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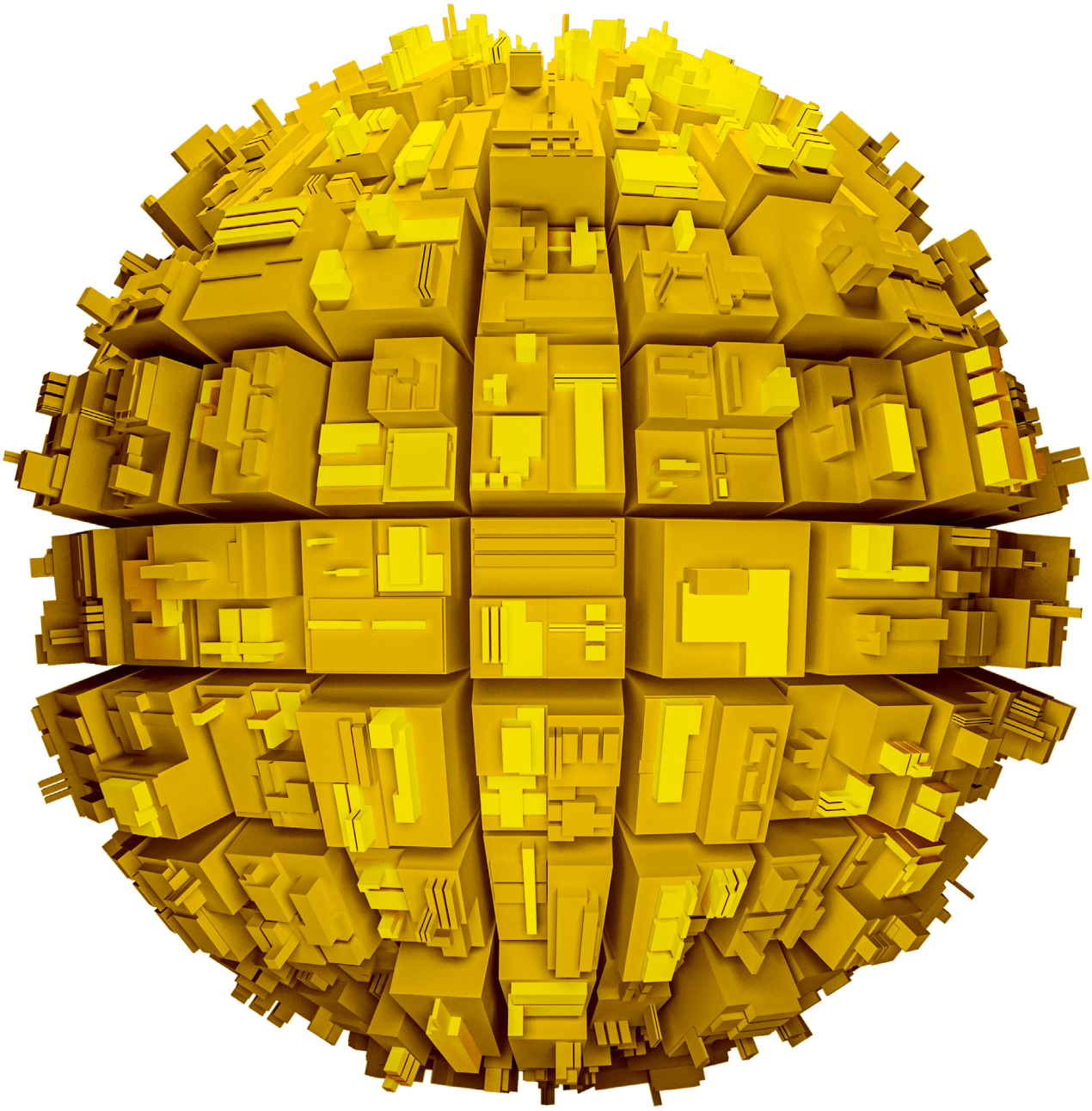
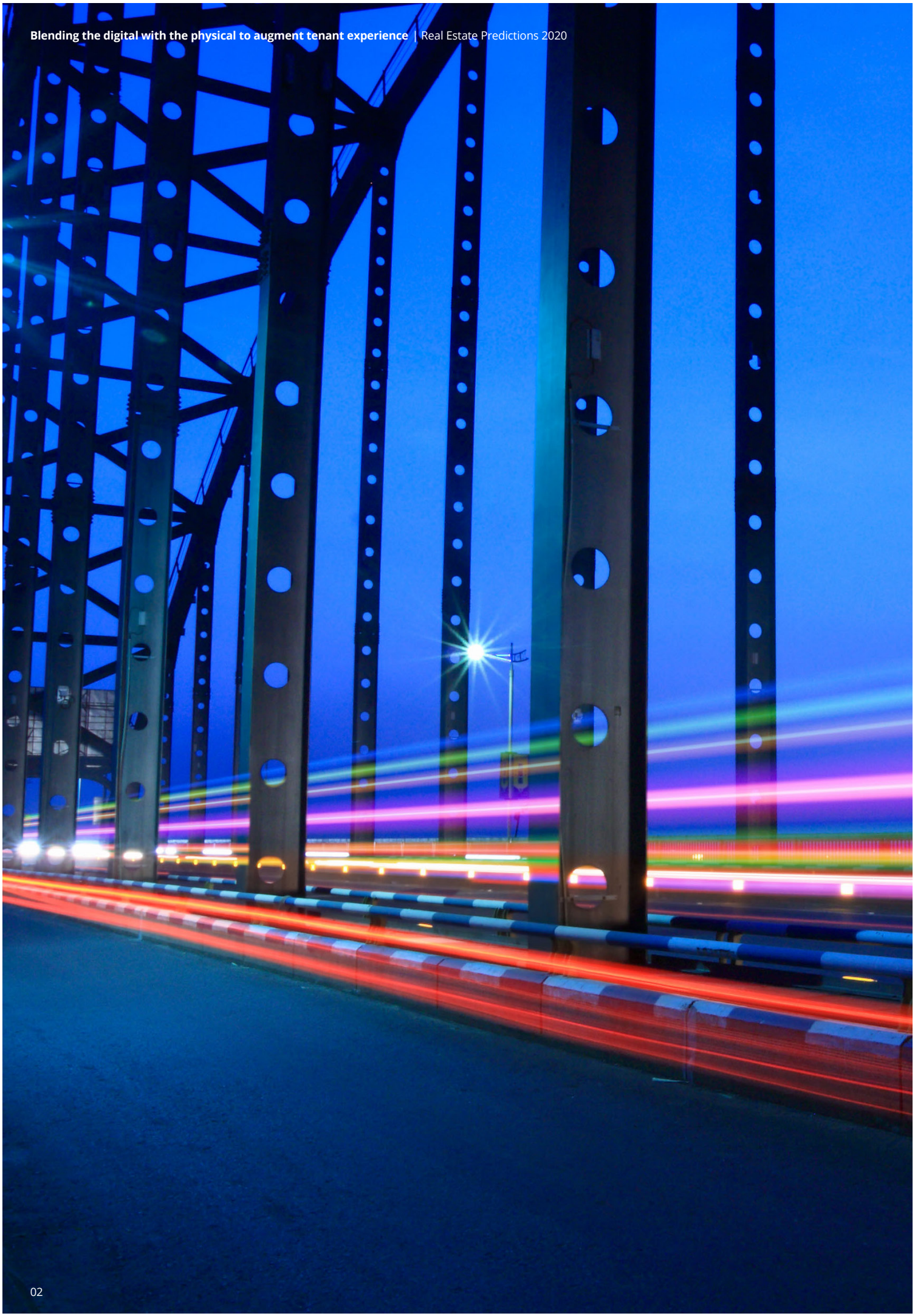


# Real Estate Predictions 2020 | Article 2
# Blending the digital with the physical to augment tenant experience



The commercial real estate (CRE) industry, which largely operates at the intersection of the physical real estate space and its users, appears on the cusp of a digital transformation. Tenants and end-users are largely looking forward to doing more with the physical space. They are increasingly looking at innovative and personalized technology-enabled experiences.

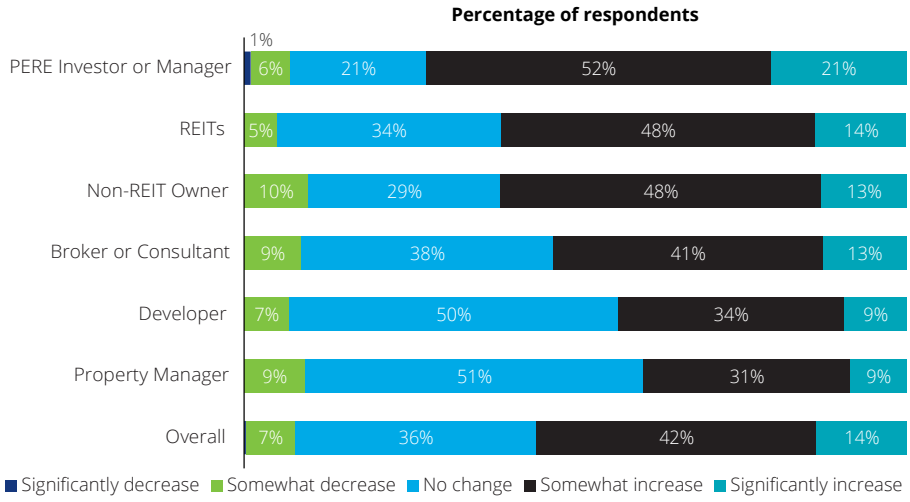
As an example, guests at Alibaba's futuristic FlyZoo hotel in Hangzhou, China, can use a digital assistant called Ask Genie to have a more personalized and secure experience, from reservations to in-room services[1].

Yet, a majority of respondents of our recent global survey of 750 CRE executives don't consider digital tenant experience a core competency. Only 38 percent of the CEO respondents consider digital tenant experience a core competency of their company, which is the lowest amongst the various C-suite respondents. However, it could be imperative for CRE companies to prioritize tenants' and end-users' needs given the increasing influence of technology on customer preferences.

How are companies digitizing tenant experience? Let's begin with tenant experience-related technology investments over the next 18 months. Thirty six percent of respondents expect their organizations to hold the line on tech spending, while 42 percent anticipate a moderate increase, and 14 percent are likely to more than double. (see Figure 1).

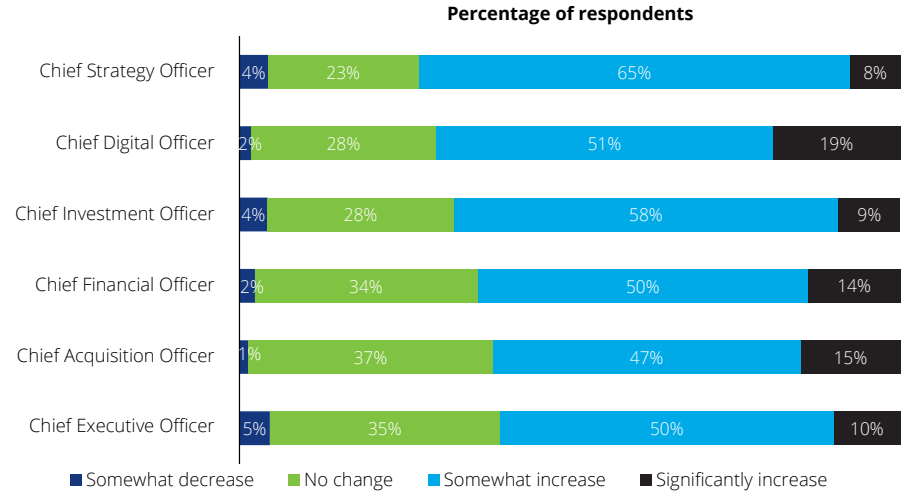
Second, companies should put tenant and end-user preferences at the center of every business decision. The on-demand economy is reshaping tenant expectations about how real estate is consumed, and technology-enabled facilities and personalized experiences are already transforming the CRE industry. Today, creating superior experiences is not just about engaging the tenant, but also about extending services to the CRE end user,

Figure 1: Ninety two percent of respondents plan to maintain or increase their tenant-experience-related technology investments




Source: Deloitte Center for Financial Services analysis.

Figure 2: Data governance investments in the next 18 months




Source: Deloitte Center for Financial Services analysis.

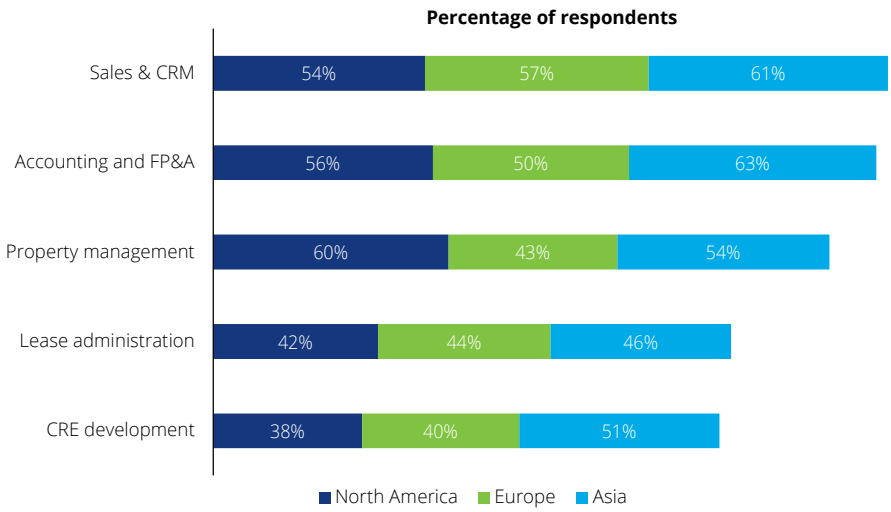
1. Anthony Pearce, "Alibaba's Flyzoo Hotel In Hangzhou Is Staffed By Robots", Globetrender, August 5, 2019.

or the day-to-day consumer of that space: a retail shopper; a resident living in a multifamily property; an employee working in an office space; or a manufacturer using a warehouse. As attention spans wane, it will likely become more difficult to attract and retain tenants and end-users. Our surveyed executives believe that IoT technology and mobile apps are important technologies to help improve front-end experiences for tenants and end users. More than half of respondents believe that environmental and security technology investments will improve tenant experience. Mobile apps are a powerful tool to create personalized tenant/end-user experiences. Respondents cited features such as app-based entry, notifications and/or virtual events to enable community-building among occupants, tenant handbooks and newsletters, and contact information for property management and maintenance services as some of the most essential smart features' properties could offer.

Currently, 58 percent of surveyed CRE executives consider tenant preference during the predevelopment stage. Organizations can use digital reality (DR) technologies to attract, retain, and engage tenants during the development phase of a CRE project. With DR, owners and developers can use prototyping tools and offer potential tenants a futuristic experience at the predevelopment stage.

Third, data control, access, and analysis are expected to become more critical as data generation and usage continues to rise. Most CRE companies have not yet fully explored how to capture and use information to enhance decision-making, improve operating performance, and create a differentiated tenant experience. To maximize the value of the data they already have, whether collected internally or purchased from a vendor, CRE companies should develop platforms, processes, and a governance structure that enable data discovery, availability, management, and usability.

Figure 3: Departments bene ting from using AI technologies




Source: Deloitte Center for Financial Services analysis.

Most organizations appear to understand the importance of data governance, as 68 percent of the surveyed chief investment officers (CIO) plan to somewhat or significantly increase data governance investments in people, processes, or technology over the next 18 months (see figure 2).

Last, with CRE industry's growing access to a wider variety of personal data such as user location, communication, behavior, and sentiments, cybersecurity and tenant data privacy are becoming top priorities. For some organizations, these concerns tend to limit use of emerging technologies such as IoT and AI. For instance, 44 percent of respondents chose data and privacy issues as one of the biggest challenges in adopting AI technologies. Separately, surveyed executives consider tenant relationship damage, turnover or lower rentals as the second most important impact of a data breach. High attention to cybersecurity and tenant data privacy are important to comply with di erent regulations, increase tenant loyalty, and maintain brand and reputation.

As we look to 2020 and envision the next decade, the traditional mantra of *Location, Location, Location* is becoming increasingly irrelevant. The most successful CRE companies will likely be the ones that follow the mantra: *location, experience, analytics*. This requires companies to fundamentally rethink location, space requirements, users, and user preferences, and gradually shift to a service mindset.

To gain more in-depth insights from our global executive survey and strategies that can help companies amplify digital tenant experience, read our report "2020 commercial real estate outlook: Using digital and analytics to revolutionize tenant experience."

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