



Canada's PropTech journey

**How Canadian real estate companies
are faring in the digital age**

February 2020

KPMG's International's 2019 Global PropTech Survey analyzed responses from real estate companies across the globe, identifying the latest advancements and challenges in digital adoption. Here, we explore where Canadian companies stand in comparison to their global counterparts.

Overview

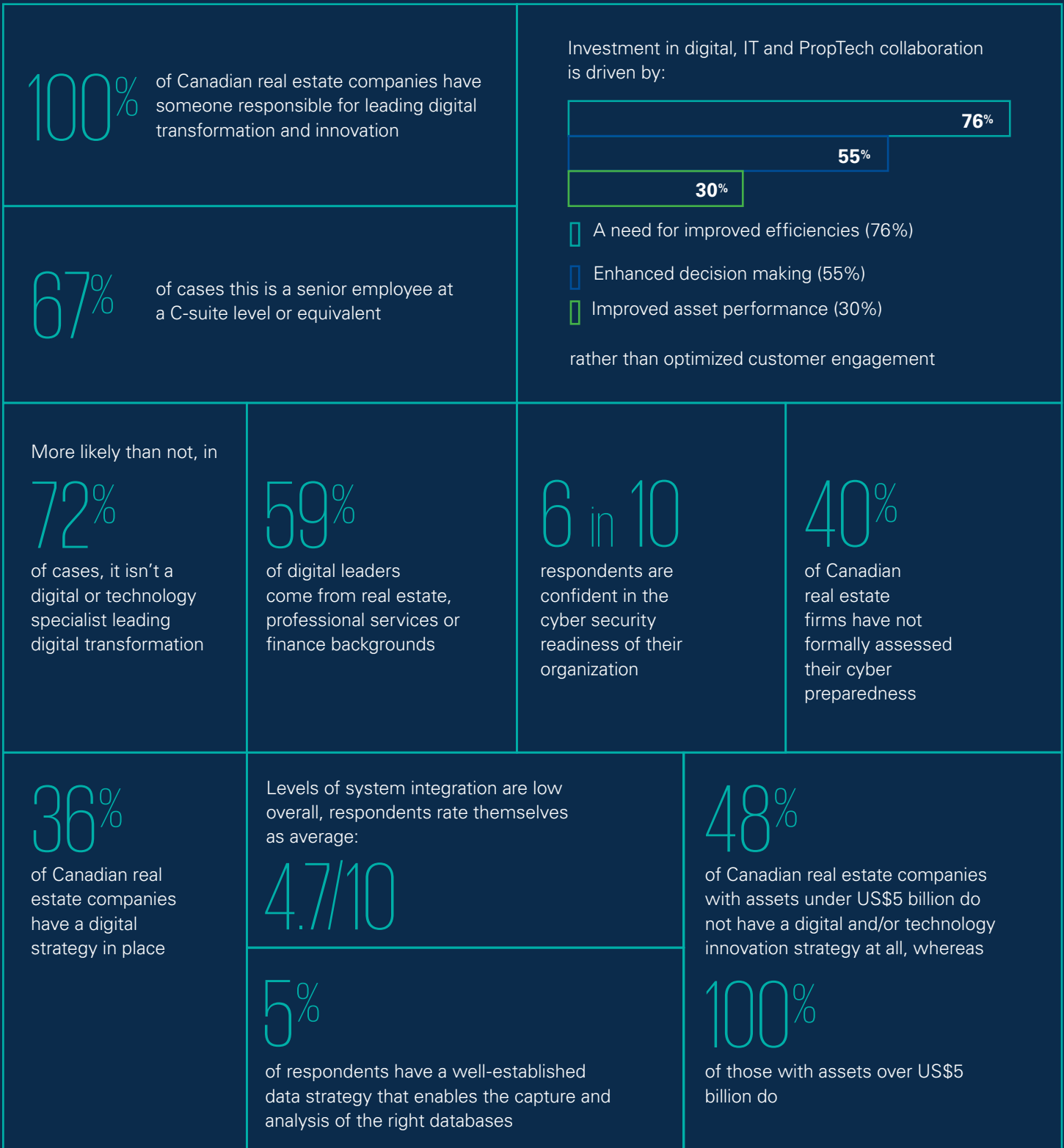
When it comes to technology adoption, real estate companies globally have been somewhat slow to act. Canada's real estate industry is similarly cautious and is just beginning to awaken to the digital era.

The good news is that every Canadian survey respondent indicated that they have put a specific person in charge of their digital transformation. But while this is encouraging, it's only the first step. It's important for all real estate leaders to not only adopt technology, but also a technology mindset.

Hand-in-hand with the need for digital adoption is the need to embrace data to inform decisions, yet only one in twenty Canadian real estate companies report having a well-established data strategy in place. And while Canadian real estate leaders seem confident in their level of cyber security preparedness, few have done formal security assessments.

To keep pace with their global counterparts and take the lead in their own markets, Canadian real estate companies are encouraged to act decisively to capitalize on the opportunities that PropTech brings.

Key Canadian findings



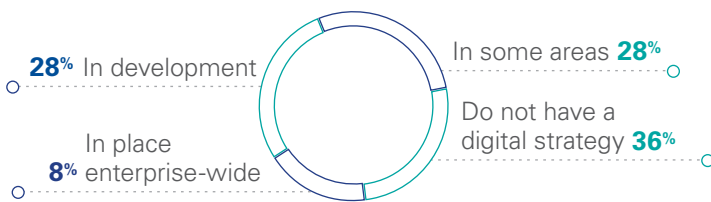
Tentative engagement with digital

Real estate companies around the world are embracing the digital revolution, with 58 percent reporting having a digital strategy, either company-wide or in certain areas. In Canada, however, only 36 percent have a digital strategy in place. Of those, only 8 percent have a company-wide strategy, while the other 28 percent have a strategy only in certain areas.

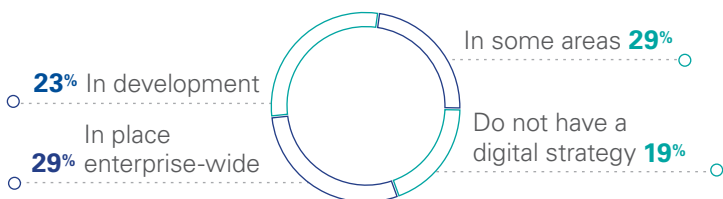
Most likely, this reflects a general wait-and-see approach, with Canadian real estate companies preferring to let other players experiment before taking the leap themselves. Is it time for Canadian real estate companies to dive in head-first?

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Digital strategy adoption of Canadian property companies



Digital strategy adoption of Global property companies



Size matters

Larger real estate companies in Canada, with deeper pockets, are benefitting from the technology-focused investment strategy of their parent companies, such as major pension plans and institutional investors.

Smaller companies, however, should not let their size discourage them. There are many ways for small and medium-sized companies to explore PropTech opportunities on a smaller scale. Consider strategic partnerships or investments – Where a real estate company might lack expertise, a PropTech firm can help fill the gap. The key is to be alert to the developments in the market and be willing to try.

Forty-eight percent of Canadian real estate companies with assets under US\$5 billion do not have a digital and/or technology innovation strategy at all, whereas 100 percent of respondents with assets over US\$5 billion have a digital/tech innovation strategy in place or in development.

“**Innovation is a journey and a continuous process. You try one thing, see how it goes. Then, whether your efforts proved successful or not, you look to what's next. By definition you will be uncomfortable, but that discomfort is how you're going to change, improve, and grow.**”

— **Lorne Burns**
National Industry Leader, Building,
Construction and Real Estate

Where companies look to digital -and where they don't

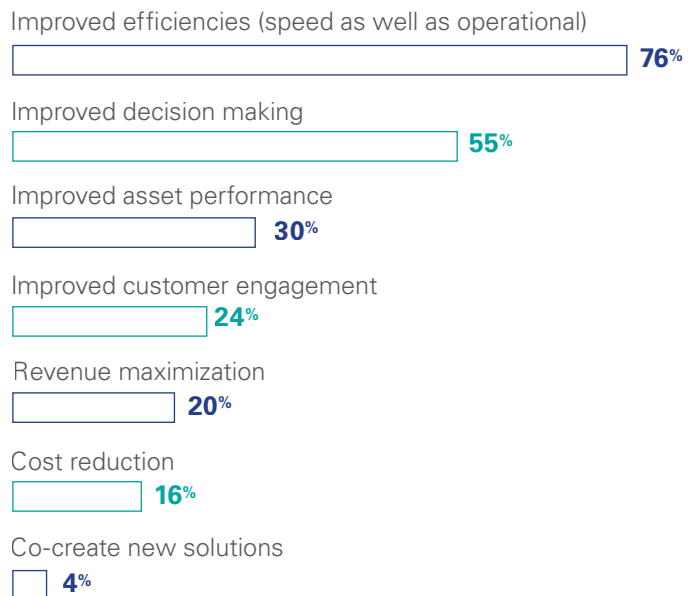
New entrants have emerged and disrupted sectors by shifting focus onto the consumer – Using the newest technology to reframe and improve the choice, speed, and convenience of customer interactions. Think Netflix; Think Amazon.

Yet, when asked what they hoped to improve through the adoption of technology, global survey respondents identified goals other than improving customer engagement as their top three areas of focus. Similarly in Canada, only 24 percent of real estate companies listed improved customer engagement as their primary objective.

Customer expectations are on the rise. Today's consumer has access to a tremendous amount of information and product choice and, as a result, is more discerning than ever.

The results that matter most to those Canadian companies who are investing in technological solutions today are: improved efficiencies (76 percent) and decision-making (55 percent). And though these are certainly valuable applications, Canadian real estate has a valuable opportunity to embrace digitization to better serve tenants, customers, and tenants' customers by using data to gain a deeper understanding of their needs and behaviours.

Main objectives for existing investments in digital, IT or PropTech

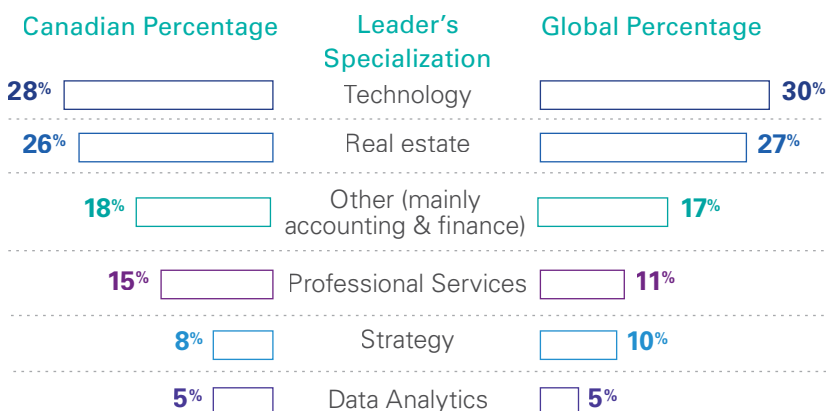


Bridging the skills gap

An encouraging point: All of the 2019 respondents in Canada said they have a specific person leading their digital transformation. Usually this is a senior employee at a C-suite level (in 67 percent of companies). And in most cases (also 67 percent) this person reports directly to the owner, CEO, president, or board of directors. It is encouraging that Canadian real estate companies understand the importance of digital enough to appoint a senior leader to oversee it.

However, only 28 percent of the people leading the digital strategy for Canadian companies have a technology background from outside the industry. Property investors are ahead here, with 57 percent of them having a tech expert at the helm of their digital efforts (versus 34 percent globally). But in the Canadian industry overall, 72 percent of those leading digital come from real estate, strategy, or other industries

Appointing a leader must be more than a tick-the-box exercise. Most telling of all is that among the small number of companies with a company-wide digital strategy, every one of them has a technology expert in charge of digital matters. The correlation is clear – the right person leading a company's digital efforts can drive change throughout the organization.



“**A digital leader with a technical background from outside the real estate industry can be of immense value to an organization, bringing new perspectives, offering deep expertise, and inspiring a tech mindset throughout the company.**”

— **Krista Thompson**

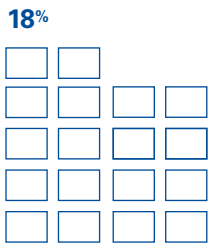
Partner, Advisory, Building Construction and Real Estate

The need for a data strategy

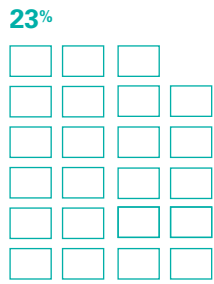
Canadian real estate companies are only a fifth as likely as their global counterparts (5 versus 25 percent) to have a well-established data strategy, and they're a third more likely (41 versus 30 percent) to have no data strategy at all. The reasons for these low numbers are likely similar at home and abroad: The speed at which big data has arrived on the scene has left companies ill-prepared.

Among Canadian respondents, 44 percent (versus 31 percent globally) report that data in their company is "available in silos, usage is ad-hoc and team/people dependent." That may not be a resounding success, but perhaps it's a start. Now's the time to integrate data analytics into every part of the business, embedding it throughout the decision-making process.

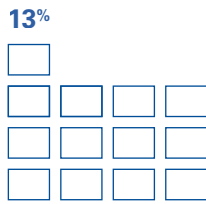
Canadian property companies describe their data strategy as:



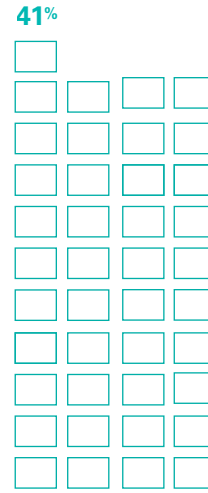
We have a data strategy but have not started capturing data



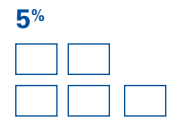
We have devised a strategy and recently begun capturing data from our buildings



Don't know



We do not have a data strategy



We have a data strategy in place and have been capturing relevant data sets from across our buildings for some time

Cyber security

Of course, with the dramatic proliferation of data comes the urgent need to protect it, and many Canadian organizations are confident about their cyber security. Canadian and global real estate CEOs have similar levels of confidence, with 70 and 68 percent, respectively, saying they feel prepared for a future cyber attack.

Despite this confidence, 40 percent of Canadian real estate firms have not formally assessed their cyber preparedness (compared with 30 percent globally). Companies should be wary of over-confidence and institute formal measures to stay on top of security measures.

Key takeaways

Larger companies may have the funds, but they face the challenge of integrating multiple systems. Smaller entities may have to partner up, but they might find it easier to drive technology adoption, having fewer technology platforms to work with. Meaning, unencumbered by massive infrastructure, smaller and medium-sized companies are in a perfect position to experiment with technology applications.

For those still on the edge, consider what might happen lest you wait too long to dive in. At best you may miss the chance to realize on operational efficiencies and lose market share to competitors making investments in maximizing their potential. At worst, you may find your business model disrupted and no longer valuable in the market.

Regardless of size, Canadian real estate companies can take ownership of their digital future by:

- 1 Taking bold steps toward building a company-wide digital strategy
- 2 Seeking PropTech partners that complement their capabilities
- 3 Using technology to improve customer engagement, not just to streamline operations and cut costs
- 4 Looking beyond their walls to hire transformation leaders with technology backgrounds
- 5 Making data an integral part of the decision-making process
- 6 Testing cyber defenses regularly to ensure data and processes are well protected

The future will favour companies who adopt an innovative mentality, and those willing to take smart risks. Failing quickly. Learning quickly. Getting right back up to try again. Canadian real estate companies have a real opportunity to become technology leaders – and those who seize it will reap the rewards.

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It's clear from the survey that Canadian real estate companies, much like the rest of the world, are awakening to the digital era, albeit a bit slowly. Of course, every company should adapt and scale to what works for their company, but as we move into the next decade, the time to commit is now.”

— Saqib Jawed

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