

# Remaking real estate: the impact of digital technology



ARIJIT CHAKRABORTI

**T**ECHNOLOGICAL advancements are altering the way the real estate business operates. Traditionally, real estate companies would invest in creating assets which they subsequently sold or leased to other companies or individuals. Increasingly, buyers or lessees are looking at real estate space from the perspective of usage. The business concept of 'space as a service' is emerging fast.

With the growth of business activities, Bangladesh has been witnessing a lot of real estate development. The reasons for this growth in activity are manifold: Companies require modern spaces to set up their corporate offices.

Hospitality companies are building hotels with international affiliations. Moreover, a lot of residential units are getting built at a brisk pace. According to a report published in The Daily Star, the home market in Bangladesh is expected to grow in 2019 after shrinking in the previous year.

New real estate units come with new technological fittings, such as advanced security and surveillance systems, advanced fire and safety management systems, and advanced air handling and illumination systems. New regulatory standards are also encouraging real estate builders to make their buildings more ecologically sustainable and energy efficient.

Hence, there is considerable focus on making new commercial buildings environment friendly, safe, and tech-savvy.

At the same time, technology is providing users with more choice. The sharing economy model has made a lot of real estate space available for use. Mobile app based aggregator companies are connecting individuals who have free space to lease with those seeking commercial or residential space. Several international companies in this business segment have also listed properties located in Bangladesh.

Hence, there is a need for real estate companies to shift from a mindset of developing and leasing assets to that of managing assets. They need to focus on how new amenities can be deployed quickly with the changing needs of lessees. Companies should also realise that they are no longer competing only with other realtors. Instead, their competition now includes a wide range of individual lessors who have made their space available through online aggregators.

Technology, and especially mobile technology, has empowered consumers and disrupted all sectors. In today's shared economy, where and how the new generation works and shops is influenced by a unique set of values and considerations. As a result, the entire model of how real estate is built, owned and managed will need to change.

Technology is also putting pressure on existing real estate units to become modern. Although business leaders today don't know exactly what their business will look like in the next 15 years, they are certain that it will change radically. As a result, they are not seeking long-term leases and prefer short-term leases instead. Once a lease expires, they will seek



STAR/FILE

Technology is putting pressure on existing real estate units to become modern.

new real estate space as per their new business models.

Such a change in lessee behaviour makes it essential for real estate companies to be adaptable. They need to be able to develop new assets based on the new requirements of lessees, such as reconfiguring an old workplace into a new paperless office. Similarly, real estate companies should also develop assets that are convertible to new formats with relative ease and at a low cost—for instance, converting a retail store into a kitchen.

In fact, it is estimated that the

number of flexible workspaces worldwide will grow consistently, according to PwC's report on emerging trends in the real estate sector. Real estate properties that are unable to cater to evolving needs will see their asset value eroding faster. Real estate businesses in Bangladesh should keep these aspects in mind while developing new properties.

For example, the retail sector is seeing rapid growth in online sales but modest growth in sales at physical stores. In such circumstances, a retail company may choose to shut down an outlet within an area where

consumers prefer to shop online more. Such a company may choose to keep the real estate space but reconfigure the store into a fulfilment centre where orders placed from the same area through online channels may be fulfilled. Alternatively, the company may choose to vacate the property completely and the new lessee could be a food company looking to convert the property into a large-scale kitchen for delivering food orders in the same locality.

Such a change will also require real estate companies to relook at their workforce. A set of people

equipped with the skills to manage a particular format would need to acquire new skills once the format of the real estate unit is changed. Companies may also have to ramp up or ramp down their personnel requirement with every change in the format of the property and its use.

Moreover, real estate companies need to have a robust system in place to manage their assets. Most of the real estate companies in Bangladesh have some kind of computer system to track and monitor their asset management processes. They need to be ready with right kind of technological infrastructure, such as enterprise resource planning (ERP) and business intelligence (BI) systems, to thrive in the future. A shift towards quantitative management of assets will become critical for real estate companies to grow and remain profitable.

Another critical capability will be the ability to manage multiple projects simultaneously. Real estate companies should have the ability to manage each project within a short span of time and with limited budgets to meet the requirements of the new generation of customers. In addition, projects will require quantitative management to ensure their objectives are achieved and benefits are realised.

Increasingly, real estate companies will develop properties for mixed use – commercial, industrial and residential. Multiple sectors such as retail, manufacturing, and services will be driving this change. Space will have to become more flexible for different types of use. Technological advancements will drive change and competition, and such changes will be visible in Bangladesh too.

The writer is a partner at PwC. The views expressed here are personal.

## South Korea first to roll out 5G services, beating US and China



REUTERS

Park Jung-ho, CEO of SK Telecom, attends the launch of its 5G service, in Seoul yesterday.

REUTERS, Seoul

**S**OUTH Korea will become the first country to commercially launch fifth-generation (5G) services on Friday as it rolls out the latest wireless technology with Samsung Electronics' new 5G-enabled smartphone Galaxy S10.

People take photographs during a launching ceremony for SK Telecom's 5G service, in Seoul, South Korea, April 3, 2019. REUTERS/Kim Hong-Ji

With one of the world's top smartphone penetration rates, South Korea is in a race with China, the United States and Japan to market 5G, hoping the technology will spur breakthrough in fields such as smart cities and autonomous cars, and drive up its economic growth that slowed to a six-year low in 2018.

"It is meaningful that South Korean telecom companies are providing services and networks meeting South Korean customers' high standard in speed and picture quality," Ryu Young-sang, executive vice president at the country's top mobile carrier SK Telecom, said on Wednesday.

5G will change the landscape of the gaming industry as it allows games streamed with minimal delay to be played on smartphones, Ryu added.

The technology can offer 20-times faster data speeds than 4G long-term evolution (LTE) networks and better support for artificial intelligence and virtual reality with low latency.

Sometimes it can offer 100-times faster speeds. South Korean carriers have spent billions on campaigns marketing 5G and,

on Wednesday, SK Telecom showed off K-pop stars and an Olympic gold medalist as its first 5G customers.

SK Telecom is working with its memory-chip making affiliate SK Hynix to build a highly digitized and connected factory powered by 5G technology, Ryu said.

The operator expects about 1 million 5G customers by end-2019. It has a total of 27 million users.

Smaller rival KT Corp is set to offer cheaper plans than its LTE service, with unlimited data and 4-year installments to buy 5G devices.

Samsung was the first to unwrap a 5G phone in February when it unveiled the Galaxy S10 5G and a nearly \$2,000 folding smartphone, putting the world's top smartphone maker by volume in pole position in the 5G race, some analysts say.

Smaller local rival LG Electronics plans to release its 5G smartphone in South Korea later this month.

In the United States, carrier Verizon plans to launch its 5G network in two cities on April 11.

While security concerns over 5G networks using telecom equipment made by China's Huawei have marred the buildup to the release of these services, South Korean telcos have tried to shrug them off.

"I don't think we have a security issue in South Korea," Park Jin-hyo, head of SK Telecom's information and communication tech research center, told reporters.

He added that the company uses advanced technology to block eavesdropping or hacking into 5G networks.

## Trade war, Brexit could slow developing Asia's growth: ADB

REUTERS, Manila

**G**ROWTH in developing Asia could slow for a second straight year in 2019 and lose further momentum in 2020, the Asian Development Bank (ADB) said on Wednesday, warning of rising economic risks from a bitter Sino-US trade war and a potentially disorderly Brexit.

Developing Asia, which groups 45 countries in the Asia-Pacific region, is expected to grow 5.7 this year, the ADB said in its Asian Development Outlook report, slowing from a projected 5.9 percent expansion in 2018 and 6.2 percent growth in 2017.

The 2019 forecast represents a slight downgrade from its December forecast of 5.8 percent. For 2020, the region is forecast to grow 5.6 percent, which would be the slowest since 2001.

"A drawn out or deteriorating trade conflict between the People's Republic of China and the United States could undermine investment and growth in developing Asia", Yasuyuki Sawada, ADB's chief economist, said in a statement.

The lender also cited uncertainties stemming from US fiscal policy and a possible disorderly Brexit as risks to its outlook because they could slow growth in advanced economies and cloud

the outlook for the world's second largest economy.

"Though abrupt increases in US interest rates appear to have ceased for the time being, policy makers must remain vigilant in these uncertain times," Sawada said.

China's economy will probably grow 6.3 percent this year, the ADB said, unchanged from its December projection, but slower than the country's 6.6 percent expansion in 2018 despite recent government stimulus measures including more tax cuts and increased state spending on infrastructure. Growth in the Chinese mainland is projected to cool further to 6.1 percent in 2020.

Beyond trade risks, the ADB said China's growth will also be restrained by restrictions on shadow banking, which is expected to limit credit expansion even as fiscal stimulus provides some offset.

"I should emphasize although the government would like to stabilize growth, it wouldn't want to push up the growth rate as in previous years when you saw a big stimulus package, like in the period of 2008-2009," said Jian Zhuang, senior economist at ADB in Beijing.

Chinese banks may still remain reluctant to lower lending costs for companies partly on worries of rising risks of corporate defaults in



REUTERS/FILE

A worker walks past inside the Asian Development Bank (ADB) headquarters in Manila.

a slowing economy. The central bank could take further actions, such as cutting the benchmark 1-year lending and deposit rates, the ADB said. China has set its 2019 economic growth target at 6.0 to 6.5 percent.

By region, South Asia will remain the fastest growing in Asia Pacific, with the ADB predicting an expansion of 6.8 percent this year - lower than its previous forecast of 7.1 percent - and 6.9 percent next year.

From an estimated 7.0 percent growth in 2018, India's economy is projected to expand at a faster pace of 7.2 percent in 2019 and 7.3 percent in 2020, the ADB said, as lower policy rates and income support to farmers boost domestic demand.

This year's growth forecast for Southeast Asia was trimmed to 4.9 percent from an earlier estimate of 5.1 percent, as the Manila-based lender expect Malaysia, Singapore, Philippines and Thailand to grow slower than previously thought.

## Euro zone business activity stays in the doldrums

REUTERS, London

**B**USINESS activity across the euro zone was lethargic last month, according to a survey which suggested a downturn in manufacturing is gradually infecting the bloc's dominant services industry.

IHS Markit's Euro Zone Composite Final Purchasing Managers' Index (PMI), considered a good measure of overall economic health, dipped to 51.6 in March from February's 51.9.

That was higher than an earlier flash reading of 51.3 but closer to the 50 mark separating growth from contraction.

"The final euro zone PMI for March confirms the sluggish end to the first quarter, with business growth ebbing to one of the most lethargic

rates seen since 2014," said Chris Williamson, chief business economist at IHS Markit.

Williamson said the PMI was consistent with economic growth of 0.2 percent in the first quarter, weaker than the 0.3 percent predicted in a Reuters poll last month.

Signs of a slowdown are likely to concern policymakers at the European Central Bank, who last month pushed back the timing of an interest rate rise until at least 2020 and said they would offer banks a new round of cheap loans to help revive the economy.

Factories had their worst month for almost six years in March, a sister survey showed on Monday, and while services activity notched up a tad last month it remained weak.

A services PMI rose to 53.3 from 52.8,

ahead of the flash estimate of 52.7.

"The service sector has managed to sustain a relatively resilient rate of growth but has also lost momentum in recent months. This should come as no surprise as history tells us that robust service sector growth usually depends on a healthy manufacturing economy," Williamson said. But like their manufacturing counterparts, firms in the service industry generated some of that activity by running down old demand. The backlogs of work index fell below the breakeven mark to 49.4 from 51.0, indicating firms are operating with spare capacity.

With forward looking indicators providing little — if any — reason to cheer, overall optimism waned. The composite future output index dropped to 60.4 from 60.6.