

HOW DIGITAL IS THE REAL ESTATE SECTOR?

EXPOVISION OPINION POLL 2018



TRENDBAROMETER DIGITIZATION IN THE REAL ESTATE SECTOR

Everything is set to become smarter in the future. This includes real estate. But smart does not necessarily mean digital. It can be very 'smart' to dispense with high tech – for instance, in places where digital technologies do not offer any obvious added value. More than 70 experts from the real estate and construction industry and other sectors met at Expo Vision, a series of events hosted by Drees & Sommer, to discuss this and how the real estate sector can best manage digital transformation.

Right Mix, Real Value – Analyze Before You Digitize!

This year, the follow-up to the real estate trade fair Expo Real focused on the topic of Right Mix, Real Value – Analyze Before You Digitize! In the moderated discussions, which are held every year simultaneously in several German cities, Drees & Sommer picks up on the most significant trends at Expo Real and conducts a brief survey.

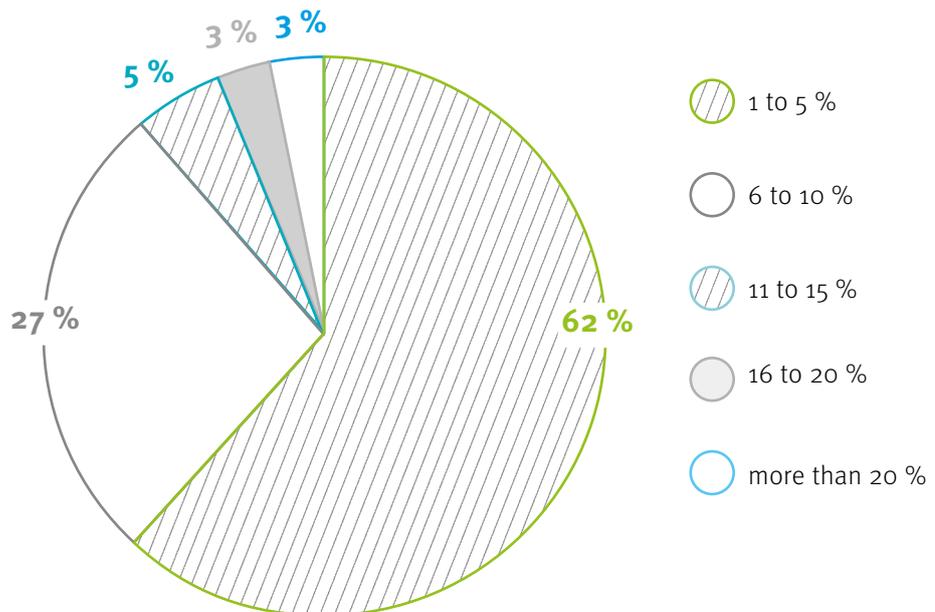
As Analog as Ever?

Among the guests are politicians, real estate and urban developers, investors, lawyers and real estate experts, as well as prominent representatives of the financial, IT and automotive sectors. Throughout Germany, the experts were largely in agreement that the future of the construction and real estate industry is mainly digital. However, they also observed that in reality most construction projects today are still largely run by the same analog processes as ever.

This also reflects the finding of the trend barometer: although the sector is increasingly recognizing the potential of digitization in buildings, factors such as cybersecurity, the skills shortage – and especially the real estate boom – are curbing innovativeness.

CONTINUED RELUCTANCE TO INVEST

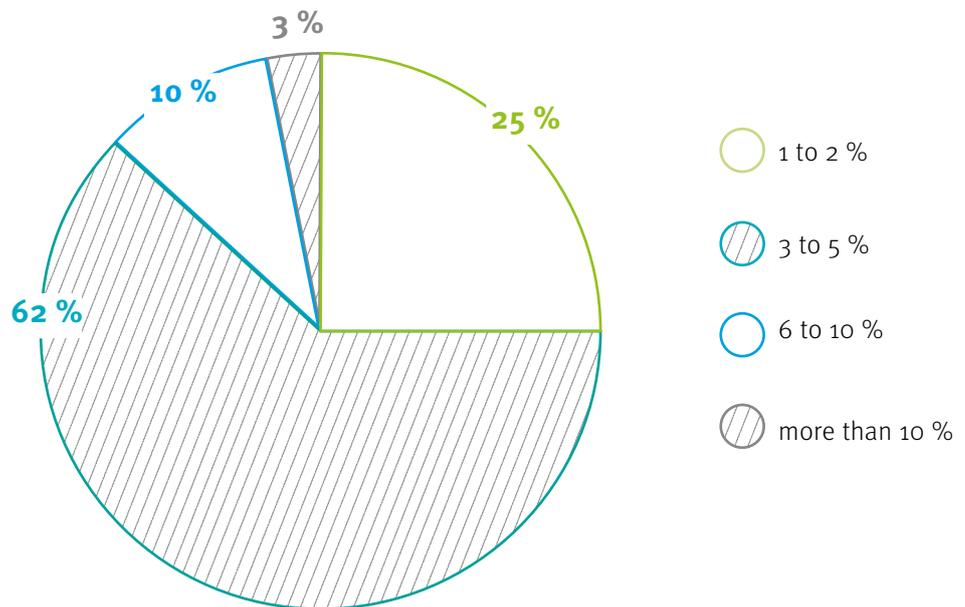
How high is your company's annual investment in digitization, as a percentage of your turnover?



Almost two-thirds of the participants at the event stated that their company's annual investment in digitization amounted to 1 to 5 percent of its turnover. For 27 percent the level of investment was between 6 and 10 percent. More than one in ten said their company invested more than 10 percent of its turnover in digital transformation.

REALISTIC DIGITIZATION COSTS FOR CONSTRUCTION PROJECTS

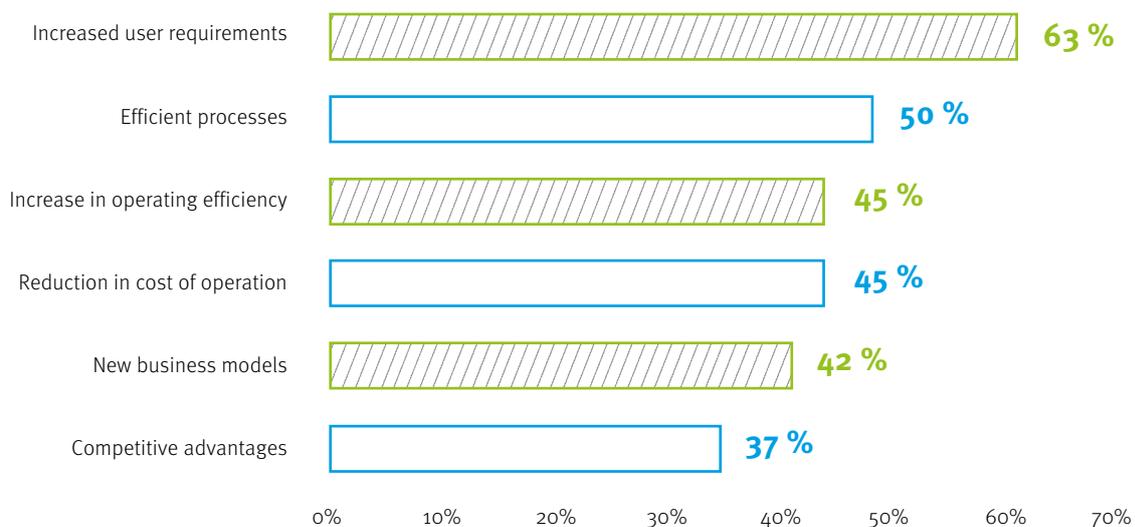
How many percent of the total investment amount for your building are you prepared to make available for digital structures?



Every fourth is prepared to make available 1 to 2 percent of the total investment amount for digital structures in the building. Two-thirds consider 3 to 5 percent in additional digitization costs acceptable. One in ten is in favor of investing as much as 6 to 10 percent.

INCREASED USER DEMANDS AS A STIMULUS FOR INNOVATION

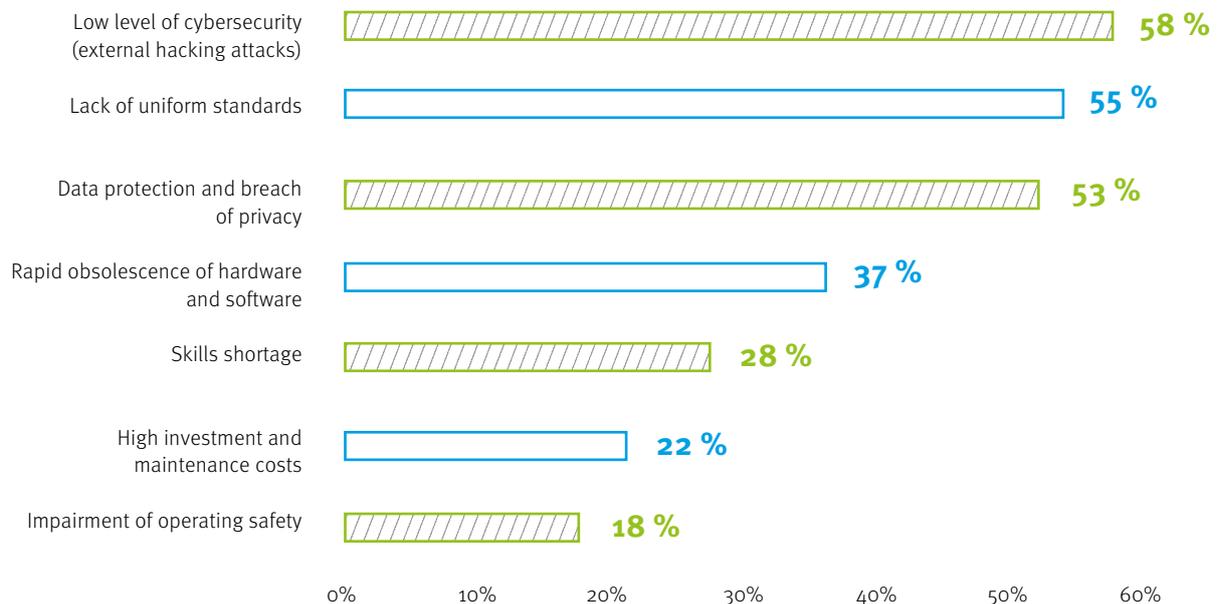
What incentives are there for digitizing buildings?



For 63 percent, increased user demands are the main reason for digitizing their buildings. Half of those surveyed said their aim in digitizing was to achieve more efficient processes overall. However, more than 40 percent stated that new business models or greater efficiency and reduced costs of operation are real incentives to digitize.

HIGHER OBSTACLES THAN COST FACTOR: CYBERSECURITY AND DATA PROTECTION

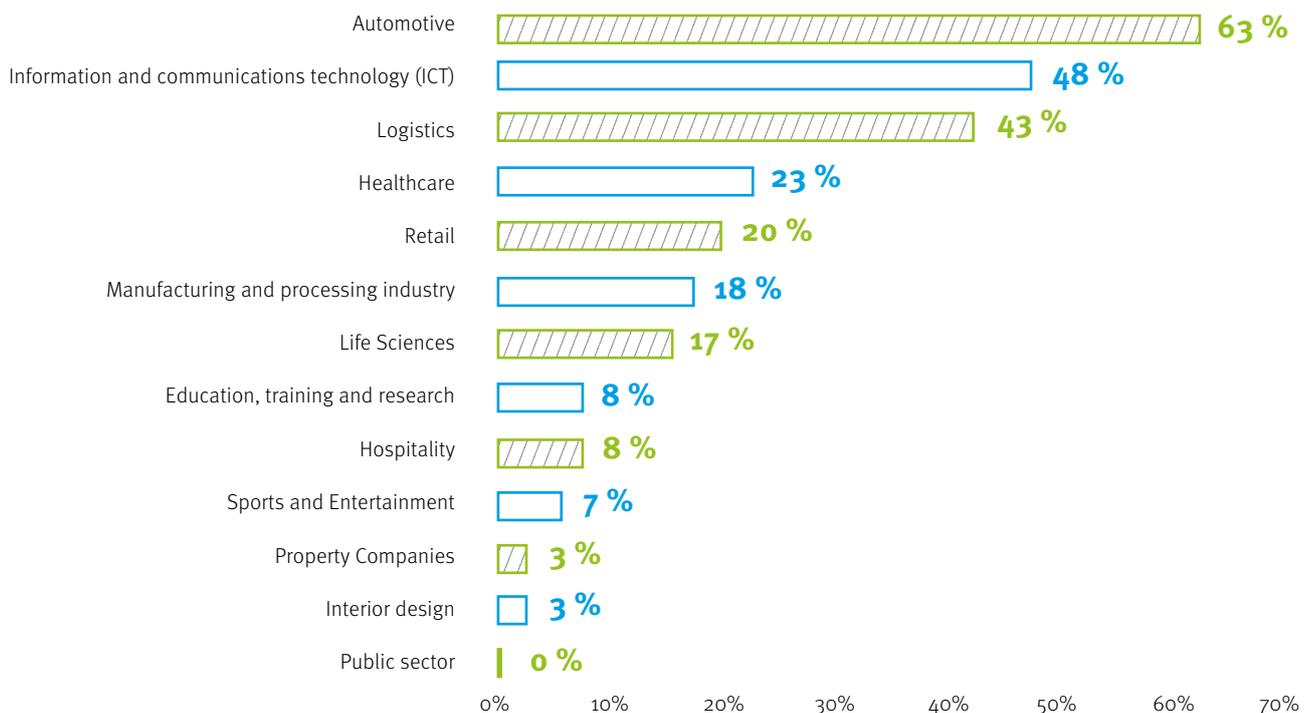
What do you see as the greatest risks of digitizing in smart commercial buildings?



Well over half of those surveyed – 58 percent – fear that digitized buildings do not provide sufficient protection against attacks from hackers. Almost the same number see the lack of uniform standards, inadequate data protection and privacy breaches as difficulties. One third consider the fast pace of obsolescence of hardware and software to be a considerable risk, while 28 percent also gave skills shortages as a barrier to digitization.

DIGITAL FRONTRUNNERS

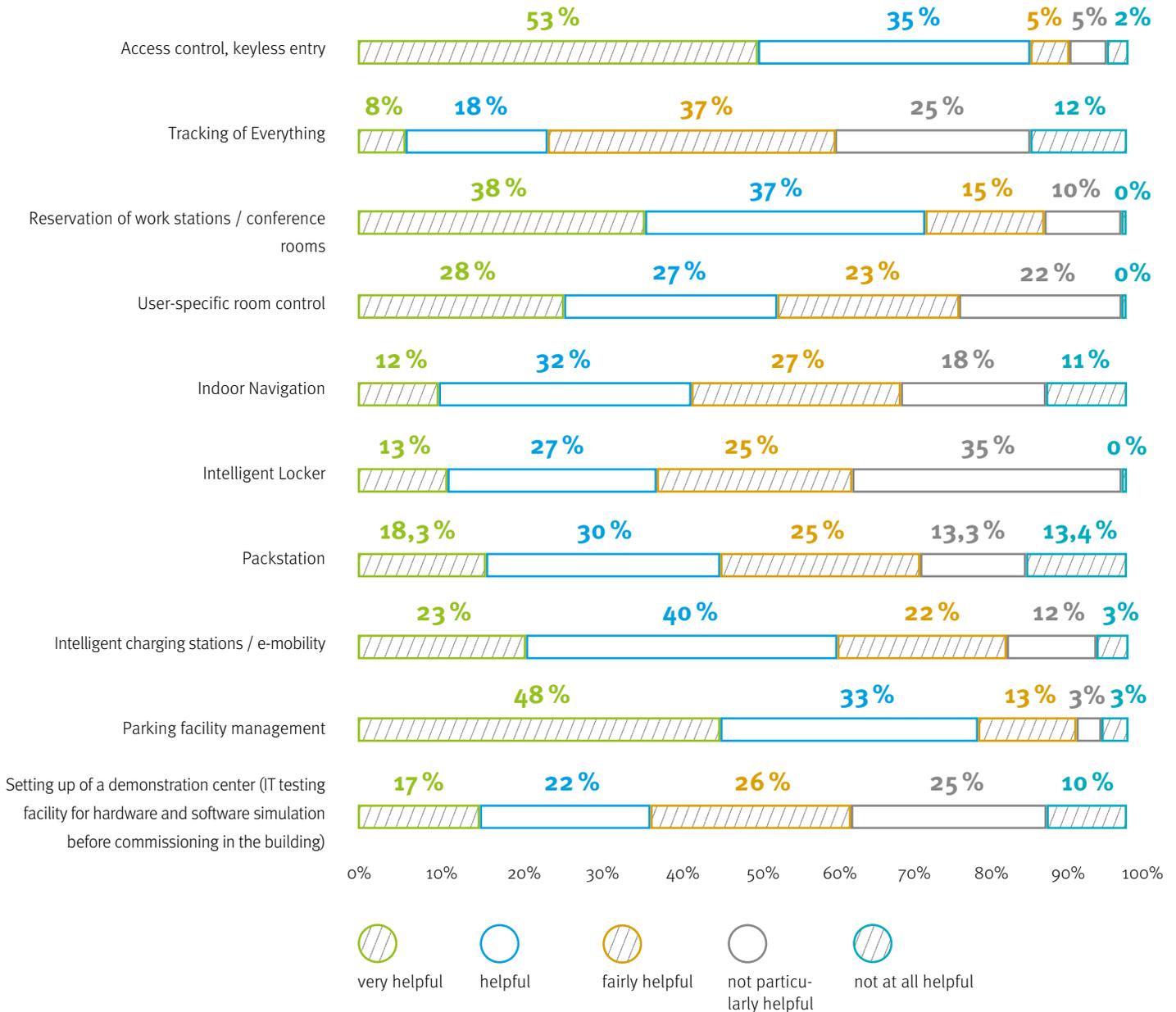
Which sectors are the frontrunners in terms of digitization where real estate is concerned?



All sectors are affected by digital transformation. However, the rates at which the individual sectors are pressing ahead with digitization differ – and that includes their properties. The automotive industry is the frontrunner in this respect, according to two-thirds of those surveyed. Almost half also consider buildings in the ICT sector to be far more advanced than those in other sectors. Logistics buildings are seen as digital trailblazers by 43 percent.

WHAT BUILDINGS OF THE FUTURE MUST OFFER

Which components of digitization / digital functions (accessible and controllable by app) are most helpful for smart buildings?



With regard to specific digital functions in the building that can be accessed and controlled by app, more than half believe access controls are very helpful. These include door opening by app, and issuing and cancellation of user rights online and in realtime. Almost half also approve of innovative parking facility management systems that simplify shared parking and parking space finding. Other popular digital functions are reservation systems for work stations and conference rooms, and user-specific room control and intelligent charging stations.

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The company's 3,200 employees in 40 locations around the world work in interdisciplinary teams to provide support for clients from a wide variety of sectors. All the services provided by the partner-run company take into consideration both economic and ecological concerns. Drees & Sommer calls this holistic approach 'the blue way'.

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