

HOW DO YOU DEFINE DISRUPTION?

By John Salustri

"Disruption." It seems that word is creeping more into the commercial real estate lexicon, and employed to describe shifts in everything from lending and generational changes to the presidential election and technology. Depending on your point of view and your tolerance for risk, each usage can be judged as accurate.

So for this installment of "All Things Considered," we talked with a number of industry leaders. (Most of them you'll recognize...they're the current presidents of some of the major industry associations.) We asked them how they define disruption which in a way, is like asking them to define the biggest issues the industry faces today.

Let's start in our own backyard. Here's what Geoffrey Kasselmann, SIOR, LEED AP, SIOR's 2017 global president, had to say on the issue:

It revolves around job skills, "or the lack thereof, and the rapidly growing need for training/re-training. One could argue this is a direct consequence of tech disruption, and certainly there's some cause-and-effect. But the growing skills chasm has been brewing for some time now, and it was inevitable that it would grow to disruptive levels, regardless of tech disruption.

"It is more a result of the slow-moving transition from analog leadership, decision-making and capital.... to a more progressive and efficient digital existence where new leaders with aligned digital skills, tools, and training are becoming the ultimate decision makers."

Kasselmann says this new generation of leaders doesn't think as the former regime once did. "They bring with them different ideals, values, and expectations," he says. "This defines the reality of the skills gap and, as this phenomenon accelerates, any lack of requisite skills will be increasingly hard to hide. Quite frankly, some will be obsolete far faster than they ever dreamed possible, while others who master change management will live to see another day, and quite possibly thrive.

"Real estate and many other sales and service lines of business will always require strong proactive relationships and effective communications, plus some keen market knowledge to which trends, expectations, interpretations, and value creation can be applied," Kasselmann continues. "That said, to remain effective as real estate practitioners, in-demand skills include: data management, coding and heightened analytics; a thorough understanding of cloud dynamics and data centers; knowledge of global relations and economic-impact drivers (e.g.

Brexit) that could change the market for clients and employers alike."

He also listed: "energy awareness, including alternative energy sources, pricing, infrastructure and policy-making; biotech and nanotech advances (e.g. CRISPR-Cas9); knowledge of tech disruptors that include 3D printing, robotics and automation, networks and sensors, autonomous and self-driving vehicles, blockchains and artificial intelligence."

But, most important, he notes, is cybersecurity. "Data is our new currency," says Kasselmann, "and should be protected as aggressively as money in a bank; plus our regional infrastructure vulnerabilities will remain the elephant in the room for some time to come. There's no real estate business to worry about if your power and internet access goes out for extended periods of time.

"Skills training and re-training are really a personal issue, since everyone learns at a different pace and pursues such training based on individual interests and varying foundations of skills," he says. "Employers cannot be counted on to provide the training as they seek greater levels of automation and ultra-efficiency. Perhaps the training opportunity that lies just ahead will be filled by a non-profit industry trade association such as SIOR or NAR."

Kasselmann mentioned the disruption of technology. Not surprisingly, folks in the tech space see it somewhat differently. Take Nick Romito, co-founder and CEO of VTS, who tells us that: "I have yet to see a single product disrupt anything. If anything, there's positive disruption. In other words we're disrupting a really crappy workflow that shouldn't have existed for a very long time.

"VTS has completely disrupted the way brokers report to their owner clients and the way owner clients report to their investors," he notes. "We've disrupted that in a way that has gotten them off of a very manual reporting process — overwhelmingly done in Excel — to an automated process done on mobile devices or desktop. We're shaving down the time it takes to do a very core part of their job by three to five times. People think of disruption as a negative where really it's a very positive thing. I don't see anything on the horizon that's going to do anything but make brokers and owners more money."

Michael T. Lanning, CPM, 2017 president of the Institute of Real Estate Management, sees talent as the key issue, especially as the old guard (read Baby Boomers) falls away and a new crop of professional rises:

"The most disruption facing the real estate management industry is young talent recruitment and development," he believes. "Real estate executives are retiring at an alarming pace now and this will continue for the next five to 10 years. We have to educate college students that a career in real estate management can be very profitable and rewarding.

"There are more colleges and universities that are teaching real estate-degreed programs," he continues, "but this trend needs to continue and spread to other institutions. IREM currently provides real estate management educational material to 25 colleges, and more will be added in 2017. Many tertiary markets are experiencing qualified labor shortages as young professionals flock to larger urban cores. These smaller markets must pay higher wages to compete for talent."

For Robin L. Webb, CCIM, CHA, CHB, CRB, CPM, MRICS, CCIM's current president, the topic was important enough to ask his sales team at NAI Realvest in Orlando, where he is managing director and principal.

"The overwhelming answer is 'government,'" he states. "Seventy-five percent

of my team say that government regulations, intervention, and just plain greed have, and are disrupting projects, developments, and renovation in their daily client dealings. This impacts everything from federal tax legislation to local environmental and impact fees, developers and their projects, which are so critical to maintaining sufficient space inventory. These are being squeezed, and in some cases prohibited from development."

Clearly, there are issues we can address directly, such as training and staying on top of technological advances, and those we can only hope to have input to, such as government relations. The interesting thing about the feedback we got from each of the above industry leaders is that, direct or indirect, nothing is beyond our capability to influence.

Or as Kasselmann sums up: "All I know is, either you progress quickly, faster than you think you need to or are comfortable with, or you're dead. And remember, it was Darwin who observed: 'It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.'" ▼

“ Either your progress quickly, faster than you think you need to or are comfortable with, or you're dead. ”