

The Weekly Take

Futureproof: Blackstone & CBRE on deploying AI in CRE

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Spencer Levy

If you're expecting to hear The Weekly Take, this week, we bring you The Weekly "Tech". In a world that's increasingly digitizing, automating and turning to robots and artificial intelligence for business answers, we are at the cutting edge. On this episode, two global tech leaders bring you up to speed on PropTech, the marriage of property and technology.

John Stecher

Any different type of real estate business out there, what they want to do is be a tech-enabled real estate business, right?

Spencer Levy

That's John Stecher, Chief Technology Officer of Blackstone, the trillion dollar investment firm with more than 12,000 real estate holdings globally. John is responsible for everything from email to trading platforms. He advises the firm's investment teams in areas such as PropTech, fintech, enterprise tech and cybersecurity. And he supports Blackstone's 200+ portfolio companies around the world.

Sandeep Dave

Our clients are focused on efficient operations. They are focused on reducing energy. And they want a great workplace experience. And what we've seen is where we deployed AI-enabled Smart FM platform, we've been able to further enhance those outcomes

Spencer Levy

And that's Sandeep Dave, Chief Digital and Technology Officer for CBRE, who oversees all things tech and data for the company across the globe. I'm very excited to hear his thoughts around the deployment of A.I., a subject he also shares in this month's Our Take newsletter, which you can subscribe to at CBRE.com/OurTake. Coming up, we plug into state of the art issues in PropTech, data, A.I. and more. I'm Spencer Levy, and that's right now on The Weekly Take.

Spencer Levy

Welcome to The Weekly Take. John Stecher, Chief Technology Officer at Blackstone. John, thanks for joining the show.

John Stecher

Great to be here, Spencer. Thanks for having me.

Spencer Levy

Great to have you. And then Sandeep Dave, Chief Digital and Technology Officer at CBRE. Sandeep, thanks for coming out.

Sandeep Dave

Spencer, thank you for having me. This is fantastic. I have been looking forward to this.

Spencer Levy

So have we. And so let's start with just a definitional question. I'm gonna ask you both the same question. What is PropTech? Sandeep?

Sandeep Dave

I think, Spencer, when you say PropTech, you're probably referring to technology in real estate. When I hear PropTech, I think about the PropTech industry, which is investments in technology, startup ecosystem. But what I think PropTech overall I would say is, how we apply technology, data, new ways of working in commercial real estate, and also how we got into all the amazing market innovation that is happening in the PropTech and ClimateTech space.

John Stecher

When you think of it on the investing side of the fence, right, it's – the PropTech is really targeted at a couple of different things. I think of it as building management and analysis system. So this is the Internet of Things. So IOT, for those of you out there that have heard it. This is sensors on your HVAC units, doors, security, everything that kind of gives you a view of what's going on inside of your buildings or your infrastructure that you own. Pulling that together, optimizing the actual runtime day to day operations of the business, that's one element of PropTech that we think about. Then you go down into the actual building and platform management systems. This is the accounting platforms that large scale landowners use. It's the way they do cash management, treasury systems. A whole bunch of stuff that fits into PropTech, as well, when we think about it from an investing side. Then you go one level out and you go into the tenant management platform. So if you're running residential properties or even commercial properties, in all honestly, there's a lot that goes into just managing the tenants, providing them services, wi-fi, knowing all sorts of capabilities there, a bunch fits into that space, as well. So PropTech kind of is encompassing of those three areas, at least in my head. There's a couple of things that sit outside of that, as well. Cyber, enterprise tech, as well as the fintech stuff. That really, like, if you're a person running a property right or have a portfolio of properties out there, you leverage all of those tools. So you want to make sure that there are no cyber breaches of your estate in general, or your bank accounts, the rest of that. So all those things kind of come into play from the technology stack that people use when they're running real estate, commercial or residential. But that's really the way we think of PropTech from the investing side.

Spencer Levy

Sandeep, back to you. John's definition of PropTech, he did narrow it, but he does have these other areas of responsibility: enterprise, cyber, etc. In my mind, they're all part of our business. How do you see it, Sandeep?

Sandeep Dave

I would agree with that, Spencer. I see the application of technology across the entire lifecycle and we work with a range of PropTech companies across the entire lifecycle from how do you make an investment, how do you better do site feasibility, how do you better manage buildings? A completely new area of PropTech now is ClimateTech, which is, what investments do you make to better design buildings and what investments do you make to better manage buildings for sustainability goals.

Spencer Levy

So I'm going to ask you a very broad question regarding what business are we in? I ask, are we in the real estate business? And I get a very mixed answer on that. What's your point of view, Sandeep?

Sandeep Dave

I have seen two different approaches and I've seen a lot of companies go out there and declare themselves to be technology companies. There is no right or wrong, but the approach that we have taken is that we are a commercial real estate company that delivers superior outcomes for our clients, and the only way to deliver the best outcomes for our clients is to be really good at technology and data and data driven insights. And that then has a different focus for us. We don't focus on a software PNL, we don't have a venture arm of our own. We invest through venture capital firms, but our technology is really focused on enabling the core business. And I believe that that has some hard yards to it but delivers greater returns over time.

John Stecher

I mildly cringe when I hear businesses or I hear people talk about like, oh, we're now a tech business and it's like, you know, your waste management business. No, no, no, we're a tech business now, like, technology businesses to me, I worked at one for just about ten years, at IBM. You build technology and you sell technology to other individuals that leverage that to extract some benefit in the vertical that they work in. And so I look at it much like Sandeep, which is, any different type of real estate business out there, what they want to do is be a tech-enabled real estate business, right? Tesla is an automotive manufacturer that's heavy in technology, right? It's not a tech business. And so that's the way I think of everything. I think if you want to be a very successful business today, you have to embrace technology and actually treat it as a first class citizen. Literally a decade ago, if not even today, a lot of technology and engineering efforts inside of firms were looked at as like back office. And I think now it's just because of the expectations in the world, like of, real, digital surfaced, even physical things, like buildings. People look at it as like, hey, it has to be a first class citizen if you want to be state of the art.

Sandeep Dave

And that's exactly the change that we've seen in real estate over the last six or eight years that I've been in this industry where, just the importance of technology, data, data driven insights is just night and day. And that realization from our clients and our stakeholders. And also, if you just look at the level of investments happening in the industry where ten years ago, there was hardly a PropTech scene and today the leases in the space are raising billion dollar funds. So clearly that technology has come front and center and in everyone's consciousness.

Spencer Levy

John, how do you see where we are today as the state of PropTech that's good, and things that we can get better at?

John Stecher

In terms of what's good, and good is all relative right, I view good as it's constantly evolving based on tenant demand, people that want to buy the properties demand what they look for, what good looks like inside of properties, right? The reality is, in my opinion, I think we're early innings on a lot of the Internet of Things, sensors everywhere across buildings to optimize power consumption, heating and cooling, all the rest of the things that are actually cost, right? So when you think of running a building, you have money coming

in, revenue, which is what the tenants are paying you, and you have costs going out, which is what it's actually costing you to run the business. And there's a lot of optimization there still to go today. I mean, certain buildings are world class with the LEED standards. Everything out there. They're really heavily, I would say, sensor oriented today and really kind of automated. But there's a lot of buildings that were built over the last centuries, right, that still have time to take it up a level. Just houses. We all live in houses. How many people are in front of there with Nest thermostats that adjust themselves throughout the day, all of that stuff. There's a long, long way to go to get to where I would say we're really, really advanced from a technology perspective in real estate. A lot of the other tools that you're referencing is how to select the best buildings, the best assets that you want to buy. That really goes down to understanding a broader macroeconomic environment. Do people want to work in offices versus work at home? That's the current very topical thing inside of the industry, right? Do they want to work in open office settings, no cubicles or anything else, or do they want to actually all have offices where they can shut doors? There's a whole bunch of things that are constantly changing that I think go into the more societal things that change or ways of working, that change, that drive the way you think about buildings. Same thing with the logistics platforms that are out there now. We own a variety of warehouses and logistical assets. They existed beforehand, but e-commerce really is what made them boom. And so the e-commerce trend, the home delivery trend, that all is really just driven that logistical kind of world forward significantly compared to what it was.

Spencer Levy

When you look at the logistics business specifically, you can look at it within the four walls of the industrial buildings that Blackstone and Link Logistics, one of your affiliates, owns. Or you could look at it in the context of the four walls and then the truck that goes from the manufacturer to your building and then the truck that goes from your building ultimately to the consumer looking at it more broadly. So I'll stay with you, John. Do you look at it more broadly or just as the building?

John Stecher

Way more broadly. And it's part of the platform that exists here at Blackstone, is when you think of real estate as one of our businesses, we also invest in a plethora of other businesses. We do really take a thematic approach to this. So e-commerce as a theme requires everything from data centers which we invest in to run servers, to actually provide infrastructure for people to buy stuff online. Then you have delivery services, then you have, just the actual buildings, like you said, like the link logistics buildings that we have out there where it's cold storage or regular storage and a variety of different things in that space. And then you get down into how do you make payments? How does a consumer pay for a good? How do businesses pay their employees? All of those things are thematic from the e-commerce planning perspective, and that is a lot of what we spend time looking at around here is what are the trending themes, the good neighborhoods that you want to be investing in. And we apply those across all the various different ways we can deploy capital.

Spencer Levy

Sandeep, let's focus on the advisory side for now and talk to me about the same question I asked John to begin with about, where are we good and where are we at the beginning stages? How do you see it, Sandeep?

Sandeep Dave

There is tremendous amounts of constant innovation going on in so many different ways. In one calendar year, we probably speak to a thousand different PropTech companies. So from our perspective, what is good and what is to improve, or where we form a strategic partnership is, generally we look at it in two different lenses. One is, what are some of our biggest problem statements? So if we take the need to do better investment decision making, what I just said with an advisory. Get better site visibility, location intelligence, market intelligence, the ability to better value a property, the ability to better manage a property. If we get those, if we are able to solve some critical problems like that, or give us better occupancy insights, then that becomes an interesting value proposition to us. The other value proposition for us is that I see a lot of PropTech companies, and this is to John's point where, they've found a problem, but they've solved it in the most inefficient way, which is that, hey, I will bring in sensors, you can stick them in, they'll light the whole gateway, and lo and behold, you have the insights you need. That works great if all you need to do is light up one building. But our clients have slightly bigger portfolios than that. And what we need is portfolio scale solutions. And that's the other lens that we look at. Is it solving a key business problem and will it allow us to solve a portfolio scale? The third lens, of course, is that, can PropTech companies scale with the size and demands of a company like CBRE?

Spencer Levy

John, when you look at the lens from the individual asset to the portfolio, how does it change your view towards Proptech?

John Stecher

It's kind of like a maturity curve, right? You start with small companies. You want to see them gain traction and start to actually see success. And so that's something where we look at, is the company applicable across a broad swath, right? So you vetted against patterns we see across all of our multifamilies. Yes, this seems to make sense and resonate. Let's try it out and pilot it and see what happens kind of in smaller pockets. And do tenants like it? Does the property manager enjoy it? All that type of stuff. That's early stage companies. That's a lot of the stuff we do in the Blackstone Innovations investment area, right? Then you get into the more broad platform wide ones, right? So you think across the logistics segment of our real estate portfolio, if there's accounting platforms, stuff that rolls up and helps us manage the assets better, that's really where you want more mature companies that you can apply to those broader swaths of things. So think of it just like a maturity curve. All companies start with a person, an idea. They all grow from a person, an idea with capital to multiple people in an idea, and then they continue to progress along there, but they have to start somewhere. So you have to give them a little petri dish to play in. And we do that as best we can. We see what sticks and we really kind of lean in behind those companies and try to help them grow, if it's something that we view as successful.

Sandeep Dave

From our perspective, it goes back to what is our core business. We are not into venture investing. We definitely want the pulse of the market and access all the amazing market innovation. And we do that through our VC partners. Obviously just by being CBRE, we also get a lot of direct outreach and discussions from PropTech companies. This is always one of the business problems that we're trying to solve. Is there a strategic alignment between what a market innovation may be and what is the key problem that we are trying to solve? Does it accelerate time to market? And in that form we also look at can we help the company significantly accelerate their own growth? And if those factors match, then we form a strategic partnership and look to make an investment.

John Stecher

I think an important point to build on what Sandeep said is it's not just us picking technology and saying, hey property managers, go off and use this. It's, we spend a ton of time listening to the property managers. Investing is understanding the world out there in front of you in very specific segments, listening and looking for patterns and then saying, is there a solve for the pattern and the problem that people have? And so the best companies are always built around solving a problem, no matter how complex or how simple that problem is. If you can solve somebody else's problem and you can kind of bet that multiple people have that same problem, you can then sell it to them, right? And so we spend a ton of time listening, synthesizing, and then looking for what exists in the outside world.

Spencer Levy

Let me pull the lens out, now. I think issue number one of all industries is this A.I. thing that may have driven the writers strike in Los Angeles. It has impacted people's demand for data centers. John, how do you see, first of all, the impact of A.I. overall on the real estate business and then specifically to the assets?

John Stecher

Stepping back, I'm amazed how many folks believe that A.I. magically was created in, like, December of last year, when open A.I. released chatGPT. It's been around since the forties. It's based on just mathematical principles. It's ebbed and flowed since Hal in the seventies and the Terminator in the eighties and you see society pop culture maps and you can see A.I. booms over time. Where I have found it very interesting throughout my career is, you know, there is a variety of different techniques for basically building better composites, building better structures from a stress perspective. You can simulate via digital twins a whole building that you're going to build ahead of time, and then in essence, stress tested against earthquakes, hurricanes, all the rest of the fun things out there that a building has to weather over its century long lifetime. And that's really where I've seen A.I. make a big difference, in my opinion, across the heavy manufacturing and kind of the building industry. It's focused on optimizations of metal and the way structures are put together. Window construction is another thing, right? So there's tons of really, really cool stuff in that space, that's hardcore engineering. Then you get into some of the newer applications of it that I've seen, which go down to intelligence space planning. So using A.I. powered floor planning mechanisms to layout a floor plate as optimal as possible so that it's as open as possible, it feels like the desks are bigger than what they are. There's a lot of things I think, that are starting to come to the fore in that area now, as well. So that helps the property manager actually think about, how do they run their building and make it appealing to tenants. And then lastly, in my view, there is some very interesting stuff as well that's coming in the space, like the runtime of the building. Elevators, fire suppression systems, a little bit of climate stuff. You know, lights are turned off in rooms that people aren't in far more effectively than the day when you have to walk in a room and wave. All of that stuff I think, is coming. It's not nearly as cool of A.I. as what you see with all the generative stuff out there, like, check this out, I'll make a picture based on some like, you know, draw me a 1920s New York scene with John Stecher standing in Times Square in it with a top hat and a monocle. That is something that is cool to see, but it's not applicable in what people are doing today, on a day to day basis, managing properties, building buildings and the rest of that.

Spencer Levy

So funny story. I did a flash call – we do these flash calls every quarter or so when something big happens in the market – and I was moderating in front of, you know, 5,000 people. And I was in one of those rooms that had the lights that turned off when you stopped moving. So I was on the call flapping my arms during this call and well, a few people commented on it.

John Stecher

It's the classic bird. I just did that on Tuesday during a meeting with some of our LPs in Australia. The lights went off. Was pure dark. Mildly looked like it was like a horror movie with the lighting around me from my screen. So I was doing the flapping of the hands to turn it back on.

Spencer Levy

Well, A) I'm glad I'm not alone. But B) my better story was when you get a unique link to these calls and I didn't know it was unique, so I gave it to my mother and my mother chimed in to our 5000 person call, as well. So now everybody knows Diane Levy. Sandeep, you're hearing a lot, big picture, about A.I. – in the press, from other companies – but I think it's a topic where people don't know the true tactical day to day application that people are doing today. So let me just ask you a direct question. What's CBRE doing today with AI?

Sandeep Dave

Spencer, great question. In fact, what we are seeing is a lot of fear of missing out and a lot of chasing the shiny object in the space. Where as, we've always seen that technology for technology's sake does not necessarily result in the best outcomes. There are lots of the A.I. implementations within the company, but I'll give you one example, which is our Smart FM – A.I.-enabled Smart FM platform – which is now deployed across a billion square feet and over 20,000 sites, resulting in tremendous impact for our clients. And there are very few examples of A.I. at scale. And how do you get to A.I. at scale? That's when you have a strong leader foundation, when your initiatives are aligned with your strategy, that's when you get an outcome like that.

Spencer Levy

Is there any more color you see, as a client? This means blank cost savings. This means blank faster service. This means blank something. How would you explain it?

Sandeep Dave

In terms of outcomes, our clients are focused on efficient operations. They are focused on reducing energy, and they want a great workplace experience. And what we've seen is where we deployed our A.I.-enabled Smart FM platform, we've been able to further enhance those outcomes. So for one particular client, we were able to deploy dynamic cleaning where we were able to reduce the cost of cleaning by a fair proportion. In other instances, we were able to deploy across the portfolio and reduce that energy usage. So, there are all of these interventions that deliver positive outcomes for our clients.

Spencer Levy

To bring it back to the flash call, Sandeep, perhaps the burning question on so many people's minds is, particularly among advisors, is this A.I. thing going to take all of our jobs?

Sandeep Dave

I would say that there is tremendous impact possible and we look at that impact in terms of efficiency, like everyday jobs getting better, all the way to transformative in terms of just new ways of working and everything in between. Getting more predictive in doing things, incorporating A.I. and workflows. We see tremendous possibilities that we are actively exploring and working on. Jobs, now, anytime there's something new and not recognized, there's always fear around it. There was this brilliant, brilliant Swiss scientist who had said that, who had basically warned for the past balance of information overload and how it's going to destroy our minds and all of that. What was he referring to? He was not referring to the Internet. He was not referring to email. He was referring to the printing press. And if you look at radio or television, there's always been fear. But I think that we are sitting at a moment of tremendous productivity benefit. We are just going to see a step change in productivity that we've never seen before. And we are just going to see the benefit of focusing on the right things, versus having to do the mundane.

John Stecher

Yeah, I fully agree with that. One of my mentors from the IBM times sent me an article, and this was the last boom of A.I., and it was basically from right around when the assembly line kind of started cranking up for Henry Ford. And it was, in essence, a fear piece about how there was going to be mass unemployment, and by the end of the century, there was going to be no one working anymore because robots were going to basically be doing all of this for somebody. That was their kind of forward thought with the assembly line. And I think the amazing thing is the way we're looking at A.I. here with a lot of our investment professionals is, it is truly – to steal Microsoft's phrase – it's a copilot for people. It's assistance. It's a way to basically make you smarter, help you actually do more of the mundane stuff in kind of an offloaded way so your brain can actually solve new problems, create new businesses. That's really what the assembly line did. It's what all of this, every single technological innovation over time or process innovation over time does, is it takes time. It takes waste and cycles it out of your brain. Let's smart people think about new, interesting things and kind of continue to reinvent the economy, reinvent industries across the board. So that's really my view on it, as well. I think there's a ton of really cool things that will come out over the next couple of years here in the generative A.I. space. I think it's still in its infancy. There's a lot of movie studios, there's a lot of advertising that's going to change drastically. But at the end of the day, progress is linear. It's not step change. Massive step change things only happen if aliens drop technology on you to some degree.

Spencer Levy

Sandeep, let me turn now to our industry for a moment. The term has been used many a time that data is the new oil, and we use data for everything. And I think, and as part of my earlier question, I think we do a great job in data in measuring things for efficiency purposes. And I think we're getting to a point of diminishing returns. I think you could always get better, but I think that from a point of productivity and other things, more complex decisions, we got a long way to go. But we're in the advisory business. We advise clients about space design, we advise clients about what to buy and to sell and where to lease. Where are we with data? How do we use it to advise our clients?

Sandeep Dave

Yeah, ad nauseum it's been said data is the new oil. I always say data is the new crude oil because there is a lot to happen before data is usable. You need to ingest it, clean it. I spent a lot of time in consumer financial services and by no means am I trivializing the challenges, data challenges in consumer financial services. But the one advantage I had in that was transaction after transaction of structured data that I could slice and dice to understand my consumer's behavior. Commercial real estate is not that. Commercial real

estate is a siloed data environment. Everything is anchored around a property, but depending on who you are, your definition of the property changes. Whether you're an investor who is looking to value a building or if you want, if you're a tenant looking for a floor in a building, that's property. And so how do you bring it all together is the biggest job in commercial real estate that we've been working on, or even just in data from 300 plus different data. Anchor it all against the standard taxonomy, and now what that allows us to do for the advisory board for the occupiers is to be able to provide a range of insights: market intelligence, location intelligence, portfolio intelligence from portfolio level to site level. And we were talking about A.I. before. Model development is easy, as long as you have data and the long pole in the tent is data and the training data. So that's where the hard yards are. It's the new crude oil.

Spencer Levy

John, Blackstone has got an enormous portfolio, both of real estate and other real estate companies. You got data coming from everywhere. John, what do you think? How do you bring it down to something that's useful? How do you use data analysts, data scientists? Tell us your thought process.

John Stecher

We're big believers in the fact that private data sets and high fidelity, highly actionable private data sets are going to be a differentiator for asset managers here over the next, you know, N years. And so if you look at public data, economic data, stuff that public companies throw off when they report earnings, you have a plethora of stuff that's publicly available out there. This is things that A.I. is going to commoditize very quickly from a decision making perspective, right? So ripping all of that data, a lot of it is structured, correlating it and then being able to ask actionable insights of public data. There is no real alpha to be gained there from an investment perspective anymore. Big pools of private data like we have here because of all the industries we work in, all the various different nations, we have kind of assets or businesses running in gives us a pretty big edge, so I'm excited about being here. And it's also fun to go off and to play with from a technology perspective. And so to your question on how do you leverage it, right? The first thing you have to do is a little bit of what Sandeep said, you have to make sure it's structured, you have to have it unlocked from various different applications. So one of the things that is the dirty secret is most big enterprises are made up of hundreds of applications. All those applications have their own databases under them. If the data is behind an application, it's impossible to really bring up and uplift into any of these models and allow people to access it easily. For over about four years now here I've been on a program of moving and unlocking that data and getting it into a centralized repository. We use Snowflake Drive. For those of you tech nerds out there, we use Snowflake Compute to basically kind of centralize a lot of that data. And then on top of that, we've basically built a number of various different things that actually help us run the business and glean insights into any type of different assets. One bit is simple static dashboards, right? Being able to see all your data, see the performance of assets, see how assets correlate to other assets, really simplistic stuff that matters to a lot of people. So you build that on top of those composite data sets. Then what you do is you deploy data scientists on top of those data sets as well. You give them the tools and infrastructure so they can use all of the statistical weapons that they have to draw insight from large data sets. So this could be looking at sales figures, it could be looking at correlation or causation across like rents and rent rolls, changes in various different sectors of the city, various different sectors of a city based on businesses coming and leaving those cities. There's all sorts of insights that you can draw to basically make interesting selections of where you want to invest. And then finally, you

can use a lot of that data as well to deploy a number of machine learning techniques on top of that and really bolt on to it.

Spencer Levy

Sandeep, I want to ask you for your final thoughts. We're going to go crystal ball here. Big picture. Where are we today? Where would you like us to be in five years from a data analysis, use of technology standpoint in the advisory side of commercial real estate?

Sandeep Dave

Let me bring up my crystal ball. I would say that there are two things. One is that we should expect a dramatic uplift in the jobs that we do today are going to be significantly more efficient. New jobs that we did not know will exist. As far as advisory is concerned, I always look back and look at a parallel in the wealth management industry where information used to be an advantage. Now information is a commodity. Insights are an advantage. Insights that were an advantage yesterday are less of an advantage today. Newer micro insights are at an advantage. I fully expect five years from now, actually, maybe even sooner, that the differentiation is data driven insights that are extremely micro segmented, decisions are extremely micro segmented, and those that are able to bring the data and the technology to bear, to enable those micro segment decisions and insights, are going to be ahead in the game.

Spencer Levy

John, big picture, you've got as much data at your fingertips as anybody, probably a whole lot more. Where are we today? Where would you like to see the investment industry be five years from now in terms of its use of data?

John Stecher

Where we're at today is just starting to scratch the surface. It's like the hype curve of A.I. right now. The hype curve then turns into doldrums of despair, and then futility arises from that. I think five years out from now, you'll start to see the new generation of generative A.I. actually having a lot of utility. You'll see it being baked into space planning, you'll see it baked into how people market their platforms for tenants out there. You'll see a ton of cool stuff coming out in that space. Two big headwinds to that: GPU availability and data center availability. And so I think five years from now, we'll see that coming to fruition and you'll see people using it. It'll just be integrated in our day to day life. If everybody remembers when Siri first came out, people were like, oh my God, a voice assistant. This is the coolest thing. Everyone's walking around playing with Siri nonstop, talking to her. Then people forgot about it, and now it's just a useful thing. You just ask her to do stuff. It's in the background. That's kind of the way I view a lot of the new change around A.I. that will happen. It'll make people in this industry's lives significantly better, in my opinion, because it'll free up some of the monotonous tasks that people end up having to do on a day to day basis and get them back to thinking about, like, what's the next interesting thing in the real estate sector? So, that's my five year projection. I'd also, five years from now, I think the elevators will work on our building more efficiently. I hopefully can have more than two elevators running at a time in my own high rise that I live in. That's elevator technology. That's the one thing I want A.I. to solve for people.

Spencer Levy

So like Columbo, I've got to ask one more question. Just to be very tactical here, John, first to you, what do you say to people in the investment business? What do you say to people that want to partner with Blackstone in the technology PropTech space? What's your advice?

John Stecher

I mean, I think the biggest advice that I'd give to people that want to partner with us from the technology side of the fence, it kind of goes back to a little of how we look at investments. Are you solving a problem that's going to make a large section of our assets or the people that own our assets lives easier? We spend a lot of time thinking about that. Not everything that we actually talk to our portfolio companies about is an investment that we have. There's lots of great technology that we put to them and say, hey, we found this, think it's interesting, we'll make your business better at the end of the day. So I think a big focus on solving problems, being technology enabled businesses at the core, I think one of the important things for companies out there to think of as it's not just real estate or it's not just technology. You have to have a leadership team that couples those two things in the knowledge basis together so that it is a unified product that actually makes sense and knows the industry, knows the way to sell into it as well as understands the technology and how to exploit the advantage of it. That's really the biggest advice that I can give people. And it's, be realistic, as well. Tell it as it is. The product does what it does. Show what it does. Don't promise hopes and dreams. Be legit about the value creation of what you're kind of bringing to us.

Spencer Levy

So, Sandeep, same question to you. Advice, tactical advice for people out there that want to partner with CBRE.

Sandeep Dave

My advice to our clients is exactly what we do, is three things. First is to be very clear about the problem statement. If you're clear about the problem statement, then there are major benefits at the back end of it. For example, A.I.-enabled Smart FM platform, just 1 billion square feet of deployment. How do you get that scale when you are clear about the problem statement? The second is data. We spoke about the fact that there is no A.I. without the foundational data. So having clear, clean data, those are the hard yards. The third is that not all innovation can happen in-house. Partnerships in PropTech and partnerships with the large providers out there who can give you access to large language models or the sound models that enable chatGPT or generative A.I. – access to that is going to be really important.

Spencer Levy

There you go. So now let me ask the most important question. Well, given all the data that you see and Sandeep sees, since you are a University of Wisconsin grad, Sandeep is a University of Maryland grad, you're both in the Big Ten, this year, who is going to win more games against the other Wisconsin or Maryland? John, you first.

John Stecher

Wisconsin, easy.

Spencer Levy

And Sandeep?

Sandeep Dave

No doubt the Terps.

Spencer Levy

And there you have it. From two of the biggest data experts ever. Different answers, but coming from a different perspective. On behalf of The Weekly Take, I want to thank two terrific guests, John Stecher, Chief Technology Officer, Blackstone, and my good friend and colleague Sandeep Dave, Chief Digital and Technology Officer, CBRE. Thank you both.

John Stecher

Awesome. Thank you, Spencer.

Sandeep Dave

Thank you. This was great.

Spencer Levy

For related insights about the topics we just discussed – PropTech, not Big Ten sports that is – visit us at CBRE.com/TheWeeklyTake. Also remember to like, subscribe and rate us on Apple Podcasts or Spotify. It definitely helps people find the show. And finally, for additional perspectives on the most important topics facing our industry, I highly encourage you to subscribe to our new monthly newsletter, Our Take at CBRE.com/OurTake. Here on the podcast, we've got more on the tech scene in the weeks to come, including an episode on data centers an industrial asset type that's arguably the central cortex of our digital infrastructure, plus conversations with some great minds from real estate, retail, restaurants and more, some of whom are using tech in their own innovative ways. For now, thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.