



INNOVATION OUTLOOK 2019

SURVEY FINDINGS ON TECHNOLOGY ADOPTION & TRANSFORMATION IN CANADA'S COMMERCIAL REAL ESTATE INDUSTRY

Between December 2018 and January 2019, [REALPAC](#), [R-LABS](#), and [PwC](#) conducted a [20-question survey](#) of REALPAC Chief Executives to determine their current level of demand and adoption of emerging technologies. The survey was conducted as a state of the industry assessment to measure the growth of innovation in Canadian commercial real estate (CRE). The intention is to conduct this survey annually in order to provide CRE self-assessment data tracking and highlight trends in demand and adoption of technologies over time.

SURVEY INFORMATION

44

Respondents

157 K

Total Respondent Staff Headcount

\$628 B

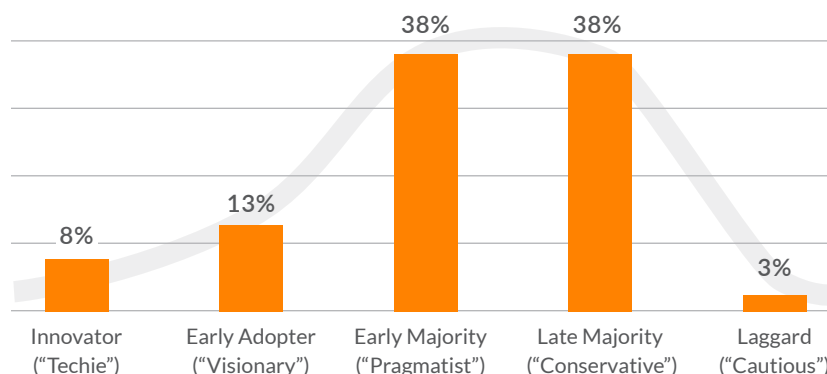
AUM Represented

Perception of Technological Advancement in CRE

Survey respondents were asked how advanced they thought their firms were in relation to the adoption of new technology. Most CRE companies perceive themselves to be moderately advanced as shown below.

FIGURE 1

CRE Innovation Curve

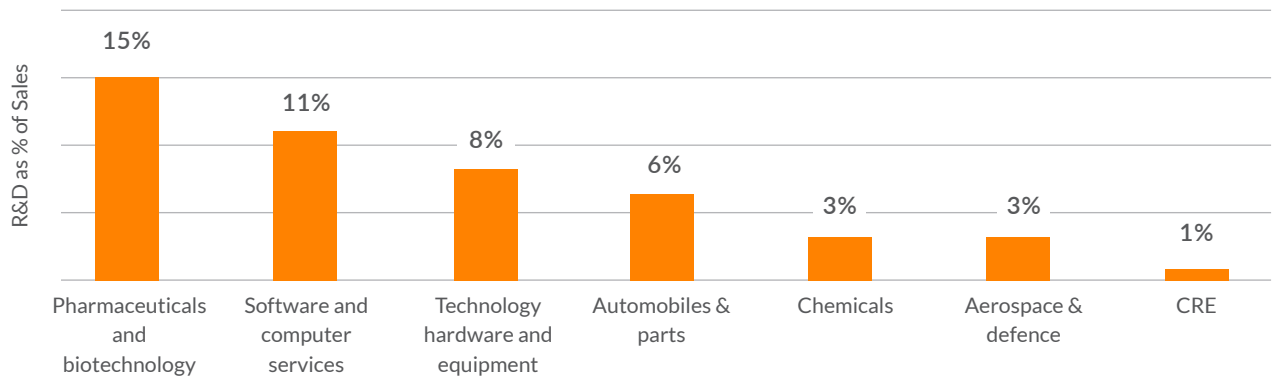


38% of respondents viewed themselves as both Early Majority and Late Majority. Fewer identified as Innovators and even less as Laggards.

CRE however, is traditionally viewed as a laggard. One reason for this is because its level of investment in research & development (R&D) is typically lower than other industries, as shown below.

FIGURE 2

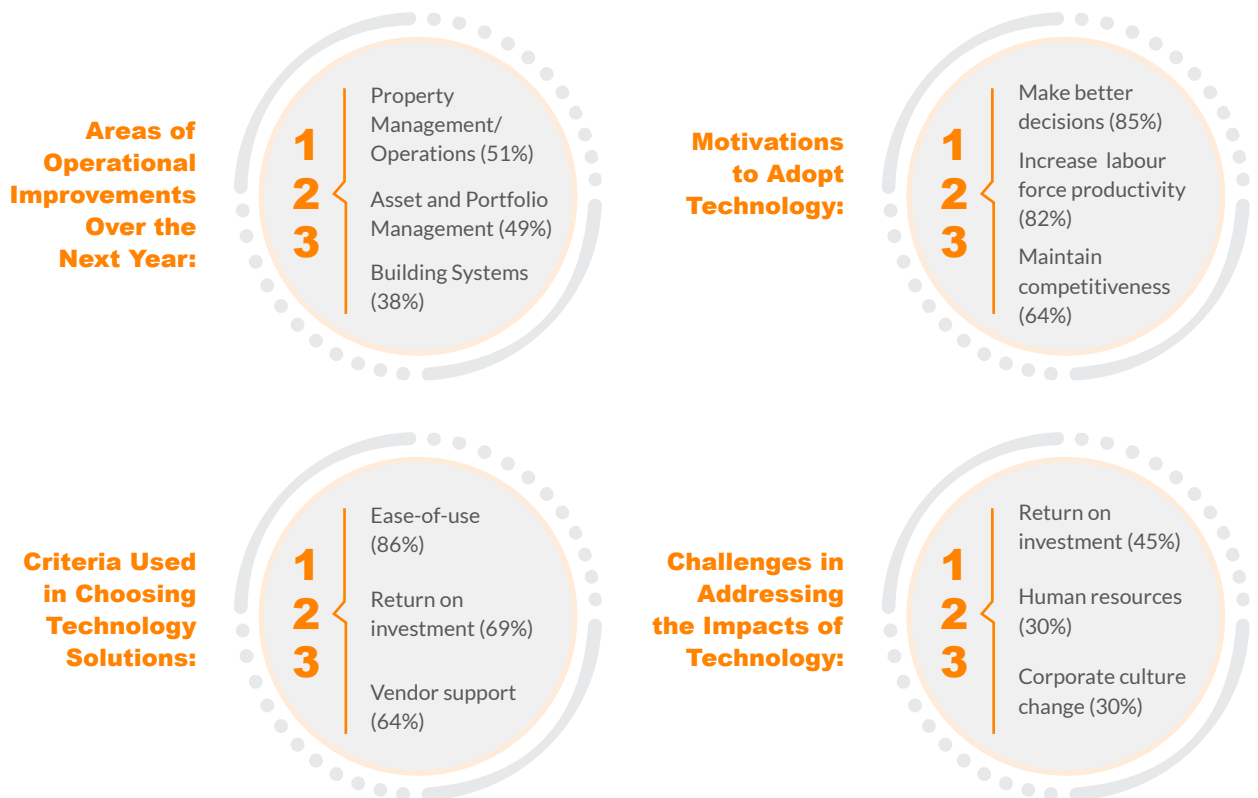
R&D Intensity by Industry



Source: The 2016 EU Industrial R&D Investment Scoreboard, European Commission (2016). All values above are global, except for CRE which was determined through the survey.

Management of Technology

The survey also revealed top 3 trends in each of the following areas:



The figures above highlight that respondents are heavily focused on improving asset performance over the next year. Primary motivations for adopting technology are to improve decision making, productivity, and competitiveness. Technology adoption is trying to address labour issues such as labour shortages, up-skilling the current work force, and succession. Respondents also prefer technologies that are easy to use and have a strong return on investment and vendor support.

Respondents also expressed how their organizations address technology-based innovation as shown in Table 1. More companies are beginning to establish specific innovation teams and positions.

TABLE 1

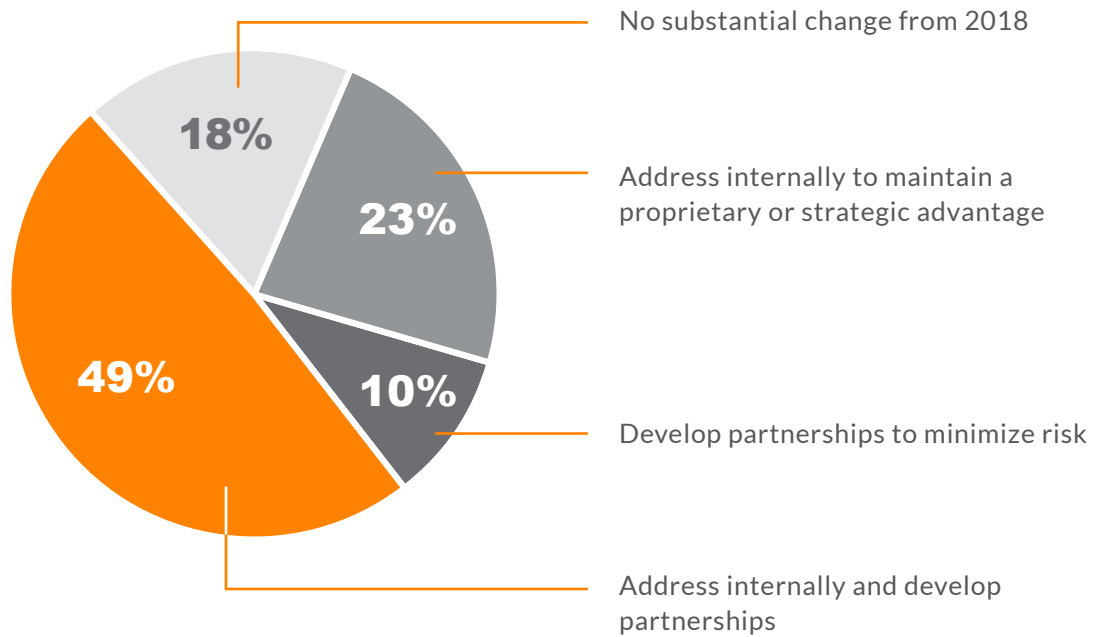
Methods for Organization to Address Technology-based Innovation

Through a traditional functional department (e.g. IT, Finance)	79%
Through external consultants on a project specific basis	44%
Through a dedicated Innovation Officer/Group	33%

In 2019, 23% of respondents plan to approach technology risk and opportunity internally to maintain a proprietary or strategic advantage. 10% plan to develop partnerships to minimize risk. 49% said that they will practice a combination of these two tactics.

FIGURE 3

Approaches to Address Technology and Risk

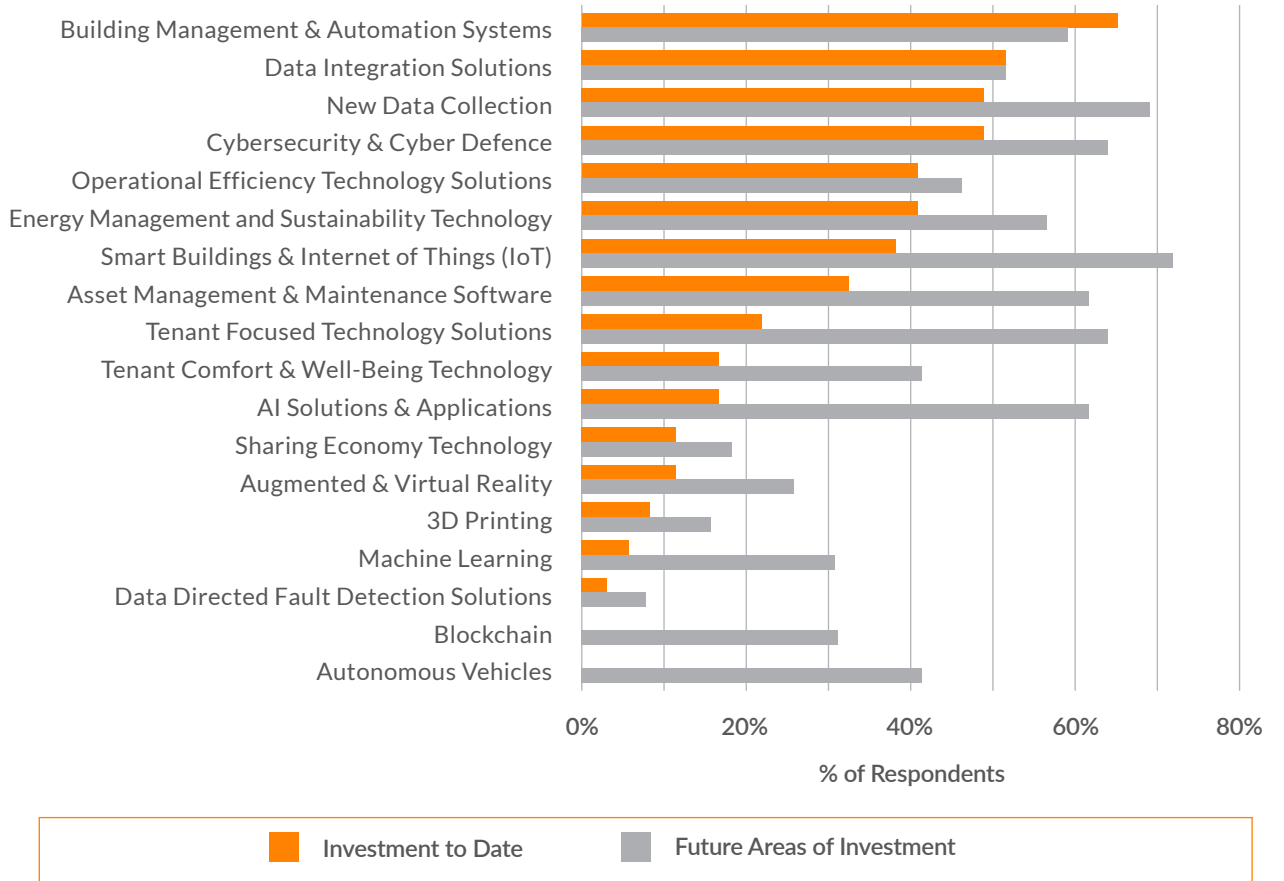


Technology Investments

Respondents discussed the technologies they have invested in to date, as well as the technologies in which they plan to invest in the future. It appears a significant portion of the CRE industry is testing emerging technology and is embracing an active role in innovation. Specifically, respondents plan to increase investments in Artificial Intelligence (AI) Solutions and Applications, Tenant Focused Technology Solutions, and Smart Buildings & the Internet of Things (IoT), as shown in Figure 4. Blockchain and Autonomous Vehicles are the only technologies that no respondents are invested in currently, but plan to do so in the future.

FIGURE 4

Present and Future Technology Investments



Key Takeaways

CRE leaders in Canada are taking a more active role in employing technology to develop solutions that are better equipped to solve unique challenges of the industry. It is clear that technologies must have a strong return on investment in order to be adopted and challenges such as human resources and a resistant corporate culture must be overcome. Canadian CRE companies are considering innovative ways to execute business strategies by evolving with the changes in their ecosystem. All these signs indicate that the CRE industry is open to new ways of doing business. The outlook for innovation adoption appears strong in the near future.

CONTACT



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