

FUTURE OF PROPTECH

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FUTURE OF PROPTech

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TRANSFORMATION

Proptech is the future, not a fad

It sounds like the latest tech trend to hit headlines and attract investment, but proptech is about more than digital transformation. Technology can help put purpose, culture shift and customer experience at the heart of the property sector

Jim McClelland

Asked “what is proptech?”, punters could be forgiven for thinking it some shiny new smartphone phenomenon, all gizmos and gadgets. They would be wrong: it is actually all about them.

For a start, proptech already has pedigree. Residential behemoths Rightmove and Zoopla were pioneering progress ten years ago.

Nor is technology the whole story. It is plainly important to proptech – the clue is in the name – but there is more to market transformation than the miniaturisation of hardware and proliferation of sensors. Machine-learning and cloud computing are enabling, not defining.

For all the hype, proptech is often undersold, argues Alex Edds, director of innovation, at JLL UK. “On the face of it, proptech is the digitalisation of real estate, but beneath the surface there is so much more to it than that. At its core, proptech addresses fundamental questions of how we experience and extract value from real estate,” he says.

Whereas value extraction has seen an influx of venture capital and private equity into the sector, the focus on experience has opened the door to customer expectations.

Mr Edds says: “Proptech is a reflection of the realisation that the consumer experience needs to be at the very heart of real estate. Where the end-user was once forgotten when it came to decision-making, proptech is turning this on its head. Proptech is shifting the balance of power in real estate.”

Not surprisingly, residential was an early adopter of proptech, as simple searching and shopping functions started to open up online property portfolios to prospective buyers and renters.

Fast forward to 2019 and a “walk through” is now on the wish list, making augmented reality (AR) almost a must-have investment for developers, according to Helen Barlow, sales and marketing director at SevenCapital. “AR is particularly beneficial for off-plan developments, where a potential buyer needs to ‘view’ the property to feel confident in what they’re planning to purchase, before it’s actually built,” she says.

Also fast on to the original proptech scene was management and engagement app Mallcomm, now accessed by more than 250,000 users in 250 locations, across Europe and America.



Gettyimages/Klaus Vedfelt

In the digital age of the internet of things, consumers expect a lot more from their experience of the physical world, says Mallcomm chief executive and founder Michelle Buxton.

“The connected consumer wants to control their experience of real estate: how they park, how they access the building, control the temperature, lighting, air conditioning and utilities, how they are rewarded for purchase and get tailored offers, book services and pay rent, plus source community news and information. They now expect it all at their fingertips,” she says.

According to Ms Buxton, data is the game-changer, not just as collected from consumer insights, but integrated with market, retailer, building and occupier data. As a result, the modern property mantra is no longer “location, location, location”, she contends, but “location, experience, analytics”.

Sector growth opportunities are even attracting the attention of government, flexing its own digital muscle in support. Calling for a “digital revolution in the property sector”, UK housing minister Esther McVey announced plans to release data held by local bodies to help UK proptech thrive.

The challenge for the property sector, however, is to mobilise its technology strategy quickly enough to manage change, warns Ms Buxton. “Compared to other sectors, real estate is a dinosaur when it comes to evolution, but disruption has the sector in its grips and there is genuine panic,” she says.

The impact of technology on real estate, however, takes many forms, with proptech a potential force for environmental and social good, tackling climate risk and public health.

So-called active buildings, for instance, integrate renewable

technologies for efficiency, with digital dashboards that monitor energy conversion, storage and usage, to provide property managers and homeowners greater control.

The sustainability benefits are multiple, says Professor Dave Worsley, director of the Active Building Centre. “Proptech in active buildings empowers homeowners and tenants through creating energy self-sufficient structures. Further benefits to society include addressing fuel-poverty concerns, improving air quality through reduced emissions and encouraging adoption of electric vehicles.”

In Yorkshire, Leeds City Council and the City of York are jointly harnessing the help of proptech to boost the health and welfare of local housing tenants. Backed by Innovate UK, the scheme seeks to improve living standards and air quality, by monitoring humidity and detecting damp in homes.

Proptech is proving a boon for beleaguered property agents, under pressure to comply with fast-evolving legislation on crime prevention and security. Strict identity checks, for example, help combat money laundering and fraud, says Rhys David, chief executive of Credas, an identity verification tool that uses facial recognition to confirm buyers and renters are who they say they are.

“The regulator is very active in issuing new regulations, but equally active in enforcing them via fines and penalties. We are likely to see a lot of regtech-proptech crossover in the coming years, to provide solutions to the changing legal landscape,” he says.

Ultimately, proptech represents part of property’s grand digital transformation, which calls for the sector to embrace skills training and culture change, as much as technology shift and evolving consumer demands.

Forward is the only way, concludes James Dearsley, co-founder of global property and proptech platform for business Unissu. “No other industry that has gone through a digital transformation has ever gone back,” he says. “Just like the music and automobile industries, real estate is changing forever.”

The future is written, the future is digital. “We’re witnessing the digitalisation of a largely analogue industry and the opportunities it presents are massive. Continued growth is inevitable. This is not a fad or speculation of future growth. Proptech is here and here to stay,” Mr Edds concludes. ●

56% of real estate decision-makers rate their business five out of ten or lower for digital and technological innovation maturity

48% believe customer experience is a major pain point where proptech can help

73% see digital and technological innovation as an opportunity

KPMG 2018

HOME OWNERSHIP

Helping buyers on to the first rung

Hurdles have never been greater for first-time buyers wishing to climb the housing ladder, so what can proptech do to help?

Samuel Horti

For many first-time buyers, the dream of owning a home has never seemed further out of reach. Rising house prices in Liverpool, Manchester, Edinburgh and, until last year, London have priced buyers out of the areas where they wish to live, while spiralling rents make it increasingly difficult to save for a deposit.

Although tech can't change house prices, some proptech firms believe it can make home ownership more achievable and are flooding into the space. But can technology really help more buyers on to the housing ladder?

Lawrence Bowles, senior residential research analyst at estate agent Savills, is sceptical. "The capacity

for proptech to improve access to home ownership is pretty limited, because the main constraint is getting access to mortgage finance," he says. "There's not a whole lot you can do with tech to help that. You can round up your change every time you buy a cup of coffee, but it takes a long time to save up a deposit that way."

Where proptech could benefit first-time buyers is by tokenising property ownership or a more streamlined and automated system than simple shared ownership, he says. "Shared ownership does it to some extent in a very analogue way," says Mr Bowles. "You can buy 25 per cent and staircase in 10 per cent increments, and it's all quite clunky. If you can tokenise that, turn it into a more dynamic, less labour-intensive process with smaller staircasing increments, it becomes more effective and much easier to navigate."

Some proptech firms are trying to do exactly that. Wayhome aims to circumnavigate mortgages by asking buyers to stump up a 5 per cent deposit and the company's institutional investors will cover the rest. The buyer pays rent on the

portion they don't own, and they can increase their stake at any time and by any amount, without paying fees.

Chief executive Hugh Boyle claims it's less complicated and less expensive than shared ownership. "We will allow Wayhome customers to increase their ownership as regularly as they want and for as little as they think they can afford," he says. "This enables them to chip away, add a little bit each month, participating in any potential property price growth." The home will never be sold without the customer's agreement and rent increases are linked to inflation.

The company is currently finalising its fund, which will be managed by Allianz Global Investors, and Mr Boyle expects it to begin buying homes in the New Year. When it does, it will look at the types of homes first-time buyers want to live in, such as two-bedroom flats, he says.

But the scheme has its restrictions. The minimum 5 per cent deposit must be at least £12,500 and a customer's household income must exceed £30,000, putting it out of reach of many single first-time buyers. While Savills' Mr Bowles believes it has potential to increase home ownership, he points out that Wayhome's customers are still paying market rates, rather than affordable housing rates and he'd like to see the tech applied to housing association products.

"That's one area where I can see there's real opportunity for tech to unlock access," says Mr Bowles. "There's no reason a housing association couldn't license the tech behind it and use it on their platform for an affordable, grant-funded property."

Mr Boyle says Wayhome is not discussing its tech with housing associations. "A lot of their focus is on increasing the housing stock. What we're looking at is increasing home ownership and giving people a way to actually own a home."

Other proptech firms take a more conventional approach to home ownership. Proportunity's customers still buy homes with a mortgage from a lender, but the company provides an equity loan to boost buyers' deposits, unlocking better mortgage rates. Proportunity can increase a deposit from 5 per cent of a property's value to 20 per cent, for example. It's essentially a more flexible equivalent of the government's Help to Buy scheme.

The firm charges between 4 and 7 per cent interest on its loans, while Help to Buy loans are interest free for the first five years. However, Proportunity's loans can be used to buy properties other than new builds, says the company's founder Vadim Toader.

70%

of would-be first-time buyers believe the dream of homeownership is already over for many young people

73%

think that the government should do more to help first-time buyers

Santander 2019

The extra equity might also help buyers shift their sights from one-bedroom homes to two-bed properties, allowing them to generate rental income after they buy. "You can rent the second bedroom to your mate and then he's paying most of your mortgage. Suddenly, you have a bigger flat that's much more affordable," says Mr Toader.

It helps solve the "Catch-22" of mortgage finance, he says. While young buyers are less likely to default on their loans and tend to pick assets that increase in value, they still can't get a mortgage because they lack a large deposit. "We realised it doesn't make sense, so we'll give you the gap," he says. "The bank's happy and, if we're right, we'll get a bit of that [uplift in value] too."

The company, which also limits its loans to those with incomes above £30,000, is still in its early days. Mr Toader says it has between 5,000 and 6,000 buyers signed up, with 500 introduced to independent brokers since the end of the summer. Up to 100 customers are now living in their newly purchased homes.

Proportunity's story mirrors that of many successful residential proptech startups. Just like Wayhome, it holds promise, but remains unproven at scale and there are many other companies in the same boat. As proptech companies scale up over the next few years, the market will begin to see how, or even if, technology can help first-time buyers. Mr Bowles at Savills, along with many would-be homeowners, will take a lot of convincing. ●



“

You can round up your change every time you buy a cup of coffee, but it takes a long time to save up a deposit that way

UK rental market ripe for digital disruption

Addressing the UK's private rental crisis with an innovative tech-based platform

Renting a place to live in many spots around the globe is stressful and expensive, yet in the UK it's reached new heights. Trust is in short supply and it's not uncommon for landlords to demand huge deposits. Tenants must raise more than £1,000 for a rental deposit to secure a home. At the same time more than 11 million people have less than a £100 in savings. This private rental crisis needs to be resolved.

There are other factors contributing to this perfect storm. Notably rents are more expensive than at any point

in recent history, doubling in a decade. Already a fifth of the UK population lives in privately rented accommodation, that's 4.5 million households and another half a million are expected by 2023. This booming industry is fuelled by stubbornly inflated house prices and lacklustre wage rises.

"With home ownership now a pipe dream for many and 'generation rent' firmly entrenched here in the UK, private and social tenants remain underserved and almost invisible to the property and financial sector," says Tahir Farooqui, chief executive of Canopy, a digital rental platform, with its trademarked RentPassport™ at its core.

"Tenants are able to effortlessly rent a property with Airbnb in 191 countries from their mobile devices, yet securing a long-term rental property in the UK market is a stressful and painful experience. It involves tenant screening and upfront deposits, both prerequisites to renting a property, anywhere in the world."

Renters are also cash poor. It doesn't help that average rent as a proportion of income is now 35 per cent of people's salaries, exceeding mortgage payments in some regions. Unaffordable rents are not uncommon. Then there's the deposit. For each move, tenants must find five weeks rent to secure their home, which is dead money. Currently in the UK, £4.5 billion is locked away in cash deposits.

"It's a huge sum of money that could be freed up if more trust was built into renting. Finding large sums puts tenants under immense pressure, especially if they need to relocate regularly. It's crucial we find ways to improve people's renting lives, make tenancy more affordable and build a more inclusive rental society," says Mr Farooqui, whose tech-based platform aims to address this issue.

Then there is the booming gig economy, which now accounts for 4.7 million UK workers. The number of people in this sector has doubled in the past three years. Precarious work life is now reflected in precarious home life. Gig economy workers can be seen as a risky proposition for landlords and letting agents. Therefore, some have to fork out larger sums to secure a property.

"The deposit is as outdated as the UK's Victorian housing stock. Historically, traditional tenant

referencing companies have served only the needs of letting agents or landlords. They've largely ignored tenants as a valued customer. This has created the greatest market opportunity in fintech: low-cost, high-tech financial services for 21st-century renters, letting agents and landlords with trust at its core," says Mr Farooqui.

"Other sectors have embraced the sharing economy, embedding trust into their platforms, whether it's holiday rentals with Airbnb, transport with Uber or food deliveries with Deliveroo. They've also freed up people's assets to be used in trusted way, whether it be houses, apartments or vehicles. We can now do this with renters' deposits, cutting down on the upfront payment costs of moving."

Insurance is one answer. It is now readily available and can cover the exact same areas protected by a cash

deposit, without the need for the tenant to pay out a large lump sum. Canopy has achieved this with a one-off insurance policy, which is typically 10 per cent of the value of a renter's cash deposit. Canopy has partnered with SwissRe to underwrite its cash deposits.

"By 2025 we want to eliminate the need for all cash deposits on UK properties. This is not just for the benefit of renters; landlords benefit too. Removing the need for a cash deposit increases the attractiveness of a property to prospective tenants; they could potentially afford more and move more rapidly between properties, saving time and costs registering with tenancy deposit schemes," says Mr Farooqui, whose investors include Direct Line Group, Experian, West Hill Capital, Vision Blue Solutions and Pollen Street Capital.

The core proposition is Canopy's RentPassport™, which empowers tenants to build a portable digital rental history. It is powered by Open Banking and also allows a free tenant-screening solution.

Tenants are able to check their credit worthiness instantly through a soft credit check, powered by Experian. They can also instantly verify their income, historical rental payments and rental affordability through Open Banking. The platform is currently used by more than 20,000 renters.

"In the next two years we hope to eliminate tenant-screening costs for letting agents and landlords. Transparency on past rental behaviour allows tenants, letting agents and landlords to know immediately a tenant's

suitability for a property," says Mr Farooqui, who founded Canopy three years ago.

Tenants can improve their credit history over time by adding rental payments to their profile. This is easily facilitated by using Open Banking technology. It's why the company has teamed up with the likes of John Lewis Partnership, PwC and Estée Lauder. Employees can now use the Canopy app to improve their access to more affordable financial products, including mortgages.

"When I founded Canopy, I had a vision; I wanted to make a positive social impact. This is about real empowerment for the rental community, not just here in the UK, but globally. We have pledged to return £1,200 back to renters' pockets, by eliminating rental deposits by 2025. We also want to boost people's financial wellness, so they can get on to the property ladder," says Mr Farooqui.

"The current system puts profits first and tenants last. It is time we created a more equal rental ecosystem. Globally this could help millions achieve better financial health. I think it's a worthy goal."

For more information please visit www.canopy.rent



“It’s crucial we find ways to improve people’s renting lives, make tenancy more affordable and build a more inclusive rental society



SUSTAINABILITY

Giving owners the keys to sustainability

New proptech can help property managers and tenants alike understand the sustainability of their buildings, but should the burden for eco-friendly homes really be passed to consumers?

Nicolette Loizou

Whatever your opinion of climate change, no one can deny that the weather is becoming more extreme and our built environment must adapt to manage the energy performance of buildings. This is where proptech comes in. Many software tools have been launched with the aim of helping property managers and tenants address energy efficiency and meet sustainable building goals.

You may roll your eyes at being sold yet another technological product, but probably already have a smart meter, solar panel perhaps or even a timer. These products are fairly standard now, but proptech is becoming more sophisticated as innovators seek new ways to encourage us to live more sustainably.

However, are these products enough to minimise the environmental impact of poorly performing buildings and where does our responsibility as consumers lie in the midst of all this technology?

One such technology currently taking off is property manager software, which is central to improving the energy performance of buildings. A pioneer is Scotland-based arbnco that

has a database platform which analyses, tracks and benchmarks building energy consumption data to enable organisations to identify energy savings and to aid retro-fitting.

Its dataset determines building type and usage, occupancy rates and equipment to provide an evaluation of energy consumption. So will technology such as this make the role of the property manager obsolete? Dr Mahnameh Taheri, manager of energy products at arbnco, thinks not. Instead, she believes that the technology will instead empower

Streets flooded in the centre of York

property managers to make sustainably informed decisions.

“Our internet of things solutions eliminate the need for manual collection and analysis of the building data, saving building managers time and makes building management simpler and significantly greener,” she says. “arbn insight [smart monitoring tool] is designed to be used over a period of time as part of a continuous improvement process for managing energy consumption.”

The company’s technology examines data analysis of energy consumption and makes comparisons. After gathering the data, the platform uses machine-learning to predict future energy consumption based on predicted climates and the building’s location. This is useful when it comes to improving the building’s energy performance.

Dr Taheri says: “Comparing your building with its peers, you could see that, for instance, your heating-related energy consumption is within an acceptable range for your building usage type and size, in your climate zone, but your lighting energy consumption exceeds the standard. Then the platform provides you with a list of lighting recommendation options that you should consider.” These comparisons are made on a weekly, monthly and annual basis, and puts climate-aware occupiers in the picture when it comes to achieving sustainability.

German proptech company Sensorberg is also weighing in on the energy performance of buildings, but focused on the consumer side of the market. It has implemented its technology in a residential project in Berlin, which deploys a digital infrastructure system for the benefit of 110 inhabitants and is designed to manage energy efficiency for homes.

Residents use their integrated system to control lighting, underfloor

PROJECTED UK RESIDENTIAL CO₂ EMISSIONS CONTINUE TO RISE

Metric tonnes of carbon dioxide equivalent



UK Department for Business, Energy and Industrial Strategy 2019

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Carbon Credentials

Delivering carbon-curbing solutions to a client base as wide as Morgans Hotel Group and P&O Ferries might lead you to think Carbon Credentials' London office is well equipped to deal with energy performance.

They discovered high CO₂ levels in their office that impact on cognitive function as well as the general working environment. They used this data to engage with the landlord and managed to get it fixed.

The data for the building was mined via their ADAPT technology that combines tech and human input to achieve a successful outcome. Carbon Credentials continuously stream the data

wirelessly to their platform for analysis.

They use this data to manage both energy and comfort. By optimising the air-conditioning schedule during hot weather and ensuring lights are not left on at night and weekends, ADAPT achieves optimum results.

Using this technology, not only were energy savings achieved during the hottest days of the year, but the wellbeing and productivity of the workforce was improved. Grace Melville, marketing executive at Carbon Credentials, says: "When we manage this exercise for our clients, we are achieving an average of 10 to 15 per cent energy savings."

heating or blinds. It can also detect if a window is open and can regulate the heating accordingly. The system tracks energy consumption and, via a smartphone, monitors electricity, water and heating consumption, which can be specifically regulated.

Karoline Pantera, marketing manager at Sensorberg, says: "If the sensor data shows an increase in CO₂ level, our platform could give a steering command to the air circulation system to blow more fresh air in."

In the basements, the Berlin residents also have access to digitally rentable storage areas. They can use their app to book extra services, such as the use of communal washing machines and dryers. This suggests humans will still need to be consulted for any sharing element of a scheme and people remain at the heart of future sustainability goals. Concern that proptech will encourage consumers to avoid their responsibilities as climate-aware individuals may be valid, but the emerging theme is one of collaboration.

The environmental impact of buildings is now incorporated in global political and economic decision-making. So will proptech products, which promise to improve energy efficiency become compulsory if, at any time in the future, a government here or abroad decides households will be fined for excessive consumption of energy in the way that some companies are? Sharon Darcy, director at Sustainability First, says that the idea is "complex and much will depend on carbon taxes".

Smart buildings require both human connectivity and tech to analyse the performance of a building

But if regulation is up for debate, will the energy efficiency of buildings in 30 to 40 years' time be dependent on proptech to deliver eco-friendly homes? And will humans and proptech innovators need to continue to work together to improve the energy performance of buildings?

Freddie Pritchard-Smith, chief executive of We Are Savvy, a London-based, landlord-focused firm that gathers data to analyse heat maps, among other innovations, says: "We believe that a smart building requires both human connectivity and technology to successfully analyse the performance of a building. While the data we capture is important, it is also key to engage within the community, within that building, and discover first-hand how it is being used and if or how this can be improved."

Proptech may be a vital tool in the battle against global warming, but to win the war humans must occupy the frontline. ●



Digital letting service to revolutionise renting

An innovative digital lettings service looks set to transform the rental property market

Times are tough for landlords in the UK as they face reduced margins and rising running costs, coupled with increasing legislation and tax hikes. Issues are coming thick and fast. At the same time letting agents are being squeezed by the tenant fee ban and, for tenants, rent prices continue to rise. The result is a crisis of confidence, in what many view as a dysfunctional market.

"There's been huge change in the rental market over the past few years in an attempt to make it fairer and better regulate it. But in reality, the rental market is as broken as ever. It's arguably the last industry yet to grasp digitalisation and it's ripe for disruption," says Tom Woollard, co-founder of Bunk, a digital lettings service.

Landlords across the country are growing increasingly frustrated. A poll earlier this year found that almost half are planning to reduce the number of properties they own or exit the market entirely, according to the Residential Landlords Association.

"Currently, the biggest problem is that landlords aren't in control of the letting process, agents are. Yet many of the services offered by the high street can now be rendered obsolete by technology and innovation," explains Mr Woollard, whose company is backed by the world's largest building society Nationwide.

Research has indicated that up to 16 hours of work is required by letting agents each time a new tenancy is set up, from credit referencing to signing agreements and processing payments. Something Bunk's co-founders believe can be made a thing of the past with technology.

"When developing our platform, we found most of the administration to do with letting a property can be automated and that's what we've

£3bn

estimated spend by landlords and tenants on agents in 2018

16hours

of work spent by letting agents to set up a tenancy

£20

cost per month to let and manage your property with Bunk

done. You don't need a high level of skill to deal with many of these tasks, but you can't afford to get it wrong. So we've made the whole process transparent and data-driven," says Jack Widnell, fellow co-founder of Bunk, which launched in June.

More than £3 billion was spent on letting agents by landlords and tenants in 2018, according to Bunk's research, and the co-founders believe their technology can help level the playing field and reduce costs for all involved.

"Over the years, letting agents have profited nicely, sitting in the middle without ever really improving their service, and we're shining a light on this. What we're doing is making the process more efficient and easier, as well as driving down costs for the only people that matter in this equation, the landlords and tenants."

Bristol-based Bunk has created an all-in-one property app offering landlords and property managers the ability to let and manage their property from as little as £10 a month. Properties are automatically advertised on sites such as Rightmove and Zoopla, and property owners can handle offers and manage the entire tenancy online. Tenants have an app to pay rent and Bunk has partnered with Experian so all payments help contribute towards their credit history.

Since its launch, Bunk now operates nationwide and aims to be active with landlords and property owners in every town in the coming years. "It is crucial that we reduce the current friction in the rental market. We want to put landlords and tenants back in control. Our job is to make their life easier and our sole focus is to continue doing that. Bunk empowers property owners to manage their properties and remain compliant with ever-changing legislation," says Mr Widnell.

"We're not here to render agents obsolete; our service revolves around retaining that human element. But we use technology for the right reasons so we can provide value to our customers. Proptech solutions like ours are driving change by building trust and transparency. In the next decade, we'll see a revolution in the property market, as we have in other sectors. Property professionals will have to up their game or face the perils mirrored in the rest of the high street."

For more information, please visit www.rentbunk.com

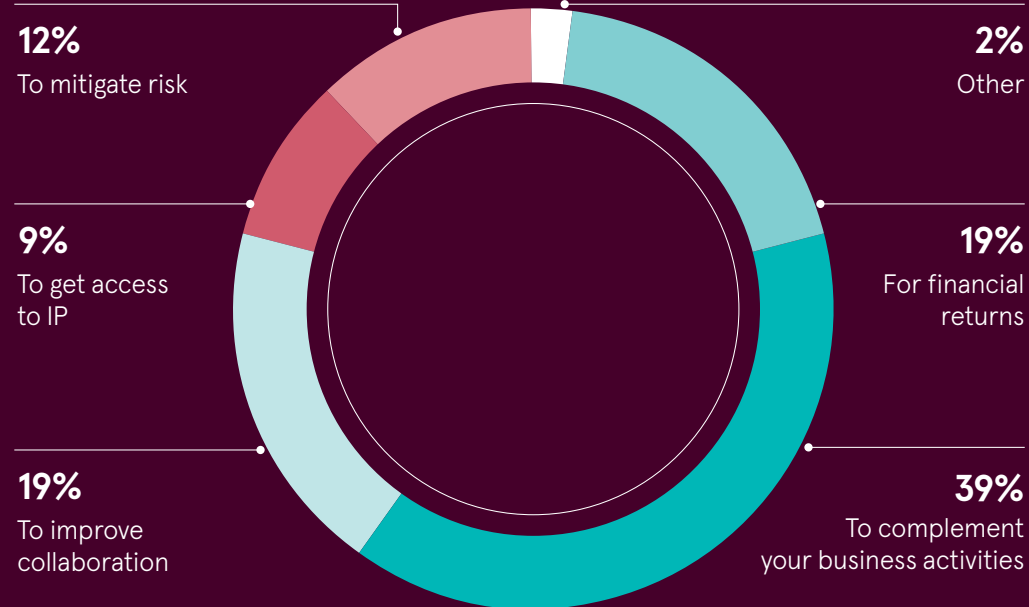


THE GROWING IMPORTANCE OF PROPTECH

90 per cent of traditional real estate organisations see proptech as an opportunity, as rising levels of investment show. Even as the number of new proptech startups fall, investment levels continue to climb. So what innovations are decision-makers most excited about?

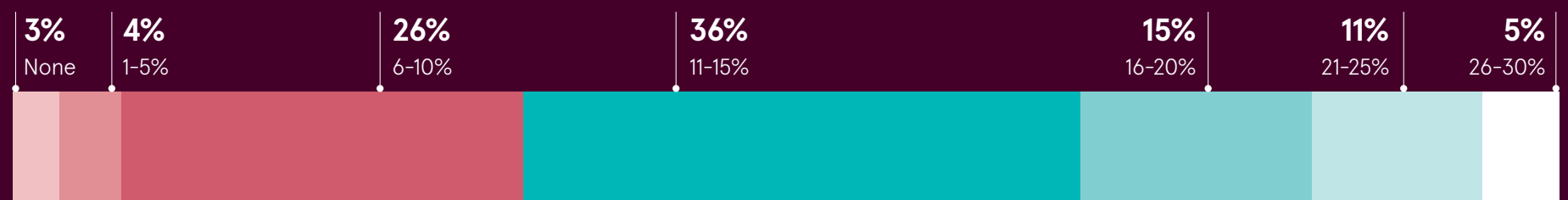
REASONS REAL ESTATE DECISION-MAKERS ARE INVESTING IN PROPTECH

What is the primary reason for your investment, or planned investment, in proptech startups?



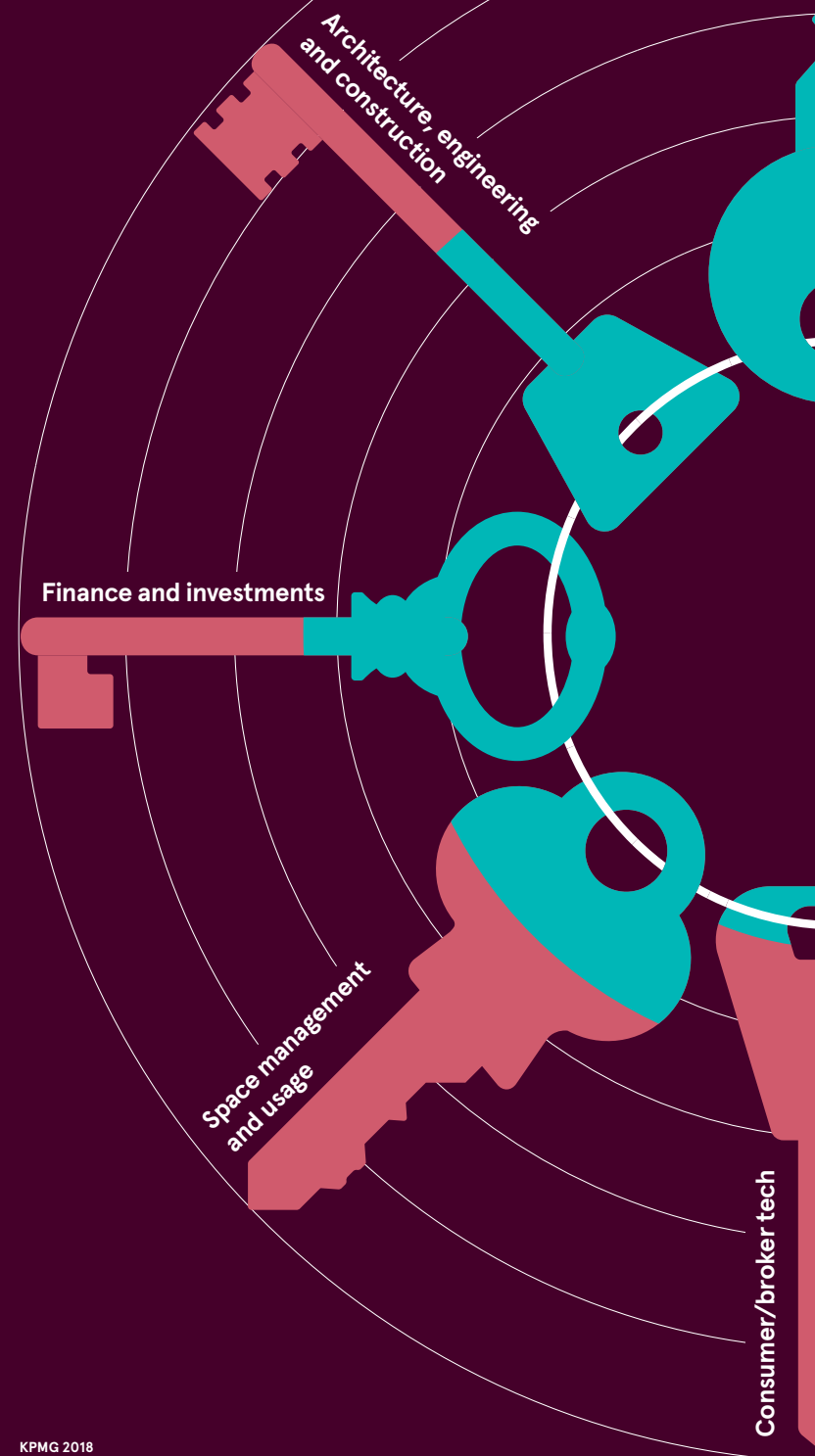
SHARE OF COMMERCIAL INVESTMENT IN PROPTECH

Percentage of commercial real estate capital investors plan to commit to proptech by percentage of respondents



MOST POPULAR AREAS OF PROPTECH INNOVATION FOR INVESTORS

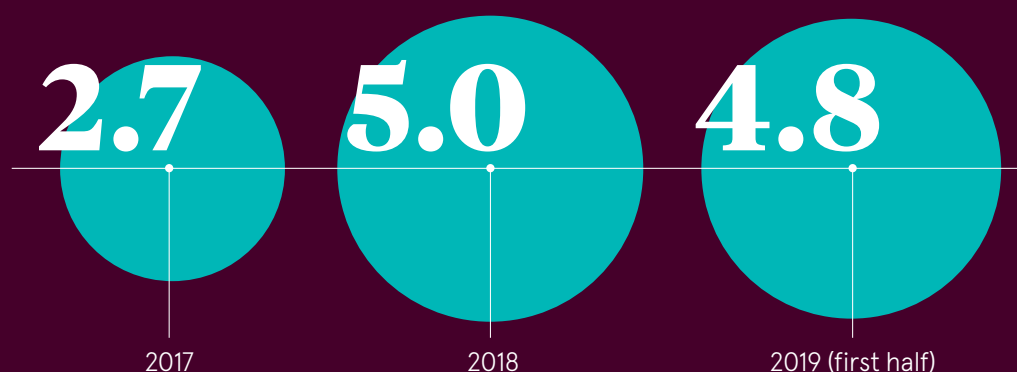
Share of proptech investors interested in selected areas of innovation worldwide





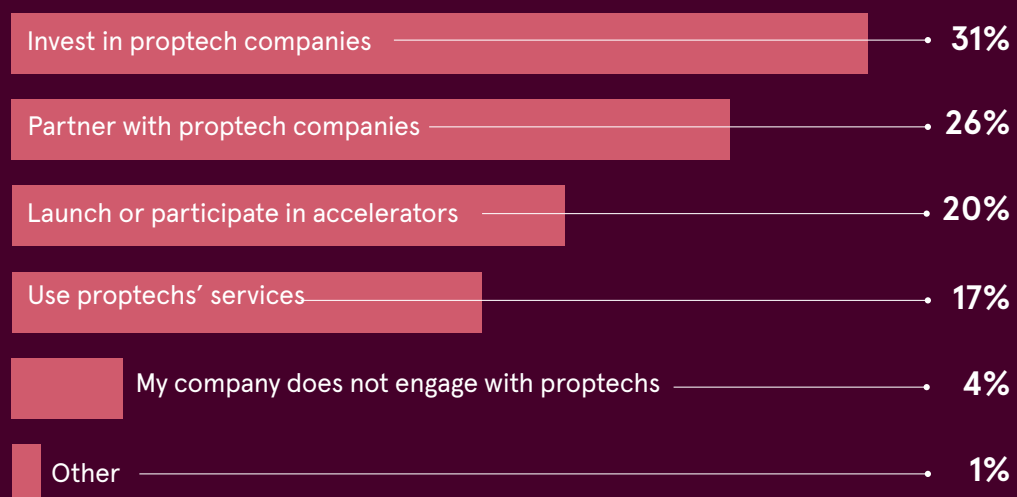
NUMBER OF PROPTech INVESTMENTS PER INVESTOR

Average number of proptech investments made worldwide from 2017 to the first half of 2019



REBNY/Royal Institution of Chartered Surveyors 2019

TOP WAYS INVESTORS ARE ENGAGING WITH PROPTechs



Deloitte 2019

90%

of traditional real estate organisations think that the industry views proptech as an opportunity/enabler

93%

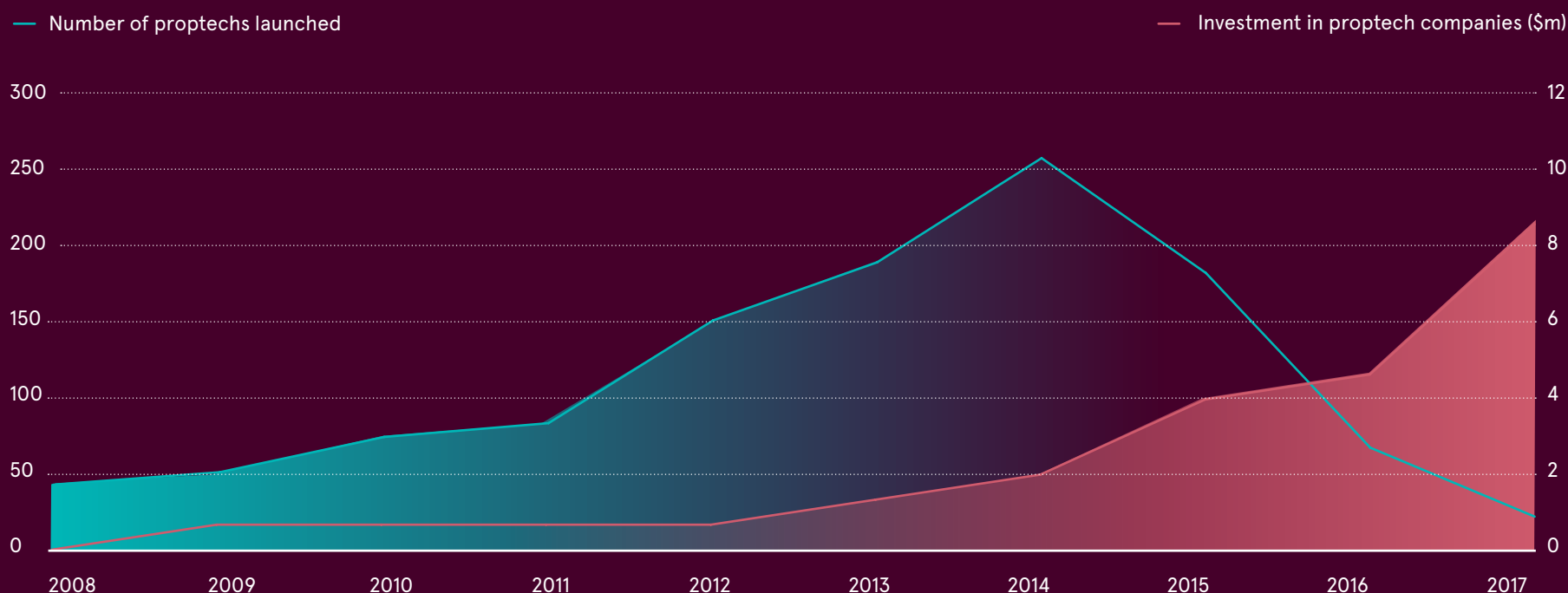
believe traditional real estate organisations need to engage with proptech companies in order to adapt to the changing global environment

30%

say they currently invest or plan to invest in proptech startups

KPMG 2018

PROPTech FUNDING AND STARTUP NUMBERS



Deloitte 2019

C-SUITE

Charting the rise of the property CTO

The property sector has long been behind the curve with technology. Now a new wave of chief technology officers have been tasked with getting it up to speed, but this will only work if they have a seat at the top table

Sooraj Shah

The global real estate market is expected to generate revenue of \$4,263.7 billion by 2025. Considering the amount of money flowing into the industry, it may come as a surprise that the property sector is behind others when it comes to technology.

"The property sector is sadly behind the curve," says David Kavanagh, former global chief technology officer (CTO) of online estate agent Purplebricks, who now works as CTO of fintech Chip.

It's this lack of focus on technology which has meant the CTO role has not yet gained the prominence it should have.

Hannah Marsh, co-founder of residential review site HomeViews, suggests that the sector may have lagged behind others due to its swift rise since 2000.

95%

of real estate companies have someone responsible for leading digital transformation and innovation

KPMG 2019

"When an industry experiences such rapid growth and demand grows faster than supply, there isn't pressure for companies in the industry to focus on incremental efficiencies or even the customer," says Ms Marsh. "When growth slows, these considerations become front of mind."

In other words, the stimulus to innovate with proptech may not have been there.

Mr Kavanagh says: "Purplebricks was the most technologically advanced and progressive in our space in our formative years. When I spoke to peers in the industry, I felt there was an unclear strategy around leveraging a modern tech for customer outcomes. I think in those traditional models, the technology bar is much lower."

He believes it was the work of Purplebricks which led to more traditional estate agencies investing and improving in their website functionality.

It is in many ways thanks to the proptech that more significance is being placed on technology in the industry and therefore more prominence given to a technology leader.

"There are a large number of new startups in the real estate industry that are using tech to solve pain points in the home-buying and renting process. These are businesses which are founded on good tech and are also likely to have invested in a

CTO to lead the charge," says Edwin Willis, CTO at Rentify.

The CTO is often tasked with leading the digital strategy of the business.

According to KPMG's third proptech report, *Is your digital future in the right hands?*, 58 per cent of respondents said their real estate business has a digital strategy in place, but only 29 per cent said they have an enterprise-wide digital strategy. This suggests their organisation is not taking the idea of going digital seriously enough.

But 95 per cent of respondents said their businesses have a designated person leading on digital transformation and 62 per cent said this individual is a senior employee, often a C-suite executive.

Mr Kavanagh believes the role of the CTO has to be at board level to make the necessary impact. "The person at the table needs to have a rare mix of technical and interpersonal skills that can colour in stories around technology and sell the benefits of emerging technologies to property professionals in a language they understand," he says.

But, according to Mr Willis, it would be unheard of to have a CTO on the main board of a traditional firm.

"In general, these businesses have been slow to respond to technology because they don't realise the extent of the benefits as an internal team is seen as too big a liability or the changes required are too time consuming, or because they outsource the tech to an external contractor, which removes the benefits of feeling your own pain points and feeding into your own tech improvements," he explains.

A concern stemming from the KPMG survey was that in 65 per cent

of cases, the digital strategy lead was not a technology specialist, with 40 per cent of digital leaders coming from a core real estate, construction or finance background. This in itself is not an issue if there is a technology specialist within the business at a senior level, such as a CTO, who can work with the digital leader effectively.

But even though Mr Kavanagh explains that he enjoyed every minute as CTO of Purplebricks, a lot depends on the leadership directing the CTO.

"It was harder to maintain [the right culture] when the founders left to go overseas," he says. "I was trusted to use the latest technology providing it improved customer outcomes, but nonetheless I feel I failed to influence or convince the business around artificial intelligence and automation early enough, and I believe we could have done a lot more with our data."

Hiring a CTO is relatively easy; ensuring they have the necessary influence, listening to them and maintaining a consistent culture are much harder steps to take. ●



“

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OPINION

‘It is the challenge of improving the world we live in where proptech can truly play a significant role’

Real estate and the built world affects our daily lives more than any other sector. After all, we live, breathe, work, shop, dine, play, learn and commute in the built spaces around us. From this point of view, it’s incredible to think digital disruption has yet to fundamentally transform the way real estate works.

For me, the journey started in early-2015, when I launched FUTURE PropTech, which was Europe’s first conference dedicated to bringing the real estate sector together with the startups that are providing innovative solutions. At that time there were fewer than 200 proptech startups in the UK and no recognisable ecosystem or community focused on modernising the industry; my aim was to change that.

This task proved to be easier said than done. Bringing change to the world’s largest asset class that has been operating very profitably in the same way for generations was a tall order. However, we managed to bring together a passionate community of advocates who were as dedicated as I was.

Fast forward five years and there has never been a more exciting time to be involved in the sector. Exponential growth has seen proptech grabbing headlines across the world.

There are now more than 824 startups in the UK with approximately 7,247 around the world. Not to forget, of course, the thousands of incumbents that are now adding digital and proptech expertise to their suites of products and services.

An impressive and record-breaking amount of capital – more than £25 billion – has already been invested this year. To put this into context, only £1.4 billion was raised in the whole of 2015. It’s great to see so much investment to support innovation and, now that capital is relatively accessible, the real challenge of improving the world we live in begins.

With lots of capital comes great responsibility. Not only to deliver multiple-fold returns to investors, but to deliver real value to the target customers and society at large. This is the only way startups can grow to become multi-million-dollar companies adopted on a global scale.

It is the challenge of improving the world we live in where proptech can truly play a significant role.

For example, the built world contributes about 40 per cent of the UK’s total carbon footprint. This is mainly from the energy used in the running and construction of buildings and infrastructure.

For developers to deliver smart buildings that produce net-zero emissions, the very latest technology, such as digital twins and the internet of things, will have to be used alongside practical design elements, including living walls and automated lighting.

Another global challenge is the lack of affordable, and high-quality, housing. Modular construction methods can build homes 50 per cent more quickly and at a cost that is 20 per cent cheaper for the buyer. All this while delivering an energy-efficient home built with environmentally friendly materials. Also emerging business models, such as co-living and build-to-rent, are already playing an important role to meet the government’s target of building more than 300,000 homes a year.

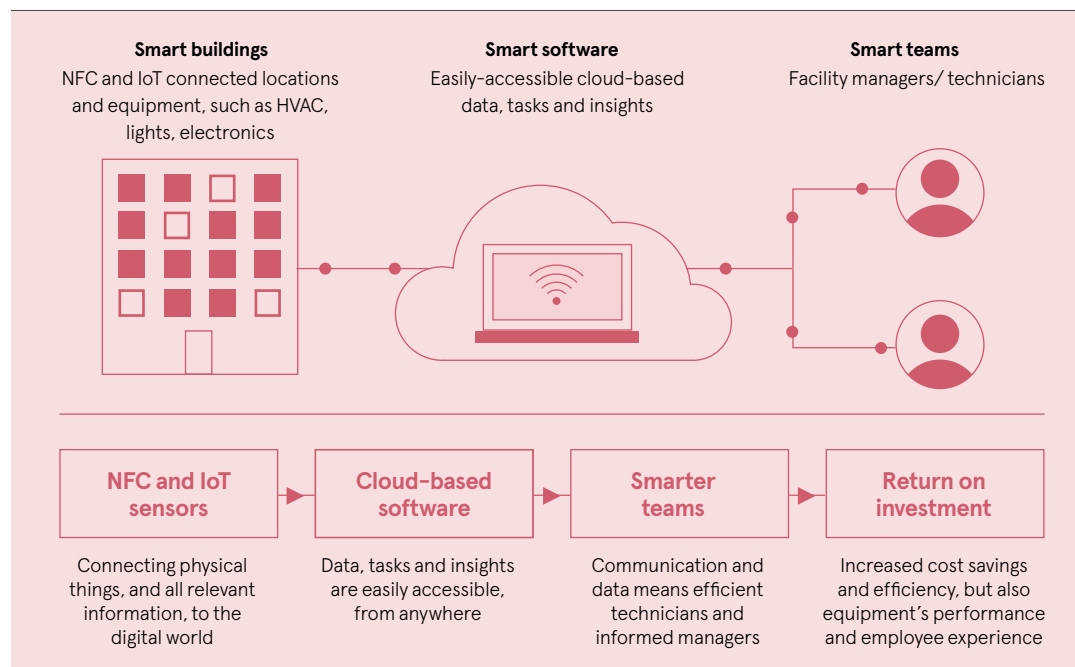
I strongly believe these huge societal issues present a timely opportunity for the property and construction industries to galvanise and change negative perceptions, while meeting their environmental, social and corporate governance targets, which are becoming increasingly important to institutional investors.

This is not only for altruistic reasons, because the companies that adopt technology will benefit from improving operational efficiency, gaining competitive advantages, attracting and retaining talent, and improving yield and profits. It’s a massive win-win. And, of course, proptech is the solution that brings it all together. ●



Gary Chimwa
Founder and chief executive
FUTURE PropTech

Commercial feature



Beyond the buzzword: Small steps to smart buildings

When it comes to maintaining buildings, investing in the right software to collect and analyse data is crucial for operational efficiency and occupant experience

The world is becoming increasingly connected and people are living smarter and working smarter than ever before. Consequently, both residential and commercial occupants are also expecting their buildings to be smarter.

To meet these expectations, facilities managers are beginning to take an interest in smart technology systems to provide them with greater asset management flexibility and visibility across all their properties.

Not only is this enabling facilities managers to respond to maintenance events quickly, minimising downtime and reducing resulting repair costs, but in some cases they’re able to predict breakdowns and faults, and then carry out proactive maintenance.

Research shows there is a clear appetite for using technology to improve operational efficiency. A study commissioned by Schneider Electric found that 63 per cent of facilities managers and directors are interested in implementing analytics to better monitor their building systems. Nevertheless, barriers exist.

“To be truly smart, you need not just the digital and physical capability, but also the right mindset

Some 43 per cent of 300 respondents cited the level of investment required as the biggest challenge when deciding whether to adopt digital solutions. Meanwhile, 23 per cent said there was a lack of internal resources to interpret the data and turn it into actionable insights. And 18 per cent were concerned their buildings aren’t suited to the adoption of connected technologies.

Perhaps one of the main reasons for perceived barriers to adoption is because “smart” as a concept is a buzzword shrouded in mystery. It is still very much rooted in the world of futurology and hype, and as a result there is sometimes a misunderstanding about what smart actually is.

For example, facilities managers may invest in LED lighting that can be turned on and off using smartphones, thinking it will make their buildings smart. But, in fact, LED lights in themselves are not smart unless facilities managers are monitoring the lighting system, collecting data and using insights to make informed decisions on future maintenance events.

To be truly smart, you need the digital and physical capability, and you also need the right mindset. While there is arguably already demand and a readiness to invest at the board level of many companies, it’s the facilities managers and those who interact and deal with technology on a daily basis who need to be aware of how smart can benefit them.

If facilities managers understand what different smart technologies can offer and see how they can help the company achieve the desired results, they can then communicate this information upwards. They can say to the

C-suite executives, “We want this technology because it makes our job easier, and it will improve operational efficiency and the bottom line”.

Facilities managers should demonstrate to the board the business case for investing in smart technologies, showing how it will reduce costs and increase profitability. This will put their company on the path to efficient and sustainable facilities management.

However, making a building smart needn’t involve a large capital outlay that requires you to replace assets and equipment. Using the same contactless technology that has revolutionised the everyday payment experience, facilities managers can place an Infraspark near-field communication (NFC) tag on existing equipment, turning these so-called dumb things into smart, connected things.

The NFC tags are read by smartphones and link with Infraspark’s cloud-based software, where dynamic information on the assets and equipment is centralised and updated in real time. This gives facilities managers the visibility they need to manage their assets, teams, utilities and associated costs effectively.

Taking small steps towards creating a smart building is only the start of the journey, but if you don’t take these steps forward, you may find yourself left behind in the smart facilities management revolution.

For more information, please visit www.infraspeak.com



Online search accelerates commercial property deals

A lack of quality technology solutions has held back customer experience in the £1-trillion commercial property industry, but a new online platform is now helping it transform

Online marketplaces that enable consumers to search online have transformed many sectors. From Amazon to Autotrader, Airbnb to eBay, online search has changed the way people shop. Yet in the business-to-business world it is largely still more novelty than utility.

This divide is no more apparent than in the area of property. The UK residential property industry changed drastically when Rightmove brought property searches online in the late-1990s, followed by Zoopla a decade later. Despite companies such as LoopNet and RealCommercial replicating the experience for commercial property in America and Australia, the industry has yet to evolve in the UK.

The recent rise of WeWork, however, has woken the UK's commercial property industry up to how technology can transform the customer experience. WeWork's questionable business model is under the spotlight, but as the first commercial property company to take a truly world-class approach to marketing it has shown just how alluring a great brand can be to commercial tenants. The result is an industry in rapid catch-up mode.

"WeWork is very strong online and has filled a lot of space in its buildings by taking advantage of digital channels," says Andrew Miles, chief executive and co-founder of Realla, a search engine for commercial property. "On the other hand, the traditional industry hasn't had a reliable online channel where they know quality tenants are searching."

Evidence that commercial tenants are searching online is irrefutable. While demand initially lagged behind the residential market, with less than half of commercial tenants searching online before the global financial crisis in 2008-9, in the last decade that has accelerated rapidly to around 90 per cent today, according to Google search statistics. Realla's data shows that at least two thirds of FTSE 350 businesses have searched for commercial property on its portal during this year alone.

Yet online search in commercial property is still a very fragmented and frustrating experience for the end-user. "The internet has demonstrated that it can do an amazing job at matching products and services with the people who want to buy them, and at a very low cost," says Mr Miles.



Our vision is to be the go-to place where commercial tenants and investors can find a terrific overview of the space available on an interface that's very easy to search

"Targeted advertising has transformed every sector, yet finding the right commercial property is still unnecessarily painful for would-be customers.

"The landlords and big asset managers who own commercial properties still market them by sending around brochures. And it was only a few years ago when office managers still walked the streets noting down numbers on lettings boards. There has been no go-to place where advertisers know they'll get in front of the majority of potential tenants. The lack of an easily accessible solution has damaged their ability to reach the online searcher."

Lack of solutions in this area has resulted in a reliance on expensive and inefficient forms of traditional advertising. Finding a tenant for a small industrial estate in the north of England, for example, would require advertising boards on the surrounding A roads and a hope that the right person either saw them, or stumbled upon the local agent being used or the local newspaper listings.

At the other extreme, the owner of a London office tower has traditionally marketed the property through mega-launch parties, lavish gifts to incentivise agents and double-page spreads in the broadsheet newspapers. Marketing budgets of hundreds of thousands of pounds are not unusual, with no attributable return on investment.

Realla is leading the charge in addressing this imbalance between customer demand and the commercial property market. The company was acquired last year by an international specialist in this sector, NASDAQ-listed CoStar Group, which owns the leading commercial property marketplace in America, Loopnet, as well as Apartments.com, which is taking on the formerly fragmented US residential rentals market. The combined platforms host more than 60 million visitors every month.

Realla's commercial-specific, jargon-free filters enable users to search for the kind of office, industrial or retail space they want. For each property, users can see a detailed, up-to-date overview with high-quality photography. The search portal is highly customised to commercial property, but is also logical, showcasing complex information in a digestible way and through a clean interface.

"That's what makes Realla different to some of the residential property portals flirting in this space: we're focused only on the needs of commercial tenants and the commercial agents or owners trying to advertise their space," says Mr Miles. "Our vision is to be the go-to place where commercial tenants and investors of all kinds – retail, industrial, offices and serviced offices – can come and find a terrific overview of the

space available on an interface that's very easy to search.

"The whole commercial property industry wants faster deals and this will enable that. You can have beautiful online adverts which are highly targeted to anyone in the world who might be searching. An Asian company looking for a large headquarters building in London will retain an agent to help them search, but they will look on the internet as well. You need a superb online presence and you need to be on the portals where people are searching."

It's clear everybody stands to benefit from moving the commercial property industry online. Tenants get more liquidity and choice, not to mention faster discovery and a much better search experience. Landlords and agents, meanwhile, get access to a cost-effective way of advertising to targeted audiences.

The future of the industry has technology at its heart. Better data drives more-considered investment decisions by pension funds. It can improve the sustainability of buildings with learning algorithms that reduce energy consumption. And it makes the matching process seamless for tenants and investors who are searching. As all sectors strive to become more customer centric, data-driven search portals are key for commercial property.

For more information please visit realla.co.uk



Danil Brown/Shutterstock

“**Proptech allows everyone to gain actionable insight into their operations and holdings**”

Mr Ross sees this as a generational issue. “Privacy is a challenge for the sector, but that’s likely to change,” he says. “The average 15 year old doesn’t care because who their data is shared with is very transparent. In-built transparency and the power to choose will play a major role in acceptance.”

Olga Turischeva, partner at venture capital firm RTP Global, says there are other risks to investment in the sector, caused by the slow speed of proptech adoption and investment multiples. But she expects markets to stabilise over the next 12 months.

Another challenge can be getting traditional real estate funds to understand the implications of the technology. One way to identify value and address risk is to work out where you want to invest, not simply the sectors, such as travel, tourism, hospitality, commercial or residential, but precisely where in the value chain. Is it in automating an existing service, cutting out the middleman, increasing efficiency or in creating a new way to do business?

In the end, successful investing in proptech will be driven by the size of the market and an understanding of the opportunities available.

Proptech is going to transform the sector. The need to enable real estate owners to adapt to market trends and consumer expectations means overall tech growth will continue. What makes proptech exciting is that, as Mr Dewerpe points out: “It’s not a choice any more. At \$230 trillion, real estate constitutes more than half the world’s assets and, one way or another, it affects everyone on the planet.” ●

Gregory Dewerpe, founder of A/O PropTech, says we’re now seeing big real estate companies “getting investor pressure on efficiencies whether that’s in property and asset management or on transactional efficiency”.

Building’s today may be dumb containers, but tomorrow they’ll be smart. Philip Ross, chief executive of Cordless Group, says: “It’s about the building itself becoming intelligent and about people carrying smart devices enabling them to control their experience, interact with their environment and be provided with new experiences.”

Of course, concerns about market volatility exist, as they always do when new markets are growing rapidly. Privacy concerns have been raised, where people may not want biometric data to be used to track where, and if, they are working.

INVESTING

Is the proptech bubble set to burst?

Investing in proptech is an exciting opportunity, but problems facing companies such as WeWork are causing concern. So what does proptech have to offer?

Felicia Jackson

The real estate sector is the largest asset class in the world and the scope for achieving efficiencies through introducing innovative technology is a major market opportunity.

Investing in proptech is about employing tech to minimise the complexity and delays that seem integral to real estate dealings. And there is an appetite; investment in proptech has grown from \$20 million in 2008 to \$4 billion in 2018.

The fall of WeWork, however, from multi-billion-dollar funded unicorn to job cuts in a matter of weeks, has the real estate sector worried; in London it’s one of the city’s largest landlords.

James Dearsley, co-founder of Unissu, says WeWork is a case apart. “It’s not a proptech firm. It’s a technology-enabled real estate firm because their innovation does not come from technology, it comes in the form of a disruptive business model,” he says.

So how can proptech investors benefit from real estate? Rupert Parker, head of future-proofing at Avison Young, says: “You add to the return on investment of a building by improving the services and service provision can be improved with the right kinds of technology.” It’s this growth opportunity that technology provides and drives the market.

The ways in which people live and work are changing, and proptech enables those changes. The most obvious of these is shared working and shared living. In-depth data analytics and the automation of building and asset management provides the framework for new business models and new opportunities.

James Lavery, marketing director at MRI Software, says: “PropTech allows everyone from a small property agent through to a major international investor to gain actionable insight into their operations and holdings, helping inform business strategies and improve their day-to-day activities.”

The complexity of the UK tenancy system has made it difficult to find short-term lets. As the UK workforce becomes more flexible, companies such as Tipi and Lavanda cut through the difficulties, avoiding complex documentation or hefty deposits.

For landlords managing properties, platforms such as Plentific are a boon. By providing access to a network of maintenance providers, it enables landlords to keep their costs down while reacting swiftly to tenants’ needs, benefiting both sides of the equation.

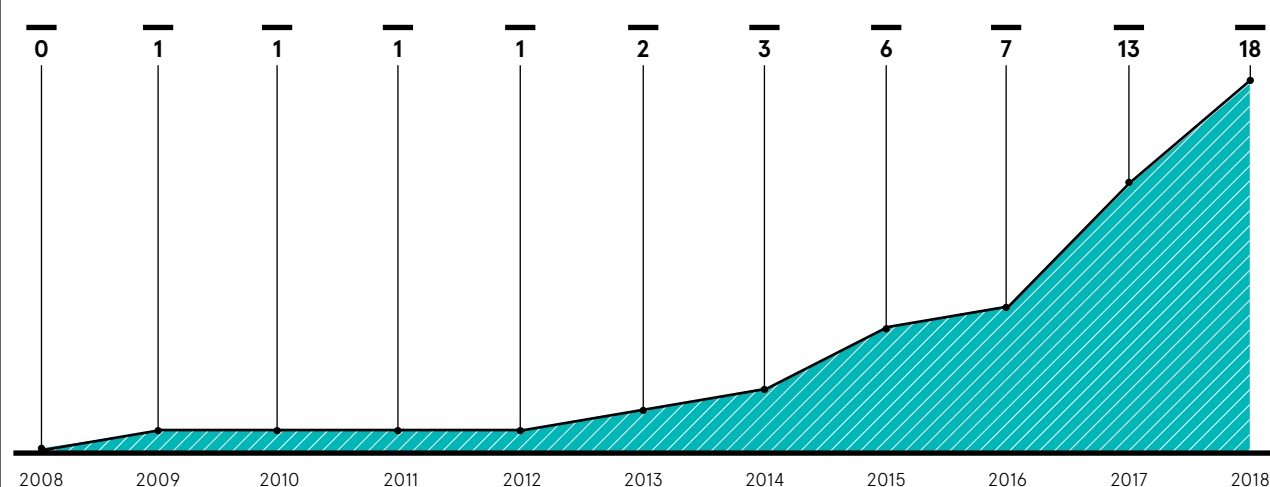
For investors, information in the real estate market has been notoriously hard to bring together,

so REalyse and Datcha provide data on registered residential and commercial property which helps those with money to invest assess deals and trends.

PropTech is not limited to start-ups. A survey by Altus Group reported two fifths of real estate firms are already using automation for benchmarking and performance analysis, and 16 per cent are using artificial intelligence for accounting and property management.

VALUE OF FUNDRAISING BY PROPTech COMPANIES WORLDWIDE

Value of investments (\$bn)



Deloitte 2019

DISRUPTION

How tech disruption is streamlining the property sector

From poorly measured floor plans to overdue payments, innovative technology solutions are making property processes simpler than ever. Here are three examples

Rich McEachran



Cloud-based platform prevents tenancy headache

On June 1, tenant fees were banned in England to the relief of renters up and down the country, who are no longer being hit with hefty and often hidden charges.

But Tom Mundy, co-founder and chief operating officer of proptech platform Goodlord, cautions: "It's not been as simple as scrapping one set of fees. Instead, there's now a raft of new measures letting agents and landlords have to comply with and there's very little

leeway from regulators for those that fall foul of them.

"And if you operate across England, Scotland and Wales, each country has a slightly different set of rules, which adds more layers of complexity."

For example, if any tenancies that were signed before the ban came into force are renewed, agents must now calculate what deposits were originally paid to work out if tenants are due refunds under the new legislation.

With the ban removing an important slice of their revenue, agents need to look for ways to streamline their operations. Goodlord, which offers

cloud-based software for agents, landlords and tenants, has updated its platform to ensure it's compliant with the tenant fee ban.

The platform can be used to auto-generate holding deposits, alert agents to refunds that are due on renewed tenancies, and automatically show tenants and landlords assured shorthold tenancy agreements, so both parties know their rights and agents can ensure everything is fully compliant.

"Proptech solutions such as ours are a smart way to save time, reduce admin for staff and prevent a regulatory headache," says Mr Mundy.

Handling property records on blockchain

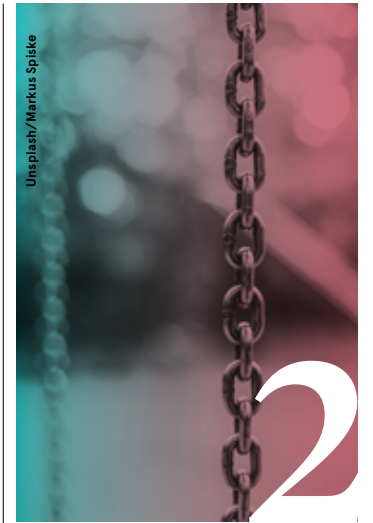
As any homebuyer will know, waiting for a purchase to go through can be drawn out with plenty of hoop-jumping required.

HM Land Registry has been exploring how blockchain can be used to simplify the transfer process and update the title register automatically.

Its Digital Street team sat down with a recent homebuyer and seller to run an experiment to find out how long it would take to complete a digital transfer using blockchain. Successfully transferring ownership of a property is a process that typically takes anywhere between four and six weeks. The blockchain prototype managed to do it in less than ten minutes.

The biggest benefit proptech and blockchain can bring to the property sector is arguably increased transparency and accountability. Each party can view transactions, past actions and any that need to be taken in the future. Digital and permanent records mean participants in a transaction should not be confused about who needs to act next.

The UK isn't alone in turning to blockchain to modernise its land



register. Both Sweden's and Georgia's government have also experimented with the technology.

The potential of blockchain to disrupt the sector doesn't end there. Silicon Valley proptech firm Propy enables buyers and sellers to carry out global real estate transactions using smart contracts on the Ethereum platform, eliminating the need for paperwork and mediation. It announced its first sale in 2017 when a \$60,000 flat in Kiev was sold to an American businessman.



No more badly measured floor plans thanks to 3D mapping

Earlier this year, proptech firm Spec released a white paper reporting that the average property in the UK is mismeasured by 52 square feet. The average homebuyer is overpaying by £13,000 as a result of these mistakes.

For estate agents, providing accurate floor plans is essential and expensive if they get it wrong. Implications for making mistakes can range from the cost of repeat

visits to remeasure properties through to reputational damage, says Shelley Copsey, chief executive of GeoSLAM, a market leader in 3D mobile mapping technology.

"If you have a complex property or significant portfolio of properties, standard means of creating a floor plan relies on manual, time-consuming surveys," she says.

GeoSLAM's proptech solution to the problem is a handheld 3D laser scanner. The device can be used with minimal training, and gives rapid and accurate results by capturing 43,000 datapoints a second and high-resolution panoramic images. The person operating the device, meanwhile, can simply move around the property at a normal pace.

In the Netherlands, real estate company Zien24 is using the Zeb Pano device to scan more than 1,000 properties every month, including hotels, office spaces, factories and warehouses. The ability to carry out more-accurate and less-intrusive property surveys means the company is able to provide the Dutch equivalent of Rightmove with reliable information property buyers need to make purchasing decisions. As Ms Copsey concludes: "Best guesses are becoming a thing of the past." ●




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OPINION

‘Proptech creates a lot more career opportunities and far more fulfilling jobs for all’

Is proptech creating job losses or opportunities? I recently participated in a panel organised by Reading Business School and was asked this very question. It’s something that comes up time and time again from professionals working in the property industry who fear the adoption of proptech could displace their jobs.

Technology enables us all to do certain jobs much more efficiently and more easily, and empowers us with the information we need to make better decisions. In a world where we are busier and more stressed than ever, we use apps and our phones to manage our finances, to-do lists, search for products and services, and more. So we now expect the same at work.

Proptech companies exist to address a frustration or an inefficient process. Intelligent systems are being used to automate mundane tasks, streamline and manage workflows, and provide valuable business insights.

The industry often has multiple parties or teams involved in a process, whether it is the sale of a property, or the management or maintenance of a property. As a result, it can often be difficult to manage and keep track of progress, causing delays and errors.

Proptech can improve productivity, efficiency and reduce frustration by providing professionals with the right tools, giving them more time to focus on the people side of the job. Real estate has always been and will continue to be a people industry. While some tasks may be displaced, resources can be effectively reallocated to other pressing issues which are being identified through technology.

With more than 700 proptech companies in the UK alone, according to Unissu, identifying the right supplier can be a full-time job. There has been a dramatic increase in heads of innovation and digital transformation hires as companies focus on putting a digital transformation strategy in place to ensure effective adoption of proptech across their organisation. Large real estate companies are also moving away from a head of IT role, which typically looks after the technical infrastructure of the company, and hiring chief technology officers instead.

We are also seeing a rise in technical roles, such as data scientists or analysts. JLL, for example, employs more than 300 data experts and that number is growing.

With the number of proptech companies in the UK increasing and investment in proptech at an all-time high, attracting talented professionals is high on the agenda for startups in this space.

Working in proptech is a great opportunity for graduates ready to develop their careers and take on more responsibility than may be possible in the early stages of their career development in a corporate. Startups tend to be run by young leaders willing to coach ambitious individuals. As startups grow, so do the people and the career opportunities which can make it extremely rewarding for those early employees.

Proptechs are also actively hiring experienced real estate professionals who can bring knowledge of their sector, valuable insight and networks.

In addition, professionals from other industries are transitioning into proptech. Some 28 per cent of the candidates placed by LMRE, a leading recruitment consultancy in proptech and Innovation, are from a different industry, in particular fintech and hospitality, as two industries focused on customer success and the implementation of technology.

So to answer the question, I believe jobs will evolve and certain tasks will be displaced. However, proptech creates a lot more career opportunities and far more fulfilling jobs for all. McKinsey estimates that by 2030 the trend of investment in information technology could create 20 million to 50 million jobs globally. ●



Sammy Pahal
Managing director
UK PropTech Association

Moving beyond Airbnb to hotel-quality home rentals

Airbnb opened up a whole new market for letting out an empty home. Now UnderTheDoormat is raising the bar by professionalising fast-growing property technology for short-term rentals

Just ten years after it was founded in 2008, Airbnb’s annual revenues broke the \$2-billion mark. The explosive growth of the home-sharing market has made short-term rentals seem commonplace, yet the sector is still in its infancy. PwC predicts that by 2025 the home accommodation industry will be worth \$330 billion in Europe alone, five times its current size.

However, this growth will only be achieved if the industry can overcome “Airbnb anxiety”, the questions guests ask themselves when booking: “Will the home be clean? Will it be safe? Will it even be there?”

Merilee Karr, chief executive and founder of UnderTheDoormat, a London-based luxury short-term rental company, sees this as the next big challenge for the industry to crack.

“The holiday homes industry has been around for many years, but the emergence of short-term rentals in cities is a new phenomenon. Many hosts are still learning how to do things properly. It’s very rare to have a serious negative issue, but the publicity they receive can undermine a market with a lot of potential growth,” she says.

Ms Karr, who chairs UKSTAA (UK Short-Term Accommodation Association) and has led the creation of the world’s first accreditation scheme for the industry, is a believer in practising what UKSTAA is preaching.

UnderTheDoormat was created five years ago with the vision of providing the quality of a hotel in the comfort of homes. This meant verifying everything from the quality standards of each home, to cleanliness, health and safety, and accurate online listings.

“It’s striving for consistency all round. It’s not just customers wanting a quality stay, but it’s homeowners wanting to know customers have been suitably vetted too,” says Ms Karr.

“Where we are succeeding is by being the intersection of property service and tech; having a SaaS [software-as-a-service] platform, but with a service layer around it that ensures quality in a sector that hasn’t always reached those expectations.”

Alternative to peer-to-peer

The idea for UnderTheDoormat came from Ms Karr’s personal experience, having organised many holidays and trips, but often finding it difficult to find suitable luxury accommodation, a quality home from home.



A beautiful three-bedroom family home in London available on underthedoormat.com

30%

annual growth in home accommodation

\$330bn

market by 2025 in Europe alone

“The people with the nicest homes need assurance and they are often second-home owners or retirees, frequent business travellers or families with international roots, but they will only consider renting them out if there is a way to do it properly. They want the assurance and capability of a professional company to fully manage their home for them,” she says.

Five years on and now one of the first companies in London to work with Homes & Villas by Marriott International, UnderTheDoormat is enjoying a snowball effect of uptake on both the homeowner and guest sides, which not only validates Ms Karr’s analysis of the sector, but reflects the continuing growth in short-term rentals in the UK.

“Despite the visibility the sector has already achieved, the big wave of growth is yet to come,” she says. “High-end homeowners and corporate property companies are just starting to realise

the potential for short-term rentals with companies like UnderTheDoormat providing the assurance and brand quality they need.

“They can earn effortless income, knowing a responsible, accredited company is looking after their most important asset when it would otherwise be empty.”

Scaling quality for property managers

UnderTheDoormat is a leading provider in this sector in London, and now beyond, as it offers its technology and routes to market to smaller high-end property management companies across the UK.

“Within the next couple of years, we’ll operate more than 1,000 homes in London and at the same time we’re going to grow geographically by offering partner companies across the UK and Europe the ability to distribute via our technology,” says Ms Karr.

“We already have our first partner companies in London, the Cotswolds and Luxembourg, which is only the beginning. For those who have found the whole proptech proposition scary or too time consuming in the past, there is now an insured, luxury, managed proposition out there for them to enter the space.”

For more information, please visit www.underthedoormat.com

under the doormat

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