21st Century project deliveries

Pandemic accelerates AI to give developers more predictable outcomes By William Sankey

The global pandemic has been a catalyst for tech adoption in the commercial real estate industry. The unexpected disruptions that spread through the market was a wakeup call for tech-averse firms more comfortable with gut-instinct handshake deals, than data-driven decisions governed by analytics that get project teams easier, more predictable outcomes.

The real estate development, project delivery and construction process is already fraught with recurring pitfalls and unanticipated risks that can derail a project from delivering on-time and within budget. These mishaps often come from relying on error-prone spreadsheets and manual processes to store and manage vendor and budget information.

Another recurring stumbling block is development teams' reluctance to leverage historical data to glean proactive insights from past projects to inform current project outcomes.

These old-school practices often can result in stalled project timelines, and escalating costs eating into returns and overall project profitability.

Compound the above stumbling blocks with the unprecedented disruptions brought on by the global pandemic, and you can understand why these teams are turning to technology to be more data-driven and proactive in their management and delivery of real estate spaces.

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The study found that 78% of the 505 commercial real estate owners surveyed had exceeded their project budgets and were on average 70 days late compared to their original estimates.

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Per project, those polled said they experienced an average of six changes to the budget and five changes to the schedule.

The study ultimately found that respondents who had incorporated technology into their processes were not as behind in schedule and over-budget as their peers.

"The survey identified significant differences between high and low performers ... Better on-budget and on-schedule performance often corresponded with embracing integrated technology," the study reads. "Owners recognize the importance of data centralization as a key building block for supporting new technologies that can help increase on-time and on-budget performance."

Taking an idea from the conceptual napkin stage and seeing it through to completion requires the exchange of up-to-date, real-time data between key stakeholder partners and upper management.

By utilizing a centralized database to organize critical project information and store historic project data, development teams are better equipped to anticipate budget issues, manage vendor bids and contracts, and proactively mitigate potential risks to the project—all while keeping upper management, design and financial partners informed.

The resulting benefits are plentiful. Firms managing ground-up developments, fitouts, and major renovations on a centralized,

cloud-based platform find they have better insight into escalating project costs and are able to execute more deals with a leaner, more nimble team.

Key project stakeholders are kept informed and up-to-date on the project more frequently, with senior leadership able to field questions from various stakeholders faster and with more confidence by utilizing real-time information.

Project managers also find that their design partners and vendors are equipped to make better decisions throughout the development because they have access to up-to-date budget projections—eliminating the need for value engineering or slashing desired functionality from within a project due to constricting costs.

To improve the overall project management and delivery process (including vendor selection, price negotiation, draw request and change order management) and to stay ahead of their competitors, best-in-class developers are embracing intelligence platforms powering artificial intelligence, data analytics and automation.

Software like this propels project delivery into the 21st Century, enabling commercial real estate developers to glean insights from past projects, proactively monitor escalating costs, vet vendors and have better line of sight into how shifting business cycles and unplanned market disruptions impact projects underway.

William Sankey is the co-founder, CEO, and Head of Product of Northspyre. Prior to founding Northspyre, he had a formative career as a New York City real estate developer and project lead at prominent firms such as Madison Realty Capital, Macklowe Properties, and Jones Lang LaSalle.