

From investor to tenant: The role of AI in transforming the real estate experience

A stubborn sector reliant on manual processes has contributed to Europe's housing market disarray. However, the real estate industry is finally recognising the opportunities that powerful new technologies, like AI, Machine Learning (ML), and automation, bring to the entire industry, from investors all the way down to the tenants themselves.

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Forward-thinking proptechs are already trying to solve challenges such as untapped asset classes, investment streamlining across the value chain, housing availability and quality, and landlord-renter relationships.

That said, there remains a large knowledge gap across the entire chain (investors, landlords and tenants) in terms of how technology can help improve their experience. Sector-wide, investors have struggled to source ideal opportunities and make informed investment decisions, landlords are burdened with labour-intensive tenant relationships and property maintenance, and renters pay record prices for below-standard living conditions.

While technological solutions are being steadily rolled out for landlords and renters, products for investors at an institutional level are rightfully picking up traction.

Unlocking investor opportunities

Connecting the right investors with the right opportunities is critical to solving the continent-wide housing crisis.

A key example of investors' incontrovertible role in helping solve the housing crisis can be seen in the example of Single-Family Rentals (SFR). These homes make up 98% of Europe's residential market, yet institutional investment at a large scale is untapped. This is partly because manually managing a huge portfolio of dispersed stock is a complicated and resource-intensive task, so the acquisition and management complexities have traditionally discouraged institutional investment. New technologies such as the likes of GPT are crucial to bridging this issue by using AI to streamline scaled, multi-residence investment opportunities.

In addition, retrofitting opportunities have previously lacked sufficient data on what the return on investment will look like. Without technology facilitating data-driven insights into retrofitting or brown-to-green investment projects, investors could look to other property ventures that seem 'safer' or more transparent and straightforward, such as commercial property blocks.

The current status quo has not empowered investors to change the real estate experience and this has been allowed to go on for too long. For example, the *Government's Department for Levelling Up, Housing and Communities* estimated 25% of the UK housing stock is substandard, with 12% of housing conditions representing a category 1 hazard. The current prioritisation of new build properties neglects the impact that retrofitting can have. As of Q4 2023, only 212,570 new homes were completed across the UK, significantly below the Government's annual target of *300,000 units*, and even further from the estimated need for 500,000 units.

However, a multitude of technological applications are waiting in the wings to help simplify and encourage large scale investment outside of new build opportunities.

Generative AI and AI assistants

When people think of AI, the first things their minds go to are chatbots and virtual assistants. These tools are becoming increasingly prevalent in our industry.

For the time-poor investor, Conversational AI and virtual assistants provide a way of instantaneously gathering large volumes of information in real-time. In practice, investors can gain easy access to information such as geographical specifics, property dynamics, surrounding communities, and local considerations. AI assistants facilitate efficient research, accelerating processes from ideation to investment.

Moreover, AI integration in property acquisitions has greatly enhanced efficiency. Traditionally, identifying suitable property leads involved time-consuming manual filtering and evaluation. By leveraging OpenAI's GPT, systems can automatically analyse property listings, quantify relevant data points, and filter out inappropriate leads. This AI-driven approach has already resulted in a 30% reduction in manual labour, saving countless hours each week and enabling more efficient property acquisitions for investors.

Landlords use AI assistants to quickly stay informed about property, community, and geographical dynamics, such as building plans, maintenance mandates, and region-specific transformation, such as housing availability and average pricings. This enables them to serve their tenants in line with market trends, offering a more transparent, standardised, and therefore fairer service.

Personalised rental recommendations

Renters can also benefit from smart AI algorithms. This technology can be used to provide tenants with recommendations when sourcing housing options, while also giving them better visibility into the location and type of property they can afford, with the required amenities. Ultimately, the process removes the steep level of due diligence renters need to carry out when searching for a new home. Consequently, they're better equipped to make an informed decision on their rental agreement and likely more satisfied with their residency for longer, reducing financial and labour burdens on both the renter and landlord to find new tenants or accommodation.

Traditional methods of finding comparable properties and estimating rental yields are labour-intensive and prone to inaccuracies. Systems that leverage advanced AI algorithms, such as IMMO's CompsAI, automatically identify the most relevant comparable properties for a given property, significantly reducing the time and effort required. This technology provides faster, more accurate rental yield estimations, empowering property investors and landlords to make informed decisions, maximise returns, and streamline operations.

For investors, understanding the options for renters in a specific area provides a much clearer idea of the eventual beneficiary of their investment. By understanding the types of renters attracted to a particular area, they can match an investment opportunity with a particular demographic in mind, increasing the likelihood of a lucrative strategy.

As an example, if a residential investor is looking for a stable, long-term investment they may target SFR units. Using recommendations, they can find projects near school networks and local, child friendly amenities desired by renters, increasing the reliability of their investment. Without

this insight, it's possible investors could be attracted to an SFR project surrounded by student accommodations instead, reducing the likelihood of long-term family residency and threatening their returns over the long term. Put simply, AI-powered recommendations arm the investor with accurate insights into how their strategy at the start of the funnel will match with the end result.

Intelligent pricing and market analysis

Investors also need highly detailed, data-driven insights. From real-time market data and historical trends to demand patterns and dynamic pricing, AI and ML are used in conjunction to provide market analysis. The granularity of these details will depend on the platform they are using and the sophistication of the AI algorithms and ML processing power within.

Tech-enabled market analysis removes the extensive time investors put into calculating the viability of investments. Equipped with comprehensive market data and contextual insights of the project in question, investors can see the bigger picture around potential opportunities, including factors such as price relativity and renter populations. Europe's housing dynamic requires all the investment it can get. By accessing powerful proptech platforms equipping investors with efficient yet detailed insights throughout the entire value chain, the scale of investment can flourish as perceived risk is lowered and strategy confidence increases.

Automated rental screening and approval

Breakdowns in landlord-renter relationships can, in the worst case, lead to property damage, legal fees, and financial loss.

While background and credit checks are processes designed to mitigate ill-fitting landlord-renter relationships, the process is costly, drawn out, and prone to human error and bias. Often, landlords settle for

unsatisfactory renter arrangements as they simply can't afford to find an alternative and repeat the verification process. Through the power of automation, landlords can leverage proptech platforms to streamline the rental screening process, performing all of the necessary diligence automatically. This unlocks time for the landlord to focus on servicing existing renters, improving the experience for both parties and fostering better landlord-renter relationships, while lowering the risk of mishandled vetting processes.

Additionally, conducting legal due diligence on potential property acquisitions is a crucial but time-consuming process, often involving manual review of complex legal documents. AI solutions like KnoX can ingest and analyse title documents, legal artifacts, and other relevant materials, automatically identifying potential red flags or issues. This enables early detection of restrictive covenants, historic status concerns, and other legal risks, eliminating wasted time and resources spent underwriting assets that would ultimately fail legal due diligence.

Innovation isn't slowing

There's also an exciting flurry of other applications designed to unlock value and satisfaction across the real estate experience that's beginning to emerge. These include predictive maintenance and the rise of the 'smart home', providing in-home devices that inform landlords and tenants with insights such as required maintenance, appliance health, and energy efficiency.

Equally, physical home viewings, which take far too much of landlord and renter time and are often speculative, may soon be a thing of the past. AI-powered virtual reality (VR) viewings can negate time wasted on viewing or showing a property that wasn't suitable to begin with. The time savings for the landlord and renter finally solve one of our housing's most frustrating and often valueless tasks.

The future of improved real estate experiences is tech-led

The applications made possible by these technologies focus on efficiency and information. By enabling better decision-making with increased efficiency and scale, the risk of poor investment decreases and the experience across all touchpoints is improved. By enabling stakeholders to progress unburdened by heavy admin, and powered by automatic data gathering, our sector can take significant strides toward proactively removing long-standing pain points.

Investors are given the tools to make correct purchasing decisions that will prove lucrative for themselves, the eventual renter, and surrounding communities. Landlords can remove the burden of labour-intensive admin with advanced tools like CompsAI and KnoX to focus on providing a better service to their tenants. In turn, renters can finally access all the information they need to make an informed decision about their place of residence, benefiting from enhanced transparency and security in their rental decisions.

Technological solutions represent the answer to improving the real estate experience. It's a heavy burden for Europe's proptech community to carry, but progress remains strong and existing platforms give a glimpse into a brighter housing future.

Hima Mandali is CTO at [IMMO](#)