Chris Shaida:

Real estate is not going anywhere. And many people, if you're young, you probably don't know, the value of real estate in the world is worth more than all the companies in the world put together. And you don't know that until you look outside the window or walk down this street and you think, how much of all the blather I've heard about AI changing the world. Is it like AI, we're not going to have a house or a roof over our head anymore? Does AI mean there's no place to go and exchange money for goods? No, nobody talks about that. And so real estate's going to be here until we're not here. So if you're looking forward to 20, 30, 40, 50 years of work, there's going to be plenty of work around making real estate better for as much breath as you have left in your life.

Matt Slepin:

Hi. This is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode is a conversation recorded on May 27th with the Co-founders of Real Foundations, David Stanford, who's been a previous guest on the show and Chris Shaida. This episode is the first of a two-part series on how information technology, including AI, is deeply impacting how we do business in our real estate world. We've been exploring the concept of the operating platform in real estate companies for a long while on Leading Voices. This conversation is part one in this exploration, which is a deep dive into A, the history of the institutionalizing of our business, B, a really thoughtful deep dive into the meaning of this term operating platform, and then C, talking about the tech stack and where AI lands within this context.

David and Chris are incredibly thoughtful about each of these topics, and I would say that this is a master class in understanding this side of the business. The next episode will deep dive on a use case, which will be a conversation with Tyler Christensen, the founder and CEO of a multi-family tech company Funnel, whose business has literally upended the operating platform in the apartment sector. And again, we'll dive into how this drives change in the operating model and also how this opens up that operating model to deep use of AI. My goal here is not yet another podcast about AI, but bringing context to how and where it is landing and impacting within different parts of our business. We keep diving into history on Leading Voices. This episode marks the 25th anniversary of Real Foundations. And Chris and David approach this conversation with a thoughtfulness of perspective on their part of the journey that the real estate business has taken over these 25 years. We keep bringing history and evolution in my favorite word context into these conversations, and we will continue to do so.

Stay tuned at the end of this episode and the next one as well where I bring in a conversation with Deepali Vyas, the new global head of data and AI at ZRG, who responds to what we've heard on this interview from a broader, not just real estate perspective on this important topic. It's a fun and interesting coda to the conversation. The increasing focus of conversation about the operating model in real estate here on Leading Voices reflects a lot of the work that we're doing with our real estate clients at ZRG. Indeed, much of the work that we're doing is helping find next generation leaders, both in chief technology, chief information officer roles, as well as the COO or property management role. And the two are inextricably aligned. We find ourselves working alongside companies like Real Foundations who are toiling in the same garden alongside our clients.

As we discuss with our clients in this quickly evolving business, you do not need to be ahead of the curve, but it's dangerous and really expensive to be too far behind that curve. This changing business and these senior roles require new kinds of leaders ready to move these long-standing businesses into their next era. So thank you for sticking with these conversations and listening into our show. Please continue to listen. Please follow the show on your podcast app so that the next episode will automatically deliver. Please check out the archive and do share the show with your friends and colleagues. Feel free to get in touch with guest ideas or importantly, if ZRG could be helpful to your business in recruiting talent management or the consulting side on the people side of your business, please get in touch. My email is mslepin@zrgpartners.com. I hope that you enjoy this conversation with Chris Shaida and David Stanford as much as I did.

David and Chris, welcome to Leading Voices in Real Estate. David, you've been on the show before, so this is your second visit, but Chris, you've not been on the show before. I'm thrilled to have you both. And we have a lot to talk about at the 25th anniversary of your firm, but it's a like three-year birthing of AI and what that means for real estate, what the real estate operating platform means in our businesses, a subject that we're increasingly discussing on Leading Voices. And you're the guys to talk to about this. So I'm really excited about this conversation. It'll be wide ranging, it'll be a fun conversation so thank you both.

Chris Shaida:

Well, thanks for having us.

David Stanford:

Yeah. Thank you Matt. And I've been a loyal listener for a long time. I have twisted lots of arms to get new subscribers.

Matt Slepin:

Thank you.

David Stanford:

And I appreciate all of your discussions on platform over the last few years. It's very helpful.

Matt Slepin:

Yeah, well, we'll define platform in a minute, but David Stanford, that's your voice, Chris Shaida, let's hear your voice and then introduce yourselves and we'll talk about your company and then we'll dive into the conversation. Chris.

Chris Shaida:

Well, here's my voice. David and I with one other gentleman founded Real Foundations 25 years ago, and David and I have worked together before that for I don't know how many years. 106-

David Stanford:

36.

Chris Shaida:

36. Something like that. A long time we've worked together, so I'm delighted to be here. These two topics, we have been thinking really hard about the operating platform, the design of the operating platform, aligning a platform to strategy for the past dozen years. And so we're always happy to be

talking about it and spreading the word something that we think is so fundamentally important to our industry.

Matt Slepin:

That's great. So before we dive into the subjects, which is platform, let's understand your company and who we're listening to and why. So we'll talk about your firm a bit and the 25 years and what that means. So maybe David, tell us what your business is and what it looks like.

David Stanford:

Yeah. So quick background on me. As Chris mentioned, one of the founders. I've been on the advisory and consulting side of the business for 37 years. I started actually my career at Kenneth Leventhal after a brief stint as a fly-fishing guide in Montana. And that was right after the '86 Tax Act, which caused all kinds of disconnects, trouble and ultimately opportunity. And it was the onset of the institutionalization of the real estate sector. So we worked together at Leventhal. Leventhal was acquired by Ernst & Young in 1995, and that was a way for EY to really become dominant in an industry sector. Real estate. And then at the end of the '90s the SEC, because of Enron specifically, was pushing accounting firms out of consulting. And EY decided to sell off their consulting business to a French company called Capgemini. And we decided we didn't want to do that. We liked what we were doing. We liked helping real estate companies run better. And in the spring of 2000, we went out and raised a little bit of private equity and exited the firm on the day of the transaction with Capgemini. And we started Real Foundations on June 2nd, 2000.

Matt Slepin:

Cool. Let's go backwards for a moment. David, before we go into the founding of your firm and EY, just tell us a couple words on Kenneth Leventhal because it's a company that since we talk about history so much on Leading Voices, I'd love to celebrate. What was it? What did it mean?

David Stanford:

Yeah. So Kenneth Leventhal was a firm that was interestingly based in Los Angeles. Started by Ken Leventhal and his capable accomplice, Stan Ross joined him years later.

Matt Slepin:

Who's name we know more than Kenneth Leventhal except for the eponymous name.

David Stanford:

Yes. And those two really started an accounting firm focused on small developers and home builders. And over the years that's what they did. They just focused relentlessly specifically on real estate, real estate developers, investors. And they became known over time, especially as I got involved in the late '80s as workout specialists. And there was a lot of developers out of the wreckage of the '86 Tax Act that needed a lot of help to right-size their debt structures. And that's when I entered the business. And it was a full-service firm, but it was exclusively dedicated to the real estate industry. And it was a lot of fun. And that's where I found my passion. I'm a curious person. I'll never forget when I was interviewing, I talked to all the big eight at the time, and what they did was okay, wasn't terribly interesting, but I left that recruiting office at Baylor after talking to the Leventhal people, and I saw the world a different way. I saw real estate opportunities all around me and completely changed my life and that's driven my passion ever since.

Matt Slepin:

That's-

David Stanford:

And we honor that here at Real Foundations. We're not trying to recreate all of Leventhal, but that passion and commitment to the business singularly is something and the drive and intensity of our work and the outcomes of work we've modeled after the Leventhal business.

Matt Slepin:

Back to the founding and the inception of what you do, your firm isn't an accounting firm per se.

David Stanford:

No.

Matt Slepin:

It's more of a ... I'll let you finish the sentence.

Chris Shaida:

Sentence. The broad category is probably advisory. We generally talk about ourselves as consultants, but we don't do any assurance work. We don't do any audit work, we don't do any tax compliance work. David and I help build the consulting practice inside Leventhal. And just to echo what David said, what stood out for people who were around at the time about Leventhal was it was viewed as the gold standard in real estate. Now, people at the time thought real estate was weird. Strange thing. It didn't have a lot of transparency. So it wasn't necessarily great to be great at real estate, but we recognized the really important thing you said you knew about real estate, then we have to know something when we walk in the door. That if we make a claim to knowing about real estate, that we have to live up to that claim. And all 500 people who work in Real Foundations today have to live up to that claim.

Matt Slepin:

What is it that you know and do? Because if I think of real estate consulting, I might think of appraisals and market studies and looking at a piece of dirt and figuring out if it works or not. But I think that's not the side of the business you're on.

Chris Shaida:

At Real Foundations we've said from day one that our mission is to help real estate companies run better .not do better deals, find cheaper land, find investors. You're running a business, you're operating a business, and how do you do that better? And there's five basic questions that we're always answering for people. The board comes to us, the CEO comes to us, the COO comes to us and says, "I'm concerned about something." And we work through this list. Are you doing the right work in your business? Is there work that a company's doing what you do do that you're not doing? And sometimes that's the case that we find out, well, who's doing asset management? Everybody looks at each other and says, "Well, I assume Susie's doing it. I assume Bill's doing it." We find out there's work that should be done that's not getting done. So that's the first thing. And the next thing is, are the right resources being applied to that work? Do you have the right people or are using some other way to accomplish that work? A different firm. Are you outsourcing? Are you insourcing? The third thing is the work being done in the best way, in an optimum way? Just the process stuff. Somebody's doing asset management, but they're doing it in the wrong way. They're doing a bad job of it.

And then do the people doing the work have the right systems, technology, but also just systems? Do they have a way? Do they have a repeatable process? And then finally, are you getting the information you need to measure and manage the business that you're running? All the work we do is advising, consulting, diagnosing, proposing how to change things around those five basic questions. Doing the work, the resources doing the work, the way those resources are performing the work, the systems they use, and the information that you get to measure and manage your business.

Matt Slepin:

It's also interesting you used asset management as an example in that because that word has such a range of meaning in our industry more than any other word.

Chris Shaida:

Right. Even word like CFO has a range of meanings in our industry that a CFO in firm A has a very different job than a CFO in firm B. but that's the range of services. So we offer projects and we've come over time to talk about ... To use an analogy. That somebody will come in and say, "I'm not happy with the way my people are fishing. Can you analyze it? Can you buy them new fishing rods? Can you give them fishing training? Can you write them fishing manuals?" And so that's consulting projects. And we come to a company that's got a problem. We help them state the problem in the right way and then analyze it and give them options for how to fix it. We call that management consulting. And we also have another line of business called managed services where somebody says, "Well, I get that you could teach my people to fish and buy a new system and do all that stuff, but can't you just bring me fish?"

And so there are some real estate companies who have functions that are necessary to the ongoing operations of their business, but they do not believe are differentiating or strategic. And they're either having trouble finding people, they don't want to have people. If you can just do that for me, if you can do bookkeeping for me, if you can do lease administration for me, if you can do tech support for me, a range of things that I as the CEO of a business in real estate, do not think contain a strategic advantage to me, but I have to perform them to be in business. So that's the managed service part of our business. So those are our two baskets of solutions that we're offering.

Matt Slepin:

Fair deal. How many people do you have? Can you give an example of a typical client, then we'll go into our platform subject.

David Stanford:

Yeah. Let me do two things. So back to the two things that we do. Management consulting or deliver projects and manage services basically deliver outcomes. We also have a really unique viewpoint on this whole ecosystem or life cycle. So we work across six sectors, and I think this continues to be unique to our viewpoint. So we work with developers who both take a piece of land, horizontal development, vertical development, build something on it. The next piece is we work in the residential space, which if you're at a family reunion, you say you're in real estate, everybody thinks you work for Century 21 or somebody like that, and you sell houses. That's about the only thing we don't do. We don't work with the used house market. In the residential sector, we work with all forms of rental housing companies. Traditionally that's been mainly multifamily and various formats. But in the last, I don't know, dozen or 15 years, that's increasingly begun to see institutional investment in single-family rental. So single-family detached homes. And then we'd spend a lot of time with home builders who build new homes for sale. So development, residential.

The third sector is owner-operators. These are companies that raise capital for themselves, go buy stuff, build stuff, and hold it long term and operate it. It could be private companies, public companies. REITs are in here. Typically they're sector specialists. Sometimes they're diversified, but they're usually office, retail, industrial or whatnot. So that's largely focused on where people live or work, shop and play. Residentialists live. Service providers who are essentially market makers. That'd be like the large FM companies and service providers, brokerage firms. And they provide a fee for service. We don't spend a lot of time working in that sector, but it's very important for the market. And then the last two are the capital supply investors. It's both LP capital or pension fund and Sovereign Fund. And then GP Capital. People who go around and gather up the pension capital, put it to work and people call them investment managers, private equity fund managers, things like that.

And then the last sector that we work across is the occupier market. So that's companies like the global 2000 that happened to have a lot of space but are not real estate companies. Walmart for example, McDonald's, Amazon, people like that, that have a lot of real estate inside of their operations but are not real estate companies and they need to have a handle on that. So we work across those sectors. We do that on a global basis. And today, currently you ask about what our size is. We've got right at about 500 employees. We've got about 130 in the US, 350 plus outside the US. Interestingly, we have 325 or so in Chennai, India. That's our largest base of operation. And then the other way to break that down, we've got about 125 delivering consulting services. That's revenue facing. And 350 that are providing recurring managed services or outsourcing. And then a small handful of platform support, non-revenue folks to manage our platform.

Matt Slepin:

Okay. Big business. And it's interesting, once you start segmenting it down into those industries because to be a SME or subject matter expert or whatever the words are, you are big time or else once you start dividing it into little niches, if you don't know what that niche is all about, can't be their advisor.

David Stanford:

And it's a really big market. There's plenty of work to do for years and years and years and way past our lifetimes. And one of the things that Chris and I and Mark, the other founder want to do when we started this, is to build something that outlasts the founders. And we've worked really hard to do that and provide opportunity for junior people growing up in the business and taking over.

Chris Shaida:

And so to be honest, in the early parts of our career, that was a feeling, that was an inkling that this was important. If these people who we had tremendous respect for and the market had respect for were committing their whole professional selves to this thing, this thing must have been worthy of that commitment.

Matt Slepin:

And when you started this ... If you built it to outlast the founders, you also had a vision that the real estate platform, which is really what you're serving, would have legs and meaning. That the industry was moving in a direction that you could view that over that long a period of time. Maybe, Chris, you want to talk about what the evolution to what the real estate platform means?

Chris Shaida:

We started Real Foundations, we had lived through the first wave of, call it institutionalization, call it professionalization, call it normalization in real estate that you've lived through, Matt, and many of your listeners in our generation have lived through and been part of. But REITs in 1990 were tiny. They were a blip in the public company market. By 2000-

Matt Slepin:

Meaning there half a dozen. There were a small number and they were tiny.

Chris Shaida:

The total value was nothing. It was inconsequential. And by 2000, REITs were a substantial force. There were hundreds. There were now REITs in the Fortune 500. And so we had lived through this first wave of real estate, was no longer just really smart, driven guys in a market buying land.

PART 1 OF 4 ENDS [00:23:04]

Chris Shaida:

Driven guys in a market buying land building something on it, convincing doctors and lawyers to give them some money to try. And that was still the time that those of us our age remember that the adage was you're not a real developer until you've gone bankrupt twice. You're used to placing big bets. But in that part of our career at Leventhal, and then as we joined EY, we were watching the REITification of a chunk of real estate. And so that gave us some confidence that we were on the right track, that the people that we had grown up with and that we had admired weren't delusional.

Matt Slepin:

One comment to that just for our listeners is the REITification meant that you took real estate from 40 properties that you owned in separate LLCs to one balance sheet, and one balance sheet change the world.

Chris Shaida:

Right. And so what does one balance sheet mean? It means you have systems, you don't just have yellow pads of paper and you don't just have a bookkeeper who's got green ledger sheets. And so we were part of that in the '90s, these companies, real estate guys like, "Wait a minute, I'm a public company. Now I need systems." Somebody's going to look at my books. I need structure, I need order, I need to be transparent. There has to be something to look at.

We had at the beginning of our careers, made a lot of impact by helping these fledgling companies who were run by real estate geniuses recognize, "I have to not just be a genius, but I have to be orderly and structured and disciplined. And I have to not just tell everybody, 'It's all going to be great, great, great,' and then come back in a year and say, 'Well, not great yet.'" As a public company, you go out of business if you're not providing guidance.

And so we were living through this period of watching the growth and importance of things that historically had not been important to real estate geniuses. We lived through that first wave of REITification, and REITs became very important part of our public markets. And that led us into, as we started Real Foundations, the second wave of the institutionalization of real estate. In the '90s, the REIT CEOs got so good at being predictable, the investment bank said, "Wait a minute, there's all this money being left on the table." And the REIT CEOs did a service to the entire industry by making real estate presentable, putting a tie on it, letting it show up in a way. And they'd come to meetings on time in the public markets.

And I was not really a professional then, but there was the '70s REITs that were all a disaster and their people lost money and they were viewed as just more shadiness. And that led to some of the titans in the '90s getting together and said, "We need to change the view of REITs," which they were very at doing that. Sam Sall and Bill Sanders and those guys got together and said, "We need to make REITs be behave. We'll open up all this capital." And so they were very successful. And then the investment banks came along, some private equity firms said, "Wait a minute, we're geniuses too, not in real estate, but we're geniuses with money, and we see that the REITs are being very conservative and very cautious. And there's this whole other layer of return that they're not going after and they're selling retail shares of stock." And so what led in the aughts to this period of massive institutional investment in real estate and real estate appearing on the front line of a lot of investment managers when they would talk about, "We're investing in financial, we're investing in manufacturing," then all of a sudden real estate appeared as a viable investment target for stable capital that was risk averse.

Matt Slepin:

That was the second wave of another kind of... First the REIT capital, then private capital running in.

Chris Shaida:

Right. And then I think in the teens after the GFC, we had this next wave of what we call platformification when these big aggregations of real estate, the investors in those started to say, "Well, wait, we could be here for a long time. We're going to be here for a long time. We're going to operate a specific kind of real estate; affordable housing. We're going to operate CBD class A office. We're going to build a new market in something called workforce housing. And we want to be around because we're operating in a scale that nobody's ever operated at before, that we see opportunities to create better margin by operating more effectively." That got started in the aughts because we had low cost of money, so you could do all sorts of financial engineering to build these platforms. And we believe today we're now in a period of the winners over the next 10 years will be the companies who operate better than others.

Matt Slepin:

Let me ask a question about that. If you think of those three layers or you think of the REITs and you think of private equity and private equity causing their own operating platforms, and the easiest ones to think of, of course, are all the operating platforms at Blackstone, do they all have to build upon each other and that the REITs set the standard for transparency and for systems in an organizational approach so that the success of layers had to play by those same rules?

Chris Shaida:

Yeah, I think that's what we're seeing, but then we're seeing these, let's say more deployers of capital that have a higher appetite for risk. And the other thing about private capital is that you don't have to play by all rules that are designed to protect very small public shareholders, right?

Matt Slepin:

Mm-hmm.

Chris Shaida:

I have a investor base who's willing to listen to a longer-term story about value creation. And that's what we've seen over the past 20 years, that a bunch of people at Blackstone and at Brookfield and at JP Morgan and at Goldman Sachs and Invesco are making these pitches to investors about long-term value creation with real estate. Because real estate is, after all, the largest single asset class in the entire world.

Matt Slepin:

Chris, what you just described is the evolution from the capital side of the players in the real estate business and the institutionalization really from the capital side. What does that mean for business platform through that period? You've used some of the words transparency, size and scale, but what... Now let's define the business platform behind that and what the work that you get to do around that looks like. And I know part of that's about technology. And as you said before, part is technology, but part is how you operate it.

Chris Shaida:

During that period, we're dealing with each of these waves with two different things. We're dealing with actual human beings who've lived in a prior period. And so the guys who ran the REITs, they didn't just go manufacture new human beings to come run the REITs; they were the guys who knew real estate. And so there's this process of they have to process the things that have changed in their world. I need to actually have systems. I need to actually have audits. I need to actually produce reports. I need to actually do earnings calls and tell the street what my expectations for the next quarter year are. They're learning new skills, they're learning new perspectives. And so we're there as an advisor and an assistant to them to say, "We know you're great at real estate. We're actually pretty good at all this system stuff in the larger sense, so we can help you and make sure that you're just in time getting the stuff you need to operate in this new world."

And so as we did that in the late '90s and through the aughts, we kept finding things that were in the traditional consultant's bag of tricks that were actually inadequate. In 2003, we'd go into a real estate company, and the first thing we'd ask him for is an org chart. And it was an org chart. It was good. We knew something about the organization structure. You could then read titles and make a guess at the work that was being done. And the more we did this, and the more we'd have to take that org chart and write all over it and cut it up and tape it back together in different ways, we're like, "There's something wrong with this. We don't have a right template. We don't have a right instrument to do the diagnosis," so we started evolving a specific set of tools to do a better job depicting how a company is operating and how a company can change how it operates to become better.

And at the same time, we started noticing more and getting asked more from companies who were starting new ventures or starting a new capital structure, "We want to go from our historical base doing class A offices in this city and actually build a REIT that will do that across the country." And as they develop that strategy forever, anybody who's been in real estate a long time has seen decks from way back when, from the '70s, '80s, '90s that always had three things in them. Who are the geniuses who were going to do this, the people? Where's the capital coming from either they have or they're going to raise? And then what's the real estate? What are the assets?

We have now increasingly over the past 15 years, walked in the door, not just with those three pillars, but with four legs. And the fourth leg is the design of the operating model. When you're hatching your strategy, when you're communicating your strategy about yourself and where the capital's coming from and the assets you're going to buy, create, develop, aggregate, this is the moment to say, "And here's how we're going to operate successfully. We're going to all be in a headquarter office together. We're going to have decentralized offices. We're going to use outsourcing or not use outsourcing. We're going to use outsourcing for this and not for that. We're going to use these kinds of systems or those kinds of systems." Designing the operating platform has become a core element of a successful real estate enterprise's strategy. Of course, you know the greatest strategy in the world, and if you can't operate that your strategy is not worth the paper it's printed on. You don't get away anymore with raising capital at a certain size without being able to answer all of these questions.

Matt Slepin:

People, capital, and the real estate itself are very single dimensional views into how the business will work, but the concept of how it fits together into an operating platform is elusive to discuss or to put your finger on it because it's multiple things and multiple layers interacting together like the human body, like the systems, like the muscles working with the bones working.

Chris Shaida:

You have these three things, leadership, assets, capital, and there are three boxes. And then we draw a box underneath all three called the operating platform. The operating model itself has three basic parts to get into it, and the first part is what we call the functional model. And the heart of the functional model is a work map. We think it's really important to describe all of the work, every hour of work that has to be done for a company to operate.

The second thing is the resource map. And by the way, this models what anybody who started a business, they're sitting there with their buddies at the kitchen table and they're like, "What do we got to do? What do we got to do?" They write down a list of all the work they have to do, and they're like, "Okay, you're going to do that, you're going to do that, you're going to do that." That's all this is, but it's scale. We've taken that work map and we say, "What resources are being applied to accomplish that work?" And it's the name of a person or it's the title of somebody you're going to hire, but it can also be an outsource firm. Which by the way is when the traditional org chart broke down in the past, because where do you put the outsource firm in the org chart? They're not a person, they're not an employee. Where do you put them?

And then the third thing is the information map. Back to our five questions, what systems do those resources need to use to do the work? And then what information are the people who need to measure and manage that work going to get from those systems? A lot of those systems are digital, they're computers, but some of them are manual. Sometimes the system is you put the thing in the blue folder and then Sally can pick up the blue folder and knows what houses close that afternoon.

It's those three components, and there's other elements in each one of those three, but the heart are these three maps, the work map, the resource map, and the digital map. And we assert that all of the elements necessary to both design and then implement an operating platform are in those three components. It is a totalizing model. Every bone is there and every muscle is there and every bit of the circulatory system is there. And so the operating model and our instrument for depicting that, designing it, understanding when there's a problem, showing how we're going to change something, it's comprehensive. It shows everything.

Matt Slepin:

Right. And that same operating model would've fit 20 years ago if you looked at a company. You would've had different answers. It's a forever way to look at the world.

Chris Shaida:

It's a great insight. And we sometimes say in the privacy of our own offices we wish everybody already had a depiction of their operating model when they came to us because we then we could start right away diagnosing the problem.

Matt Slepin:

We could start faster. Right. And then that operating model has evolved over time, or the demands of it or the opportunities for it evolves over time as companies scale up, as companies have different kinds of capital, and as we have different technologies to apply into that world.

Chris Shaida:

Right. And those three things don't all change at the same time. A lot of our work involves changing systems and/or changing resources, but not that much of our work involves in changing the work itself. Some of it does. We had a case with a large investment manager; we were sent to another country to do a diagnosis and found out that they didn't know what this asset management thing was. [inaudible 00:38:11].

Matt Slepin:

But back to that question and that word from before.

Chris Shaida:

They were like-

Matt Slepin:

Oops.

Chris Shaida:

"What is this asset management thing of which you speak? We don't do that." It's like, oh, okay, so we need to create work here that's not being done. And that's why you're having all these problems.

Matt Slepin:

That's basically manufacturing a car without a rear view mirror.

Chris Shaida:

Yes, yes indeed.

Matt Slepin:

And is the perfect operating model the same all the time? And I like to look at multifamily REITs because there's six of them or something that are of scale, but they each have a different way that they have come to this place.

Chris Shaida:

Well, there are similarities and there are differences. And it's the same thing with the body. We have the same bones, we have the same muscles, we have the same thing. When you're looking at the details of those things, they're quite different that add up to a different level of performance. But we would assert that, say, a 5,000-foot view, if done right, the work map for those six multifamily at scale operators is quite similar in the same way that the list of all the bones in your body are the same as all the bones in Michael Jordan's body, right?

Matt Slepin:

Mm-hmm.

Chris Shaida:

But that doesn't mean that you're the same. And so it's in the details of those things, how resources are applied, how systems are used, how information from the work being performed is measured and managed that separates winners from losers.

Matt Slepin:

Well, your suggest with winners and losers, there's better and worse because they may... I'm going to posit something. They may all be equal at the end of the day. And in their equality, they've all optimized, given who their people are or where their assets are or whether it's A, B, or C assets or whether it's urban or suburban assets, that will change the way those bones work together.

Chris Shaida:

Yeah. Yeah. But just being different doesn't mean you're as good as. This real thing that you bring up multifamily, there's a real issue right now, a huge issue for the entire multifamily market where there's a bunch of things that have been codified about what happens at the property site and what happens somewhere else. We can show you, we could show somebody how that appears peers in the operating model. We can show how we've described the work and how we describe where the resources are performing that work and the systems they're using and show the breakdown that we're at this epochal right now-

Matt Slepin:

Yes, we are.

Chris Shaida:

... of things are possible that weren't possible 10 years ago. And there will be winners and losers who can use a model of their operations to see what needs to change.

Matt Slepin:

Fair deal. And the listeners, next podcast is with Tyler Christensen from Funnel. And he's going to do exactly that conversation, so we don't have to drill too much right now. Talk about how technology fits in with this and how the quick evolution of that, and then we'll get to AI. What does that mean within this conversation, within the context of what we're talking about here?

Chris Shaida:

Well, the old-fashioned systems before AI, let's say the before AI systems where somebody input a bunch of stuff, and then they were stored in tables, and then we produced a bunch of reports and did all that kind of stuff. They're still around and they're going to be around for a long time to come. And what we've seen through the maturation of real estate companies as they've gotten bigger, as they've expanded their scope, as they need to report faster and they need to report consistently is those systems have grown up. And there are good ones and bad ones. And there are good implementations and bad implementations of a good system. And there are not so many good implementations of bad systems, but there's probably one or two out there where somebody makes it work with chewing gum and bailing wire. But that's this layer that doesn't get wiped out by AI, and so these core systems that we've been working on for a long time that these leading companies have been implementing and now are using as a core part of their operating model are going to be around, and they're going to stick around.

Matt Slepin:

Right. One of the things we do in search is we've had to get new chief technology officers for companies because it's leapfrog what that person would've had to do in systems two, three, four, five years ago.

Chris Shaida:

What businesses have asked IT people to do has changed quite a lot in the past 40 years. Think back; we really wanted IT people to be policemen. We wanted them to be controller. Not like an accounting controller, but like an air traffic controller. We wanted them to make sure that no one in a business used technology to harm the business. We've trained generations of IT people to say, "No." And we all have these stories. You go to the IT guy, and he says, "I don't know what your question is, but the answer is no." Right?

Matt Slepin:

Mm-hmm.

Chris Shaida:

And that was what we asked them to do. We had these fragile algorithms, we had systems that did things really fast over and over again, and they could do bad things really fast over and over again, and so we've asked IT to be protectors and to be garters and to be conservators. And the funny thing that's happening at this moment with the explosion of AI is that we need people in the digital support world to think differently. And that's an ongoing process that's happening not just in real estate, it's happening in a whole bunch of industries where we need people to be explorers, we need people to be curious, we need people to... And this is going to require retooling because we have trained people quite intentionally as leaders of businesses to have it be people who said, "No," people who were resistors, people who made sure people didn't hurt themselves with technology.

Matt Slepin:

And if I think of people who are curious and I think of IT and all the words you're using, where does the word data scientist fit in? Because now a lot of our owners of real estate have someone who's a data... or many people who are data scientists figuring out different things. Is that the same or is that down the hall?

Chris Shaida:

Well, I think it's down the hall. There's an overlap in that Venn diagram, but it's a bit like the overlap with Excel. Those of us who were around long enough before Excel existed, and it came into existence in the early part of our professional lives, at the very beginning, the people who could build big models were geeky, nerdy, techy people. And then what's happened over the past 30, 40 years is that's just become a core white collar capability.

And I think the same thing will happen with aspects of AI, that it's not something that's going to be just down in the basement with IT. That's already happened with data science, where it's the kind of people who gravitated towards building big Excel models. Because real estate has the biggest Excel models that exist in the world as an industry; very complex models that are modeling the world. And data scientists are more in that quadrant than the traditional IT as policeman, protector quadrant. You get your data scientist, and then that'll be the key to the future. And so across this bridge to AI, what happened on November 30th, 2022, which opened the business eyes, the release of ChatGPT, it did this thing that still has not talked about that much, but I-

PART 2 OF 4 ENDS [00:46:04]

Chris Shaida:

It did this thing that still has not talked about that much, but I think once somebody hears it and sees it and thinks about it, we'll recognize this. And what ChatGPT did was mine stuff that wasn't called data.

So the data scientist works on what? Data and tables. I've got all these tables, I've got rent rolls, I've got invoices, I've got traffic patterns in my neighborhood, all this data, stuff in tables, and I can look for correlations, connections, adjacencies in all of that, welter of data in tables.

And what we're calling AI now calls our attention to data that's not in tables, but ChatGPT operates on data that's not in tables, it's in documents and it's in dialogues.

And to talk about how deep in the IT world, the notion that the only structure that matters is a tabular structure, ask anybody in IT the stuff out there digitally that's not in tables, and they will tell you it's called unstructured data.

But what ChatGPT showed us was there's other structures and ChatGPT reads a structure. It's called grammar. We'd been learning about it since we were in kindergarten.

And for the very first time, we are seeing that in the digital world, something that can understand that structure and summarize, sort, distill, reframe, represent words because it understands, not perfectly, but it has some understanding of the structure of those words.

In a way, historically, IT never helped. What did it always say? "Put your stuff in tables and then I will work on it with you."

Matt Slepin:

Right. So if we only got all of our Excel files into one large database, then we could figure everything out is really still in the data world. But now you're moving into documents, now you're moving into dialogues and pictures. It's all accessible and discoverable. And it was two and a half years ago when ChatGPT came out. So this is a scary fast moment.

Chris Shaida:

Right. And obviously this has been percolating since 1950 when the first thing was proposed, the test that's still not quite proven that I can put a curtain up and I can ask questions and I won't be sure whether the answer of the question on the other side is a person or a computer. And when that question was first posed, the thought was that that would be solved within five or 10 years. And here we are, 70 years later, and it's starting to be solved today. But I think for real estate, recognizing how much intelligence is in documents and dialogues. So it's not like the data scientist goes away, but that's now one leg of a three-legged stool. And we as leaders in real estate have to figure out how to extract intelligence from the other two legs of that stool. How do we extract intelligence from documents? How do we extract intelligence from dialogues?

Matt Slepin:

Well, let me add something to what you're saying because I...

So we've talked about three things in the conversation. So we've talked about how the real estate business has evolved from a capital and a structure standpoint. We've talked about the importance of the operating platform that knits together how that business works. And now we're talking about this future that isn't here yet about the meaning of AI and what its impact is going to be.

So we're now putting AI in context of this conversation, which is really useful. And one of the things... I listened to three podcasts over the weekend. They all touched on AI and they were all debating whether we'll all be out of work in three years or four years and they weren't sure which period of time.

I'm like, "If I'm going to be out of work, I don't care if it's three or four years." If the answer is the answer or the landing of this thing to have impact, "I don't care if it's three or four years, that's tomorrow."

So what does this mean for us? How do we run our businesses? How do we start getting ready or how do we start running towards that right now?

Chris Shaida:

Real estate is a knowledge-based business, not a labor-based business. And we sometimes say to our clients when they're asking about this, "Remember that those two syllables, A and I, stand for two different words. One of them is artificial and one of them is intelligence." So all those podcasts that they're telling you that everybody's going to be out of work in three or four years, they're focused on the artificial. That's how somebody becomes a trillionaire and there's only going to be a couple people that become trillionaires. Then there's the rest of people, like an entire industry in real estate, where people make a lot of money and can make a lot of money, but it's based on intelligence, not artificial. There's not that much labor to get rid of in the real estate world.

Matt Slepin:

Let me argue with that, though, because 80% of the people are in the field at a hospitality company or an apartment company, or 90% of the people in the field. So that's kind of labor versus I'm being rude to them saying that's not the intelligence side of it, but the intelligence side of it is, and the knowledge side is largely at the home office and in the field they're doing different things, which is really customer service.

Chris Shaida:

Sure, sure. But if you look at real estate and compare it to other industries, the asset under management per capita is incredibly high. So it's not a labor-bound industry. There's opportunities to do improvement with customer service. There's opportunities to do improvements by rethinking and using things like bots, things like old-fashioned algorithms that we just slap AI on top of because everybody's excited about AI.

There's still productivity improvements that are to be gained, but we have a very strong belief and what we're telling our clients all the time is, "Unless you want to stop doing real estate and become a trillionaire by focusing on the artificial, you need to focus on the intelligence part of that equation."

And so we have a little... It's not a joke, it started out as a joke, it's become a real thing that we're marketing that in real estate, you as the leader of a real estate company, need to be focused on EI, enterprise intelligence. And there's a formula we have for that.

Enterprise intelligence is made up of three things: human intelligence, because even if you might have a few less doing customer service or a few less doing maintenance, you're still going to have humans in your business and you for your entire career know how to seek out and elicit and manage the intelligence of the humans who work with you. That continues to be very, very important. So that's element number one.

Element number two is enterprise content. This is back to our documents, dialogues, and data. The data that you have in your enterprise is very, very important, but so are the documents and so are the dialogues.

Imagine for those of you in the investment management world, there's a weekly investment committee and people go into that investment committee and there's conversations happening, there's documents prepared for that. There's so much intelligence baked into those documents. There's so much intelligence baked into those conversations, those dialogues.

And the interesting thing about that intelligence is nobody else has it. The documents you have in your enterprise are your documents. The conversations that the people you hired in your enterprise that are having with each other, those are your dialogues and that can be mined.

And then the third thing is AI. So we're increasingly talking to our clients about, "What you really need to focus on is EI." And if you do that, you will have an AI strategy because the defensible unique enterprise intelligence in your enterprise, nobody else has.

And if you don't think you have any enterprise intelligence that nobody else has, pretty soon, you won't be in business. Because what's the point if I don't have some secret sauce that no one else has?

And we now as business leaders have a way to go and mine those documents and dialogues that we did not have before November 30th. We did, but it wasn't widely enough that it was possible. And so now we're on this journey to figure out how to mine not just data, but documents and dialogues to get to the enterprise intelligence that is the unique defensible strategic advantage of my enterprise, of your enterprise.

Matt Slepin:

And what's the difference between the unique defensible strategy of your enterprise, enterprise intelligence and the platform that we were talking about a few minutes ago? Because the platform is also a unique fingerprint.

Chris Shaida:

Right. And they go together because the platform and having the right systems that are capturing not just data, but documents and dialogues as part of the flow, the circulatory system in your operating platform, those are the things that what we're now calling AI can be mined in a way that they couldn't two and a half years ago. And so the operating-

David Stanford:

And question. One thing, can you tease out the difference here between what is inside the tent, inside our purview that's our intellectual capital and something like ChatGPT that operates outside that domain? I think that's something that our clients are confused about right now. It's like, "Well, if I can do all this, I'll just go put it all in ChatGPT and I'll win." But there's a very dark danger there.

Matt Slepin:

What's that?

Chris Shaida:

There is and the... Well, first of all, it's a little bit like it's 1984, Excel is finally being used and people think, "Oh, if I get somebody who knows how to use Excel, I'll have a competitive advantage." And that didn't last very long.

And I can right now today flash forward, "Oh, I need people who can prompt AI. There's a skill to build and how do I ask questions?" And that's important, but it's not going to create a competitive... It's going to create a tactical advantage for some limited time period. If somebody said, "Okay, we're going to do mass training of all of our people and get them really good on prompting." But all you're prompting if using ChatGPT or Bard is all the diamonds in the rough, but also all the rough that's out there in the public domain. And that's why we see hallucinations in the AI world today.

What if instead of just asking questions from the public domain and getting those answers, I was asking questions to my content, my documents, my dialogues? And this is the dark side of what David's talking about and we're advising our clients to be very careful about which particular AI agent you use.

And to understand, I can go take hundreds of minutes of meeting notes and feed them to ChatGPT and then ask it to summarize them and it does an amazing job and I can ask it what to-dos were mentioned and it does an amazing job. The problem is, those hundreds of pages of maybe confidential meeting minutes that your BrightSpark just fed the ChatGPT are now part of the public domain. You no longer control those things.

Matt Slepin:

But there are AI products other than ChatGPT that you bring into your own tent?

Chris Shaida:

Right, right. And there are a number of them. We happen to use Copilot. We're a big Microsoft shop and Microsoft's based on the ChatGPT engine, but they know they work for corporations. So the stuff that we feed Copilot does not become part of the public domain. It's not part of answers that are provided to somebody else.

Matt Slepin:

Okay.

Chris Shaida:

And that's an important thing about having an EI strategy. So you start to understand these things and understand that it's not a free-for-all.

Matt Slepin:

So a few questions about that. Don't I want to ask questions to this intelligence thing that both mines the wisdom of my company but also mines the outside world?

Chris Shaida:

Absolutely.

Matt Slepin:

And so-

Chris Shaida:

But you want to know-

Matt Slepin:

... I'm able to get both?

Chris Shaida:

... when you're getting an answer based on which.

Matt Slepin:

Right. But I could get both at the same time, just depends on which system I use?

Chris Shaida:

Right. And something like Copilot does, like shows you where it's getting that stuff from and there's all kinds of research things. So if I'm in an institutional investing world, if I'm in the research department, I'm probably one of the ones worried about whether I'll have a job in four or five years because my job is to go out to the world and get public information and summarize it. And so that's something that I need to get, but I need to know when I'm getting an answer, if I want to jump right to the end, "Should I sell this property and in what price?" Because that's when we're really all out of business, when the computer can answer that question and right now, half the time you'll get a hallucinatory answer.

Matt Slepin:

Fair deal. And I did two questions yesterday on the web or in Google that came through AI and they were both quite wrong. So it was semi-hallucinating and if I didn't know my stuff, I wouldn't have known that it was wrong.

Chris Shaida:

Right. And that's why we think this formula that the HI has equal content to the AI and those two things need to work together to get to the enterprise intelligence that's differentiable.

Matt Slepin:

Fair deal. And it also seems like you're approaching this conversation from the standpoint of corporate intelligence, knowledge management, and again, I'm thinking of the central office in a real estate company, but there's this other thing out there where much of the conversation about AI goes, which is agentic AI, which is how does the AI tell my resident that when their faucet is leaky and they call up some agentic thing sends someone out there. That's a whole different subject relating to this.

Chris Shaida:

Well, but we think if you have that frame, that's why we say you're legitimate AI and you're not just chasing... We're all going to be out of work in five years. You're not just chasing, "Can I ask AI whether I should buy or sell this property?" You're thinking in a structured way about which particular problems can the thing, the giant basket of stuff, some of which is cool, some of which is crap that's just floating around into the banter of AI, which pieces of that actually help my business now.

David Stanford:

And to get there, you look at the work map, this all ties in. Look at all of the work that's being done.

Matt Slepin:

I also see that what you look at in all of that today is going to be really different than what you look at in four or five years and you have to be prepared to look at it in four or five years when a lot of the things that we're calling crap are over with and now and fine-tuned it's working. So today's different than tomorrow's answer.

Chris Shaida:

If you start now with this structure, you're going to A, have a structure that will survive the next three or four or five years even as the parts change within it.

Matt Slepin:

So really interesting stuff here, but do you have any examples that you can give of a client problem that you solved that brought all these tools to bear?

David Stanford:

There was a recent example.

Matt Slepin:

Sure.

David Stanford:

Kind of serves to tie in the components of strategy, what we call real estate strategy, the model of the platform and the components of that that Chris was talking about.

CEO and COO of a, I don't know, $2,000,000,000 fund platform, been around for 15 years, they called the meeting. It's sort of a classic growth story, friends and family, high net worth, syndication deal by deal. Then the magic of doing a discretionary fund with more institutional investors. They're about to be on fund three and this is going to be major institutional investors and some country-based pension funds, Canadian and Asian and maybe Middle Eastern. So large checks.

And so the COO has been preaching this for a while, CEO didn't really care for it. And now he's got religion on needing to have a proper and scalable platform from a capital raise standpoint.

So this discussion started with four primary agenda topics.

The first was like what happened with the Yardi project and kind of the add-ons, and he wanted to really vent about what went wrong.

And the next thing he wanted to bend our ear on how to get management and operational reporting versus financial and legal reporting out of an accounting system. And he called that executive dashboards.

Matt Slepin:

Right.

David Stanford:

Then he wanted to talk about AI and how they can leverage AI today.

And then he wanted to explore back office outsourcing due to his growing frustration with their accounting capabilities and the length of time it takes to close the books.

So we started off giving context about their capital base and that whole transition from friends and family to institutional and the expectations and strings that were applied, the more institutional the capital got and what those requirements were, which requires platform growth.

And then he talked about, they started one asset class and added another one, added another one.

They also went geography. So they have stuff in UK, maybe Europe, I can't remember. So they went overseas and that complicated things and then they had to add talent along the way, had some ups and downs with that.

He was visibly frustrated and he kind of had no frame or road map or touch point to guide his conversation.

It was kind of like vomit of the problem and it was all over.

Matt Slepin:

Yeah, of course, people do that all the time. The brainstorm has that vomit concept. I do this all the time with people.

David Stanford:

Right. So we let him talk for a while and we were like, "This is great." So we hear this kind of stuff all the time and the good news is, we have a framework for this. So he talked about an experiment that he himself did, the CEO, with ChatGPT probably on a weekend or something while watching a game-

Matt Slepin:

Of course.

David Stanford:

... about an absorption analysis in two of their submarkets. So he had asked one of his asset managers to do this and it took two weeks and he still didn't have anything. So he got on ChatGPT, gave it a bunch of prompting. I don't know what it was like, but he said he got something back was pretty good and decent enough. It gave him some intelligence on the absorption over the last, I think it was six month period for multifamily submarkets, wherever they were. And he was like, "I just needed that, to know in the market what's happening, a glimpse of view, a sketch. And that's what I was asking for and two weeks later, I still don't have it. I asked ChatGPT and it was pretty impressive."

Matt Slepin:

Instantaneous.

David Stanford:

And then he said, "I wanted to do that for my portfolio and I wanted to ask the same question." But he said, "I don't know how to do that. We're not set up to do that. I can't ask ChatGPT because it doesn't know anything about me. It's all on the external outside of my environment."

So that gave us an opportunity to reframe and talk about what Chris was mentioning, about our thoughts on how we think about AI and where it fits. So we unpacked that a little bit and placed AI into the enterprise intelligence formula.

We were able to talk about data and then we were able to talk about dialogues and documents. So we came back to talking about AI as a component of enterprise intelligence, not only just focusing on research-based AI or generative AI.

We got into some of the AI discussion at the property, and that's more like agent or communication-based AI, especially in multifamily where there's some automation, like EilseAI and stuff like that.

We got an interesting conversation there about the digital map because if you have, I don't know, let's say 10 property managers that have 10 different digital maps and they're all using different things, but you're now trying to understand all of those conversations at a consumer level across your portfolio while using 10 different property managers using 10 different conversational AI agents that...

PART 3 OF 4 ENDS [01:09:04]

Chris Shaida:

... Conversational AI agents that makes somebody's head explode. There's a lot of human intelligence here. Some of that's captured in rich dialogues. There's a lot of enterprise content that is captured in documents, and then there's the artificial intelligence or automation of that to enable that and to be able to interact with all that and be able to ask myself or my firm a question and get a response.

Matt Slepin:

Technology never stops. I just can't imagine it stopping unless we run out of energy, which we will. But that's a different story. So it's not going to stop. It's going to be here. And this conversation gave a massive framework that we can't let go of as we get into that thing. So let me ask a few questions it starts to get some conclusions to this. And one observation at ULI last week, I was at my council, spent 10 minutes with a new CEO, [inaudible 01:10:08], and I asked him what percentage of his time or what differentiates operating platforms in his side of the business and how much time does he spend thinking about the operating platform? This is a person who, by his training, is a deal guy. He said, "80% of my time is thinking about the operating platform. That's what I do for a living right now." We're all working. We're all playing with it.

So the question kind of as we wrap this up is where does this sit in the real estate enterprise? Does it sit with CEO? Does it sit with COO? Does it sit with chief technology officer? Who are the ones who better be forward thinking about this? Or does it sit with everybody?

Chris Shaida:

Well, I think it's a CEO board issue first. And some boards are very active, some boards are just responding to... They're oversight for what the CEO and the leadership team does. But this is not a CTO issue primarily. This is a CEO issue. And so depending on how that work is split between the CEO and the

COO and what role the CFO plays in that, that's where this really needs to be thought through. So the successes that we see over the past dozen years with this are clients where it's addressed at that level. It's not acknowledged.

Matt Slepin:

Does the COO, and that word shifts as much as the word asset manager shifts, but someone understands the connective tissue and makes that connective tissue stuff or the platform stuff happen, it usually not the chief investment officer kind of person. But where does that get owned? CEO? COO?

Chris Shaida:

It depends on, since we don't have a universal clear definition throughout real estate of what the boundaries for A CEO and the COO are, and we have CEOs who are quite operationally oriented and recognizing, so then in that enterprise, that person is the one who needs to be thinking about this. And the other case is where the CEO is a futurist deal maker and the COO is running things and maybe is the CEO in waiting, and then it's that person. And there are some organizations where the CFO is right in the middle of thinking about how we as an enterprise have to operate in the future. And then it's that person. It's not outsourceable to the tech guy. That guy [inaudible 01:12:37], but it's not that person's job.

Matt Slepin:

David, comments to that.

David Stanford:

It's evolving until we have a, I don't know if we'll ever have one, a chief platform officer. Now we have chief data officer, chief experience officer, stuff like that. I think it's at that level of expertise, but I think there were a lot of roles that were created called chief innovation this or that, and they were a network of one and an army of one. So we need to be very careful not to recreate that. The endorsement of the philosophy and the concept coming from the leadership team and the board that this is part of strategy, it is an enduring part of strategy is first and foremost, and then really it's the person with the most gravitas and patient understanding and willfulness. This is hard to do. You got to have a lot of will to go across the grain to take this on. And it's not something that's a project that stops. It's always.

Matt Slepin:

It's always. Well, it's a really good point. This is always. Is there anything you had planned to talk about that I've forgotten to ask or we didn't cover in this conversation?

Chris Shaida:

I would say, let me leave you with a tip to offer people particularly about separating the wheat from the chaff with AI. And when you hear a story like the one you told four or five minutes ago about handling the tenant's request and describing a maintenance problem and tying that together with what David said right after that was, well, what isn't mysterious about that? It's the work. That work is already on a work map.

Matt Slepin:

Workflow.

Chris Shaida:

You have a thing about maintenance, you have a thing about a tenant request and there's already a drill down in there and that thing is already happening. It's just the resource that's actually performing the work is maybe shifting from someone at a call center or human being at a call center or whatever to this robot that's part of AI basket. But the work is the work. We're a long way from AI changing the work, not how the work is done or who does the work, but changing the work itself. Go back to you jump all the way to the end. What everybody wants is should I buy this property or not? What price should I pay? And if AI could answer that mysteriously in an accurate way that people made money, then it would change the work. But we're a long way from that.

Matt Slepin:

I'll challenge that a little bit because something does change the work. Because in the business what we may have always been doing is treading water and keeping our head above the water because there's so many tasks to do and you've described all those tasks. Once we're over... Our heads are above the water, we're not treading water, then we can start providing customer service. And in so much of the business, we talk about hospitality. And now we can have great service, and that might not yet be on the workflow for everybody.

Chris Shaida:

Well sure, but it will be once you're used to that instrument of the work map, the first thing I'm doing is saying, oh, I'm not like... this doesn't come out of left field. It's not like AI, AI, whatever. It's changes everything. No, it's changing the specific way in which I perform and the productivity about this specific piece of work that I already identify. And so if I'm at the front edge of doing that and creating more bandwidth for my humans that I've accounted for as part of my enterprise intelligence strategy, I'm now creating more bandwidth for those humans to start to figure out what are other pieces of work that we should add to the work map that we've never been able to put there.

Matt Slepin:

Yeah, because we were in survival mode until now. And now we can flourish mode, which is a different concept than maybe we've had. So let's leave that one there. And let me ask the last question for Leading Voices, which is always, and it's going to be special today, your advice to a young person entering the real estate business now at this point in time.

Chris Shaida:

I'll let David go first.

David Stanford:

Yeah, I think I know that you asked this, I've listened to so many of your shows. I think this is relatable to me and kind of my view on raising leaders and developing talent for the last 35 plus years. The first trait that we look for is curiosity, intellectual curiosity. What we do is change things. We try to improve things, make real estate run better. And in order to do that, you need to have a lot of intellectual curiosity, and that will drive your interest, this, that and the other. The second thing is, and I mentioned it where I think the combination of curiosity and passion got me at Leventhal. So I became passionate based on my curiosity, and I've got a passion for the built environment, and that creates my drive. I get up every day excited. It's not a job. It's a way of living.

And the next part that we look for is intensity. If you're curious, you're doing something that's very interesting, you're passionate about it, and you've got a lot of drive, that will push your intensity in a way that just having a job doesn't really. And so it keeps you focused on outcomes. And I think one of the biggest things for me is network, a personal network. I've been fortunate. I've had a lot of really good mentors over the years. I like to give back as well, but making connections drives opportunity, and it also feeds my curiosity.

So curiosity, passion, intensity, and network I think will set a young person up for life in whatever business, because none of those are specifically real estate related traits.

Matt Slepin:

One of the things I hear from all of this, and I've heard through this conversation that the three of us share, we share caring about this industry to make it better. There's something that we dive into it as subject matter experts that are sincere about it. And these things are all for the purpose of improving how we do business. And care is a funny word.

David Stanford:

Absolutely.

Matt Slepin:

It sounds a little soft, but it's not. Chris?

Chris Shaida:

Well, the only thing I would add is that real estate is not going anywhere. To David's point about being a kid at Baylor and then talking to somebody, [inaudible 01:19:38], then tell them to go talk to these guys at Leventhal and all of a sudden seeing the world differently. And many people, if you're young you probably don't know. The value of real estate in the world is worth more than all the companies in the world put together. And you don't know that until you look outside the window or walk down this street and you think, how much of all the blather I've heard about AI changing the world, is it like AI we're not going to have a house or a roof over our head anymore? Is AI mean there's no place to go and exchange money for goods? No. Nobody talks about that. And so real estate's going to be here until we're not here. And so if you're looking forward to 20, 30, 40, 50 years of work, there's going to be plenty of work around making real estate better for as much breath as you have left in your life.

Matt Slepin:

That is a perfect place to end. I totally agree with what your comment is there because we think of the disruptions, we think about being disintermediated entirely. Ain't no way. And the places that we live, work, and play. It sounds like, ain't no way in the places we live, work, and play. Okay. Thank you guys.

Chris Shaida:

New theme song.

Matt Slepin:

That's right. We have a theme song now.

Chris Shaida:

You don't need it to be written.

David Stanford:

Well, Matt, thank you for having us on. It's an honor. We've certainly enjoyed the past 25 years, and I'm not sure if Chris and I look forward to all of the next 25 years, that might be a little too tall of an order, but we certainly have paved the way for a lot of folks at Real Foundations and we're lucky to be a part of this industry.

Matt Slepin:

You have and you've put together a mandate for the next 25 years here, so you're not going away. Thank you very much.

Chris Shaida:

All right, thanks.

David Stanford:

Thank you.

Matt Slepin:

Deepali, Welcome to Leading Voices, and thank you for coming in at the end of this conversation that I just had with the co-founders of Real Foundations. You are new to ZRG, but you are the managing director and global head of data and AI for the firm. We've spoken before. You have a real estate background in your family, so you have some passion and understanding about our industry, but you can provide an outside view to the conversation that we just had. So I'm thrilled to have you on the ending of the show today.

Deepali Vyas:

Well, Matt, I really appreciate it and happy to be here and opine on all things AI.

Matt Slepin:

Cool. So any headline reactions to the conversation that we had?

Deepali Vyas:

Well, I think that AI has certainly been the hype word or phrase or buzzword of honestly the last couple of years. And I think there's a lot of folks out there that are skeptical of the AI hype. But I do want to acknowledge that there are so many elements of AI and I think that there are things that we need to consider on what the role of technology was pre-AI and what AI is going to do when it's not just about the automation. And then what you can expect from it. I really don't think that we truly understand the ROI on AI just yet. We are an early innings, so no one's alone in this.

Matt Slepin:

Right. So talk about that a little bit because you've been in the real estate business, you've watched this, you understand this. Think of it as we did in the conversation with David and Chris of pre-AI adoption of information technology in the real estate space. And then talk about now that AI exists and is here and is coming, what that means.

Deepali Vyas:

Yeah, so I grew up in a real estate family, and when you think real estate, you think real estate is physical, but the advantage is digital. So AI is not going to replace buildings, but it will separate operators who are ready for those who are stuck in Excel hell, if I will, if I may. And so I think when I see where the puck is going, I feel like operators who design for scale, use automation, use bots, smart reporting, AI augmented decision making. Those are the people that are going to be winning in this AI arms race within real estate. And those that still rely on legacy spreadsheets and scattered processes, they're the ones who are going to really fall behind. So I believe the winners are going to be those who architect their businesses like platforms with AI as a native layer, not bolted on.

Matt Slepin:

And your words are fascinating because they're the words that we used in the whole discussion with Real Foundations, is if you think of real estate, because you work across all industry types, we always like to talk about how real estate's a slow adopter of technology, let alone AI. Where do you see real estate have adopting over the last 10 or 15 years? Are we way behind the curve? Are we on the curve? What's that mean?

Deepali Vyas:

So there's a couple of things about real estate which are fascinating. I feel that, I think some of the tools and things that... Forgive me for... The real estate people are going to come after me because I always tell them that they're in the Jurassic ages when it comes to technology. But I think on the other side of the spectrum, when you think about just hospitality and customer behavior and predictive analytics and hyper personalization, that is on the other end of the spectrum. So if those two things can converge from a real estate operator mindset, they are going to be in such a winning position. I just think they need to get the foundation right in terms of what data that they have and then also their customer data. As much as they're hyper focused on the customer experience, the customer service experience, the hospitality experience, they could do that internally.

And I'll equate that with an analogy to private equity, for example. Private equity is now starting to wake up to AI from a fund level and a PortCo level. So the analogy that I draw is real estate at the fund level, and their customers are at the PortCo level or their services are at the PortCo level. And that's where I see it going.

Matt Slepin:

And we talked about this at the end of the podcast I think with Real Foundations, which is, hey, is AI going to put people out of business or put humans out of their jobs? But one of the silver linings to this is it lets the humans spend more time on hospitality and customer service in ways that we could not have imagined before. Is that true?

Deepali Vyas:

Yes. I think that this whole concept of, my God, we're going to eliminate jobs, we don't have a labor problem, we have a leverage problem. And so AI is going to help us refocus human time where it matters. Like you said, that high touch white glove customer service, the experience. The experience matters.

Coming from a hotel family, when I walk into a hotel, there are things that I immediately notice. Who's giving me the attention, who's paying attention to everything? And then I also notice just the physicality of the location. Are there cracks on the wall? Because I'm a hotelier's daughter, I'm looking up at the ceiling, I'm looking in the bathrooms, I'm looking at the cracks, I'm looking... All that stuff AI is not going to be able to change. But I do think the person behind the counter, when those guys are typing in all kinds of stuff, when they're trying to give me a room upgrade and all this stuff, what AI can do right there is all they have to do is scan my name and they know what my preferences are, and in three seconds they should be able to say, okay, well here's a room upgrade for her. She really likes this type of style. The hyper personalization.

The thing that I cannot stand in each hotel that I go to is the amount of time those people are clickety clacking. Can I do this? Can I make this change? AI should be able to give hyper productivity to that exchange right there.

Matt Slepin:

It's totally true. I tell them every time, get me far from the elevator because I don't like the elevator sound, but every hotel I go to, I have to repeat that. But I had this one conversation. I was on an airplane. I sat next to a guy who was number two at Hyatt. This is about 15 years ago in an airplane. And he was stuck with me for the hour and a half flight, and I just peppered him with questions, as you can imagine. And we talked about the data points that you just described, and he said, "you can go so far, but if you go too far, it gets a little creepy."

Deepali Vyas:

Yeah, yeah, it does. I totally agree with you. I think that there is this creep factor effect on AI. We're looking at AI generated videos. We don't know what's real. We don't know what's fake. And so I think that the scary part is AI can already outperform humans in certain respects. They're really good at summarizing tenant communications, for example, or drafting certain data points or whatever it is, but it's not going to be able to navigate those dynamics or interpret nuances in any discussions that you're having. So I think that's where, yes, there's some creepiness to it, but then I also think with humans, we still rely on gut instinct without data validation, not all the time. And so I think that there is going to be some blend. And I think someone earlier in your podcast, I think they talked about enterprise intelligence. And that's where I think AI is going, enterprise intelligence.

Matt Slepin:

Cool. Well, let's leave it there. You're going to be back on at the next episode. We're talking to Funnel, and we're going to dive deep into multifamily and how technology works in that sector operationally. So let's save the deep dive for the next conversation. But thanks for joining me.

Deepali Vyas:

Thank you.

Matt Slepin:

I hope that you enjoyed today's episode. Please remember, if you're enjoying Leading Voices to share an episode with a friend or get them to subscribe. If they're podcast wary and not sure how to find and subscribe on their phone, go ahead and take their phone in your hand and subscribe for them and add another few of your favorite podcasts to their list to get them started. They'll thank you for it. You can also find episodes of the show on our website, which you can find at Zrgpartners.com/leadingvoices. And if you have comments or discussion about this episode or Leading Voices in general, if you're seeking help in real estate, human capital solutions, recruiting or consulting especially, please contact me at mslepin@zrgpartners.com. Thanks for being a listener to Leading Voices.

PART 4 OF 4 ENDS [01:31:11]