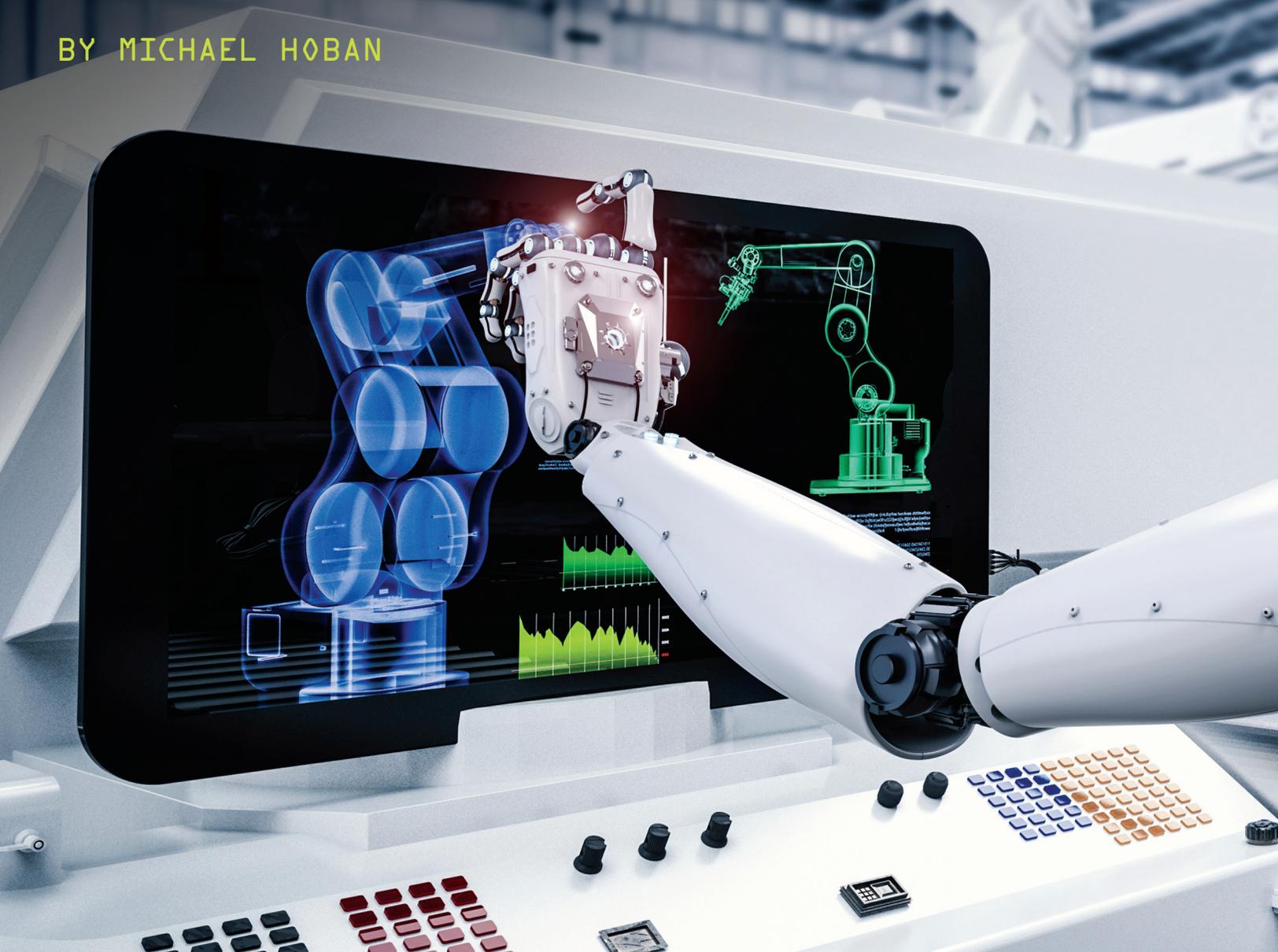


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ARTIFICIAL INTELLIGENCE IS THE WAVE OF THE (NOT SO NEAR) FUTURE

BY MICHAEL HOBAN





Although artificial intelligence (AI) is already having a significant impact on our everyday lives—influencing consumer decision-making, tagging photos, alerting us to potential credit card fraud—when it comes to commercial real estate, the technology is still very much in its infancy. In an industry notoriously slow to embrace innovation and technology, it should come as no surprise, but in actuality, it has less to do with CRE culture than with the evolution of the technology itself.

Dr. Andrea Chegut, Director of the MIT Real Estate Innovation Lab, affirms that “(real) artificial intelligence is still under development” and that AI, particularly for commercial real estate applications, is still in the early stages of development. “From my perspective, automation around acquiring data, analyzing that data, and making sound inferences from the analysis of that data – has just gone through its first stage, and systematic analysis that can quickly show analytics is in its first pass,” says Chegut, who adds that the last decade of AI research has largely been dedicated to the collection of data. “So to mimic human reasoning and emotional attributes, we’re still far from an AI that is able to make commercial recommendations for a buy or sell decision for us at the moment.”

But while advent of the Robo-broker is still the stuff of science fiction (for now), there are tremendous strides being made with the simpler applications of AI that can save time and money. “AI as a whole is this totally overblown concept,” acknowledges Abhinav ‘Abe’ Somani, chief revenue officer with Leverton, a company whose machine and deep learning technology enables the identification, extraction,

and management of data from corporate documents—such as leases and other contracts—in over 20 languages.

“What we have from a very pragmatic standpoint is the ability to take an existing business process, automate portions or the entire thing, and have that service be rendered self-autonomous. The critical difference with AI is that we are no longer telling the machine what to do. The machine is learning and telling itself what to do the same way a human being learns to walk or ride a bike.”

Leverton’s platform is helping solve a major problem for large CRE firms, Somani explains, that being the extraction of data from reams of documentation. Currently the process of getting data out of corporate documents is entirely manual, which is not only time consuming and expensive, but also prone to human error. The platform extracts key information from corporate documents (including PDFs) such as real estate leases, and provides structured and accurate data that makes forecasting and reporting significantly easier.

In 2016, Leverton conducted a case study for partner JLL on the amount of time and effort the firm’s Capital Markets Retail division expended abstracting key data out of retail leases, including

items such as co-tenancy, rents, and renewal options. With two- to- three capital markets transactions per month and each typically involving 50 to 100 leases, the process was extraordinarily time consuming. JLL reports that by using Leverton’s technology, they were able to reduce the time spent on lease abstraction by 60 percent while improving accuracy and generating a report allowing them to compare data across entire retail portfolios.

While Leverton’s platform is impressive, Somani says he realizes the firm is just scratching the surface of AI’s capabilities. “Today we are in what you might call the data collection phase. The next phase will be to help customers understand and interpret that data, and the third stage will be for those customers to take action upon them,” he says.

Another company using artificial intelligence to reduce inefficiencies in administrative functions is California-based Digsy AI. Andrew Bermudez and co-founder Alex Bloore have developed a prospecting platform that helps brokers convert prospects into deals with far less manual effort, by automating tasks such as data entry and email tracking. The pair previously founded Digsy, a service that connects business owners and CRE brokers.

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“A lot of the inefficiency occurs when brokers are trying to obtain the client or find a property for the client,” says Bermudez, who was a Senior VP at brokerage firm Lee & Associates for nearly 13 years before founding Digsy in 2015. “AI really helps where your ROI is negatively affected either through inefficiency, lack of transparency or lack of insight into data or behaviors.”

Bermudez cites research indicating that approximately 40 percent of the average broker’s time is spent gathering data, reporting, and doing data entry work, with only one-third spent actually selling. “And when you look at where you are wasting your time—jumping around from your email to your contacts entering data, going to property services and looking at business data—that is where we can help.”

Digsy AI automatically tracks all phone and email communications with customers and combines it with other data sources. When the customer/prospect is called up on the system, it opens a window that chronologically lists those communications; details the results of the interaction; and fetches a list of properties that a landlord may own or pertinent data on a prospective tenant. “So if you have Digsy AI, it’s like having a hyper-efficient employee who can do multiple things at once, and do it in a matter of seconds.”

Digsy AI also serves as a diagnostic tool for sales managers, evaluating how individual brokers are performing. The platform “tracks how many deals are activated, how many people they’re touching across the pipeline, who is sending emails or making phone calls and scheduling meetings, so it lets sales managers evaluate how brokers work on a daily basis to help them improve,” says Bermudez.

Current users include brokers from Avison Young, CBRE, Colliers International, Cushman & Wakefield, JLL, Lee & Associates, NAI Capital and SVN/Vanguard.

In addition to the administrative-oriented platforms, there are a number of early stage companies developing AI platforms for more sophisticated functions, including CityBldr and Truss. Seattle startup CityBldr originally focused on devising ways to better match residential supply with high demand in housing-challenged King County. Using a machine-learning algorithm, the company analyzes data to determine best and highest use of properties and what the value to homeowners would be if a developer combined and re-purposed the individual properties into a single multifamily parcel.

At press time, CityBldr was in the process of brokering a deal for seven homes that would be fused into a single land parcel to support a 260-unit housing development. The homeowners are expected to receive a collective \$7 million payout instead of the estimated \$3.1 million the homes would command individually on the open market. The firm also recently enlarged the scope of its service to include commercial properties, and signed an operating agreement with JLL in December.

Chicago-based Truss helps business owners with space needs under 10,000 sf lease commercial space. Prospective tenants enter their requirements and are provided a list that best fits their needs, including floor plans and property brochure PDFs, and the platform has the capability for property owners to include 3D virtual tours. An AI-powered chatbot (named Vera) then provides them with simple, jargon-free information on items such as

all-in monthly rent costs for the potential space, and assists with the leasing process, including setting up tours.

There is no fee for tenants seeking space or for landlords to list their properties, and the landlord pays the fee only when deals close. The company has expanded into the Dallas and Houston markets, listing nearly all the open commercial real estate inventory in those metros, and has partnered with landlords and listing brokers including JLL, CBRE and Colliers International. Truss will soon enter the Washington, D.C., Austin, San Francisco, Los Angeles, and Miami markets.

So what does the immediate future of AI look like for brokers? Many of the global commercial real estate firms are intrigued by the possibilities of AI technology, according to Geoff Kasselmann, SIOR, executive managing director in Newmark Knight Frank’s Chicago office. The challenge, he observes, is finding a company with a proven product that could match the scale of such a large firm, and be deployed consistently in the hands of brokers across all markets. Most of the promising technologies are still in startup mode, he says, and the technology is still evolving to the point where a large scale investment doesn’t yet make sense.

“AI is filled with potential. It is the future. But we just haven’t crossed the bridge to where somebody has the use case,” says Kasselmann. “If one of the big four were to adopt it, and they immediately used it and went out and took an Amazon or Google or Apple account from another firm, somebody would sit up and take notice and say, ‘Look what they are doing, we are going to have to do that too’. But we’re still a ways away.” ▼