



PROPTech PULSE

THOUGHT LEADERSHIP FROM GOODWIN'S PROPTech PRACTICE

10 Biggest Forces Driving the PropTech Movement

By Minta Kay and Salil Gandhi

1. ROBOTS AT THE WHEEL.

It's not a matter of *if* autonomous vehicles are coming; it's a matter of *when*. Whether it happens in the next 10 or 15 years, real estate companies are making preparations now. Will there be the same demand for parking? Will we need dedicated lanes for picking up and dropping off riders? Will fleets of self-driving cars require special fueling/charging stations? Will there be a reduction in traffic congestion that could open new land-use opportunities?

2. WHAT HAVE YOU DONE FOR MOTHER EARTH LATELY?

More tenants expect their buildings to meet certain standards (LEED certification) when it comes to efficiency and environmental impact. Real estate companies recognize this demand and are teaming up with technology companies to deliver more transparency and personalization when it comes to heating, air conditioning, electricity consumption, lighting and air quality.

3. CURATED EXPERIENCES.

Beyond wanting their buildings to be ecologically responsible, tenants are expecting them to provide the latest and greatest features when it comes to technology. From smart lighting controls and video conference capabilities to high-speed wi-fi and ergonomically engineered work stations, office operators are focused on keeping pace with innovation. Location awareness capabilities are allowing tenants to indulge in their desire for a more personal office experience.

As such, real estate companies are turning to tech companies to make sure they stay at or ahead of the curve. Tech companies, such as HqO, also provide their landlords and tenants with a platform that allows connectivity between users, resulting in a stronger sense of community within a building.

4. THE FOMO FACTOR.

Fear of missing out. Nobody wants to be left behind, especially when it comes to business trends and potential disruptors. In the case of PropTech, incumbent real estate owners and investors have actively invested in tech startups to stay ahead of the curve. Meanwhile, smaller tech companies are looking to the real estate market for innovation opportunities. The PropTech movement is the byproduct of both areas seeking to evolve and remain profitable. Now that the big real estate players are realizing the untapped potential, the synergy between the two groups will continue to strengthen until there is no longer a distinction between them.

5. REPURPOSING RETAIL.

As conventional retail spaces struggle to maintain occupancy and profitability, the tech sector is taking advantage of some of those empty spaces. The retail apocalypse has left many big box retailers forced to shut their doors, creating an abundance in vacant retail space. In some cases, tech and life sciences companies are taking over these empty malls, converting them into hospitals and medical offices – a move that also makes them immediately accessible to large population centers. Another idea for struggling malls is to “future proof” them by converting them into mixed-use “mini-cities,” which would include a residential component.

6. BIG DATA IS THE DECIDER.

More than ever before, the real estate industry is leaning on technology to collect vast amounts of data which can be leveraged with artificial intelligence to help determine pricing, design, usage and maintenance costs as well as evaluating how these data use changes implicate privacy and cybersecurity considerations.

7. CHANGES IN ATTITUDES.

When technology first began disrupting conventional industries, the reaction among established companies was, *“You’re changing the way we do business and we don’t like it.”* More recently, those companies are seeing opportunities to participate in the technological revolution and use it to their advantage. In the case of the real estate industry, whether it’s a company like Airbnb or the advent of co-working space, trends that were initially feared or dismissed are becoming more widely embraced.

8. A LINK TO BLOCKCHAIN.

While still in its nascent stages, blockchain has the potential to push tech and real estate companies together quickly. Blockchain technology can be applied to nearly everything related to the real estate space: pricing, rental history, contracts, deeds, service agreements, fundraising and payments. All of that information can be readily accessed and transferred seamlessly through blockchain.

9. GOVERNMENT GETTING UP TO SPEED.

Nobody expects the government to spur market innovations such as PropTech, but there are signs in some cities and states that suggest they are paying closer attention. Some municipalities are reevaluating building codes and zoning laws that would accommodate dramatic usage changes depending on new technologies; others are paving the way for autonomous vehicles by designating special testing districts where companies can refine their products for more widespread use. As urban development rises, municipalities are strategically utilizing both AI and AR to better understand their needs in order to effectively execute on urban planning and design.

10. WAVE OF CONSOLIDATION.

The combination of the digitalization of real estate and the increase in funding specifically devoted to PropTech investments from venture capital and well-capitalized and well-established real estate investors, is driving and will continue to drive an active PropTech M&A pipeline. As fundraising has become increasingly competitive due to the deal flow in the PropTech industry and development of PropTech assets, small and midsized startups are combining to build more valuable and attractive real estate technology platforms. These trends coupled with the fact that certain real estate sectors like hospitality, retail, residential and industrial, are well-positioned for technological transformations aimed at correcting operational inefficiencies, is resulting in a rise of consolidation.

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