

ICSC+U.S. LAW CONFERENCE ROUNDTABLE DISCUSSION

Technology in Retail Real Estate: The Current Landscape and Emerging Trends



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Defining the term *technology*?

Commonly defined as: “The application of scientific knowledge for practical purposes, especially in industry.” Throughout modern history, within the real estate industry, there are many different applications and developments of technology. For example, over time:

- **Construction Technology** – the knowledge and ability to build better/taller/more sophisticated buildings developed (and continues to develop), as construction technology improved.
- **Transportation Technology** – the knowledge and ability to improve transportation allowed for people to get to and from places of further distances, thus warranting the need for better buildings/experiences at destinations.
- **Financial Technology** – improvements and developments with commerce and interstate commerce lend to more investment opportunities and easier ways for a more diverse group of people to invest into commercial real estate.
- **Computer Technology/Internet Technology** – This is where our discussion picks up. Internet is the global system of interconnected computer networks. The creation and continued development of the computer and the internet has vastly changed the world, and for our purposes, the commercial real estate industry.

Property Technology (PropTech) / Real Estate Technology (RE Tech)

- These terms refer to all of the technological tools that the real estate community uses to its advantage in order to optimize how people use and interact with real estate (such as, buying, selling, investing, researching, marketing, managing).
- At its essence, the terms represent the alignment between the real estate industry and technology.
- This technology is often viewed as a “disruptor.” That is, something that forces change and innovation in a given industry.

- Various types of Property Technology are used by owners, consumers, investors, and managers.
- Over the last decade, more than 9,000 Property Technology companies have come into existence worldwide.
- Generally speaking, Property Technology can be generally split into two segments – commercial and residential. Our focus is on commercial.
- Commercial real estate Property Technology allows commercial real estate professionals to resourcefully operating, search, research, rent, sell and manage commercial real estate – this of course includes retail property assets.

The Past, Present, and Future

- The Past:
 - Technology (as we know it) was non-existent. Analog ruled the world:
 - Pen and paper (and literal carbon copies!)
 - Paper ledgers
 - Need to be physically present
 - Postal mail
 - Very difficult/slow to compile/share data
 - Fax machines and landlines
 - Magazines, mailers & print media

- The Present (the current landscape):
 - We live in a digital world:
 - Shift from analog world to digital world. Digital prevalence came into existence right after the dot-com boom (dot-com boom was mid to late 1990s. 2000-2001 dot-com bubble burst. A *dot-com* was a company that did most of its business on the internet. As of 2021, “.com” is the most used top-level domain). Leading up to this period of time, most listings and sales were in hardcopy on print media and located physically within real estate offices. The primary real estate technology focus during this time period was on moving listings into the digital media realm.
 - Around 2008, there was another wave where technology was implemented to make physical real estate spaces more exchangeable.
 - The current wave of Property Technology is driven by a range of new technologies available, such as artificial intelligence and big data, which has already disrupted other areas such as finance.
 - The use of these new technologies has been shaped by social distancing requirements and regional lockdowns arising out of COVID-19, which for better or worse, introduced changes in the way we are required to deal with real estate.

- The current landscape (see Exhibit A):
 - Commercial real estate Property Technology now exists to service the entire spectrum of the industry.
 - **Property location**
 - Listings
 - Brokerage
 - Viewing
 - **Construction**
 - Constructing
 - Planning
 - **Financing**
 - Equity/debt
 - Underwriting
 - Deal management
 - Data/appraisal/due diligence
 - **Managing**
 - Property management
 - Leasing
 - Building automation & IoT (Internet of Things)
 - Tenant management
 - **Asset utilization**
 - Retail
 - Event space
 - Co-living/home share
 - Co-working/office space

- Within the *retail* segment specifically, technology trends that have emerged since 2021 consist of:
 - **Curbside pickup** – utilization of curbside pickup cuts down on the need for home delivery. Environmentally friendly as it reduces materials needed for shipping. Fast and convenient for the customer. Impacts design and layout of retail space.
 - **Contactless payment** – an existing technology that has been thoroughly refined over the years. Apple Pay, QR codes, apps, etc. Convenience to customers. Beneficial to retailers – extended hours of operations.
 - **Kiosks/Robotics** – Facial recognition. Voice recognition. Robotic systems that allow tailored orders/products/services to be prepared and delivered via robotic and automated systems.
 - **Augmented Reality (AR) & Virtual Reality** – Video shopping. Virtual “try on at home” (or wherever!). Reduction in number of returns made. Live video chat functionality.
 - **Point of Sale (POS) System advancements** – More than just cash registers. Now, able to collect key data and metrics, inventory, contactless payment features, easier ability for self-checkout functionality.
- Amazon brings the mall to you with same-day deliveries. As of August 2022, Amazon is partnering with select mall stores (currently, PacSun, GNC, Superdry, and Diesel) to offer same-day Prime deliveries. Amazon is working on offering same-day deliveries from Sur La Table and 100% Pure.

- The Future (emerging trends):
 - **Advanced Visualization Technologies** – As data speeds continue to increase, the ability for more detailed and in-depth visualization technology will grow. Three dimensional and holographic possibilities. Virtual reality headsets and interactive/tactile virtual environments.
 - **Telepresence** – Similar to the virtual reality developments, in addition to telecommuting, which is a growing trend, telepresence will enable “virtual” employees to assist customers at stations/kiosks, and the tele-employees may be miles, if not thousands of miles, away. <https://www.today.com/food/trends/fast-food-drive-thru-workers-work-home-new-technology-rcna22534>
 - **Cloud-based solutions** – On-site servers will be a thing of the past (they almost already are). All data will be stored in the cloud and accessible from anywhere. Devices will, in turn, continue to get smaller as the need for internal space to save information shrinks. This will enable even more portability of devices and allow for further interaction between devices and real estate environments.
 - **Autonomy** – Self driving vehicles, drones, robots – these may eventually all act as vehicles to send and receive goods/products/services. This will inevitably have impacts on infrastructure, landscape, and the need for real estate space dedicated to parking and storage of vehicles.
 - **Geofencing** – virtual perimeters for a real-world geographic area. Can be dynamically generated (by way of an app prompt) or set to a pre-defined set of physical boundaries. Active geofencing advancements have increased with technological flexibility. Lends to mobile marketing, user engagement, real-time tracking for on-demand services, health and safety implications, Internet of Things, etc.
- **Cybersecurity concerns** – Rapidly growing focus on cybersecurity concerns, as more sensitive information becomes readily accessible online/in the cloud, and can be more easily influenced and altered remotely. Potential for data theft and fraud. Increasing technology has to go lockstep with meeting and exceeding challenges imposed by cybersecurity and data privacy issues.