



## The Future of Real Estate Planning

Technological companies now play a great part in the real estate planning

### What is Fintech in Real Estate Planning?

Fintech in Real Estate or PropTech is simply the convergence between digital technology and the real estate business. Fintech has made real estate transactions much more efficient, causing conventional buyers and lenders having a shared interest to adopt it. Fintech in the real estate space has made the process of borrowing and lending a lot faster with lesser delays and lower costs. Technologies in the space ranges from real estate management to smart building technologies.

Some prominent examples of Fintech firms that have evolved real estate planning are Zillow Group Inc. and Fiserv Inc.<sup>1,2</sup> Local PropTech firms include PropertyGuru, REA group and 99.co.

Zillow is one of the top real estate fintech companies dealing with homeownership and rentals in the United States, pulling in about 173 million unique visitors each month and maintains a massive database of about 110 million homes for buyers, sellers and renters. They provide potential clients with information on housing availability, optimal pricing and financing options. Therefore, this gives sellers a direct line of communication with potential buyers. For property sellers, Zillow simplifies their selling process. For example, owners who wish to sell their property fast may choose to sell their property to Zillow on a cash offer based on market competitive offers with a service fee of 6-9%, providing greater liquidity for those wanting to sell. Zillow also provides lending via Zillow Home Loans, which provides buyers with simple, transparent and secure financing options.

Fiserv (FISV) is another leading fintech company in the space which use technology to facilitate property management, lending, risk management and loan origination. Through solutions such as the RemitStream Property Management Lockbox, they have accelerated the payment collection cycle for property managers with automated processing. In fact, more and more banks are relying on Fiserv to process transactions related to real estate. Fiserv Inc is growing fast and disrupting the traditional lending process by moving transactions quickly and providing lenders with accurate information on borrowers quickly to reduce risk.

The world is moving towards greater convenience and accessibility over time. Thus, one can foresee the presence of big data and artificial intelligence, playing a big part in our societies. Everything from insurance to estate planning to equity compensation is ripe for innovation, and changes will come quickly. This is where Fintech comes into the real estate planning world.

### Pros, Cons and Impacts of Fintech in Real Estate Planning

#### Pros

Firstly, with Fintech, it improves the speed at which real estate planning can be carried out. It takes the commercial real estate lending and underwriting process easier and faster. Borrowers that are using a tech-enabled direct lender can apply within a few minutes and receive a decision in as little as a day or two, instead of waiting weeks for a loan decision. This then allows lenders to expedite the due diligence and closing process. For example, in a partnership between Money360 and Ten-X, an online real estate transaction marketplace, technology was used to pre-underwrite CRE properties before they get posted on the Ten-X platform.<sup>3</sup> This tacit guarantee of funding benefits both lenders and sellers as it helps attract more buyers, and therefore more competitive bids, for the properties. Therefore, this partnership helps to close bridges and make permanent loans quicker.

An example of a company that indeed experience faster speed with Fintech, which led improved revenues to would be SS&C Technologies Holdings Inc. Property management, commercial lending and real estate lenders use SS&C Technologies (SSNC) for transactions.<sup>4</sup> Such solutions has helped firms to tackle those issues and improve efficiency within the company. An example of their solutions is SS&C GlobeOp which is their books-and-records system to perform administrative functions such as accounting, taxes for various real asset fund types. SSNC's platforms are thus created to support their entire administration process with accuracy. The disruption here is that companies have nearly instant processing and clearing. SS&C has shown great growth over the past years with revenues increasing steadily for four years. The stock had a massive sell-off last November but has since rebounded. Over the last year, the stock rallied over 41% and looked to build on that in the coming months.

Additionally, SSNC's solutions are often more convenient and accurate with Fintech as it allows loan applications to be completed digitally, instead of hauling around hundreds of pages of documents, which reduces the potential for human error or missing information. SSNC's mortgage loan platform is developed in a way where one is able to view the different commercial and residential mortgages smoothly and easily. It also contains accurate calculations guaranteed by the company which makes the information reliable due to its high credibility.

#### Cons

With Fintech, there may be a lack of judgement due to the absence of humans. One of the biggest challenges is underwriting a loan decently.<sup>5</sup> Many factors go into this decision — the quality of the borrower, the location of the property, the type of property, the potential cash flows from the property and the financial details of the loan.

And none of these factors can be simply boiled down to a single number or term. Thus, a mixture of both technology and experienced lenders will enable both parties to reach an optimal decision. Real estate planning has been growing significantly but the lack of focus to the more elaborate information behind this resulted in a slowing down of the growth of the industry. Therefore, there are several problems in relation to shift towards PropTech such as intricate and obsolete regulations and information asymmetry.

#### Impacts

Firstly, fintech has brought about the rise of crowdfunding. Crowdfunding pulled technology to the forefront in an industry that has typically relied on 'old school' methods for raising capital. Some crowdfunding firms have updated their models to offer both equity and debt financing for developers and sponsors. At the same time, there have been other FinTech firms that have entered the space as direct lenders and financial intermediaries. For example, GoRefi is the marketplace for mortgages that helps homeowners save money on their refinance by cutting out the middleman.

Next, there will be simpler CRE lending as stated under the pros of Fintech in real estate planning. Lastly, commercial real estate owners have an opportunity to alleviate some of the existing challenges in their leasing transactions using blockchain technology as blockchain introduces new ways to trade real estate and can enable trading platforms and online marketplaces to support real estate transactions more comprehensively. For example, ATLANT has developed a platform that uses blockchain technology to facilitate real estate and rental property transactions. By tokenizing real property, assets can then be traded much like stocks on an exchange and transactions can be done online. As the pros of Fintech in real estate planning outweigh the cons, and the impact of Fintech on real estate planning is generally a positive one, many real estate firms have chosen to adopt Fintech into their businesses. Overall, firms adopt Fintech to attain higher additional revenue and differentiation for incumbent asset and wealth managers if they can find a way to blend their personal touch and technology in a way that it matches the kind of client experience that they receive from other service providers to their advantage.<sup>6,7</sup>

### The Future of Fintech in Real Estate fintech

For years, technology companies played at the edges of the real estate industry. Listing sites like Zillow improved the process of searching for a house while numerous commercial databases shed light on sales of office and apartment buildings. The actual transaction, however, remained mostly unchanged. Fintech is growing to become more crucial and popular among office properties like commercial real estate due to their ability to slash costs greatly and greater market awareness of such solutions. Gradually, technology is transforming the office properties

market. This would impact the real estate market significantly as real estate in its current state is still very much heavy reliant on human to human sales and interactions. Recently, a new crop of well-funded startups, including the seven on the latest Forbes Fintech 50, have been finding novel ways to get at the heart of things.<sup>8</sup> From an AI-enabled title company to a landlord that wants to help its tenants become owners, these companies are using software to rethink the experience of buying, selling and owning property.<sup>9</sup> Reach is still limited, and the day of one-click home purchases may never come, but there is now hope for a faster, more accessible and (maybe) less expensive home-buying experience.

### Sustainability of Fintech in Real Estate Planning

Real estate – primarily commercial – often has a massive impact on the environment. This presents a huge economic opportunity for real estate management teams to retrofit, upgrade and redesign to better position their assets for a lower-carbon economy.<sup>10</sup> In addition, with the rise in environmental, social and corporate governance (ESG) investing, investors in this space now pay a special attention to sustainable issues in building, management and carbon footprint. Property companies, including Proptech are no exception to this, in fact, certain Proptech companies have thrived and made this their business model and selling point. In the space of facilities management, a Proptech startup in Germany, Sensorberg, is focused on digitizing buildings with IoT devices, basically mapping their energy consumption and CO2 emissions to improve costs and their environmental footprints.

As another example, the work that Redsand recently undertook in the real estate space in Scandinavia touched on making the market accessible through technologies such as blockchain, with the project's primary value meaning that the entire fundraising process became much more efficient.<sup>11</sup> Through the use of blockchain, they were able to develop immense transparency on how the capital was being used across the physical supply chain. Redsand has provided the stakeholders with supply chain visibility and the ability to view its deficiencies.<sup>11</sup> <sup>12</sup> Thus, there has been an increasing number of real estate industry professionals incorporating sustainability.

### Real Estate Fintech in Singapore

A secure future of real estate fintech in Singapore arises from a strong corporate and government support. Together with good technology ecosystems, this provides an opportunity for good growth for proptech startups, as explained below.

#### Corporate VC Funds and Accelerators

In 2016, one of Singapore's leading property developers, CapitaLand, established an SGD\$100m fund to invest in real estate-related startups. The fund was named C31 Ventures, where \$75m is mandated for global investments

while \$25m is earmarked locally. They invest in real estate tech from construction to materials as well as customer solutions so as to provide CapitaLand with new strategic capabilities.

The significance of this move is threefold. Firstly, very few global developers have set aside this type of capital for tech startups making CapitaLand a first mover in this space. Secondly, as a developer and owner of retail, residential, office and hospitality projects, they are interested in an extensive range of business models as well as any initiatives or solutions that may help them to increase their revenues or reduce their costs. They will be able to provide their investments with access to its property portfolio, giving them instant scale. Third, this sends a message to the local startup community, which, in turn, should mean more founders moving into this space.

Beyond providing capital, real estate companies such as JLL and Lendlease have collaborated to develop the local proptech scene in Singapore. They have jointly launched the Singapore-based Propell Asia accelerator program to help startups work with industry players to implement their products and solutions. Via this acceleration program, startups can have the opportunity to validate their products and test for market fit by engaging with JLL and Lendlease's businesses, assets and networks. In addition, they have the ability to test if their solutions are workable at scale given JLL's large customer base.

#### Government

Singapore's objective to become a smart nation is well known and well on track as Singapore has been investing heavily in the real estate proptech.<sup>13</sup> The Minister for National Development (MND) was recently quoted as saying the industry needs to brace itself for disruption, so there is an awareness even at the highest levels that the change is on the horizon. MND has recently introduced the Real Estate Industry Transformation Road Map which will focus on property transaction services and facilities management, the two sectors of the real estate industry that have much to offer and have immense potential for transformation. Initiatives include forming a new digitalized property transactions group in 2018 to facilitate electronic contracts, payments and industry-wide document submissions.

With strong government support for the Proptech ecosystem, Proptech companies and startups are expected to benefit from the added access to market and industry collaboration. The government has gradually transformed the real estate industry in a way where it can continue to grow and provide a variety of job opportunities to Singaporeans. On top of this, Singapore has declared its intention to become a Fintech hub by creating a supportive startup ecosystem, with the Monetary Authority of Singapore establishing a Fintech Innovation Hub, creating a regulatory sandbox for Fintech startups and sponsoring the inaugural FinTech Festival on 14 November, 2016. As Singapore expands her fintech footprint Proptech will be expected to play

a significant part in that fintech wave.

#### Start-up Diversity

Most importantly, the range of real estate-related startups is beginning to broaden, moving closer to observing the different events occurring in other markets. In addition to property search, Singapore now has platforms ranging from home design and renovation (Qanvast) to property management (Pegaxis), property investment research (DREA) to agent bidding (Yotcha), and Internet of Things such as air quality sensors (uHoo).<sup>14</sup> This diversity will continue to expand, both as the real estate tech scene gains exposure abroad and the local ecosystem matures. Recently we saw the launch of a smart cities' VC accelerator calling for startups in the areas of VR, IoT, robotics, big data and AI.

In addition, large corporates are forming various projects to tap into this growing proptech space as well. The three local banks in Singapore have also launched their own proptech initiatives. DBS Bank has launched DBS Property Marketplace which provides property listings from Edgeprop, Averspace and SoReal while providing home buyers with digital features such as projecting the impact on monthly cash flow that a property purchase would bring.

OCBC Bank has launched the OCBC OneAdvisor platform, which allows buyers to do home searches based on affordability criteria with the listings coming from EdgeProp, 99.co and SoReal. UOB has collaborated with four property agencies – ERA Realty, Huttons Asia, OrangeTee & Tie and PropNex Realty and a proptech company, SoReal Prop to launch a range of digital tools such as a property valuation tool and an online instant home loan approval service. Government, capital, talent and industry awareness – the necessary ingredients are coming together, and Singapore's real estate tech scene has begun to simmer.

All in all, proptech startups has grown massively over the past few years, with global private investment into Proptech space reaching \$2.6 billion in 2019, up from 0.4 billion just 4 years ago in 2015. As more and more real estate and property management companies are expected to embrace Proptech, this space is expected to grow further, particularly in the commercial and residential real estate space.

Furthermore, the real estate industry has many opportunities to create value and propel growth, including developing a fintech strategy, leveraging robotics and cognitive automation to enhance performance and reimagining talent. Generally, the Singapore government and MAS are highly supportive of Fintech innovation. Fintech businesses in Singapore generally have a supportive regulatory environment. Hence, we believe that fintechs in real estate planning are not likely to face disruptive laws that will restrict their growth.

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