



Real Estate Predictions 2021

Real Estate-as-a-Service:
From 'product and space' to
'system and service'

**A new business model for commercial
real estate**



Real estate is undergoing a fundamental business model redesign enabled by digitalization and a growing market of smart buildings. A redesign that is important in a (post) pandemic era when so many businesses are evaluating what their property brings to the company by providing on-demand, customizable and scalable access to space, amenities and services. What business model will be successful in the future? What can the real estate industry learn from tech? What is Real Estate-as-a-Service? And what is the impact on strategy and organizational performance?

In a world of bits and bytes, the value of Real Estate for businesses is increasingly determined by a different yardstick. Square footage is being replaced by data, and services that enable work are taking the place of the traditional space to work. Where the adage for property value once declared: location, location, location, the reality of today's real estate is location, insights, experience. To unpack this further, property owners need to consider how the space is being used, not whether it is being occupied. Real Estate-as-a-Service (REaaS) creates the conditions for property owners to ask themselves what the real value of their property is. REaaS, an innovation that is being enabled through smart and connected buildings, augments bottom line benefits from savings to new revenue and shifts the value focus from offering space to offering digital and physical services to users.

The evolved Real Estate value proposition

In the era of the "new normal", work doesn't strictly depend on office space. The function of corporate real estate has therefore evolved from somewhere to work, to a workplace that enables users to perform better than they would do anywhere else. It is a place of high impact and superior experience, offering a curated and scalable "homefield advantage" to businesses, and transforming real estate from a "space to work" into a "business tool".

Updating the business model: becoming a service provider

Enter "Real Estate-as-a-Service", or REaaS. The term "As-a-Service" became mainstream through high-speed connectivity whereby technology companies leveraged their infrastructure and software, offering an alternative model for use by targeting consumer behavior, as opposed to monetizing the product. REaaS generates revenue based on the outcome of improved experience and productivity. These improvements are provided to the occupants working in the connected building, where each digital service to support outcomes is charged for on demand.

Lessons from the tech industry

To understand the evolved business model, the real estate industry can learn new ways to generate revenue from the tech industry. Internet-based and physical "sites" have similar requirements: people amassed in a single location in need of a personal outcome with predictable frequency. "Locality" is leveraged to support experience, productizing the user rather than the infrastructure. Value emphasizes rendering services to support what people do and how they do it, instead of just where they do it. Real estate is therefore transformed from "fixed product" (space and infrastructure) to "connected system" (information and services).

Smart building: connecting users and occupants to services

The location where people work is de-prioritized, whereas the smart building connects users and occupants to services, so that work becomes more advanced and connected to benefit the business. User output is monetized through services that leverage the physical infrastructure as an enabler. This fundamentally changes the business model of property owners who are now in the position to become service providers as custodians of physical and digital infrastructure.

Understanding digital services in real estate

The smart building creates conditions to aggregate and contain all building data. These are used for targeted analytics to inform decision-making. The data is contained within a digital platform and can therefore be leveraged to provide customizable features and services. A service is defined as the provision of information that is contextual or personalized to any customer or user. A digital service is one that is commoditized and provided electronically across multiple platforms such as internet or mobile devices. Digital services include e.g. insights through analytics, features and facilities rights management, location-based services, and a digital marketplace for third parties. They can be monetized in various ways, offering additional revenue to property owners and tenants – e.g. by means of subscriptions, consumption-based models, data monetization, API monetization, digital marketplace, and marketing & advertising.



Improving organizational performance

In order to deliver a digital service, the provider must be in control of the flow of data to the end device that benefits the user (e.g. a mobile device, lighting, or audio visual equipment). In real estate terms, this will incentivize the property owner to take direct control of provisioning the infrastructure that is typically fulfilled by a tenant as a part of their initial fit-out. This creates a technological backbone that not only renders basic connectivity and functionality (e.g. lighting and Wi-Fi), but also helps tenants to improve their organizational performance – by means of data about how the space is being used and by whom.

Digital Masterplan and Platform Strategy

To exploit the potential offered by REaaS, a Digital Masterplan and Platform Strategy is required. This masterplan can act as the architectural design for smart buildings, avoiding the pitfalls of capitalizing separate point-solutions that provide limited benefits outside of core functionality.

A masterplan will:

- align the connected building to the enterprise architecture of the tenant or occupant
- define and design what data is required, how it is generated and analyzed
- support the revenue model, and
- determine the infrastructure required to support the digital agenda and the features that support the digitally augmented Real Estate.

REaaS combines and cross-leverages capabilities across systems to enable platform-based features and analytics that were not possible before. This platform unlocks the potential to sell these features and services to end-users. This will enable businesses to quantifiably improve their experience, productivity, and space usage, and it will help property owners transform from their “product and space” offering to a new value-adding and future-proof role as a service provider.

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