

INSIGHTS & INSPIRATIONS



Generative AI called game changer for real estate industry at March event, held in partnership with EY

In a packed room on March 28, executives working across the real estate industry gathered to hear both those designing and those using AI applications today posit on future use cases. At the Program Steering Committee's panel discussion, held in partnership with EY, all agreed that generative AI (GenAI) is far more powerful in its capabilities, speed and sphere of influence than plain vanilla AI—and that, as a result, it is time to move from observation to implementation, while installing guardrails. “Before, we trained a machine to perform a task. GenAI takes on tasks or creates content. It is truly transformational,” explained moderator **Umar Riaz, executive director at EY**, noting an industry-wide advised three-to-five-year planning horizon. Demonstrations by three experts in different fields followed. **Microsoft Technology Strategist Ajoy Bhattacharya** showed how AI can summarize emails, calls and the Terms & Conditions in a contract. **Arwin Holmes, Principal and Daniel Nakhla, manager, both in EY's technology consulting practice**, demonstrated how GenAI can recommend ways to improve margins and reduce costs by querying against data sets. And **Joe Brennan, senior computational designer at KPF** demonstrated the technology's use for wind simulation, (with results from models in minutes if not seconds versus up to several hours before); for automating cores in buildings—though because results were not as accurate as required, KPF uses AI instead as a recommendation engine, with rankings—and for generative image making and instant renderings, replacing a tedious photoshop process. “In 2013 we started experimenting with machine learning, feeding it tremendous amounts of data and models. Six months ago we explored how to responsibly fit generative AI into our work. Now we use it every day. But we are at the hybrid model stage—Augmented Intelligence and Artificial Intelligence,” Brennan recalled.

In an animated discussion that followed, three luminaries in the area: **Karen Hollinger, managing director at KKR Capstone**; **Patrick McGrath, president of the Western Region at Savills**, and **Michael O'Leary, chief**

financial officer at RXR, dug into how they use AI today and how it will transform work in the future. A few takeaways are below:

1. **GenAI has profound implications for both our work and future real estate demand**, based on tasks carried out by humans today that will be **enhanced with GenAI**. “From marketing, to operations, to R&D, technology, customer service, supply chains—a whole ecosystem of jobs and real estate will potentially be impacted. As far as office occupancy there’s no clear answer. We don’t know the extent to which the job market will change, with some existing jobs being impacted. But a new ecosystem of jobs will be created through GenAI,” said Riaz of EY. Added KKR’s Hollinger: “Industries and cities will win or lose,” based on the speed and manner in which industries employ AI.
2. **The time to act is now**. “Development cycles are long, and assets have long lives. You don’t want what happened to retail as a result of digital transformation to happen to you,” said Riaz. As low-hanging fruit, Hollinger recommended starting the research over the next six months to automate underwriting and back-office functions. “Too many folks dismiss AI,” she said. “Start spreading the gospel now.”
3. **GenAI does not add value to ALL tasks**. “We think about our growth trajectory as more augmented humans with better tools,” said Savills’ McGrath. Agreed O’Leary of RXR: “AI will not replace humans. But it will enhance how they spend their time, adding value versus data aggregation or repetitive tasks.” O’Leary referenced investor due diligence questionnaires as a time-saving use case that started with automating key word sorting and evolved into question-and-answer vector pairings in a non-key word database. Today a query to RXR’s ChatDDQ (which does not use ChatGPT) chooses and ranks Q&A pairings. “It saves the product development team a tremendous amount of time by giving them a lot of information more quickly,” he said. The next phase? Tying this to the more macro portfolio-wide data that investors seek,” he explained.
4. **Humans as backstops will be needed for some time**. “We need to fact check. We need to keep the human in the loop as we process the technology,” said EY’s Nakhla.
5. **GenAI’s value depends largely on the data it processes**. “This is about connecting to the data that currently resides in your company,” said Nakhla. “By consolidating massive amounts of data, work can be cut from six hours to one hour.” In that vein, creating a data lake and an associated data management strategy is a useful starting point, said O’Leary. RXR did just this in 2019, which it uses to monitor and react to operational, tenant sentiment and service changes in areas like electricity use, cleaning services, staff communication, logged work orders—even dog walking—to retain tenants through bespoke suggestions, incentives and rewards.
6. **Speed of implementation** and efficacy is of the essence. “In many cases, leasing is not a relationship. It is a business, providing the right space at the right cost at the right speed of execution,” said Hollinger. “For leasing that is less bespoke, the first leasing person to call you back gets the lease,” she added, noting a recent business proposal floated for a leasing company with no employees, relying entirely on AI to match smart homes with those seeking space. “Sounds crazy but it is not. Some pilot for the right customer; they want it to be easy, to put it in their cart. The industry is primed for such a disrupter. We just need one large owner that adds a penny to their earnings [because of a model like this] and the dam breaks. Results make the change.”
7. **Start with a tech committee** or steering group to let different departments know what the others are doing, in terms of harnessing AI. “Our Steering Group sets priorities, argues for resources, presents use cases and argues the business case,” explained McGrath. “At a high-level, having clear use cases can be implemented with low-cost test pilots. They make a huge difference,” he said, singling out AI-generated RFP responses as a powerful use case for its time-saving nature.

###