How Startups Are Making Real Estate Businesses More Efficient

Author : Noel Fenton

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Advances in information technology have generated enormous efficiencies in many industries, including manufacturing, transportation, communications, entertainment, retail and financial services. Yet in real estate, the largest industry of them all, **innovation** has lagged as agents and brokers have been slow to adopt new technologies.

This is because real estate is often considered a relationship business. Indeed, the markets for commercial, multifamily and residential real estate could not function without networks of human professionals who have built trust working with each other over many years.

However, real estate also is an information business, where transactions depend on the steady flow of data between buyers and sellers, and brokerages with the best data ultimately make the most money.

There is no good reason for real estate businesses to operate without the benefits of faster and more accurate data, or the efficiencies afforded by workflow automation and online collaboration.

Fortunately, things are changing. On the consumer-facing side of the business, companies like **Zillow**, **Trulia**, HomeAway and Rent.com launched as startups in the early 2000s to provide online access to home and apartment information.

Meanwhile in the B2B arena, legacy software companies such as CoStar, **Yardi** and RealPage have updated their platforms to be more feature-rich and user-friendly, and startups like **LoopNet** (now part of CoStar) have democratized commercial real estate information by providing online access to buyers and sellers of commercial real estate nationwide.

This brings us to today, and the emergence of a second wave of **innovation**. If Real Estate Tech 1.0 was about bringing real estate data online, then Real Estate Tech 2.0 is about equipping agents and brokers with software platforms to harness that data and run their businesses more effectively and efficiently.

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Agents who relied on pen and paper or static Excel spreadsheets can now access real-time information in cloud-hosted databases, and collaborate more effectively with colleagues based on a common system of record. In addition, workflow automation software is making agents more efficient by eliminating the need for repetitive tasks that they previously did manually. Ultimately, these tools save agents time and their parent firms money, leading to leaner and more profitable businesses.

These trends have led to a wave of new investment activity. Venture capital is pouring in to real estate tech startups. Dozens of these new companies have already raised $1.5 billion this year. Their products are being purchased by real estate companies that are embracing technology to avoid being left behind. Meanwhile the larger, more-established technology providers are shortening the time between upgrades and new releases in order to keep up with the nimble startups.

At Trinity, we've been developing our perspective on real estate tech trends since our early investment in **LoopNet** over a decade ago. More recently, we've made investments across commercial, multifamily and residential real estate with bets in VTS, Rentlytics, and DotLoop (acquired by **Zillow**) — and, most recently, we announced our investment in Nestio.

While all three sectors of the real estate industry are undergoing the same fundamental transition to improved data management software, we believe the winning product solutions will vary in each sector depending on where technology can add the most value by improving information flows and automating tasks. We see three particular trends impacting commercial, multifamily and residential real estate.

Bringing CRM to CRE

U.S. commercial real estate is a $12 trillion industry, with a large percentage of revenue concentrated in a handful of very large REITs and brokers controlling extremely high-value assets. Yet until very recently, these firms were reliant on outdated legacy software and, in some cases, pen and paper to manage their vacancies and schedule tours for prospective tenants.

Today, companies like [VTS](#) and [Hightower](#) are revolutionizing the commercial real estate industry by centralizing a firm's data in a single cloud-hosted database and making it the system of record for agents to manage their workflows and customer relationships.

Because these assets are so expensive, the value of shortening the time from vacancy to occupancy through improved data and information flow between owners and brokers makes investment in information technology a no-brainer. At some point, companies like VTS may even be able to provide market comps by anonymizing firm-level data and aggregating it into industry-level benchmarks by city.

Workflow Automation For Multifamily

Unlike commercial and residential real estate assets, which turn over less frequently, apartment units have tenants moving in and out on a much more regular basis. This poses challenges to landlords and property managers, whose profit margins depend on maintaining high occupancy rates. Software helps solve this problem in a couple of important ways.

Given the on-the-go nature of their jobs, realtors need mobile apps.

First, data analytics platforms like [Rentlytics](#) give owners and managers greater transparency into the performance of their portfolios, both on an overall basis and at the level of an individual asset. By identifying which buildings in a portfolio are having difficulty maintaining target occupancy rates and drilling down to address root causes, landlords and portfolio managers can improve profitability.

Meanwhile, companies like [Nestio](#) and [Online Residential (OLR)](#) bolster the **marketing** and lease management functions of multifamily landlords by allowing them to syndicate listings to multiple Internet listing services.

This saves teams hours of time each day that would otherwise be spent manually updating listings across sites, and ensures their listings are always accurate and up-to-date. Brokers also benefit by getting faster, more reliable data on new listings coming onto the market.

Mobile Productivity Apps For Realtors

The average residential real estate agent spends very little time at his or her desk. Every minute spent sending **marketing** collateral or pulling listings information is time that could have been spent with sellers and buyers closing homes, which is ultimately how realtors get paid.

Given the on-the-go nature of their jobs, realtors need mobile apps that automate the repetitive aspects of their job so they can focus on building relationships and completing transactions.

[DotLoop](#) makes the closing process for agents easier by allowing them to bring all the constituents of a sale together in one "loop," upload important documents, negotiate a transaction and get bank-approved eSignatures.

Meanwhile, more recent startups like [Homesnap](#) and [Agentdesks](#) help agents more effectively manage their workflow and communicate with existing clients, while others like [Zurple](#) and [RealScout](#) allow them to efficiently market to and engage new potential customers.

The benefits created by this latest wave of real estate tech startups will far outweigh the costs.

This explosion in recent real estate tech startup activity is not without its risks. The downside of startup proliferation and overfunding is the inevitable shakeout and consolidation. Buyers of real estate tech are well advised to evaluate the long-term viability of the startups with which they work. It's a delicate balance operating at the leading edge of tech adoption without being burned by the failures of an also-ran.

That said, the benefits created by this latest wave of real estate tech startups will far outweigh the costs. We expect that the future will see continued efficiency gains as information speed and accuracy pervade the real estate industry.

Eventually, smartphones will fully integrate with corporate office systems, predictive analytics will make it easier to target buyers and renters and virtual reality will make home and office tours more efficient, if not entirely unnecessary.

As the real estate industry embraces all that technology has to offer, not only will real estate businesses and their agents become more efficient, but emerging startups and the venture capital firms fortunate enough to back them will share in the profits.

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