

PROPTech: PROPERTY TECHNOLOGY, THE NEW FRONTIER IN REAL PROPERTY, PART 1: INTRODUCTION

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In this 3-part series, we consider the concept of PropTech, its impact, benefits and challenges.

What is PropTech and Why is it Important?

Technology and its pace of change continues to be a significant disruptor across all industries, including the industrial, commercial, and residential real property spaces. Property-related technology, commonly referred to as 'PropTech', exists at the intersection of real estate and technology, and finds innovative opportunities for technology to improve the experience and function of the real estate sector, both at a transactional level and with respect to the provision of related support services. This somewhat nebulous concept of PropTech is quickly becoming a focus of entrepreneurs and investors in order to claim ownership of the term, and is overlapping with other start-up related industries, such as 'contech' (technology used in the construction industry) and 'fintech' (technology used in the financial sector), as well as intelligent buildings and smart cities. As real estate is the world's largest class of assets, it is only a matter of time before this ecosystem is disrupted through the implementation of technology.

Proponents of PropTech identify gaps and inefficiencies in the real property market and related industries, and insert technologically-driven, highly innovative solutions into traditionally change-resistant sectors, such as purchasing and leasing, management, evaluation, financing and construction. PropTech provides new market opportunities for businesses operating in the real estate industry, including modernizing and increasing efficiencies in real estate developer projects, reinventing product and service offerings, and developing applications, software, as well as other data-analysis to streamline real estate initiatives. Private equity and venture capital investors are taking note, as investments in this area have increased exponentially in the past few years. For instance, PropTech startups in Canada, such as Sonder and ecobee have raised \$698M and \$203M, respectively, from various funding sources.^[1] In order to leverage this new opportunity, those interested in engaging with PropTech will first want to learn what it is, its impact on the market, and its associated risks.

What is PropTech's Impact on the Market?

PropTech is fundamentally changing the way we interact with the physical world around us, whether at home,

work, or in public spaces. Examples of how the integration of PropTech is disrupting the market include:

- During COVID-19, property owners became concerned about air quality within buildings. Poppy, “the world’s first commercial pathogen sensing and detection network” came to the fore and provided virus-monitoring services to building management.^[2] Technology applied to real property provided a solution for a modern day health concern.
- Fundever’s digital platform provides the space to connect mortgage brokers to commercial lenders, creating a “Unified Digital Marketplace for Commercial Real Estate.”^[3]
- Other companies engaged in PropTech ventures are seeking to become the ‘Uber’ of real estate, attempting to find services that most people need, such as purchasing a home and making it more of an accessible and seamless process.^[4]

The agile nature of start-ups provide a competitive advantage across all industries, due to their ability to innovate and radically rethink existing systems. COVID-19 has accelerated the speed of adopting technology – what used to be a ‘nice-to-have’ is now critical to continued functionality. Business needs are being re-evaluated and evolving, at the same time as the needs and wants of consumers are growing and changing. While currently it may be hard to imagine a disruption of the developer-side real estate market, through the use of data analysis, blockchain, and virtual reality, the way we do business in this industry could be dramatically different in as little as the next 5 to 10 years.

In the upcoming **Part 2** of this series, we will explore some of the benefits of PropTech, and in **Part 3**, the associated risks.

If you are looking for advice navigating PropTech matters including real estate acquisition or leasing, development and construction, software licensing, privacy and data protection, or capital raising, please reach out to the authors of this bulletin to discover how McMillan LLP’s technology, construction, real estate, capital markets and intellectual property teams can assist.

[1][ps2id id='1' target='']Proptech Collective, PropTech in Canada 2021 Report (February 2021), online: [Proptech Collective](#) at 18-19 [Proptech Collective Report].

[2][ps2id id='2' target='']Proptech Collective Report at 33; see also “Poppy” (last visited 4 January 2022), online: [Poppy](#).

[3][ps2id id='3' target='']“FundEver” (last visited 4 January 2022), online: [FundEver](#).

[4][ps2id id='4' target='']See, for instance, ‘[Properly](#)’ highlighted in [Toronto Life](#).

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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