

## Does PropTech have a role in the Next Industrial Revolution?

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This article discusses the increasing importance of what has become known as PropTech. Property technology (PropTech) encompasses software and hardware innovations in the residential and commercial property markets, aimed at producing meaningful data to optimise a [building's efficiency and/or tenant experience](#)

Technology companies are in constant search for untapped opportunities. [Their focus](#) is now firmly on property markets. Property technology (PropTech) encompasses software and hardware innovations in the residential and commercial property markets, aimed at producing meaningful data to optimise a [building's efficiency and/or tenant experience](#). PropTech innovations can envelope technology advancements in the way an office building is serviced (e.g., elevator system), syncs data across multiple platforms (e.g., with integrated security systems) and/or facilitates the way [properties are financed and managed](#) (e.g., financial transactions via Bitcoin).

Furthermore, by connecting an interface between an office building's security system and its energy system, the former can send real-time occupancy data to the building's energy system (e.g., quantity of people in an area of a building) which can improve the building's energy consumption. Such interfaces, however, are commonly connected to a building management system (BMS), which [increases system costs and reduces efficiency](#) as the BMSs typically do not capture the security systems' live data feeds when determining energy requirements.

PropTech is timely as there is [evidence](#) of rental value depreciation for office properties caused by building ageing, outdated technology, and other unmet requirements of the tenants. Thus, PropTech can be modulated to offer multidimensional value and integrated solutions to office building owners to adapt to changes in user requirements, even in the case of aged buildings. For example, building lighting upgrades to more efficient light emitting diode (LED) varieties with an energy management system can be added to an existing building's infrastructure thereby reducing tenants' ongoing monthly costs. A building's access control security system can also be upgraded to enable building access via a user's mobile phone, in place of a physical card, which improves the tenant's experience and increases the [level of the building's security](#).

In particular, PropTech can provide Australian office building owners a way to distinguish their assets and create tangible value delivery to tenants at a time when the vacancy rate for office buildings is at 11.9%, [the highest vacancy rate since 1997](#). This evident [excess supply](#) is caused by an increase in office building construction projects, lower demand for office space due to COVID-19 effects, government lockdowns, and working from home arrangements. With the increase in office vacancies, building owners are under pressure to compete more with other building owners in attracting and maintaining tenants. By extension, building owners are also competing with homes of tenant's employees, as they weigh their options of working from home or returning to the office.

In [the way Uber transformed](#) the ride sharing and food delivery industries through the development of software platforms and mobile apps, PropTech has the potential to be recognised with the next industrial revolution. Office building owners and tenants can create user experience apps to connect their customers (i.e., tenants) or employees to the building.

Global real estate company, [CBRE](#), is one of many commercial real estate companies investing in PropTech, as they recognise the value of occupancy and other building usage data which such decision systems can generate. CBRE developed a tenant experience platform known as [CBRE Host](#) which provides tenants with access to building services such as its security, the ability to order food and beverage from the building's café or book a shared space in the building (e.g. conference room).

CBRE Host also allows building owners and tenants ways to review which space is utilised in a building and how they can optimise their space. Such infrastructure can provide building owners and tenants opportunities to curtail their monthly ongoing expenditures. By using an access control security system, or a BMS, data can show which part of a tenancy is only used once per fortnight. In this example, building owners might wonder if the services of the underutilised space be reduced (i.e., weekly cleaning of an area instead of daily)? In place of underutilising the space, building owners or tenants may [create flexible or coworking spaces](#), where additional revenue can be generated, through using building space and incorporating a proptech platform which can manage the booking service, available space, payment system, maintenance and so forth.

Traditionally, commercial real estate companies [were stagnant in responding](#) to technology changes. Well, change is here! Today, companies such as Unissu, which manages and offers an online PropTech database, list over [8,500 PropTech companies](#) and [8,900 PropTech investment companies](#). [The Global PropTech Confidence Index](#), published twice a year by MetaProp, states start-ups and investor confidence grew to their highest rating since it was created in 2016, with investor confidence at 8.9 and start-up confidence at 8.3, both numbers out of 10.

Given that non-residential buildings are one of the largest asset classes globally, [accounting for 7% of total real assets](#), the opportunities for enhanced PropTech technology and functionality has the potential to align it with the next industrial revolution.



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John Gellel is the General Manager of Kastle Systems Australia, a leading provider in managed security services, and President of the Australian Security Industry Association Limited (ASIAL), the peak body for the Australian security industry. John has over 20 years' experience in the security industry and is undertaking a DBA with AIB researching the 'Values and drivers of private security in office buildings across Australia'. John holds an MBA and Advanced Diploma of Management.



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