

# How digital tech is transforming the commercial real estate sector

From work-from-home policies to virtual events and scaling of IT support infrastructure, digital transformation within companies is taking place at every level due to Covid-19. Having access to accurate data and being able to rapidly deploy digital technologies is proving to be the greatest competitive advantage in 2020, says John Jack, CEO of Galetti Corporate Real Estate.



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## **Necessity - the mother of invention**

Jack says that terms such as smart office, virtual workplace and artificial intelligence have had to rapidly become part of everyday talk this year. Today, these terms are being used at the highest levels of decision-making in companies across the globe.

“The pandemic has accelerated the uptake and adoption of digital solutions needed to increase efficiencies within a business. An increase in demand for office space by technology firms is indicative of this,” says Jack.

While digital readiness remains a challenge, he says that South Africa is fast-tracking towards a digital economy that requires new ways of thinking matched by innovative solutions.

Previously seen as a slow adopter of technology, commercial real estate has evolved from being focused on 'location, location, location' to a new mantra termed 'location, experience, analytics', this according to Deloitte's 2020 Commercial Real Estate Outlook.

## **Sub-letting has changed the landscape**

Often overlooked, commercial real estate remains one of the largest assets in a company's portfolio. "We have seen many companies trying to optimise their office space – particularly over lockdown - but in order to do so, one needs access to data," says Jack.

An emerging trend in the commercial property market is that of increased vacancies and reduced rental rates to attract new tenants. He adds that the main driver for the move is not only the vacancies themselves, but a new entrant to the market, sub-lessors. "Large occupiers across the board are subletting their space, typically at rates below market or alternatively with significant incentives to attract tenants," says Jack.

For sub-lessors, the revenue generated from a sub-tenant is not their core business revenue and this has the potential to drive down market value and lose both sub-lessors' and landlords' money. "The 'anything is better than nothing' approach is impacting the market significantly," he says.

Galetti's local solution, reBASE Core, a proprietary analytics system which allows clients to manage and optimise their commercial real estate portfolio, maps out vacancies in commercial nodes and ownership information in real-time.

"This allows us to model the market accurately. The trend of reduced rentals was in fact identified by this software and shows vacancies of up to 20% greater than those being reported in the office market in certain nodes," he says.

To conclude, Jack advises tenants to come to a mutual agreement with their landlord: "In the past, if a tenant didn't see a solution within their existing building, they would simply leave and notify the landlord at the last minute. Now we work with both parties to find the best solution based on factual data."

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