

Webinar

ULI Dallas-Fort Worth: PropTech

Date: May 06, 2021

00:00:00 --> 00:00:03: So good morning everyone or good afternoon and maybe even

00:00:03 --> 00:00:07: if you could evenings wherever you're tuning in from.

00:00:07 --> 00:00:11: I'm Steve months, I'm part of the programs Committee for

00:00:11 --> 00:00:12: ULI Dallas Fort Worth.

00:00:12 --> 00:00:15: I want to welcome everybody for joining us this morning,

00:00:15 --> 00:00:20: especially our speakers. When we were putting this program together,

00:00:20 --> 00:00:24: we decided we wanted. The smartest,

00:00:24 --> 00:00:30: brightest, most experienced. People in the world that they could

00:00:30 --> 00:00:30: find.

00:00:30 --> 00:00:32: Unfortunately, they all had prior commitments,

00:00:32 --> 00:00:35: so anyway, the plan in the bottom line is Brad,

00:00:35 --> 00:00:38: Charlie Bar and you guys were planning A and we

00:00:39 --> 00:00:40: didn't have a Plan B.

00:00:40 --> 00:00:43: So if one of you guys said no,

00:00:43 --> 00:00:45: we wouldn't be having this program this morning,

00:00:45 --> 00:00:48: so I not only want to thank you for being

00:00:48 --> 00:00:49: here,

00:00:49 --> 00:00:51: but I truly appreciate you being here.

00:00:51 --> 00:00:54: Gonna skip the intros in the interest of time 'cause

00:00:55 --> 00:00:56: we got a lot to cover.

00:00:56 --> 00:00:59: For more info on Brad or 5th Wall,

00:00:59 --> 00:01:01: go to 5th wall.com. Charlie,

00:01:01 --> 00:01:05: go to heinz.com for Byron and PwC.

00:01:05 --> 00:01:07: Go to pwc.com. And Brad,

00:01:07 --> 00:01:10: I don't know if it's a coincidence or intentional,

00:01:10 --> 00:01:13: but about 30 minutes ago I got my 5th Wall

00:01:13 --> 00:01:15: newsletter so there I don't mind.

00:01:15 --> 00:01:16: I can take a hint.
00:01:16 --> 00:01:19: So there's a plug for those few joining us.
00:01:19 --> 00:01:22: You're interested in proptech, you really want to get the
00:01:22 --> 00:01:23: 5th Wall Newsletter.
00:01:23 --> 00:01:25: It's one of the best newsletters I get so.
00:01:27 --> 00:01:28: When this is over,
00:01:28 --> 00:01:30: those of you know me,
00:01:30 --> 00:01:32: I'd like to hear from you what you liked about
00:01:32 --> 00:01:33: what to do next,
00:01:33 --> 00:01:37: as we anticipate more. More events focused on proptech.
00:01:37 --> 00:01:40: The various disciplines of it we have the chat disabled
00:01:40 --> 00:01:41: for our program this morning,
00:01:41 --> 00:01:45: and there's no Q&A. So just sit back and enjoy
00:01:45 --> 00:01:48: the program and to get that started I'm going to
00:01:49 --> 00:01:51: turn it over to my friend.
00:01:51 --> 00:01:53: And partner in crime putting this event together.
00:01:53 --> 00:01:55: Mr Byron Carlock PC take it away.
00:01:55 --> 00:01:57: Thank you Steven. What
00:01:57 --> 00:02:00: a pleasure it is to be back with our friends
00:02:00 --> 00:02:02: at ULI in Texas today.
00:02:02 --> 00:02:05: I'm grateful to be a part of this but I
00:02:05 --> 00:02:08: have to tell you what I'm really grateful for.
00:02:08 --> 00:02:11: Is the two panelists we have today in an area
00:02:11 --> 00:02:14: that is just a big question mark for so many
00:02:14 --> 00:02:18: leaders in our industry right now because it's so big.
00:02:18 --> 00:02:21: It's growing so fast. But yet it's quite confusing.
00:02:21 --> 00:02:24: For those of you that have looked into areas of
00:02:24 --> 00:02:24: Proptech,
00:02:24 --> 00:02:26: I think the first question we want to ask today
00:02:27 --> 00:02:30: after we get our panelists introduce themselves is what is
00:02:30 --> 00:02:30: it?
00:02:30 --> 00:02:32: How do we get our arms around it?
00:02:32 --> 00:02:33: How do we use it?
00:02:33 --> 00:02:36: What is practical? Which companies are going to make it?
00:02:36 --> 00:02:39: How do we know if they're going to make it?
00:02:39 --> 00:02:41: How do we know if we're going to be a
00:02:41 --> 00:02:43: pilot with the right company?
00:02:43 --> 00:02:45: With the right technique, is it going to do for
00:02:45 --> 00:02:48: us what is promised and proptech is a bit elusive.
00:02:48 --> 00:02:50: Books are being written about it.
00:02:50 --> 00:02:52: Pilots are going on in many buildings with many owners
00:02:53 --> 00:02:53: with.

00:02:53 --> 00:03:00: Many different facets of of activities ranging from sensor movement

00:03:00 --> 00:03:02: to utility management too.

00:03:02 --> 00:03:06: Measuring how many cars are in the parking lot with

00:03:06 --> 00:03:08: the load is in your building and security there,

00:03:08 --> 00:03:12: just it runs the gamut and so we're going to

00:03:12 --> 00:03:15: learn today about what Prop tech is and how we

00:03:15 --> 00:03:18: can best use it to make our business and our

00:03:18 --> 00:03:21: industry better. With that, I'd first like to ask Brad

00:03:21 --> 00:03:24: from 5th Wall to introduce himself and then I'll ask

00:03:24 --> 00:03:26: Charlie to introduce himself.

00:03:26 --> 00:03:30: Then my first question will go to Brad.

00:03:30 --> 00:03:30: Brad,

00:03:30 --> 00:03:32: thanks bye and thank you.

00:03:32 --> 00:03:35: I appreciate being here today and great talking with everyone.

00:03:35 --> 00:03:37: My name is Brad Bradley.

00:03:37 --> 00:03:40: I'm the co-founder and managing partner at 5th Wall.

00:03:40 --> 00:03:43: We are the world's largest venture capital fund focused exclusively

00:03:43 --> 00:03:44: on investing.

00:03:44 --> 00:03:47: But I sort of broadly defined as built world technology.

00:03:47 --> 00:03:50: We do so in partnership with some of the largest

00:03:50 --> 00:03:52: real estate owner,

00:03:52 --> 00:03:55: operator developers, investors globally. We have about 70 plus strategic

00:03:55 --> 00:03:58: corporates invested in our in our various funds across 15

00:03:58 --> 00:03:59: different countries.

00:03:59 --> 00:04:01: We've been in business since.

00:04:01 --> 00:04:04: 2017 and we currently manage it a little over 2

00:04:04 --> 00:04:07: two and two and a half billion dollars.

00:04:07 --> 00:04:09: My background, much like the fund,

00:04:09 --> 00:04:12: I think, really draws on both real estate and technology expertise.

00:04:12 --> 00:04:15: I started my career at UBS doing real estate investment banking,

00:04:15 --> 00:04:16: then moved on to the private equity side for both

00:04:16 --> 00:04:19: Tishman Speyer and then eventually,

00:04:19 --> 00:04:21: Starwood Capital I left started in 2010 to pursue what

00:04:21 --> 00:04:24: I thought was a pretty interesting opportunity in the distressed

00:04:24 --> 00:04:27: single family housing space and work with a handful of cofounders too. Convince Blackstone to seed Fund,

00:04:27 --> 00:04:31:

00:04:31 --> 00:04:33:

00:04:33 --> 00:04:35: a company focused on acquiring,
00:04:35 --> 00:04:40: redeveloping and managing single family homes across the
US company,
00:04:40 --> 00:04:44: now known today's Invitation Homes which we took public in
00:04:44 --> 00:04:44: 2017.
00:04:44 --> 00:04:49: After that wouldn't founded fit well with Brendan.
00:04:49 --> 00:04:51: We just here today. It's sort of the intersection of
00:04:51 --> 00:04:53: real estate in tech and all the opportunity that it
00:04:53 --> 00:04:53: creates.
00:04:55 --> 00:04:58: Thank you Brad and CC with Hines.
00:04:58 --> 00:05:00: Please share with us
00:05:00 --> 00:05:05: your story, sure so. Name is Charlie.
00:05:05 --> 00:05:08: Kunz are in our innovation team at Heinz and been
00:05:08 --> 00:05:11: with the firm for about 14 years.
00:05:11 --> 00:05:15: And started with my first ten out in the Bay
00:05:15 --> 00:05:16: Area,
00:05:16 --> 00:05:21: doing acquisitions and development throughout the Bay Area
and about
00:05:21 --> 00:05:23: four and a half years ago.
00:05:23 --> 00:05:27: It's almost five soon. Was asked if if I wanted
00:05:28 --> 00:05:32: to start a team really focusing on frankly how much
00:05:33 --> 00:05:36: the industry was changing and it wasn't.
00:05:36 --> 00:05:40: Really, prop text specific, but it is certainly become a
00:05:40 --> 00:05:42: big a big part of the role,
00:05:42 --> 00:05:46: and so we've been. Incubating new services and making
investments
00:05:46 --> 00:05:50: and kind of deploying information and capital kind of through
00:05:50 --> 00:05:53: our innovation team for a handful of years now.
00:05:53 --> 00:05:55: And before Hines I was in,
00:05:55 --> 00:05:58: it was in finance for awhile at Black Rock and
00:05:58 --> 00:06:02: Credit Suisse and then really I started my career building
00:06:02 --> 00:06:02: homes.
00:06:02 --> 00:06:05: Was a was a home builder then got to finance
00:06:06 --> 00:06:06: it.
00:06:06 --> 00:06:09: Kind of blew those two things together by getting into
00:06:09 --> 00:06:12: real estate at Heinz and then he represents.
00:06:12 --> 00:06:16: Thank you Charlie, and for those of you that I'm
00:06:17 --> 00:06:18: Byron Carlock,
00:06:18 --> 00:06:22: I lead the real estate practice for PwC across our
00:06:22 --> 00:06:24: lines of service of assurance,
00:06:24 --> 00:06:29: tax and consulting. Began my career in dirt with the
00:06:29 --> 00:06:34: Crow family in Trammell Crow Company and then Crow
Capital

00:06:34 --> 00:06:35: markets and.

00:06:35 --> 00:06:38: Crow Holdings and came to the firm came to PwC

00:06:38 --> 00:06:40: about 10 years ago to do this,

00:06:40 --> 00:06:43: and it's always a pleasure when I'm asked to moderate

00:06:43 --> 00:06:46: these things because it's always fun to see how our

00:06:46 --> 00:06:47: industry changes and is changing.

00:06:47 --> 00:06:50: But Brad, I'd like to start with you.

00:06:50 --> 00:06:53: Just giving us an explanation of what is proptech for

00:06:53 --> 00:06:55: the layman that doesn't know what prop tech is.

00:06:55 --> 00:06:58: And then we're going to talk a little bit about

00:06:58 --> 00:07:00: some of the major proptech areas.

00:07:00 --> 00:07:03: And then Charlie, I'd like for you to jump in

00:07:03 --> 00:07:06: after that and talk about how you're using.

00:07:06 --> 00:07:08: Check as an owner manager.

00:07:08 --> 00:07:08: Bread.

00:07:09 --> 00:07:12: Yeah thanks so. I'm kind of going to given an

00:07:12 --> 00:07:15: answer which is not what you're looking for,

00:07:15 --> 00:07:17: but I think it's an important way to frame the

00:07:17 --> 00:07:18: discussion,

00:07:18 --> 00:07:20: because it's going to challenge your perception of how you

00:07:20 --> 00:07:23: should think about real estate and and and the value

00:07:23 --> 00:07:24: that's associated with it,

00:07:24 --> 00:07:27: and the reason why I don't like to actually refer

00:07:27 --> 00:07:28: to it as prop tech.

00:07:28 --> 00:07:30: Is it 'cause I think it's actually limiting in the

00:07:30 --> 00:07:32: sense that when you use Prop tech,

00:07:32 --> 00:07:35: I think you can make the conclusion that is essentially

00:07:35 --> 00:07:37: how do you use technology to better monetize the four

00:07:37 --> 00:07:40: walls that that that you put forth as a real

00:07:40 --> 00:07:43: estate owner landlord? We are actually looking to branch out

00:07:43 --> 00:07:47: beyond those four walls and that's why we refer to

00:07:47 --> 00:07:49: it as built world technology.

00:07:49 --> 00:07:50: So increasingly in this environment,

00:07:50 --> 00:07:54: the value of your buildings is being influenced not by

00:07:54 --> 00:07:55: what happened,

00:07:55 --> 00:07:58: not just by what happens in the four walls,

00:07:58 --> 00:08:01: but also what's happening around it and the opportunities,

00:08:01 --> 00:08:04: but also disruptions that are affecting that value are

00:08:04 --> 00:08:05: becoming

00:08:04 --> 00:08:05: increasingly complex.

00:08:05 --> 00:08:07: And it's not just e-commerce,

00:08:07 --> 00:08:09: it's not just technology and digital innovation,

00:08:09 --> 00:08:12: now it's pandemics. It's it's consumer sentiment.
00:08:12 --> 00:08:15: It's all these, its climate and carbon influence.
00:08:15 --> 00:08:17: It's all these things that you've just traditionally.
00:08:17 --> 00:08:21: Maybe maybe you were aware of that weren't really core
00:08:21 --> 00:08:22: parts of a business.
00:08:22 --> 00:08:25: Making decisioning that are now becoming crucial to
preparing for
00:08:26 --> 00:08:29: and navigating a post pandemic world where almost every
single
00:08:29 --> 00:08:32: asset class is going to be affected in some form
00:08:32 --> 00:08:35: or fashion. So I think we the evolution of proptech,
00:08:35 --> 00:08:39: really reflects the evolution of 5th Wall to a certain
00:08:39 --> 00:08:41: extent and that in 2017 when we launched.
00:08:41 --> 00:08:44: The question that we were answering for folks was CEO's
00:08:44 --> 00:08:46: whose board were pestering about tech.
00:08:46 --> 00:08:49: Hey, what are you guys doing about technology?
00:08:49 --> 00:08:51: The easy answer was we invested in football check as
00:08:52 --> 00:08:53: people got moved up.
00:08:53 --> 00:08:55: The innovation curve. That answer became more nuanced.
00:08:55 --> 00:08:58: It was, hey, we're actually using this technology to create
00:08:58 --> 00:09:01: efficiencies and generate revenue in ways that we weren't
doing
00:09:01 --> 00:09:01: before.
00:09:01 --> 00:09:04: Check and then where we are today is completely different.
00:09:04 --> 00:09:07: In the pandemic accelerated in ways that I,
00:09:07 --> 00:09:09: I think, would have probably taken a few more years
00:09:09 --> 00:09:11: to happen organically,
00:09:11 --> 00:09:14: which is. Are LP's and the ones that are leveraging
00:09:14 --> 00:09:17: technology to the fullest extent are changing the course of
00:09:17 --> 00:09:21: their business in ways that are wildly transformative.
00:09:21 --> 00:09:24: Better translating to enterprise value creation in ways that we
00:09:24 --> 00:09:25: didn't think possible,
00:09:25 --> 00:09:28: and that's really the future of proptech is it's less
00:09:29 --> 00:09:31: about technology and real estate,
00:09:31 --> 00:09:34: and it's about the combination of those two things to
00:09:34 --> 00:09:36: create a more perfect union.
00:09:36 --> 00:09:39: That's going to allow you as a as an organization
00:09:39 --> 00:09:40: to identify diligence,
00:09:40 --> 00:09:43: underwrite, invest, manage, and sell assets.
00:09:43 --> 00:09:46: More effectively navigating the future of how all these
externalities
00:09:46 --> 00:09:49: are going to affect you or your real estate portfolio
00:09:49 --> 00:09:52: in a way that's gonna allow you to make better,

00:09:52 --> 00:09:55: more informed and hopefully more impactful decisions for your shareholders.

00:09:55 --> 00:09:58: So it is really about the two two of the

00:09:58 --> 00:10:01: largest industries on Earth colliding and and and the

00:10:01 --> 00:10:03: real estate industry.

00:10:03 --> 00:10:06: Moving up the innovation curve in the next 10 to

00:10:06 --> 00:10:09: 15 years and finding ways to take advantage of that.

00:10:09 --> 00:10:13: Organizationally, which is why football should have built a platform

00:10:13 --> 00:10:14: the way that we did so.

00:10:14 --> 00:10:16: That's sort of a broad definition,

00:10:16 --> 00:10:19: but we can obviously dive into the nuances of hey,

00:10:19 --> 00:10:22: let's start to talk about specific categories,

00:10:22 --> 00:10:22: applications, etc etc.

00:10:23 --> 00:10:27: That's that's a. That's a great start and I I'd

00:10:27 --> 00:10:30: like to frame a context real quickly that you know

00:10:30 --> 00:10:31: we've all,

00:10:31 --> 00:10:34: in real estate and at times even been frustrated about

00:10:34 --> 00:10:38: the amount of money we have to invest in technology

00:10:38 --> 00:10:40: just to say stay current and relevant.

00:10:40 --> 00:10:43: And now we're looking at an industry that has emerged

00:10:43 --> 00:10:46: literally from next to nothing six years ago to 6

00:10:46 --> 00:10:50: billion five years ago and \$30 billion went into proptech

00:10:50 --> 00:10:54: activities in 2020 and MIT Real Estate Center is tracking.

00:10:54 --> 00:10:56: Over 2300 different companies in the space trying to do

00:10:56 --> 00:11:00: what Brad just said about automating and processing and making

00:11:00 --> 00:11:02: our lives easier across the lifecycle of real estate.

00:11:02 --> 00:11:04: And it makes you wonder,

00:11:04 --> 00:11:05: how do we use it?

00:11:05 --> 00:11:08: Charlie, tell us how you got involved and how you

00:11:08 --> 00:11:11: are using it and putting it into practice at one

00:11:11 --> 00:11:14: of the world's largest owners of real estate agent Charlie

00:11:14 --> 00:11:16: before before you answer that,

00:11:16 --> 00:11:18: can I just? I want to challenge with binding to

00:11:18 --> 00:11:21: say 'cause I think it's an important framing,

00:11:21 --> 00:11:24: but I actually think it's the opposite is that.

00:11:24 --> 00:11:27: We are the real estate industry isn't spending nearly enough

00:11:27 --> 00:11:28: on technology,

00:11:28 --> 00:11:32: just based on the research that we've done over the

00:11:32 --> 00:11:33: past five years.

00:11:33 --> 00:11:37: The average mature industry spends close to 6 to 8%

00:11:37 --> 00:11:40: and sometimes even greater than 10 of industry revenue on

00:11:40 --> 00:11:43: R&B for their for their companies.

00:11:43 --> 00:11:45: Real estate spends significantly less than 1%.

00:11:45 --> 00:11:47: That is a massive issue,

00:11:47 --> 00:11:49: but it's also humidity. Yeah,

00:11:49 --> 00:11:52: and I would just say that like,

00:11:52 --> 00:11:53: 30. Yeah, I just say,

00:11:53 --> 00:11:56: sorry just. I think that like if we can really

00:11:56 --> 00:11:58: sort of put it in the context,

00:11:58 --> 00:12:00: the real scene introduced sat out on 30 years of

00:12:00 --> 00:12:01: innovation,

00:12:01 --> 00:12:03: which is actually interesting and good in the sense that,

00:12:03 --> 00:12:05: like alright guys, so you don't know you you didn't

00:12:05 --> 00:12:07: do all these step function change,

00:12:07 --> 00:12:08: you didn't spend all this money,

00:12:08 --> 00:12:11: that's all. I'm fine. Now you can catapult to actually

00:12:11 --> 00:12:13: being using the latest and greatest stuff in a way

00:12:13 --> 00:12:15: that I think is going to reduce the cost of

00:12:15 --> 00:12:17: doing so and increase the efficiency.

00:12:17 --> 00:12:19: But it's like getting up that learning curve.

00:12:19 --> 00:12:21: But Charlie is going to talk through but also challenge

00:12:21 --> 00:12:22: the group to say guys,

00:12:22 --> 00:12:25: that \$30 billion that we just referenced that still.

00:12:25 --> 00:12:27: Too small, too in the sense of this is we're

00:12:27 --> 00:12:29: talking about a multi trillion dollar global industry.

00:12:29 --> 00:12:32: \$30 billion is a drop in the bucket.

00:12:32 --> 00:12:33: But even where we are today,

00:12:33 --> 00:12:36: that \$30 billion that is free R&D for our industry.

00:12:36 --> 00:12:38: That's three R&D for everybody on this phone.

00:12:38 --> 00:12:40: All you need to do is tap into it.

00:12:40 --> 00:12:42: Those CEOs, those products, those technologies,

00:12:42 --> 00:12:44: they all want to talk to you.

00:12:44 --> 00:12:46: They all want to work for you and they will

00:12:46 --> 00:12:49: spend time and resources listening to you and potentially even

00:12:49 --> 00:12:50: solving your specific needs.

00:12:50 --> 00:12:53: So what did what 5th will really sort of latched

00:12:53 --> 00:12:53: onto?

00:12:53 --> 00:12:56: Was like how do we create the connective tissue?

00:12:56 --> 00:12:58: They just put these two industries together.

00:12:58 --> 00:13:00: You could you don't. You don't have to actually spend

00:13:00 --> 00:13:01: balance sheet capital.

00:13:01 --> 00:13:04: You can actually leverage all these PC money that's being

00:13:04 --> 00:13:04: spent.

00:13:04 --> 00:13:07: It's just about having the organizational capabilities to engage with

00:13:07 --> 00:13:08: it and do so effectively.

00:13:08 --> 00:13:10: So wanted to put that out now.

00:13:10 --> 00:13:11: Very well said the

00:13:11 --> 00:13:13: point. The point I was trying to make real quickly

00:13:13 --> 00:13:14: was in real estate.

00:13:14 --> 00:13:17: We've complained year after year as our technology officers have

00:13:17 --> 00:13:18: come asking for their budgets.

00:13:18 --> 00:13:20: And wow, that's too much money.

00:13:20 --> 00:13:22: That's too much money and you're exactly right.

00:13:22 --> 00:13:25: It's not enough money and the we're seeing a bifurcation

00:13:25 --> 00:13:26: in the traditional.

00:13:26 --> 00:13:29: Brick and mortar landlords not spending enough versus where the

00:13:29 --> 00:13:30: industry is going,

00:13:30 --> 00:13:32: requiring more. So that's very well said.

00:13:32 --> 00:13:35: We said in the emerging trends two years ago that

00:13:35 --> 00:13:38: real estate was a analog business trying to find its

00:13:38 --> 00:13:40: way into a new digital world.

00:13:40 --> 00:13:41: And that's really, really true.

00:13:41 --> 00:13:43: And we've underspent, I'm sorry Charlie,

00:13:43 --> 00:13:44: go ahead.

00:13:46 --> 00:13:48: Sorry, I didn't mean to interrupt you there.

00:13:48 --> 00:13:50: Byron apologies, I just wanted you know,

00:13:50 --> 00:13:53: draft a little bit off of.

00:13:53 --> 00:13:57: Brad's comments in that I think that you know there's

00:13:57 --> 00:14:00: been a combination of events over the last handful of

00:14:00 --> 00:14:01: years long before.

00:14:01 --> 00:14:04: The COVID-19 pandemic in that.

00:14:04 --> 00:14:07: I think for a long time the industry felt like

00:14:07 --> 00:14:09: it didn't need to change.

00:14:09 --> 00:14:10: It didn't need to innovate.

00:14:10 --> 00:14:13: There was always a focus on an improved product and

00:14:13 --> 00:14:14: service,

00:14:14 --> 00:14:16: but I think with particularly with you know,

00:14:16 --> 00:14:20: new entrants who came into our industry that provides

00:14:20 --> 00:14:22: services

00:14:20 --> 00:14:22: that Oh no real estate that became more and more

00:14:22 --> 00:14:25: important and whether they succeeded at larger.

00:14:25 --> 00:14:27: Whether they you know burned up,

00:14:27 --> 00:14:28: there was just a really,
00:14:28 --> 00:14:32: I think, big realization that the that the industry needed
00:14:32 --> 00:14:35: to be paying more attention to the customer.
00:14:35 --> 00:14:37: To the end user and if we were to do
00:14:37 --> 00:14:37: that,
00:14:37 --> 00:14:41: we had to be. Trying much harder in utilizing much
00:14:41 --> 00:14:44: better tools to provide what our customers need in that
00:14:44 --> 00:14:48: everything else they are experiencing in their daily lives is
00:14:48 --> 00:14:52: much further along than. Their home or in their office,
00:14:52 --> 00:14:55: and so I think there were a lot of combining
00:14:55 --> 00:14:58: factors and kind of larger themes that have allowed for
00:14:58 --> 00:15:02: the utilization of technology to try to address bigger
influences
00:15:02 --> 00:15:04: and and just as broad set,
00:15:04 --> 00:15:06: Brad said that the volume of capital,
00:15:06 --> 00:15:10: particularly when you compare it to the volume of capital
00:15:10 --> 00:15:13: spent in other industries with whether you look at his
00:15:13 --> 00:15:16: VC dollars or RND or what have you is just
00:15:16 --> 00:15:20: miniscule still. So it's it's just an interesting reality that
00:15:20 --> 00:15:22: I also I tend to agree that it's still very
00:15:23 --> 00:15:23: early.
00:15:23 --> 00:15:26: Uhm? In so Byron usually talk a little bit about
00:15:26 --> 00:15:29: how I ended up in this role and what we're
00:15:29 --> 00:15:31: working on is that the question how
00:15:31 --> 00:15:35: you did and how your how your discerning how you're
00:15:35 --> 00:15:36: choosing what works.
00:15:36 --> 00:15:39: You shared with me a great story before about how
00:15:40 --> 00:15:40: Mr.
00:15:40 --> 00:15:42: Hines is always focused on innovation and was in the
00:15:43 --> 00:15:46: first meeting discussing this before he died and how you
00:15:46 --> 00:15:48: have embraced that and taking it forward.
00:15:48 --> 00:15:50: I just love to hear how an owner looks at
00:15:50 --> 00:15:53: at these applications that decides what to use and how
00:15:54 --> 00:15:56: it's helping you and what you're going
00:15:56 --> 00:15:57: to do next, sure, so.
00:15:59 --> 00:16:03: I think it really started out in the Bay Area
00:16:03 --> 00:16:07: where I was working on projects there for technology
companies.
00:16:07 --> 00:16:11: Whether it was Google or VMware Campus or Salesforce
Tower,
00:16:11 --> 00:16:15: there was a lot of work in partnership with really
00:16:15 --> 00:16:17: innovative companies.
00:16:17 --> 00:16:20: There was also some opportunities in the way that we

00:16:20 --> 00:16:22: were building our buildings,
00:16:22 --> 00:16:25: whether it's how you contract with the GC.
00:16:25 --> 00:16:30: Or how you provide better services and technology in your
00:16:30 --> 00:16:32: building or what have you that.
00:16:32 --> 00:16:35: It wasn't just Charlie, it was really the entire Bay
00:16:35 --> 00:16:38: Area team and leadership was really leaning hard into that,
00:16:38 --> 00:16:41: and I had the opportunity to have a front row
00:16:41 --> 00:16:44: seat and work on some great projects there,
00:16:44 --> 00:16:45: and I think that experience.
00:16:47 --> 00:16:50: Was it was a meaningful one for who this person
00:16:51 --> 00:16:52: should be in this role?
00:16:52 --> 00:16:57: And when the firm decided to launch an innovation team?
00:16:57 --> 00:17:00: There was a very deliberate decision made to have it
00:17:00 --> 00:17:04: start with someone who knows Heinzen was within the firm.
00:17:04 --> 00:17:06: Someone who speaks the language.
00:17:06 --> 00:17:08: Someone who's done development and acquisitions,
00:17:08 --> 00:17:10: someone who can. You know,
00:17:10 --> 00:17:12: really. Look at a lot of these tools as something
00:17:12 --> 00:17:13: that says,
00:17:13 --> 00:17:15: is this something I would want in my project right?
00:17:15 --> 00:17:17: Is this something I would be willing to pay for
00:17:17 --> 00:17:20: myself before you really dive too deep into it and
00:17:20 --> 00:17:23: try to advocate for it and push across the firm?
00:17:23 --> 00:17:25: And when the when they when the group fired up
00:17:25 --> 00:17:27: they were really,
00:17:27 --> 00:17:29: you know, three big. Items at hand.
00:17:29 --> 00:17:31: One was that the volume of technology coming into real
00:17:31 --> 00:17:33: estate was increasing dramatically.
00:17:33 --> 00:17:35: This was, you know, four or five years ago already.
00:17:35 --> 00:17:37: That was something that they had.
00:17:37 --> 00:17:41: We're identifying and felt like we need to have more
00:17:41 --> 00:17:43: resources for the second was that.
00:17:43 --> 00:17:46: As I mentioned before, there were new entrants in the
00:17:46 --> 00:17:49: industry that had a lot of influence and own no
00:17:49 --> 00:17:50: real estate,
00:17:50 --> 00:17:53: and we're coming at our industry in a completely different
00:17:53 --> 00:17:55: way and we didn't know how to.
00:17:55 --> 00:17:57: We were still deciding how to partner with them,
00:17:57 --> 00:17:59: how to not partner with them,
00:17:59 --> 00:18:02: what those decisions needed to be as it relates to
00:18:02 --> 00:18:04: new ways of thinking about real estate,
00:18:04 --> 00:18:07: and the third was that we were seeing that the

00:18:07 --> 00:18:10: way that people wanted to live and work was changing,
00:18:10 --> 00:18:13: and this was 2016. 2017 is in terms of having
00:18:13 --> 00:18:14: a shiny new.
00:18:14 --> 00:18:17: Office tower that is fetching lower rents than a four
00:18:17 --> 00:18:17: story,
00:18:17 --> 00:18:19: you know, brick building next door.
00:18:19 --> 00:18:21: Why is that? What is it that we need to
00:18:21 --> 00:18:23: be kind of better understanding?
00:18:23 --> 00:18:26: So we wanted to take a step back and look
00:18:26 --> 00:18:28: at all of those themes and.
00:18:32 --> 00:18:35: So one of the things we did was decide to
00:18:35 --> 00:18:38: utilize our capital as a way to get up the
00:18:38 --> 00:18:39: learning curve,
00:18:39 --> 00:18:41: and so we did invest with 5th Wall in fund
00:18:41 --> 00:18:44: one and it was tremendously helpful for us to just
00:18:44 --> 00:18:48: kind of understand the landscape of a lot of these
00:18:48 --> 00:18:50: technology. Companies were out that were out there.
00:18:50 --> 00:18:55: It also very quickly. Was a realization that there were.
00:18:59 --> 00:19:01: There were so many more companies than you could ever
00:19:01 --> 00:19:03: really decide to pay attention to,
00:19:03 --> 00:19:05: and we need to be very clear on exactly what
00:19:05 --> 00:19:08: our own priorities were and how we were going to
00:19:08 --> 00:19:09: get through this.
00:19:09 --> 00:19:11: And so our team decided to focus on what we
00:19:11 --> 00:19:14: thought was that critical theme and something that our firm
00:19:14 --> 00:19:15: always thought about,
00:19:15 --> 00:19:18: which is trying to provide the best service that we
00:19:18 --> 00:19:19: can for our customers.
00:19:19 --> 00:19:21: And so our North Star for our innovation team has
00:19:21 --> 00:19:24: been improving the experience and the service level for
00:19:25 --> 00:19:26: those
00:19:25 --> 00:19:26: people who are in our buildings.
00:19:26 --> 00:19:30: And so we have. Really honed in on the types
00:19:30 --> 00:19:34: of tools that allow for that to happen.
00:19:34 --> 00:19:37: We have a corporate analytics team that focuses heavily on
00:19:37 --> 00:19:38: building and portfolio level data.
00:19:38 --> 00:19:41: We have a business technology group that really looks at
00:19:41 --> 00:19:44: the systems and processes that we have in place as
00:19:44 --> 00:19:48: an organization to make sure that we're operating as
00:19:48 --> 00:19:51: effectively
00:19:48 --> 00:19:51: as we can. So it's allowed us to really look
00:19:51 --> 00:19:54: further out and focus on the end customer and try
00:19:54 --> 00:19:57: to put them in the middle of all of our

00:19:57 --> 00:20:04: decision making. What we've done is our team typically will.

00:20:04 --> 00:20:08: Identify a theme or a vertical or a specific type

00:20:08 --> 00:20:11: of tool that we want to have in our assets

00:20:11 --> 00:20:13: and will pilot them.

00:20:13 --> 00:20:17: Will work with 5th Wall.

00:20:17 --> 00:20:19: And other partners of ours to try to get a

00:20:19 --> 00:20:23: good view of exactly what these companies are capable of.

00:20:23 --> 00:20:26: And really what we do is we we pilot early

00:20:26 --> 00:20:29: and we then try to build new muscles within the

00:20:29 --> 00:20:30: company.

00:20:30 --> 00:20:33: So for instance, if we're looking at a new access

00:20:33 --> 00:20:34: control system,

00:20:34 --> 00:20:38: will be working really closely with our corporate operations and

00:20:38 --> 00:20:41: engineering team in our in our pre construction team so

00:20:41 --> 00:20:44: that they are up to speed on these kinds of

00:20:44 --> 00:20:47: tools so that when we get to a place.

00:20:47 --> 00:20:48: Two to four years later,

00:20:48 --> 00:20:50: where this is much more commonplace,

00:20:50 --> 00:20:53: those muscles already exists in those other groups such that

00:20:53 --> 00:20:56: the innovation team isn't in charge of deploying those things

00:20:56 --> 00:20:56: at scale.

00:20:56 --> 00:20:59: Instead, it's a lot more about making sure that the

00:20:59 --> 00:21:02: broader organization is seeing these things at the right time

00:21:02 --> 00:21:05: and are involved in the piloting process and identifying which

00:21:05 --> 00:21:07: ones are important and which ones matter.

00:21:07 --> 00:21:10: And we have RND capital that allows us to pay

00:21:10 --> 00:21:13: for some of these pilots such that it doesn't become

00:21:13 --> 00:21:15: a burden for the individual asset,

00:21:15 --> 00:21:17: so overtime if you were to look back on.

00:21:17 --> 00:21:19: Things like tenant engagement, Axon,

00:21:19 --> 00:21:24: touchless access control and IQ and occupancy sensors and good

00:21:24 --> 00:21:29: visitor management programs mean those were things that we were

00:21:29 --> 00:21:31: piloting 3-4 years ago.

00:21:31 --> 00:21:34: That we were focusing on the tenant experience and it's

00:21:34 --> 00:21:36: just interesting to see how critical those tools are now

00:21:36 --> 00:21:39: in this pandemic environment and how people really need to

00:21:39 --> 00:21:41: have those things. Looking forward.

00:21:41 --> 00:21:43: And it wasn't that we had any idea.

00:21:43 --> 00:21:46: Anything like this was going to happen so much as

00:21:46 --> 00:21:49: it just we had the ability to be looking a
00:21:49 --> 00:21:50: bit further out.
00:21:50 --> 00:21:53: Pilot and explore and have our colleagues across the firm
00:21:53 --> 00:21:56: involved in that process while we project manage and identify
00:21:56 --> 00:21:58: which ones we think are important to try and Charlie
00:21:58 --> 00:22:00: as an evolution over the years,
00:22:00 --> 00:22:02: as you've done that, Charlie have you?
00:22:02 --> 00:22:06: Found that your tenants and your associates are embracing
the
00:22:06 --> 00:22:08: technology introduction and becoming more digital.
00:22:08 --> 00:22:10: Or are they resisting it?
00:22:11 --> 00:22:13: I would say so. Well,
00:22:13 --> 00:22:16: let's do. Let's talk tenants and then investor partners and
00:22:16 --> 00:22:16: then Hines.
00:22:16 --> 00:22:19: So I would say that.
00:22:19 --> 00:22:22: Tenants for the most part.
00:22:22 --> 00:22:25: There's a spectrum, certainly, but I would say that oftentimes
00:22:25 --> 00:22:26: the tenant,
00:22:26 --> 00:22:27: our tenants are little bit.
00:22:29 --> 00:22:32: Particularly tense, we like to partner with in these endeavors
00:22:32 --> 00:22:34: are potentially further ahead than we are,
00:22:34 --> 00:22:37: so we're working with. We have a lease with Microsoft
00:22:37 --> 00:22:40: that where they own and that they've leased entire building
00:22:40 --> 00:22:42: and we're working heavily with them on on some piloting
00:22:42 --> 00:22:46: in that project. I think that there are.
00:22:46 --> 00:22:50: A number of companies that are more than anything and
00:22:50 --> 00:22:54: individuals in our multifamily assets that are excited to have
00:22:54 --> 00:22:57: the ability to utilize some of these new tools.
00:22:57 --> 00:23:01: The adoption. Is kind of all over the board I
00:23:01 --> 00:23:02: would say,
00:23:02 --> 00:23:04: but I think that it's it's very early.
00:23:04 --> 00:23:07: I think there were a lot of conversations a couple
00:23:07 --> 00:23:08: years ago about.
00:23:08 --> 00:23:11: How important is it to really understand how your space
00:23:11 --> 00:23:14: is being utilized and to have those kind of IoT
00:23:14 --> 00:23:15: devices in your space?
00:23:15 --> 00:23:19: And now that's something that most organizations and
tenants that
00:23:19 --> 00:23:22: we talked to are interested in having.
00:23:22 --> 00:23:24: A landlord that understands how to use them,
00:23:24 --> 00:23:26: whether they use them or not,
00:23:26 --> 00:23:29: is another question, but the notion that we're on it

00:23:29 --> 00:23:32: and will have the services for them if they want
00:23:32 --> 00:23:35: it is really what is resonating with them.
00:23:35 --> 00:23:38: The usage is very spotty.
00:23:38 --> 00:23:41: Today I would say that from an investor perspective,
00:23:41 --> 00:23:43: there's a much smoother kind of spectrum.
00:23:43 --> 00:23:46: I would say that. It is,
00:23:46 --> 00:23:50: it is everything from being very wary to spend any
00:23:50 --> 00:23:54: money on it to a couple of investor partners of
00:23:54 --> 00:23:57: ours that are that we're having calls with on a
00:23:57 --> 00:24:01: weekly basis and are piloting some of these new initiatives
00:24:01 --> 00:24:02: with at scale.
00:24:02 --> 00:24:06: And they're more than happy to pay for the cost.
00:24:06 --> 00:24:08: So it on the investor side.
00:24:08 --> 00:24:11: I think that there's a spectrum that said,
00:24:11 --> 00:24:15: you know, if you just look at the very basic
00:24:15 --> 00:24:17: metric of how.
00:24:17 --> 00:24:20: LP the LP base is grown in the VC community
00:24:20 --> 00:24:24: that tells you plenty about investor partners where it's gone
00:24:24 --> 00:24:27: from half a dozen to there's over 100 plus real
00:24:27 --> 00:24:31: estate companies that are deploying capital into space now.
00:24:31 --> 00:24:35: So I think that. On the investor side of things,
00:24:35 --> 00:24:39: there is a spectrum, but it's there's more and more
00:24:39 --> 00:24:41: interest within Heinz.
00:24:41 --> 00:24:43: So we've always wanted to be innovative as a firm,
00:24:43 --> 00:24:44: and as I mentioned before,
00:24:44 --> 00:24:48: you know, Jerry Heinz. Feels like you know,
00:24:48 --> 00:24:50: innovation is really a state of mind more than it
00:24:50 --> 00:24:51: is particular thing.
00:24:51 --> 00:24:54: And he also said that this was in 2018 that
00:24:54 --> 00:24:57: he felt like the industry has changed more in the
00:24:57 --> 00:24:59: last five years and it had the 30 years before
00:24:59 --> 00:25:02: that. So there's a great deal of change going on
00:25:02 --> 00:25:03: in the firm.
00:25:03 --> 00:25:06: Is individuals across the company are excited to participate in
00:25:06 --> 00:25:06: it,
00:25:06 --> 00:25:09: but the challenge is that a lot of the things
00:25:09 --> 00:25:09: that we do,
00:25:09 --> 00:25:11: the ROI is not clear yet.
00:25:11 --> 00:25:14: That's part of the point of actually trying these things
00:25:14 --> 00:25:16: is to be able to in a safe environment.
00:25:16 --> 00:25:19: Test and see if these tools are useful and so.
00:25:19 --> 00:25:22: How do we figure out a way to do that

00:25:22 --> 00:25:25: that empowers our people across the firm,
00:25:25 --> 00:25:30: but also doesn't. Create any negative ramifications to them when
00:25:30 --> 00:25:34: these things fail because they fail a lot,
00:25:34 --> 00:25:36: and So what we've done to allow for our own
00:25:36 --> 00:25:40: individuals within Hines to explore this is just find ways
00:25:40 --> 00:25:43: to protect them from not meeting what their everyday
00:25:43 --> 00:25:47: priorities
00:25:43 --> 00:25:47: are, whether it's providing them with extra bandwidth or whether
00:25:47 --> 00:25:50: it's isolating some of our pilots into specific places and
00:25:50 --> 00:25:53: spaces that we control like within our Flex Office program.
00:25:53 --> 00:25:56: We do a lot of our pilots and our Flex
00:25:56 --> 00:26:00: Office program because it doesn't impact if it doesn't
00:26:00 --> 00:26:02: workout.
00:26:00 --> 00:26:02: Or long term tenants, and so.
00:26:02 --> 00:26:04: Our employees are excited about it.
00:26:04 --> 00:26:07: The the challenge has been.
00:26:07 --> 00:26:09: The costs weren't always originally,
00:26:09 --> 00:26:12: you know, put into their budgets and into their projects.
00:26:12 --> 00:26:16: So how do we? Empower them to be able to
00:26:16 --> 00:26:17: explore,
00:26:17 --> 00:26:19: and we do that by providing them with resources.
00:26:20 --> 00:26:25: So I'm hearing. One thing that really impressed with hearing
00:26:25 --> 00:26:27: is you've embraced an RND mindset.
00:26:27 --> 00:26:30: Knowing that some of these answers still need to be
00:26:30 --> 00:26:31: figured out,
00:26:31 --> 00:26:34: and it's worth taking the risk on a pilot.
00:26:34 --> 00:26:37: I also like the fact that your entree into this
00:26:37 --> 00:26:40: was driven by some of your tech tenants that expected
00:26:40 --> 00:26:43: you to be as digital in your mindset as they
00:26:43 --> 00:26:44: are. But to that point,
00:26:44 --> 00:26:47: Brad, if you were to recommend to this audience and
00:26:47 --> 00:26:50: remember this is this is an audience of.
00:26:50 --> 00:26:54: Of owners, managers and folks that are serving the real
00:26:54 --> 00:26:55: estate industry.
00:26:55 --> 00:26:59: What are the top five to seven applications that every
00:26:59 --> 00:27:03: owner ought to have embedded in their operations today?
00:27:05 --> 00:27:09: That's a tough one. Why that answer is so hard
00:27:09 --> 00:27:14: is what makes engaging in the industry difficult in the
00:27:15 --> 00:27:19: sense that everyone is at a different stage of the
00:27:19 --> 00:27:24: innovation cycle. Therefore, recommending blanket
technology solutions isn't as effective,

00:27:24 --> 00:27:28: so it's really catered to the specific needs,
00:27:28 --> 00:27:32: strategic priorities and specific assets of any individual.
00:27:32 --> 00:27:36: But from a theme and sort of subject matter expertise
00:27:36 --> 00:27:38: perspective I mean.
00:27:38 --> 00:27:40: Data analytics is always a big category.
00:27:40 --> 00:27:43: It's one where I think more money spent the wrong
00:27:43 --> 00:27:46: way and where there isn't a real appreciation for the
00:27:46 --> 00:27:51: organizational change that's required in order to leverage
data effectively.
00:27:51 --> 00:27:53: But that's always a big category.
00:27:53 --> 00:27:57: There's operational efficiencies, and that can take many
shapes and
00:27:57 --> 00:27:57: forms.
00:27:57 --> 00:28:01: Most most real estate landlords are focused on revenue
generation
00:28:01 --> 00:28:03: as opposed to operating expense reduction,
00:28:03 --> 00:28:07: which, depending on sort of where you are is.
00:28:07 --> 00:28:09: It is probably easier to get,
00:28:09 --> 00:28:12: you know. Something approved to spend money on if it's
00:28:12 --> 00:28:14: going to generate revenue,
00:28:14 --> 00:28:16: but there's tons of technologies,
00:28:16 --> 00:28:19: especially on the software side that can deliver on that
00:28:20 --> 00:28:20: promise.
00:28:20 --> 00:28:24: There's increased focus on new business creation that can
either
00:28:24 --> 00:28:28: come as add-ons to existing survey existing business lines
that
00:28:28 --> 00:28:31: now need to provide products and services to customers
'cause
00:28:31 --> 00:28:35: now they expect it in ways they just didn't before.
00:28:35 --> 00:28:39: And in many instances landlords using that to potentially
even
00:28:39 --> 00:28:40: supplement loss of revenue.
00:28:40 --> 00:28:44: Depending on you know what leasing expectations are going
to
00:28:44 --> 00:28:46: be are going to be moving forward,
00:28:46 --> 00:28:50: so building a broader suite of engagement capabilities to
monetize
00:28:50 --> 00:28:53: your space differently is becoming increasingly interesting.
00:28:53 --> 00:28:56: There's optical prop ghosts in the sense that,
00:28:56 --> 00:28:59: increasingly so we're seeing real estate allocations coming
further downstream.
00:28:59 --> 00:29:03: To access these these operating companies that have a
different
00:29:03 --> 00:29:05: approach to monetizing real estate,

00:29:05 --> 00:29:08: you know, sort of data becomes ubiquitous and more more
00:29:08 --> 00:29:10: capital looks for real estate.
00:29:10 --> 00:29:13: Yield it's harder to find great deals and a lot
00:29:13 --> 00:29:16: of firms need to become more vertically and operationally
focused
00:29:16 --> 00:29:19: in order to deliver the same yield profile that they
00:29:19 --> 00:29:22: promised investors for a long time and a lot of
00:29:22 --> 00:29:23: these opcodes offer an ability,
00:29:23 --> 00:29:26: a unique ability to sort of monetize real estate differently.
00:29:26 --> 00:29:29: Invitation Homes is a perfect example of that.
00:29:29 --> 00:29:31: During the depths of the last recession,
00:29:31 --> 00:29:33: you know when when we uncovered this opportunity in single
00:29:33 --> 00:29:34: family rentals,
00:29:34 --> 00:29:37: you know the first thing we did was went to
00:29:37 --> 00:29:40: Atlanta to a Super Tuesday where they were selling
thousands
00:29:40 --> 00:29:40: of.
00:29:40 --> 00:29:43: Foreclosed homes and when we did the underwriting we
were
00:29:43 --> 00:29:44: buying it.
00:29:44 --> 00:29:45: You know, 30% gross yields.
00:29:45 --> 00:29:47: Where else could you get that?
00:29:47 --> 00:29:50: But the only problem was that when you pitch that
00:29:50 --> 00:29:52: to any real estate investor they said guys.
00:29:52 --> 00:29:55: How am I going to buy hundreds of 1,000,000 or
00:29:55 --> 00:29:58: billions of dollars of homes sixty \$800,000 at a time
00:29:58 --> 00:30:01: and the answer that question didn't stand from real estate
00:30:01 --> 00:30:04: analysis in the sense of course there was there was
00:30:04 --> 00:30:07: asset dissipation that came from technology in the sense that
00:30:07 --> 00:30:10: we're going to use technology just to be able to
00:30:10 --> 00:30:13: aggregate rehab and ultimately manage and scale this
business.
00:30:13 --> 00:30:15: But that was foreign, so using these properties to help
00:30:15 --> 00:30:18: answer some of those questions for you and provide you
00:30:18 --> 00:30:21: know tech enabled operations to monetize real estate
differently is
00:30:21 --> 00:30:22: proving to be interesting as well.
00:30:22 --> 00:30:24: There's so many more different,
00:30:24 --> 00:30:26: there's so many other categories that are that are worth
00:30:26 --> 00:30:27: discussing there,
00:30:27 --> 00:30:30: but those are some main ones that we've we've worked
00:30:30 --> 00:30:30: with,
00:30:30 --> 00:30:31: our corporates.

00:30:32 --> 00:30:34: And Charlie, would you agree with that?
00:30:34 --> 00:30:36: I mean, sounds like we've got as I watch as
00:30:36 --> 00:30:37: I watch owners today,
00:30:37 --> 00:30:40: they're struggling with how to choose from the menu.
00:30:40 --> 00:30:41: You've got some to use.
00:30:41 --> 00:30:43: Your Salesforce tower example Charlie,
00:30:43 --> 00:30:45: that would say it's the most innovative building in America
00:30:45 --> 00:30:46: right now.
00:30:46 --> 00:30:49: I was in a meeting with Mark benefit not long
00:30:49 --> 00:30:50: ago and he I said,
00:30:50 --> 00:30:51: what do you think? I mean,
00:30:51 --> 00:30:54: people say this is the most advanced office building in
00:30:54 --> 00:30:54: America.
00:30:54 --> 00:30:56: He said well, if we did it today,
00:30:56 --> 00:30:59: I think we turn it on its side because we
00:30:59 --> 00:31:01: we we didn't realize how much we needed to inspire
00:31:01 --> 00:31:04: collaboration in the building and everyone's.
00:31:04 --> 00:31:06: In a cylinder going to the sky and they really
00:31:06 --> 00:31:09: need to be on the ground talking to each other.
00:31:09 --> 00:31:12: And I thought that was interesting and that's how quickly
00:31:12 --> 00:31:12: we're changing,
00:31:12 --> 00:31:15: but inside the building water that basic applications that make
00:31:15 --> 00:31:16: it better.
00:31:16 --> 00:31:18: And what are the applications that are Jetson like futuristic
00:31:18 --> 00:31:21: that are representing the next generation of what's to come?
00:31:22 --> 00:31:24: Yeah, the nice thing about.
00:31:27 --> 00:31:32: A lot of the. Technology specific things we're talking about
00:31:32 --> 00:31:33: today.
00:31:33 --> 00:31:36: Applications that are possible they don't.
00:31:36 --> 00:31:39: Dramatically changed the way you think about the core and
00:31:40 --> 00:31:41: shell of your building.
00:31:41 --> 00:31:44: Or the way that you want a constructor to design
00:31:44 --> 00:31:44: it,
00:31:44 --> 00:31:46: really. In any substantial way,
00:31:46 --> 00:31:50: there needs to, you need to make sure that you
00:31:50 --> 00:31:51: basically have.
00:31:51 --> 00:31:54: A strong enough digital infrastructure to allow you to add
00:31:54 --> 00:31:56: and remove tools as you see fit.
00:31:56 --> 00:32:00: So all all of the items that we've talked about.
00:32:00 --> 00:32:03: None of those things really assume.
00:32:03 --> 00:32:06: Any changes of significance in the way the buildings are
00:32:06 --> 00:32:07: designed or built?

00:32:07 --> 00:32:11: I think the. The challenges and this is where our
00:32:11 --> 00:32:14: team is spending a lot of time right now.
00:32:14 --> 00:32:16: As you know, we were looking around at all these
00:32:17 --> 00:32:18: kind of endpoint solutions.
00:32:18 --> 00:32:22: All these specific. Tools we could use,
00:32:23 --> 00:32:27: right? You know, we we should have.
00:32:27 --> 00:32:31: A better XYZ kind of service in our building.
00:32:31 --> 00:32:33: And as we went through all those pilots,
00:32:33 --> 00:32:37: what what we've come to realize overtime is that regardless
00:32:37 --> 00:32:38: of what the tool is.
00:32:38 --> 00:32:42: There's a really painful integration process and it takes
months
00:32:42 --> 00:32:44: and that I think is a big reason why a
00:32:44 --> 00:32:47: lot of people throw their arms up in the air
00:32:47 --> 00:32:50: when they're trying some of the stuff is that it's
00:32:50 --> 00:32:53: like a 3 plus month process and it doesn't quite
00:32:53 --> 00:32:54: come out like you want,
00:32:54 --> 00:32:57: and there are some expectations that aren't met and all
00:32:57 --> 00:32:58: that stuff,
00:32:58 --> 00:33:01: and I think that. Where this is really heading and
00:33:01 --> 00:33:05: I think this will impact the way that we design
00:33:05 --> 00:33:06: and build buildings,
00:33:06 --> 00:33:09: but not from like a.
00:33:09 --> 00:33:11: From a brick and mortar perspective,
00:33:11 --> 00:33:15: it's just becomes a more thoughtful component of the design
00:33:15 --> 00:33:15: process.
00:33:15 --> 00:33:19: Is is making sure that you are.
00:33:19 --> 00:33:22: Thinking through how all of these systems are going to
00:33:22 --> 00:33:25: speak to one another and thinking about how they all
00:33:25 --> 00:33:26: integrate and setting up.
00:33:26 --> 00:33:29: Some infrastructure in your building that allows you to add
00:33:29 --> 00:33:30: and remove,
00:33:30 --> 00:33:32: you know tools as they evolved because the volume of
00:33:32 --> 00:33:35: capital coming into the space right now is is substantial.
00:33:35 --> 00:33:38: The number of startups is only going to increase their
00:33:38 --> 00:33:41: ability to create a great product is only going to
00:33:41 --> 00:33:41: increase.
00:33:41 --> 00:33:44: So the only way that real estate owners are gonna
00:33:44 --> 00:33:46: be able to keep up with that without losing their
00:33:46 --> 00:33:50: minds about going through this painful integration process
time and
00:33:50 --> 00:33:53: time again is to actually figure out a way to

00:33:53 --> 00:33:54: create.

00:33:54 --> 00:33:56: A relatively standardized is the wrong word,

00:33:56 --> 00:33:59: but an infrastructure that allows you to add,

00:33:59 --> 00:34:02: remove these tools and extract information more easily and
is

00:34:02 --> 00:34:06: that is that is that how we is that how

00:34:06 --> 00:34:07: we prevent.

00:34:07 --> 00:34:10: Feeling like we're investing in an 8 track player today,

00:34:10 --> 00:34:14: but by the time we finish it's a cassette or

00:34:14 --> 00:34:16: CD player and we've missed.

00:34:16 --> 00:34:19: We've we've invested in the wrong technology.

00:34:19 --> 00:34:23: You're saying, there are technologies today that you can
invest

00:34:23 --> 00:34:26: in that are interactive and substitutable an allow you to

00:34:26 --> 00:34:30: stay on top of the latest and greatest without flushing

00:34:30 --> 00:34:33: money. Time and time again is that is that what

00:34:33 --> 00:34:34: I heard you

00:34:34 --> 00:34:35: just say? I think it's more.

00:34:37 --> 00:34:39: Yeah, I think the point here is right.

00:34:39 --> 00:34:41: It's like you don't just wake up one day and

00:34:41 --> 00:34:42: decide to run a marathon,

00:34:42 --> 00:34:44: right? You have to train for it,

00:34:44 --> 00:34:46: and I think that's lost on a lot of folks

00:34:46 --> 00:34:49: in the sense of like I think they do.

00:34:49 --> 00:34:50: View it like you phrased it Byron.

00:34:50 --> 00:34:52: He said. What are the Jackson like?

00:34:52 --> 00:34:55: Things like? Forget about that like you're not even close

00:34:55 --> 00:34:57: to being able to access the next Gen or or

00:34:57 --> 00:34:58: like where the world's going.

00:34:58 --> 00:35:00: Let's focus on like solving some of these like these

00:35:00 --> 00:35:01: these things,

00:35:01 --> 00:35:03: these operational deficiencies that are staring you right in the

00:35:03 --> 00:35:04: face.

00:35:04 --> 00:35:06: And like the best example that I'll go back to

00:35:06 --> 00:35:07: the analytics.

00:35:07 --> 00:35:09: So we get this all the time.

00:35:09 --> 00:35:10: Someone will come to me,

00:35:10 --> 00:35:12: a real estate lender call man.

00:35:12 --> 00:35:15: How can I use machine learning and AI to better

00:35:15 --> 00:35:15: analyze data?

00:35:15 --> 00:35:18: I'm like do you First off to even know what

00:35:18 --> 00:35:19: those two words mean?

00:35:19 --> 00:35:22: And 2nd off? Do you even know where your data

00:35:22 --> 00:35:23: on your assets are today?
00:35:23 --> 00:35:25: How it's how, it's how,
00:35:25 --> 00:35:27: how they are extracted, how they're stored,
00:35:27 --> 00:35:29: how they're structured, how they're used today,
00:35:29 --> 00:35:31: and that's what needs to be happen.
00:35:31 --> 00:35:33: First is that guys understand what it means to to
00:35:33 --> 00:35:37: create a knowledge structure and organize your data and
spend
00:35:37 --> 00:35:38: the money to do so.
00:35:38 --> 00:35:41: But then build the. The organizational capabilities to leverage
that
00:35:41 --> 00:35:42: once you get it,
00:35:42 --> 00:35:44: the first question I asked when someone says,
00:35:44 --> 00:35:46: hey, what can? How can I use AI?
00:35:46 --> 00:35:49: It's like alright, let's just say I structured all your
00:35:49 --> 00:35:51: data and I gave it to you right now.
00:35:51 --> 00:35:52: What questions would you ask it?
00:35:52 --> 00:35:54: And they they. It's funny they they they start to
00:35:54 --> 00:35:57: to ask questions that are self reinforcing in the sense
00:35:57 --> 00:36:00: they just they they simply reinforce their own biases and
00:36:00 --> 00:36:02: how they've operated their, their their portfolio historically,
00:36:02 --> 00:36:04: which is the completely wrong way to do it in
00:36:04 --> 00:36:07: the sense of the guy is the whole reason why
00:36:07 --> 00:36:09: you spend all this money to create a sophisticated,
00:36:09 --> 00:36:11: accessible data lake of information.
00:36:11 --> 00:36:14: Is asking questions that you've never asked it before to
00:36:14 --> 00:36:17: challenge preconceived notions of what it means to lease
and
00:36:17 --> 00:36:18: to into purchase,
00:36:18 --> 00:36:21: and to sell and start to like really think through?
00:36:21 --> 00:36:24: How can I think about My Portfolio construction differently?
00:36:24 --> 00:36:27: Leveraging all this information that's never been in my
fingertips
00:36:27 --> 00:36:28: before,
00:36:28 --> 00:36:31: but again, that's a process that takes potentially months,
00:36:31 --> 00:36:32: if not maybe even years,
00:36:32 --> 00:36:34: to find the right people,
00:36:34 --> 00:36:36: the right structure, the right systems,
00:36:36 --> 00:36:39: and the right, the right operating capabilities to do all
00:36:39 --> 00:36:40: those things simultaneously.
00:36:40 --> 00:36:43: 'cause there's so many instances and buy a new Linux
00:36:43 --> 00:36:44: before.
00:36:44 --> 00:36:46: I just spent \$2,000,000 in a data lake and nobody

00:36:46 --> 00:36:49: used it and that's what the data lakes swap now
00:36:49 --> 00:36:49: like.
00:36:49 --> 00:36:51: Of course it is because nobody is keeping the data
00:36:52 --> 00:36:52: clean,
00:36:52 --> 00:36:54: but nobody thought that they had to actually hire people
00:36:54 --> 00:36:56: and train train existing folks to be like,
00:36:56 --> 00:36:59: hey, this is how you manage data and use it
00:36:59 --> 00:37:00: and keep it clean.
00:37:00 --> 00:37:03: They just assume that there's some magic silver bullet that
00:37:03 --> 00:37:05: the BC kisses could provide that will just like allow
00:37:06 --> 00:37:07: them to do all this cool stuff.
00:37:07 --> 00:37:09: It's not it, you have to.
00:37:09 --> 00:37:11: You have to have the discipline of what Charlie is
00:37:11 --> 00:37:12: referring to of.
00:37:12 --> 00:37:14: Like we were going to spend.
00:37:14 --> 00:37:17: Years and dollars and resources and time to change
00:37:17 --> 00:37:20: organizational
00:37:17 --> 00:37:20: culture and capabilities to leverage is ecosystem where we
00:37:20 --> 00:37:22: can
00:37:20 --> 00:37:22: start to plug and play and then eventually start going
00:37:22 --> 00:37:25: moon shotty where you're taking advantage of that.
00:37:25 --> 00:37:27: You're you're, you're a first mover.
00:37:27 --> 00:37:29: You're not even a fast follow or you're not a
00:37:29 --> 00:37:30: herd mentality.
00:37:30 --> 00:37:33: Which real estate suffers from so filling those muscle groups.
00:37:33 --> 00:37:34: Let's digest some of
00:37:34 --> 00:37:37: these concepts because I think that we're really laying a
00:37:37 --> 00:37:40: foundation for really rethinking the way we integrate
00:37:40 --> 00:37:41: technology in
00:37:40 --> 00:37:41: real estate.
00:37:41 --> 00:37:44: And I've heard I just heard you say.
00:37:44 --> 00:37:46: Brad and I heard you say Charlie,
00:37:46 --> 00:37:48: don't be afraid to experiment.
00:37:48 --> 00:37:51: Embed this change in everyones mind and know that it's
00:37:51 --> 00:37:51: a journey,
00:37:51 --> 00:37:54: not a Sprint, and you have to experiment and you
00:37:54 --> 00:37:56: will waste some money.
00:37:56 --> 00:37:58: You will flush the money and then you'll find some
00:37:58 --> 00:38:00: solutions that work.
00:38:00 --> 00:38:01: And oh, by the way,
00:38:01 --> 00:38:04: technology is also moving us in a way that makes
00:38:04 --> 00:38:07: it easier cloud based solutions or a little more fungible
00:38:07 --> 00:38:09: than some of the other solutions.

00:38:09 --> 00:38:12: And you can. You can Shuck and jive and move
00:38:12 --> 00:38:15: around a little more quickly than having something that's.
00:38:15 --> 00:38:19: Parked in a data center on a hard drive.
00:38:19 --> 00:38:22: If you're if you're in the cloud,
00:38:22 --> 00:38:26: but also creating a digital mindset among your tenants and
00:38:26 --> 00:38:30: your own employees so that these discussions become
conversational and
00:38:30 --> 00:38:31: not intimidating.
00:38:31 --> 00:38:35: As a firm, we have a an app that we're
00:38:35 --> 00:38:40: rolling out to clients to help their employees become more
00:38:40 --> 00:38:40: digital,
00:38:40 --> 00:38:45: and it's it's becoming comfortable with what we call digital
00:38:45 --> 00:38:47: burst during the day.
00:38:47 --> 00:38:49: Constant learning, constant trial, and it's not.
00:38:49 --> 00:38:51: It's not that expensive to put it on the apps
00:38:51 --> 00:38:54: of your employees so that you are helping your helping
00:38:54 --> 00:38:57: drive them to a more digital mindset because we all
00:38:57 --> 00:38:59: have to do that. Charlie,
00:38:59 --> 00:39:01: you were about to say something a moment ago,
00:39:01 --> 00:39:03: we interrupted. Please. No, it's it's alright.
00:39:03 --> 00:39:03: I
00:39:03 --> 00:39:08: think I think that's right there and I think.
00:39:08 --> 00:39:12: To. Go back to the idea of kind of looking
00:39:12 --> 00:39:14: for that earth moving.
00:39:14 --> 00:39:17: Something that we all need to leap onto the way
00:39:17 --> 00:39:20: that we talk about it is that there's kind of
00:39:20 --> 00:39:21: incremental innovation.
00:39:21 --> 00:39:26: And there's transformational innovation and the incremental
ones being a
00:39:26 --> 00:39:28: lot of the topics that and a lot of the
00:39:28 --> 00:39:30: startups that are out there today.
00:39:30 --> 00:39:34: Just providing you with a better way to do something
00:39:34 --> 00:39:35: or to track something,
00:39:35 --> 00:39:39: and that is actually. A really safe way to build
00:39:39 --> 00:39:43: some of these new muscle groups and to pilot,
00:39:43 --> 00:39:46: and you know you're talking about,
00:39:46 --> 00:39:48: it's not. It's not nothing,
00:39:48 --> 00:39:52: but there are ways to to explore and to try
00:39:52 --> 00:39:55: some of these new things that are.
00:39:55 --> 00:39:59: 10 to 20 to \$50,000 a pop.
00:39:59 --> 00:40:03: And. You know there there are and there are ways
00:40:03 --> 00:40:06: to be able to try to wrap your head around

00:40:07 --> 00:40:11: what's going on out there and what matters by really
00:40:11 --> 00:40:14: just kind of focusing on the incremental pieces and then
00:40:14 --> 00:40:16: the more you understand the incremental pieces,
00:40:16 --> 00:40:20: the more you can kind of see the landscape today
00:40:20 --> 00:40:22: and then the more you might have.
00:40:22 --> 00:40:25: A better perspective for your own organization as to which
00:40:25 --> 00:40:26: bigger picture,
00:40:26 --> 00:40:29: more transformation o'll concepts we need to be paying
attention
00:40:30 --> 00:40:30: to also.
00:40:30 --> 00:40:33: But there's this whole kind of swirling that's going around
00:40:33 --> 00:40:36: right now of all these new ideas of incremental innovation
00:40:37 --> 00:40:39: that's getting kind of put into the same category of
00:40:39 --> 00:40:41: transformation, and which ones matter.
00:40:41 --> 00:40:44: They all actually matter. It's just you know,
00:40:44 --> 00:40:47: when are they going to happen and how can we
00:40:47 --> 00:40:48: create?
00:40:48 --> 00:40:51: A bit of a. Of a machine today to allow
00:40:51 --> 00:40:53: you to explore.
00:40:53 --> 00:40:56: Right now, things in a cost effective way to get
00:40:56 --> 00:41:00: the firm more comfortable with that exploration and thus
educating
00:41:00 --> 00:41:01: you to figure out.
00:41:01 --> 00:41:04: What moon shots you want to
00:41:04 --> 00:41:07: take? OK, so give us a give and I want
00:41:07 --> 00:41:10: each of you to give us some practical,
00:41:10 --> 00:41:14: useful tools that help operations and save money and then
00:41:14 --> 00:41:18: some useful tools that are moving you toward the moon
00:41:18 --> 00:41:26: shots. I mean, yeah, these are tough questions.
00:41:26 --> 00:41:29: I mean, there's some. There's some obvious ones have
already
00:41:29 --> 00:41:29: been proven right.
00:41:29 --> 00:41:32: BTS is now pretty ubiquitous across commercial real estate.
00:41:32 --> 00:41:34: It's a pretty simple and elegant software.
00:41:34 --> 00:41:37: Product is essentially replaced a bunch of the work I
00:41:37 --> 00:41:39: used to do as an analyst when I was at
00:41:39 --> 00:41:40: Starwood Intention Spire.
00:41:40 --> 00:41:43: I used to build these really elegant stacking plans in
00:41:43 --> 00:41:45: Excel that I was super proud of,
00:41:45 --> 00:41:47: but it would yeah I I'd be up all night
00:41:48 --> 00:41:50: doing it for what reason to show my,
00:41:50 --> 00:41:53: you know MD for five minutes so you can make
00:41:53 --> 00:41:54: a decision.

00:41:54 --> 00:41:56: There was stale because you know,
00:41:56 --> 00:41:58: the market had already shifted,
00:41:58 --> 00:42:01: so you know there's some really obvious one.
00:42:01 --> 00:42:03: Software adoptions, like BTS in Procor,
00:42:03 --> 00:42:06: they could just re invigorate your business.
00:42:06 --> 00:42:09: You reduce the need for potentially some headcount and just
00:42:09 --> 00:42:13: make decisions faster with more information and more
confidence than
00:42:13 --> 00:42:15: than you have historically.
00:42:15 --> 00:42:18: So I think those are some pretty obvious ones,
00:42:18 --> 00:42:20: which is the ground no?
00:42:20 --> 00:42:21: But
00:42:21 --> 00:42:24: then if you link VTS to a paperless.
00:42:24 --> 00:42:29: Leasing document that then it is signed with DocuSign and
00:42:29 --> 00:42:33: then moved into the owner's rent roll and then into
00:42:33 --> 00:42:37: the general Ledger and you don't have to have it
00:42:37 --> 00:42:42: handled by 15 people before it gets logged into the
00:42:42 --> 00:42:43: accounting system.
00:42:43 --> 00:42:46: I mean, those are those are available no brainer and
00:42:46 --> 00:42:47: not that expensive,
00:42:47 --> 00:42:49: right? Yeah,
00:42:49 --> 00:42:51: no of course not. Yeah,
00:42:51 --> 00:42:53: stitching those things together are relatively straightforward.
00:42:53 --> 00:42:56: Again, for an organization that has the wherewithal to do
00:42:56 --> 00:42:57: so for the.
00:42:57 --> 00:42:58: For those starting from scratch,
00:42:58 --> 00:43:00: that might be operationally challenging,
00:43:00 --> 00:43:02: but the tools to your point exists and and and
00:43:02 --> 00:43:04: can be leveraged effectively.
00:43:04 --> 00:43:07: And keep in mind, BTS recognizes that same value
proposition
00:43:07 --> 00:43:10: and their building in you know integrated in their system
00:43:10 --> 00:43:11: and their new marketplace product,
00:43:11 --> 00:43:14: 'cause they understand that. Listen to the end goal here,
00:43:14 --> 00:43:17: right is not just to have instant access to your
00:43:17 --> 00:43:18: leasing information,
00:43:18 --> 00:43:21: but it's actually leverage that data both from your captive.
00:43:21 --> 00:43:25: Portfolio but then in anonymized data that's been extracted in
00:43:25 --> 00:43:28: real time from the portfolio that surrounds your building,
00:43:28 --> 00:43:30: to then engage with the tenant,
00:43:30 --> 00:43:33: have them view their space remotely and potentially even
digitally
00:43:33 --> 00:43:35: and or digitally enabled in person,

00:43:35 --> 00:43:39: and then give them the ability to sort of transact
00:43:39 --> 00:43:42: on the spot to monetize that you know that buying
00:43:42 --> 00:43:46: desire if and when it occurs so that you can
00:43:46 --> 00:43:49: have a much more effective and cost effective funneling
process
00:43:49 --> 00:43:51: and transact more often at better pricing.
00:43:51 --> 00:43:53: All that information when combined.
00:43:53 --> 00:43:56: And rendered available instantly is just creates Better
Business processes
00:43:56 --> 00:43:58: and Better Business outcomes.
00:43:58 --> 00:44:01: And firms like BTS are very well positioned to deliver
00:44:01 --> 00:44:02: on that on that.
00:44:02 --> 00:44:05: On that future promise where it's actually integrated under
one
00:44:05 --> 00:44:05: system.
00:44:05 --> 00:44:08: So you don't have 30 tabs open,
00:44:08 --> 00:44:10: manage in your your, your your your assets.
00:44:11 --> 00:44:14: And Charlie, when you go to the CFO's office with
00:44:14 --> 00:44:16: a return on investment,
00:44:16 --> 00:44:19: what are the top three tech enabled activities that you
00:44:19 --> 00:44:20: can show?
00:44:22 --> 00:44:25: Show the Investment Committee or show your finance
department and
00:44:25 --> 00:44:28: smile and say we may have spent this much here.
00:44:28 --> 00:44:29: But look at what
00:44:29 --> 00:44:29: we
00:44:29 --> 00:44:31: got here. Yeah, you know,
00:44:31 --> 00:44:36: it's that. There's a couple different ways to look at
00:44:36 --> 00:44:36: that.
00:44:36 --> 00:44:39: One one is the money we're spending on R&D and
00:44:39 --> 00:44:41: the other is the capital.
00:44:41 --> 00:44:45: We're actually investing in these companies and the capital
that
00:44:45 --> 00:44:48: we're investing in these companies has actually returned.
00:44:48 --> 00:44:52: Very well, on average it's returning,
00:44:52 --> 00:44:56: you know. Better than a real estate is even as
00:44:56 --> 00:44:58: a kind of real estate developer.
00:44:58 --> 00:45:01: No? I mean in a real estate developer,
00:45:01 --> 00:45:03: even in kind of a promoted position where when you
00:45:03 --> 00:45:05: outperform do particularly well.
00:45:05 --> 00:45:08: Those even in that context and even in working with
00:45:08 --> 00:45:08: Brad,
00:45:08 --> 00:45:10: where were being promoted upon that,

00:45:10 --> 00:45:14: that's effective. Financial returns today.
00:45:14 --> 00:45:18: So that's one that on the R&D side you know
00:45:18 --> 00:45:18: we have,
00:45:18 --> 00:45:20: let's use a really concrete example,
00:45:20 --> 00:45:24: let's use. The question out there right now of how
00:45:24 --> 00:45:28: can we make our buildings better and safer in a
00:45:28 --> 00:45:30: COVID environment?
00:45:30 --> 00:45:33: But things that will also be useful after?
00:45:33 --> 00:45:36: Like how do we know robot over spending on something
00:45:37 --> 00:45:40: and that we need to extract it and we need
00:45:40 --> 00:45:43: to change it and that's kind of how we're examining
00:45:43 --> 00:45:46: a lot of our work right now.
00:45:46 --> 00:45:50: And those are things that will improve the.
00:45:50 --> 00:45:56: Dependability the efficiency of the building and the
experience of
00:45:56 --> 00:45:57: our end users,
00:45:57 --> 00:46:00: right? So those are things like.
00:46:02 --> 00:46:05: You know we keep talking about a building app,
00:46:05 --> 00:46:07: but the building app itself is really kind of a
00:46:07 --> 00:46:07: wrapper.
00:46:07 --> 00:46:09: It's a mechanism to provide information and service.
00:46:09 --> 00:46:11: It's really about what is underneath.
00:46:11 --> 00:46:13: All of that. Can you book rooms?
00:46:13 --> 00:46:15: Can you? Do you have access to the quality of
00:46:15 --> 00:46:16: air in your space?
00:46:16 --> 00:46:19: Do you have? Do you have access to visitor management?
00:46:19 --> 00:46:24: Can you? Engage with the retail kind of surrounding you.
00:46:24 --> 00:46:27: Those kinds of things that are really important now in
00:46:27 --> 00:46:28: helping people understand.
00:46:28 --> 00:46:30: OK, how long if I want to go to my
00:46:30 --> 00:46:33: office building right now and I don't want to stand
00:46:33 --> 00:46:36: in a line I'm worried about being in a crowded
00:46:36 --> 00:46:37: lobby or crowded elevator. You know,
00:46:37 --> 00:46:40: we have information that's available to them that says,
00:46:40 --> 00:46:42: you know right now. If you were to try to
00:46:42 --> 00:46:45: go to the officers about a seven minute wait time,
00:46:45 --> 00:46:47: or there's only been 20 people in the lobby in
00:46:47 --> 00:46:49: the last 20 minutes,
00:46:49 --> 00:46:52: and some of those little pieces are not going to
00:46:52 --> 00:46:52: be as.
00:46:52 --> 00:46:53: Effective in the long run,
00:46:53 --> 00:46:55: but if you're thinking about it in the context of

00:46:55 --> 00:46:57: just improving the service and the efficiency in your building,
00:46:57 --> 00:46:59: those are the things that are going to last,
00:46:59 --> 00:47:02: and so those are the areas that that we're honing
00:47:02 --> 00:47:03: in on today.
00:47:03 --> 00:47:03: Yeah,
00:47:03 --> 00:47:05: I'll even put an exclamation point on that,
00:47:05 --> 00:47:07: and the only reason why I can share this is
00:47:07 --> 00:47:09: 'cause it's been publicly reported.
00:47:09 --> 00:47:12: But I'd encourage everyone to look at Lenoir's post earnings
00:47:12 --> 00:47:13: call from last quarter,
00:47:13 --> 00:47:16: where the chairman Stuart Miller talked about there.
00:47:16 --> 00:47:18: He spent the majority of the call talking about their
00:47:18 --> 00:47:21: investments in technology as it relates to improving their
business.
00:47:21 --> 00:47:24: Most of those technology adoption and investments were
done through
00:47:24 --> 00:47:24: fifth,
00:47:24 --> 00:47:26: while their financial position in those companies,
00:47:26 --> 00:47:29: both through our fund, an SPV's where they where they
00:47:29 --> 00:47:30: invested an.
00:47:30 --> 00:47:31: Again, that's an important distinction here.
00:47:31 --> 00:47:34: When you do start to move up the innovation curve.
00:47:34 --> 00:47:36: Don't just become grated adopting,
00:47:36 --> 00:47:38: but think about investing as well because you're going to
00:47:38 --> 00:47:41: play kingmaker to the circus tent with some of these
00:47:41 --> 00:47:42: companies,
00:47:42 --> 00:47:45: so participating the financial upside that you ultimately create
is
00:47:45 --> 00:47:46: is usually a good idea.
00:47:46 --> 00:47:49: Leonard's financial position based on the use cases of an
00:47:49 --> 00:47:52: adoption of seven or seven or nine of those companies
00:47:52 --> 00:47:54: is marked it over a billion dollars,
00:47:54 --> 00:47:56: so you can. You can credibly say in this scenario
00:47:56 --> 00:47:59: that we paid lenara billion dollars to innovate their business
00:47:59 --> 00:48:00: and their share price.
00:48:00 --> 00:48:03: Now is is starting to be affected by the perception
00:48:03 --> 00:48:05: from the public markets.
00:48:05 --> 00:48:07: As it used them not as just a pure home
00:48:07 --> 00:48:08: manufacturer,
00:48:08 --> 00:48:10: which is that what they've always been,
00:48:10 --> 00:48:12: but it was a residential living provider that that's allowing
00:48:13 --> 00:48:15: them to expand their capabilities not just in home
manufacturing,

00:48:15 --> 00:48:19: not just in multifamily but now in single family rental
00:48:19 --> 00:48:21: in a whole host of other arenas that I think,
00:48:21 --> 00:48:24: are proving that, hey, this is that we're doing things
00:48:24 --> 00:48:24: differently,
00:48:24 --> 00:48:27: and we're living in technology to give us that competitive
00:48:27 --> 00:48:27: edge.
00:48:27 --> 00:48:30: So I think that's a great example of this.
00:48:30 --> 00:48:33: That's the end goal is to get there where you're
00:48:33 --> 00:48:34: in the driver seat,
00:48:34 --> 00:48:36: and your shareholders are rewarding you for it.
00:48:36 --> 00:48:39: For those investments that that that drive not just bottom
00:48:39 --> 00:48:42: line Noid impact would start to create significant
00:48:42 --> 00:48:43: enterprise value very well said,
00:48:43 --> 00:48:47: which draws me to a question of relevance versus
irrelevance.
00:48:47 --> 00:48:48: Go ahead, Charlie.
00:48:49 --> 00:48:52: I was just going to.
00:48:52 --> 00:48:55: Clarify one thing really quick and that is as Brad's
00:48:55 --> 00:48:57: talking about deploying capital into the space.
00:48:57 --> 00:49:01: You know, I just wanted to comment as an owner.
00:49:01 --> 00:49:04: You know we've always thought about this deployment as
needing
00:49:04 --> 00:49:07: to have a balance of financial and strategic outcomes,
00:49:07 --> 00:49:10: and we found that deploying our capital has been a
00:49:10 --> 00:49:11: great.
00:49:11 --> 00:49:14: You need to clear what you believe in financial.
00:49:14 --> 00:49:17: You know, we have our own hurdles as to what
00:49:17 --> 00:49:21: we want to make sure our capital is out there
00:49:21 --> 00:49:22: doing in returning.
00:49:22 --> 00:49:25: And if you can believe that you can clear that
00:49:25 --> 00:49:29: threshold and there's a strategic opportunity that will allow
you
00:49:29 --> 00:49:32: to more deeply engage with that company and create a
00:49:32 --> 00:49:35: product that's going to be more useful to your own
00:49:35 --> 00:49:36: organization.
00:49:36 --> 00:49:38: There's a ton of value there,
00:49:38 --> 00:49:42: and so for us it's been very strategic and communicative.
00:49:42 --> 00:49:46: You know mechanism that we've used to try to improve
00:49:46 --> 00:49:47: our real estate.
00:49:47 --> 00:49:51: It's not really something for us that is.
00:49:51 --> 00:49:54: We're getting in the technology investment business.
00:49:54 --> 00:49:56: That's that's who we are now,
00:49:56 --> 00:49:58: but that's not it at all.

00:49:58 --> 00:50:00: It's it's it's that we're using it as a way
00:50:00 --> 00:50:04: to more deeply partner with some of these companies and
00:50:04 --> 00:50:04: learn.
00:50:04 --> 00:50:08: And the. The the actual returns thus far have actually
00:50:08 --> 00:50:12: exceeded our expectations and that was really what I was
00:50:12 --> 00:50:13: trying to get at.
00:50:13 --> 00:50:14: And there were, you know,
00:50:14 --> 00:50:17: we're still having this debate within our own organization as
00:50:17 --> 00:50:20: to how much capital should we be putting in here
00:50:20 --> 00:50:20: and how you know.
00:50:20 --> 00:50:23: How do we really want to be managing this over
00:50:23 --> 00:50:24: the long run?
00:50:24 --> 00:50:26: And I don't think that that debate ever goes away.
00:50:26 --> 00:50:29: I think it's just something that you're continually kind of
00:50:29 --> 00:50:30: pressure testing one another on.
00:50:31 --> 00:50:35: Good point, good point. I worry that underspending leads to
00:50:35 --> 00:50:39: irrelevance and I'd love to hear your thoughts on this
00:50:39 --> 00:50:43: because I think we we are all struggling with the
00:50:43 --> 00:50:45: future of how space is used.
00:50:45 --> 00:50:48: We're watching buildings that have certain features,
00:50:48 --> 00:50:51: be attractive and certain buildings that don't fall into
irrelevance.
00:50:51 --> 00:50:56: What is your view toward technology in the determination of
00:50:56 --> 00:50:58: which buildings?
00:50:58 --> 00:51:01: Are relevant and those that are irrelevant and how much
00:51:01 --> 00:51:05: of our inventory and existing stock has to be basically
00:51:05 --> 00:51:06: demolished and rebuilt.
00:51:06 --> 00:51:08: Because of that irrelevance.
00:51:09 --> 00:51:14: I think that. You know one of the.
00:51:14 --> 00:51:17: One of the worst things you can.
00:51:17 --> 00:51:19: You know, do as a as a as a real
00:51:19 --> 00:51:22: estate or as as as anyone out there in the
00:51:22 --> 00:51:26: world within the environment is to not find a way
00:51:26 --> 00:51:27: to reuse what already exists.
00:51:27 --> 00:51:29: Make it as effective as it can be,
00:51:29 --> 00:51:33: and I actually think that word a really interesting moment
00:51:33 --> 00:51:35: in time where you look back at.
00:51:35 --> 00:51:39: Assets that were considered trophy and core 30 years ago
00:51:39 --> 00:51:39: or more,
00:51:39 --> 00:51:42: and there's a lot of questions as to whether they're
00:51:42 --> 00:51:43: still core,
00:51:43 --> 00:51:46: and I think that. There's not.

00:51:46 --> 00:51:49: There's a lot that you need to be thinking through
00:51:49 --> 00:51:53: on the ground floor playing and meditation and providing flexibility
00:51:53 --> 00:51:55: and services to your tenants.
00:51:55 --> 00:51:57: But I think that there are a lot of technology
00:51:57 --> 00:52:01: advancements that are very feasible in older assets that actually
00:52:02 --> 00:52:05: can pretty effectively bring them back up to the top
00:52:05 --> 00:52:09: of the list again. So I'm actually optimistic that this.
00:52:09 --> 00:52:11: The advancements that we're seeing are not going to make
00:52:11 --> 00:52:12: older buildings obsolete.
00:52:12 --> 00:52:15: It's actually going to allow them to continue to compete
00:52:15 --> 00:52:17: so long as they can figure out a way to
00:52:17 --> 00:52:19: be adopting these technologies in their buildings.
00:52:19 --> 00:52:20: That's
00:52:20 --> 00:52:21: encourage it, so it's not
00:52:21 --> 00:52:23: a right there there. There are plenty of people that
00:52:23 --> 00:52:25: have iPhone sevens that again.
00:52:25 --> 00:52:27: As long as the operating system gets upgraded,
00:52:27 --> 00:52:29: they still function like a new iPhone.
00:52:29 --> 00:52:31: You just might not have the latest camera on it,
00:52:31 --> 00:52:33: so it's really about that decision.
00:52:33 --> 00:52:35: It's like this this with with if you can.
00:52:35 --> 00:52:38: If you can move away from the physical amenity war
00:52:38 --> 00:52:39: and start to.
00:52:39 --> 00:52:41: Build capabilities around a digital one,
00:52:41 --> 00:52:43: then you can this. This phone will remain won't won't
00:52:43 --> 00:52:46: become obsolete and will remain relevant because you cannot create
00:52:46 --> 00:52:47: its operating system.
00:52:47 --> 00:52:50: And that's what buildings really need to represent in the
00:52:50 --> 00:52:50: future.
00:52:50 --> 00:52:52: Then that's what Charlie is striving for.
00:52:52 --> 00:52:55: It's like the plug and play capability of being able
00:52:55 --> 00:52:58: to adopt an upgrade and evolve as technology does.
00:52:58 --> 00:53:00: There's nothing worse than walking to a hotel room,
00:53:00 --> 00:53:03: and you know, the only thing that you can plug
00:53:03 --> 00:53:03: into,
00:53:03 --> 00:53:06: like play your phone, is like the whole Jack that
00:53:06 --> 00:53:08: doesn't fit into the new one,
00:53:08 --> 00:53:11: so. And even if that's a fancy Regis hotel room,
00:53:11 --> 00:53:13: it still feels cheap. You're like,
00:53:13 --> 00:53:15: well, this place is outdated and it's like,

00:53:15 --> 00:53:17: why am I paying all this money,
00:53:17 --> 00:53:20: but just 'cause he can't plug in your phone to
00:53:20 --> 00:53:22: a radio that you're probably never going to use,
00:53:22 --> 00:53:24: but it's it's got that feeling.
00:53:24 --> 00:53:27: So don't invest in invest in hardware that's malleable
investing
00:53:27 --> 00:53:30: software that's flexible and do so with an operating platform
00:53:30 --> 00:53:32: that allows you to extract and change and evolve and
00:53:32 --> 00:53:34: meet demand because you don't own office,
00:53:34 --> 00:53:36: you don't own residential, you don't own industrial,
00:53:36 --> 00:53:39: you just don't space. And it's your job to articulate
00:53:39 --> 00:53:40: that space.
00:53:40 --> 00:53:42: The consumer and those consumer needs are changing
daily,
00:53:42 --> 00:53:45: so it's building those capabilities is really what the future
00:53:45 --> 00:53:47: of real estate is responsible for.
00:53:47 --> 00:53:48: Well, said,
00:53:48 --> 00:53:50: I'd like to quickly summarize with several things that really
00:53:50 --> 00:53:51: resonated with me,
00:53:51 --> 00:53:56: and number one is. We have underspent as an industry
00:53:56 --> 00:53:59: an and proptech is our excuse in our reason an
00:53:59 --> 00:54:04: our need and our justification to invest in all levels
00:54:04 --> 00:54:07: of our systems and not be intimidated by it.
00:54:07 --> 00:54:11: Number two, we have an opportunity to digitize ourselves as
00:54:11 --> 00:54:14: well as our tenants to make the lives of our
00:54:14 --> 00:54:16: tenants and our investors better.
00:54:16 --> 00:54:18: Better ease of access, better communication,
00:54:18 --> 00:54:21: better investor reporting, better, better customer experience.
00:54:21 --> 00:54:24: #3 is we can't be afraid to.
00:54:24 --> 00:54:27: Test spend money on R&D.
00:54:27 --> 00:54:31: Admit failure when something doesn't work and turn around
and
00:54:31 --> 00:54:32: spend it on something else,
00:54:32 --> 00:54:35: and I think that was a big lesson today and
00:54:35 --> 00:54:36: then the 4th is.
00:54:36 --> 00:54:39: It's not too late. Just as Brad was saying,
00:54:39 --> 00:54:41: old space can be made relevant.
00:54:41 --> 00:54:43: It's not too late to jump in and and and
00:54:43 --> 00:54:47: find your place at the table and to test some
00:54:47 --> 00:54:50: of these technologies and enjoy the results and.
00:54:50 --> 00:54:53: I can't thank you too enough for joining this conversation.
00:54:53 --> 00:54:55: It's been amazingly enlightening and Steve,
00:54:55 --> 00:54:58: I hope this accomplished for for you what you were

00:54:58 --> 00:54:59: hoping to hear.
00:55:00 --> 00:55:02: Yeah, it was overwhelming actually.
00:55:02 --> 00:55:04: And there is so much more that I want to
00:55:04 --> 00:55:05: cover,
00:55:05 --> 00:55:07: so I hope we can do this again.
00:55:07 --> 00:55:10: Brad, I got a brand new phone and I was
00:55:10 --> 00:55:13: pissed that I had to get new cables coming in
00:55:13 --> 00:55:16: so I got all these Chargers and they don't work.
00:55:16 --> 00:55:19: The courts don't work with my new phone.
00:55:19 --> 00:55:21: I'm going family. I gotta go buy new.
00:55:21 --> 00:55:24: I don't exactly what you're talking about so listen there
00:55:24 --> 00:55:26: are so many other areas.
00:55:26 --> 00:55:28: For those listening, there's Proptech for retail.
00:55:28 --> 00:55:30: There's proptech. Climate is a really big deal.
00:55:30 --> 00:55:32: There is the investor. Component,
00:55:32 --> 00:55:34: so listen. Those of you that know me.
00:55:34 --> 00:55:36: I would love to hear from you and what you
00:55:36 --> 00:55:39: else you would like to hear about this thing.
00:55:39 --> 00:55:41: And if you like the program and we will get
00:55:41 --> 00:55:42: to work on,
00:55:42 --> 00:55:43: put the next one together.
00:55:43 --> 00:55:46: And now I want to turn this over to our
00:55:46 --> 00:55:49: Executive Director so Pam go ahead and close this out.
00:55:49 --> 00:55:52: Thank you Steve and again I want to thank all
00:55:52 --> 00:55:55: the speakers and an almost violent from moderating Anan.
00:55:55 --> 00:55:58: Bringing things back to those hard questions that I know
00:55:58 --> 00:56:00: Brad and Charlie said you were asking,
00:56:00 --> 00:56:03: but that's what makes it all understandable to the rest
00:56:03 --> 00:56:05: of us who don't spend our entire working days in
00:56:05 --> 00:56:06: this.
00:56:06 --> 00:56:08: In this particular environment. Thank you for participating.
00:56:08 --> 00:56:10: Thank you all. Great discussion,
00:56:10 --> 00:56:11: Brad, Charlie. Thank you all very much.
00:56:11 --> 00:56:12: Byron,
00:56:12 --> 00:56:13: excellent job, but thank you.
00:56:13 --> 00:56:13: Thank
00:56:13 --> 00:56:15: you already. Bye.

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