



CRE Tech Talks

Episode #2: The Fast & Furious CRE Tech Explosion



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Pierce Neinken, West Region Solution Director for CBRE in California and the Founder of CRE // Tech Intersect

Scott: Thank you for that warm introduction. Welcome to this episode of the CRE Tech Talks. Again, I am your host Scott Sidman. Today's topic is CRE tech investment, what's driving it and what you need to pay attention to.

It's particularly relevant for us in this series, as it essentially forms the foundation for everything we're going to talk about over the course of the series. We have a terrific guest today to help us explain what's going on and what we need to pay attention to.

Pierce Neinken is the West Region Solution Director for CBRE in California and the Founder of CRE // Tech Intersect. Welcome, Pierce.

Pierce: Scott, thank you for having me.

Scott: Let's jump in first by having you tell us a little bit about yourself and your background in commercial real estate. At the end of that, we also like to have our guests share something unique or unusual about their background.

Pierce: I am, first and foremost, a commercial real estate professional. I've been in the industry for about 10 years, working in a variety of functions, primarily transaction, some experience investment underwriting, due diligence, and macro market research and analysis.

I currently work for CBRE, as you had mentioned, in the capacity of Western Region Solutions Director, where I'm responsible for developing corporate outsourcing solutions on behalf of our largest clients.

That would include things like facilities management, project management, transaction management. In my nights and weekends, I started this project, this personal passion project called CRE // Tech Intersect.

To give you a little bit of personal background, I am a millennial. I grew up in the Southeast. Currently in San Francisco. I am a technology enthusiast. I love watching the new trends. I love watching new technologies come out.



As a millennial in the industry, one of the constant frustrations with all of the different capacities that I had worked in the industry was a frustration with the lack of technology options available.

In the past three years, I have been witnessing a massive surge of innovation within the commercial real estate industry. There are a ton of new companies that are trying to improve the way that we do business within the commercial real estate space.

What I realized in 2013 was that there wasn't a great place for people to come together to talk about this. After connecting with a number of founders and colleagues, I started this event called CRE // Tech Intersect, here in San Francisco, as a regional symposium to bring people together.

Trying to advance the conversation. It has since developed into this biannual, bicoastal symposium. Excited to talk to you today about some of the trends that I've seen. One unusual trait. I'm an adrenaline junkie. I love getting outdoors whenever I can. I've been skydiving a few times.

Scott: Great.

Pierce: That's me in a nutshell.

Scott: *[laughs]* That's pretty exciting. It's terrific for me to hear, as someone in the technology side of the business, to see someone from within the industry pushing the conversation from within.

It's no surprise it's coming from someone of the millennial generation. I'm sure we'll talk more about that as well. CRE // Tech Intersect. Terrific. You run it in San Francisco. The other coast, I assume, would you have it in New York?

Pierce: Correct.

Scott: How many events have you had so far?

Pierce: We've had four events, and then we've also started a new regional event program. Two main symposiums each year. One in San Francisco, in the first half of the year. One in New York, in the second half of the year.

What we realized earlier this year is that there are opportunities to advance the conversation in other markets. We had our first regional Connect, which we expected to have about 50 to 75 people at, in Austin, Texas, in advance of the South by Southwest convention.

What's really exciting is demand far exceeded supply. We sold out of tickets once, at 75, and then we sold out again at 100. We had 100 people coming together in Austin, with an event co-chaired by regional leadership, with two fantastic representatives, Cristi from Rail Yard and Brian from Sunstream.



They came together and really led a fantastic event to advance the conversation.

Scott: Tell me a little bit about who's there. Who do you feature? What are the attendees like?

Pierce: That's a great question. We are building a big tent. What I mean by that is we want everyone involved. We have probably about a 50/50 percent ratio of commercial real estate professionals and technology, enthusiast technology entrepreneurs.

Those commercial real estate professionals span the full scope of commercial real estate services. So we have brokers, we've got owners, we've got investors, developers, we've got facilities managers, we've got risk and compliance managers, corporate real estate representatives.

We want anyone who has an interest in commercial real estate technologies to have a place to be able to come and learn more, and so we want to open it up and make it as inclusive as possible.

Scott: What's the structure of the event? How's the day formatted and the conference formatted?

Pierce: One thing I realized about not just the groups that are involved, but commercial real estate professionals in general, is that we're pretty busy. As opposed to taking up a few days, this is a one night event.

I tell people it's not your grandfather's trade show, this is an opportunity to come together in a relaxed environment, to have candid conversations with people that are working to change the industry. It's a place to be able to learn about what those tools are. We start the night at six o'clock.

Open registration for about 30 minutes, then we'll have a speaking portion where we've got panel members talking about new trends within the industry. That lasts for about an hour, and then the remaining hour and a half are dedicated to demo, dining, and drink.

It's an informal time when you can walk around we have the event and they can space, which creates a really cool environment.

You have the opportunity to go to tables that are set up on the perimeter and meet the people that have worked to develop these technologies and get to experience the technologies, and see inside of them. It's a one-stop shop for learning about these new technologies.

Scott: Great. Unlike the typical trade show, you're not getting the hard sell. It sounds like it's much more educational in nature.

Pierce: It really is. What's been most exciting is the fact that now that we're approaching our fifth main symposium. We've developed a sense of community around the people that are attending.



There are a lot of familiar faces, and this is one of two times a year when people can come together and be able to reconnect. I say one of two - I'm referencing the upcoming San Francisco event, versus the New York.

Scott: Sounds great, sounds like a terrific event, and obviously your success shows that people are responding well to it, so congratulations on that. Tell me a little bit about your own commercial real estate experience in your day job, and how you're connected to technology on a day to day basis.

Pierce: Of course. I have a unique perspective, both in the sense that I've been able to see different parts of the business, but also in my current day job at CBRE. I'm oftentimes looking at enterprise software.

That would be things like... it's an IWMS type software, integrated workplace management system. We're addressing needs spanning from the multiple service lines that we're working on. That would be transaction management, facilities management, project management, strategic consulting.

These are software programs that have been around for a while, and have developed in a way to service the needs of corporate occupiers. This is somewhat different than what we see at CRE // Tech Intersect, to the extent that we're often looking at point solutions.

These are technology products addressing a very specific need versus addressing a full suite of needs.

Scott: So that's a major distinction that you try to focus on as well.

Pierce: It's particularly interesting to the extent that there is so much innovation happening amongst these point solutions, that one of the more compelling trends that has emerged over the past 12 months has been the desire to try and integrate a lot of these point solutions.

We're seeing a lot of that over the past six to 12 months in the form of API thing ones by these technology companies that are, what I consider the new wave. We're also seeing partnerships amongst these technology companies.

It's creating a more comprehensive suite of services while allowing the technology groups to focus on their core competency.

Scott: That's great. That's happening pretty quickly in relative terms considering the age of a lot of these companies that you're talking about, which leads me to my next question which is related to the investment that's been taking place.

In the past several years, there's been a significant amount of investment by the VC community who in general, although you may get some argument from some people, pretty smart people and make big bets. What do you they're seeing as the big opportunities in commercial real estate?



Pierce: This is a fantastic point. We are tracking VC investment in the state very closely because there aren't really great metrics to try and determine what is the new hottest company, sales really reported. The VC funding tends to be a pretty good proxy of potential for a company.

We track about \$180 million invested over the past 12 months, commercial real estate oriented technologies. What's particularly interesting from an investor perspective or investor profile perspective is that the investors in these companies are incredibly diverse.

We're talking about institutional level VC investors. It will be the typical VC that you'd expect to see. We're also seeing a number of angel investors. Those come from both the technology side of the business, as well as the real estate side of the business.

There are real estate professionals that have been successful and recognized the potential for technology to change the business. They are investing their funds there.

Alternatively, we've also seen large, established real estate players investing in these platforms. The fact that you've got groups like VTS that has recently partnered to be able to have more than a few of their investors provide funding for a recent round.

That's huge. I look to Fund-rise as well. They had Silverstein and a number of other major institutional land owners invest in their most recent round, which was one of the largest fundraisers for commercial real estate oriented technology groups.

While we're on Fund-rise, you can also look at the influences left field players that are very significant, specifically pointing to Renren, a social media company out of China who recognized the potential for crowd-funding to change the way that groups raise funds within the US.

They were part of the round of Fund-rise.

Scott: That's really interesting.

Pierce: It's an incredibly diverse investment.

Scott: Particular what you haven't seen since the beginning, and this may date you, since the beginning of the dot com bust where real estate firms themselves are getting back into investing in technology. That's exciting to see.

Pierce: What I'd love to see more of, and I know it's happening, that is homegrown solutions by commercial real estate firms generally are not getting enough exposure likely because they're proprietary. There's a lot of really cool things happening on the company, the Internet level.

I know at CBRE, there are a number of really fantastic internal products like our global labor review that has developed internally and provide this really complex software product, but don't necessarily receive the same type of attention external product did.



This is something that most major commercial real estate service providers have been incubating. I know we have a fantastic group that works to incubate and develop ideas CBRE lab, led by Ellis Fingle. It's one of many ways that we at CBRE trying to produce and develop new ideas internally.

We're going to see and continue to see a lot of really cool ideas, home-grown ideas coming from both commercial real estate service providers and owners.

Scott: Sure. It makes a lot of sense when you think about the domain expertise that resides there. If you can combine it with the technical expertise, then it could be a winning proposition.

You would almost think of it as someone like MIT where they incubate a product from students and then figure out a way to commercial it down the line. It sounds like you think that might be something we see somewhere down the road.

Pierce: I'll tell you one of the things I love about the event is that it's become a lightning rod for people that are starting to think about ideas. I get contacted by college students that are working on the idea.

It is so exciting to hear a computer science student talk about solving problems within the commercial realty space. We are dealing with such a low ball with regard to the way technology has been able to provide efficiency in other industry.

There's the potential to leapfrog some of the advances we've seen in other industry and really get commercial real estate up to speed from a technology perspective because generally, and this is my personal opinion as a millennial, that we've been lagging. We are a lagging industry.

Scott: Sure. That's certainly been well documented. As you've indicated, there's been tremendous strides in the past couple of years. You brought up an interesting point.

It relates back also to my next question about the funding and investment and opportunity there. Could you identify any particular inefficiencies in the market?

We know the commercial real estate industry is huge and that's where people see the opportunity. What about the opportunity in terms of inefficiencies that they think these new start-ups and technologies are focused on addressing? Anything that jumped out at you that you could talk about?

Pierce: Last year, there were two major trends that stood out. These stood out in a number of capacity. One way was how could they raise. These companies raise more money than any other companies within the commercial real estate technologies.

They are the first is crowd-funding. This is a tremendous opportunity in the sense that it can help open up the market for funds. Now, I wrote an article on this, and the market is moving so quickly that article has been, outdated with new developments around regulation, A plus.



The amount of crowd-funding companies has increased dramatically, and the acceptance for online platforms to be able to raise funds is becoming something that is generally more accepted.

The challenge we see is that the increments remain relatively low and, oftentimes, limited to a pool of accredited investors. Regardless, the potential for these platforms to help raise funds from a much larger audience... And I hate this word, but I'm going to use it... disruptive potential, long-term.

The other one is there are really two companies that define this. Collaborative data management platforms. These companies would be Hightower and VTS. What we're seeing has been a combination of old ideas into something that's ultimately changing the leasing process.

I was at an event two or three weeks ago where we were talking about innovation at the intersections. It was an event called The Siberian Institute. One of the speakers was talking about the birth of new ideas. Something that really resonated with me was the idea that all great ideas.

Or all new ideas, are really combinations old ideas. What we've seen has been these macro technology-enablement trends, like mobility, big data, analytics, and social media, that are now being combined and used in a way to address new problems, which is what Hightower and VTS are doing.

By turning a traditionally static leasing product between a landlord-broker and the landlord they're representing into a dynamic one. What I mean by that is, traditionally, a landlord-broker will work with the owner by sending reports in PDF or having a call maybe once a week or once a month.

These technology platforms are combining big data analytics and combining certain elements of social media and mobility to have an online dashboard that gives real-time views to owners of real estate to be able to make data-driven decisions.

That's a perfect example of how technology is creating efficiency. It's an exciting example of how these old ideas are coming together.

Scott: It sounds like it's a little bit of next-generation applications, combined with something new, or a new approach to them. That's unique. The follow-up to that would be, and I try to be careful, so I don't put you in a position where you have to name companies.

But do you think that there are some legacy or enterprise companies out there in the space that are concerned about what's going on? Are they going after certain companies, in particular, or certain legacy providers?

Pierce: It remains a competitive space, but what I've seen that's encouraging has been that the new wave of innovation has been driving innovation within the more established players. I'm not going to say it's exclusively because of these new companies.



But I will say that we are seeing more established providers trying to innovate more rapidly than I've seen, in my experience. Ultimately, that's good for the industry, as a whole.

Scott: That's a great point. You mentioned Fund Rise, VTS, Hightower. Any other companies out there that strike you as being really innovative and out in front, at this point?

Pierce: I referenced those companies as case studies of a couple major trends last year. Now, we are tracking over 75 companies within the commercial real estate space. All of them are working on really interesting ideas.

I certainly don't have a favorite amongst them, but some of the ideas that I'd be most excited about, that present the most potential over the next 12 to 36 months would be companies that are focusing on connecting disparate databases.

And using machine learning, predictive analytics to help owners, occupiers, commercial service providers to be able to anticipate what's going to happen.

So much of what we've done over the past 10 years has been getting the data out there. We're still in that process, but as we move forward, we're learning what we can do with that data. This is referencing what I was discussing earlier, with regard to leapfrogging.

By using some pretty sophisticated approaches, we can be able to do things like infer property ownership, leveraging both municipal and private databases. There's a wide variety of problems that could be addressed through this. We're now scratching the surface.

Scott: That's pretty powerful. You mentioned it briefly before, in terms of actionable intelligence and data that you can do something with. From the events I attend and the things I hear from the people in the space, that's one of the things that they're crying for.

Because, as you referenced, they're so busy, there's so much coming at them. That's one of the things that technology firms need to do, is make sure they give them information they can do something with.

Pierce: Exactly. It's about moving from the "What?" to the "So what?" The "What?" is getting the data out there. The "So what?" is "What are the implications of that data?" Then, finally, to the "Now what?" which is, "What do we need to do? What are the actions in those implications?"

I'm really excited we're moving to the latter half of that spectrum, but there's still so much progress to be made in capturing the data and really getting transparency in the data, which is something that some companies are doing a fantastic job of. Open data, generally, is a huge trend right now.



Scott: Sure. You come at this, both from your work with CRE Tech Intersect, but also on the buyer side, the guy who evaluates and helps make decisions about technology that's used. You've been in the space for a long time.

What do you see, in terms of obstacles for some of these newer firms getting into this space? It's one thing to have a great idea and a great product. Now you have to go out and sell it and get involved in the industry.

What do you think these companies have to know about commercial real estate and bringing their product to the market?

Pierce: That's a broad question. [laughs] I'll tell you some of the pitfalls and I've been working on a piece that talks about this, has been that when they're getting into the industry, some groups focus on more problems than they need to or they should.

We are so hungry for effective technology solutions, as an industry, that we don't need a technology solution that solves all six problems at once. We need something that solves one problem effectively.

This is a question I ask most start-ups, "What is the problem that you're trying to solve?"

Instead of focusing on one problem, they are focusing on a wide variety of problems and, oftentimes, don't end up solving one as effectively as they should. Don't have the focus they should to be able to move the product forward in a really significant way.

Scott: That's a great lesson for any start-up, but in particular, in this space. You've expressed it perfectly. That's great. Here comes your softball question.

You've mentioned people in the space are really busy for audience out there. How do they hope to stay up with all of the things that are coming at them, and all of the trends, and all of the information, and all these companies?

Pierce: I've got a great solution for you, Scott.

[laughter]

Scott: I told you it was a softball question.

Pierce: We're working hard, as a group of volunteers. What I didn't mention earlier is this is, as I said, a personal passion project. I do it to break even. I don't profit off of this. We've got a really dynamic group of progressive thinkers and innovators that have come together.

We want to be the one-stop-shop for people to be able to learn about these emerging technologies. Recognizing that not everyone can make it to the event and realizing the enormous value that we've been able to capture and having so many incredible groups in one place.



We decided to create a report called "The CRE Tech Report" that profiles all of the participating companies, includes commonly used acronyms, because there's a language unto itself within this space, and also includes current fundraising activities. A table showing who's received what recently.

That is a free resource available on our website. Then, also, attend our events. We're looking to, like I said, build a big tent here. We want anyone who wants to learn about this to have the opportunity. If you have an interest in having a regional event, we'd love to talk to you about that, too.

Scott: In wrapping things up for us here, one of the things we always like to have our guests do is give our audience three to five things that you would advise any commercial real estate executive to do, with regards to new technology waves, specific companies, keeping up with all the stuff.

You gave us one of them, but what else would you add to that?

Pierce: That would definitely be one. Download the report. Take a look at the companies that you think would be most relevant to you, and reach out to them. These companies are eager to have conversations about their capabilities, and they're eager to learn.

I'd say attending events, obviously, is another major one. There's a community developing around specifically social media that's pretty on top of major developments. I'm on Twitter. There are a lot of really dynamic people on Twitter that are advancing the conversation.

I'd say join Twitter, if you can, and follow me @pr9ken. Then, if you have any questions, reach out to me. I love talking about this stuff, and I really appreciate the invitation.

Scott: It's great to have you with us. Terrific insights. Really, really good information. From someone in the industry and the technology space, even though we've been doing this a lot longer than a lot of the companies that you work with, it's really gratifying for us to see the conversation being driven.

As I mentioned earlier, from within the industry and from people like you and from great events like the one that you hold. Thank you for that, as well. Contact information for Pierce, for CRE Tech Intersect, for the report he mentioned, will all be available on our podcast landing page.

I encourage you to reach out to him, as he invited you to do so, and certainly, attend an event in your area, now that they're expanding regionally, as well. They're really terrific events.

I want to thank everybody for joining us on this episode of "CRE Tech Talks." I hope you continue to listen in. Thank you again.

