find our latest publications, articles and other material on kpmg.com/assetmanagement.

Join us again next time as we'll continue to explore other top of mind issues within the asset management, real estate and private equity industries so stay tuned.

Thanks for listening.

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