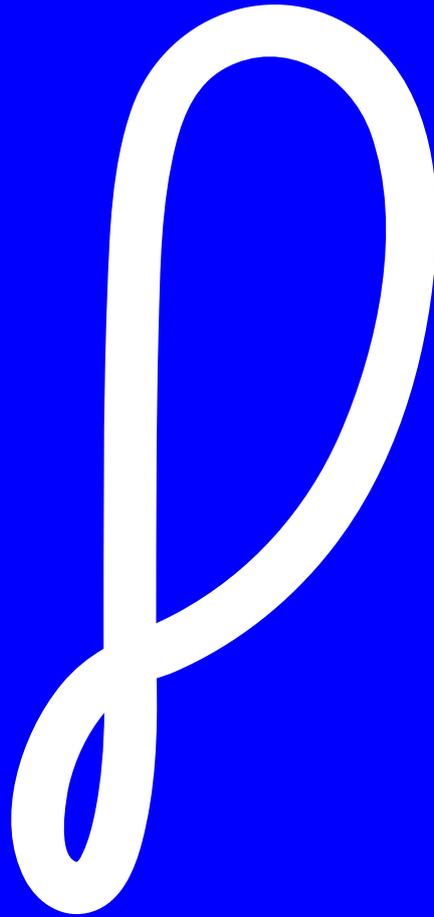


Redefining Property

Role of Digitalisation
in a Changing World



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INTRODUCTION

The Global pandemic [COVID-19] has challenged our accepted assumptions of the nature of work and the buildings in which we work. The idea of the workplace being a fixed physical location and the natural gravitational centre of business activity is under question for some organisations.

Demand for commercial development was booming at the start of 2020 with keen interest from both UK and overseas parties driving up prices. But as the pandemic took hold, like other sectors, the property market has experienced an immediate slowdown, and in some cases, a complete stoppage, which has affected all elements within the property sector from architects and developers, through to estate agents, landlords and property investors, buyers and leaseholders.

As we move forward, commentators are predicting a V shaped recovery for the property sector with the market set to ramp up in the next few months in order to be back to par in Q1 2021. With the hunger for property investment continuing, it is essential for all parties in the property sector including agents, valuers, property managers, and developers to work together to create the workplace of the future – and the future is digital.

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GROWING ENGAGEMENT WITH DIGITAL

COVID-19 has caused more people to work from home than ever before.

Technology has made this possible. Many companies are starting to look at ways to facilitate more agile working amongst its workforce, and reduce costly office space.

While this could mean huge savings for businesses, the move away from office space could mean loss of vital revenue for landlords and investors, as we see more office-to-residential conversions.

From virtual and digital viewings, through managing workflows, e-conveyancing, cloud collaboration, tech tools for greater productivity, and using AI and chatbots – having the right IT infrastructure and technology holds the key for both survival and growth for those in the property sector.

Despite technology being a key enabler for the industry's survival and growth, many in the property sector have made little progress in developing integrated digital strategies, and for those who have, half have a disconnected digital strategy within the business, only 14% have complete coverage, whilst 28% say they are still in the development stage. [Source: KPMG Global PropTech Survey 2019].

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GROWING ENGAGEMENT WITH DIGITAL

The level of digital immaturity in the sector remains a concern. According to KPMG, many believe that they can have a digital strategy without a clear data strategy. This is simply not the case. Data remains at the heart of a digital strategy, yet there is a real disconnection within property companies to integrate their data management with a data strategy. This hampers the company's ability to use data to identify problems, and companies now need to spend more time capturing, analysing and integrating data from internal systems with those from buildings such as data relating to lighting, air-conditioning and access control in order to deliver a smart building environment that delivers better outcomes for clients.

the property sector has made little progress in developing integrated digital strategies and digital immaturity in the sector remains a concern

As clients and property companies push for higher standards, cloud-based solutions and property technology (PropTech) with its ability for greater focus on data quality, governance and systems is key to creating solutions which can be integrated into operations to give clients more sustainable, healthy and activated workplaces that add real value.

data remains key in creating a smart building environment that delivers better outcomes for clients





GROWING ENGAGEMENT WITH DIGITAL

virtual
viewings in both
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commercial property
market have become
the norm

With face-to-face property viewings paused for the time being, virtual viewings in both the residential and commercial property market have become more commonplace. In order to attract new tenants an engaging video tour must be available not only through the agent's own portal, but also through platforms such as WhatsApp, FaceTime or Zoom so that potential clients have the opportunity to have their questions answered and inspect parts of the property in more detail as they would do with classic in-person viewing appointments.

To create a three-dimensional tour each room is scanned individually in advance using a 360° camera before being merged to create a three-dimensional image of the property. On average for each 120 square metre property it takes around 90 minutes of film. This then takes between one to five hours (depending on the size of the property) to create a virtual walk-through 3D tour.

The property can then be explored via the Estate Agent's platform so that the property can be viewed virtually online at any time and from any location. To enhance the experience potential clients can then view the property either on screen or immerse themselves in the property using virtual reality (VR) glasses anywhere.

Using augmented reality (AR) software, property developers can give potential buyers a 'view' of the property from the planning stage through to a digital version of the building before construction even commences.

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GROWING ENGAGEMENT WITH DIGITAL

In the lettings market it can take up to 16 hours work each time a new tenancy is set up, from credit referencing to signing agreements and processing payments. Most of the administration to do with letting a property can be automated and a process created that is both transparent and data driven.

Property apps that offer landlords and property managers the ability to let and manage their property means that the entire client journey can be handled online. Using the right IT infrastructure the agent's viewing platform can be integrated seamlessly into its lettings platform so that tenants can sign contracts digitally. In addition, the system can then be linked into the relevant legal systems at both parties' lawyers in order that both parties stay compliant (see PRISM Legal Vision paper). A full e-conveyancing system continues to evolve.

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GROWING ENGAGEMENT WITH DIGITAL

Whilst users have been able to use some digital signatures in land transactions since the introduction of the Land Registration Act 2002, with the impact of lockdown and people needing to sign documents in 'pen and ink' whilst working from home when printing, post and scanning may be a problem, HM Land Registry is planning to accept witnessed electronic signatures (more specifically Qualified Electronic Signatures).

Advances in technology mean that previous clunky systems of Qualified Electronic Signatures have now been streamlined to ensure that a document has been signed in a way that would give it proper legal effect in a process that was secure and free from the risk of fraud.

The property industry must be ready to service today's ever connected consumer, and some time ago, Prism coined the phrase "B2B Retail" to represent the idea that just because you are using digital tools to assist customers and present information, you still need to create an environment that feels like a face-to-face customer service environment but by using digital tools. So, whether it is providing information on where to park, how to access a building, control temperature, air conditioning and lighting or dealing with facilities, it's the client experience that counts.

For many, the mantra is no longer "location, location, location", but "location, experience, analytics".

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GROWING ENGAGEMENT WITH DIGITAL

the property industry must be ready to service today's ever connected consumer.

The British Property Federation's Technology Innovation Working Group is assessing how the industry will acquire skills for a digital future where data scientists and innovation specialists become the norm in the property industry. Universities and industry bodies are already adapting their courses so that the surveyors of the future are fully equipped in this area.

PropTech in all its forms continues to climb the boardroom agenda, fast moving on from just improving efficiencies and enhancing decision-making, to an enhanced technology business tool that gets you ahead of your competitors.

It is technology that puts purpose, culture shift and client experience at the heart of the property sector. To do this, the right IT infrastructure must be in place not only to fully support the company's IT systems, but also to integrate silo solutions in to a seamless interface to help the property company improve efficiencies, and therefore its revenue and bottom line.

The entire IT infrastructure must be aligned to collaboration and requests are growing for standard setters, regulators, governments, property companies and PropTechs to come together and partner with outsourced parties such as Prism Solutions, so that data gathered collectively can be leveraged to create the best opportunities for industry growth.

PropTech in all its forms continues to climb the boardroom agenda putting technology at the heart of the property sector



GROWING ENGAGEMENT WITH DIGITAL

Attracting and retaining tech talent continues to challenge the industry, but with a new wave of chief technology officers (CTOs) now entering the property workspace there is a greater chance for digital transformation to be kept on track. The 'dinosaur' aspects of the industry will mean that CTOs in the sector face a tough time educating the business on the benefits of using technology in order to be better prepared to survive the next decade.

Innovation has been slow in the sector. It has been the work of Purplebricks who many in the industry are crediting with forcing traditional estate agencies in to investing in, and improving their website functionality.

Digital transformation presents significant challenges. According to KPMG's latest PropTech report, while 58% of respondents said their business had a digital strategy in place, only 29% said they had an enterprise-wide digital strategy, suggesting that the organisation is not taking the idea of going digital seriously enough.

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PROPERTY AS A SERVICE (PaaS)

New technology-driven business models such as Property as a Service (PaaS)

see a shift from the traditional lease where tenants pay rent plus a service charge on top to cover building operational costs, to a more flexible model where the asset owner operating the building covers all building and related costs, and tenants purchase a package of services that lets them make best use of the space with a flexible option that allows them to scale up or down on the space used.

With the flexible and coworking workplace market worth in excess of \$1.6 trillion worldwide, property companies who have a clear digital strategy are well placed to take advantage of PaaS operations.

While the coworking market has been slow this year due to the pandemic, it is forecasted that from 2021 the market is set to rebound and we can expect to see a yearly growth rate in excess of 21% moving forward, and by 2024 an estimated 5 million people are expected to be working from coworking spaces.

This will impact on coworking and flexible offices providers such as Workthere, WeWork, and the like, who will need to adapt quickly to retain the productivity and creativity environment which its clients expect, whilst creating an environment designed for professional distancing and increased sanitisation, in order to keep people safe.

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PROPERTY AS A SERVICE (PaaS)

companies
looking to
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branch offices and remote
teams will fuel demand
for 'private office
space' in coworking
environments

Space utilisation has changed in the coworking environment since COVID-19, and we are now seeing the most commonly requested space being the 'private office', with longer-term (rather than previous shorter-term) contract durations. This is likely to become more the norm as we continue through COVID-19 and companies adapt to a more hybrid office approach shifting to remote-first workforces.

To a greater extent, it will be larger organisations and enterprises looking to decentralise their workforces into smaller branch offices and remote teams into private flexible offices with dedicated desks fuelling the demand.

But hot desking and the hire of meeting rooms is set to take longest to recover, with 54% of people saying they would not be happy to share a desk so we could see the 'hot desking' trend put on hold for some considerable time to come. [source: Savills].

In the long run, all offices will potentially turn into flexible, on demand spaces. Within the commercial office space, the trend towards densification and open-plan layouts will need to be reversed sharply to help limit the risk of future pandemics spreading in a crowded work environment. We therefore expect public health officials to amend building codes potentially affecting standards for HVAC, square footage per person, and the amount of enclosed space. This will see a greater move towards greening the office, and every sector in the property lifecycle from planning, development, through financing and management, to leasing, will all need to play its part.

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PROPERTY AS A SERVICE (PaaS)

When it comes to returning to the office, a new set of behaviours and working patterns need to be adopted. To stay within government guidelines of social distancing, work settings will require a reduction of seats depending on the size and dimension of desks, offices, meeting rooms and collaboration areas.

Workstations in open plan offices will need to be laid out in a chess board/ checkerboard style layout with only every other seat in use, while booths or pods where previously small groups could huddle together and work collaboratively, can now only accommodate one person.

Small meeting rooms which previously could sit four people at a squeeze, can now only seat one person in safety. Medium and large size meeting rooms will need to have at least 50% of seats removed so that the room can continue to accommodate group tasks with additional colleagues having to join the meeting via conference and video calls.

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PROPERTY AS A SERVICE (PaaS)

meeting rooms will become hybrid with a mix of in-person and virtual attendees

Collaborative spaces often holding team tables or benches may still be large enough for group tasks, but clear social distancing rules must apply. Likewise multi-function rooms can now be re-purposed with additional individual desk spaces as large meetings will become hybrid with a mix of in-person and virtual attendees.

To ensure safe working practices there needs to be a system to inform employees of which areas are in use, booked, or out of use for cleaning. An app based system showing a traffic light style approach: 'Red', needs to be cleaned do not use; 'Amber', in use; and 'Green', clean, ready for use – showing desk availability on a phone or laptop can be linked to under desk sensors or to a booking system.

Regular cleaning measures of desks and workstations is essential with sanitisers being available on every desktop and a clear well desk policy must be in place. In addition, sanitising stations must be placed throughout the office with clear waste bin protocols and temperature checks facilities.

A 'one way' system must be adopted for movement around the office, with clear signage – whether hanging overhead, on walls, or on stickers and tape on the floor and carpet, to remind staff of footfall direction. Policies relating to the use of stairs, lifts, toilets, kitchen/tea/coffee facilities, and access to office equipment such as printers and photocopiers etc must be fully communicated and adopted by all staff.

well desk policies need to be in place with sanitisers available on every desktop, and desks and workstations must be cleared regularly throughout the day



PROPERTY AS A SERVICE (PaaS)

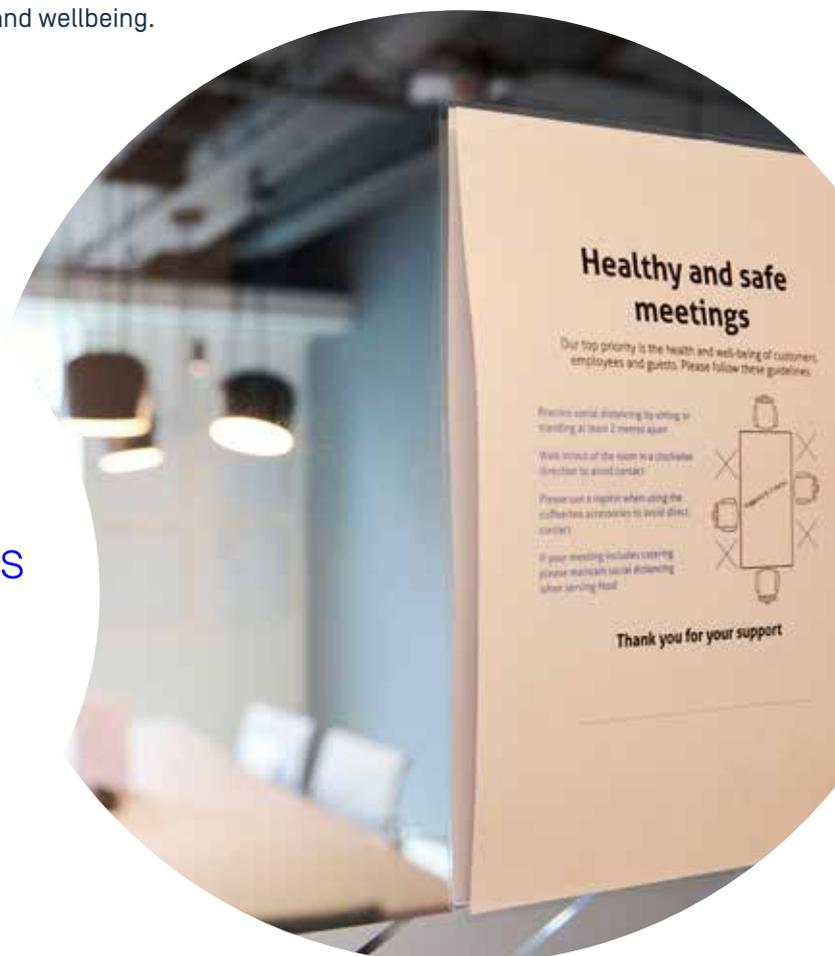
Enhanced cleaning regimes for the whole building need to be in place particularly in communal zones such as reception areas, and high touch areas such as lifts and stairs. Both landlords and occupiers must work together in adopting new procedures and protocols to promote the health and wellbeing of employees and visitors, with occupiers staggering their times for entering the building.

Visitor screening must be in place, and queue management strategies or marshalling adopted as well as visual barriers to promote social distancing. Car park areas may be reduced to meet social distancing measures, and more cycle facilities introduced as people avoid using public transport.

It is important to ease potential anxiety and provide reassurance to staff returning to the workplace that their workspace has not only been physically adapted for social distancing but also that new policies and procedures have been put in place to safeguard their health and wellbeing.

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REPURPOSING RETAIL SPACE

The high street has been in decline for a number of years,

with many well-known names closing down stores to cut costs as consumers move increasingly online.

While there may be an initial rush in footfall on the high street and large shopping centres as lockdown eases further, many are predicting that this may not be enough to save the high street and we may see more empty shops moving forward.

In retail, consumer appetite for community and convenience-based retail, further increases in e-commerce, and a higher proportion of discretionary spend on leisure experiences, will have a knock-on effect to the way we shop and the amount of retail space we need. The re-purposing of redundant retail space will become common practice. Rebuilding shopping malls and centres as residential or office space, or converting space into an engaging leisure offering is another.

The number of repurposing projects around the world shows that this is fast becoming a global issue. Creating 'blended living' environments that include community-based retail with social spaces, leisure and workplace environments that give convenience for people keen to minimise travel tend to be the most successful projects.

For example, in Australia, shopping centre owners Vicinity and Scentre have converted their malls to incorporate offices, hotels, apartments, and social services such as medical, child care and education, as part of what they term an 'all of life lifestyle destination'.

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REPURPOSING RETAIL SPACE

Likewise, in the USA, the failed Cinderella Mall in Colorado, Denver, has been repurposed to provide a city hall, 44,600sqm of office and retail space, 440 apartments, medical centres, education facilities and a light-railway station, and now supports a local workforce of over 25,000 people.

Landlords who are willing to adapt their financial and asset models to 'blended living' environments are not only able to embrace the long-term sustainable development, but can also reap financial rewards as well – often homes which have been constructed as part of a retail repurposing initiative sell for twice the town's average house price. Local government also have the opportunity to rewrite the rule book on developing town centres.

The growth of the online retail market will continue to accelerate and has been evident during the COVID-19 pandemic as people complied with 'stay-at-home' orders. While moving out of lockdown has allowed retail outlets to re-open – albeit with government guidance on limiting the number of people in stores, guiding their movement whilst in the store, and providing hand sanitisers – data on spend and footfall at specific sites can now be used to inform decisions about reopening retail locations or improving the digital experience for customers.

Although demand is low for retail premises, due to e-commerce, the demand for warehouse space is continuing to rise. Supply chain diversification and the growth of regional manufacturing hubs (see PRISM Manufacturing Vision paper), mean construction work for the logistics sector is strong with over 5% growth expected for inner London logistical developments alone. [source: JLL 2020 Property Predictions].

landlords who are willing to create 'blended living' environments will reap financial rewards

demand for warehouse space continues to rise with supply chain diversification and the growth of regional manufacturing hubs

[see PRISM Manufacturing Vision paper]



LIFE SCIENCES – THE NEW PROPERTY CLASS

In the wake of COVID-19 life science is emerging as a new real estate sector for the property market.

Many property investors now see a chance to build a portfolio around investments that benefit from clustering in innovation districts and the triple helix of government, universities, and industry.

The result is a number of interesting locations which previously hadn't been on the radar for property investors have now come to light, as property comes together with healthcare, medical systems and universities to provide 'bench-to-bedside' research that is so important for innovation and battling future pandemics.

life science is emerging as a new real estate sector for the property market

as property comes together with healthcare, medical systems and universities it facilitates 'bench-to-bedside' research and innovation – key factors in battling future pandemics

Driving this forward is technology. Last year, the global funding for the digital health market reached \$22 billion, and the potential of artificial intelligence (AI), machine learning and data-driven approaches to health solutions are leading the way triggering a higher demand for property.



LIFE SCIENCES – THE NEW PROPERTY CLASS

However, construction projects for life science companies can be complex and time-consuming. Regulations in laboratory space means that unlike other sectors, biotechnology companies cannot simply sign a coworking agreement and commence research in a shared workspace environment. Neither can they purchase a vacant warehouse or lease a floor in a high-rise office tower and automatically deem it a sanctioned laboratory.

With that in mind, many investors have been buying up laboratory space and leasing it to life science companies in what is known as 'flex' lab space, where the building is set up with some traditional laboratory space and some regular office space. Although 'the lab of the future/next-gen lab' is likely to be much larger to accommodate social distancing in the laboratory workspace. [source: JLL 2020 US Life Science Outlook].

The high stakes and intense competition for first-to-market pharmaceuticals will have a direct impact on how labs are designed and operated in the future, and property is set to be at the heart of the change.

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CONCLUSION – THE WAY FORWARD

Undoubtedly property construction and workplace design will change.

The humble office will become hybrid with a mix of flexible in-person and virtual interactions where people come together as a social hub, both internally and externally, to support team working, face-to-face new client meetings, and business events whilst the majority of the work is carried out off-site in people's homes.

In the residential market a key selling point will be whether the property has room for a dedicated home office that has good lighting, and can be made into a stylish, comfortable and efficient environment for work.

Whatever the future holds, the impact of COVID-19 on the workplace is set to be with us all for the foreseeable future. While many in the property sector want digital solutions, they have been slow to adopt them almost fearing the benefits that digital transformation can bring – increased productivity, efficiency, and client experience.

Yet, digital transformation holds the very key to the industry's survival, and at its heart is having the right IT infrastructure provider as a trusted partner to help develop its strategy for success.

a dedicated home office will become a key selling point in the residential market



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