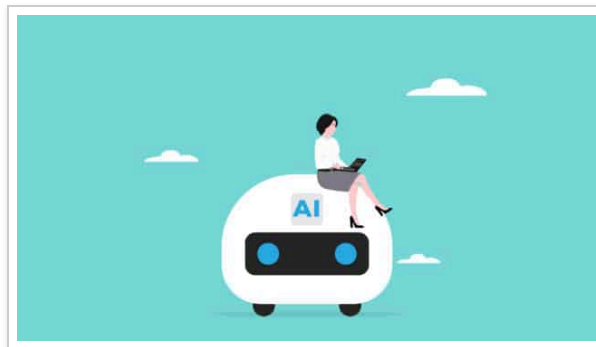AI ANALYSIS

Brokerages Turn to AI to Gain Advantages

Two Years After ChatGPT, New Tech Becoming Part of Life

By Erin Delaney | Special to Banker & Tradesman | Sep 1, 2024 | Reprints | Unlock Link | Print

From producing property descriptions to summarizing leases and even analyzing market movements, brokerage firms say they're finding artificial intelligence has boosted productivity. iStock illustration

It may be at odds with tradition in an industry centered on human relationships, but some of the biggest commercial real estate firms in the Massachusetts market are increasingly adopting artificial intelligence software.

AI has the potential to enhance operations through streamlined property management, improved tenant engagement and transformed data collection processes, experts and executives say – an opportunity

many firms believe they cannot pass up.

On Aug. 5 CBRE announced the launch of its Capital AI, which leverages artificial intelligence to analyze billions of data points, unlock a wider pool of capital sources and enhance market insights.

"We use AI across the full lifecycle of real estate from predicting market trends to managing properties. We have scale implementations – which are rare," Sandeep Davé, chief digital and technology officer at CBRE said in a statement. "For example, our AI enabled smart FM platform is live across 1 billion [square feet] and 20[,000] sites."

Efficiencies and Faster Insights

Brokers are beginning to use AI more directly in the hypercompetitive field of selling commercial property, experts say. AI-powered tools are also being eyed to improve property management by allowing landlords to better understand the needs of tenants in real time based on data collected by AI. They can also provide insights into rent management, using algorithms to dynamically optimize rent levels.

Dave Ellis, managing partner of Ellis Realty Advisors, said the Norwell-based commercial real estate firm started using ChatGPT fairly early on after its December 2022 debut for producing property descriptions and proposals, and have since used it in a number of additional ways including lease abstracts and summaries, automating notices and creating property-level branding logos.

"We are currently adopting systems that use AI chatbots for tenant engagement and responses from maintenance requests, lease renewals and notice automation," Ellis said in a statement. "We are also reviewing AI policies to make sure we maintain a personal touch while keeping up with changes and enhancements to AI real estate technology."

Twenty-five thousand of CBRE's employees use an internal AI tool called Ellis AI, which offers text generation, summarization and translation functions that can be used towards a variety of tasks.

Davé says the use of Ellis AI has resulted in "massive productivity benefits across the organization."

However, commercial real estate as a whole has been slow-moving when it comes to the adoption of AI, experts say. And companies that don't yet have an AI strategy still likely have time to figure one out.

John D'Angelo, real rstate solutions leader at Deloitte Consulting, does not consider AI to be a requirement to be competitive in the CRE industry just yet.

"I think there's a there's a bit of a perception that everybody has been embracing it and it's getting a ton of traction, but it's not like there are a ton of off-the-shelf solutions," D'Angelo said. "We're in super early days. I'd say that clients are experimenting in kind of early adoption."

Firms See Many Use Cases

AI has big potential that can be applied to a diverse set of functions within a commercial real estate business, experts say.

Generative AI can facilitate the extraction and analysis of critical data from documents such as lease agreements, financing contracts and term sheets, all of which contain industry-specific terminology.

AI can also be leveraged to generate automated reports, which a number of commercial real estate companies are beginning to take advantage of to eliminate drudgery.

"You can prompt Gen AI software to generate a report and take all available contextual information and put it into two or three paragraphs of discernible information that would allow the property manager to then go

and make decisions from," said James Scott, Lecturer and Research Scientist at MIT's Real Estate Technology Hub, who called report-generation "the bane" of most property managers. "To have a situation whereby the data can be automated into a lot of the reports is of immense benefit to a lot of property managers and a time saving sequence as well."

This is one of the big ways employees commercial brokerage Colliers use AI in advising clients' real estate portfolio strategies, the company said in a statement, leaning on the technology's ability to analyze huge volumes of data faster than a human can to identify patterns in markets and "accelerates the decision-making process, allowing clients to stay ahead in the competitive real estate market."

The company has also worked AI programs into its lease administration, including summarizing often-complex legal documents, it said.

Additionally, property managers can use generative AI to optimize operations by analyzing work orders for cost efficiency and managing tenant communications.

Svetlana Ashchepkova, associate director for commercial rankings at S&P Global Ratings, said generative AI can analyze tenant data and generate profiles based on factors like income, credit history, and preferences, which can allow property owners to tailor their services and offerings to tenants. This allows AI to be used towards helping forecast lease renewals.

"As soon as a landlord accumulates sufficient information about its tenants, it becomes easier and easier to predict when some lease contracts might be terminated and they might need renewal, and it gives additional insights into rent management. So those recommendation systems and those algorithms can be very helpful in optimizing rent levels in a dynamic way," Ashchepkova said.

With a better understanding of who prospective tenants will be, Scott said this will allow property managers to achieve better tenant satisfaction through "better [utilizing] their time in the areas that provide the most value, with the relationships that require it the most."

CRE Still Needs People

Among the concerns driving CRE firms' hesitations to begin using AI: worries this technology is taking jobs and human value away from real estate.

Scott argued that the human element is still of vital importance in the real estate industry.

"The true value of the best property managers and true value of the best brokers is that humanistic network capability. Real estate is still a people business," he said. "AI is an extremely powerful tool that can facilitate a greater amount of human interaction."

"We'll be in a period of automation helping shift human capital to higher-value uses, and that's very much going to be manifesting in individual interactions," Deloitte's D'Angelo said.

D'Angelo, at Deloitte, said that early adopters of AI technology are expected to benefit.

"I think there is kind of we're in this market opportunity for people that are pioneers to gain a competitive advantage, either in reducing the cost to run the business or helping them make kind of better decisions about assets," he said. "And in understanding opportunities and threats quicker than the pack."