

Embracing PropTech: FD Stonewater's Journey with Real Estate Technology

By Jeff Toporek and Owen Burke

September 14, 2023

FD Stonewater has been actively engaged in the Property Technology (“proptech”) space since its founding and our company views our relationship to and intersection with technology as critical to our business. We firmly believe that technology strengthens our company, so we continually invest resources to implement the best tools possible. This has made us better and more efficient while enhancing our decision making – key differentiators in the real estate investment arena. Here, we share how we have approached the adoption of new technology and why it is more important than ever to have a strategy in place.

Our Perspective

As an industry, commercial real estate (“CRE”) has traditionally been slow to adopt new technologies. We deal with large amounts of information and perform heavy analysis, largely with tools that are decades old. Information is fragmented and the needs of companies are nuanced and complex. Unfortunately, the “holy grail” for an integrated technology solution for most CRE companies just does not exist, yet; we have been on this quest for a long time. This leaves most companies no choice but to stack together products that are narrowly tailored for specific problems – such as acquisitions pipeline, leasing, market info, investment management, and more – or build costly custom solutions. While the adoption of new technology presents challenges, there is true value in these solutions. The ability to accurately and efficiently organize and analyze information is better than ever before, and advancements in Artificial Intelligence (“AI”) are poised to dramatically accelerate the effectiveness of new technologies in the near future.

This is an exciting time for technology solutions, and the coming wave of AI applications will propel a revolution in every industry, including CRE. AI will have an enormous impact, from completing rote tasks to assisting more complex and nuanced functions. As an early example, three years ago we invested in a product called Prophia for automated lease abstracting. It features an amazing interface with high-quality visual graphics – such as stacking plans – and has robust data collection capabilities, providing real leverage across our acquisitions, asset management, and legal teams. Each year since implementation, the percentage of each document that can be abstracted via machine learning has increased drastically. While humans still need to review, verify, and complete the information today, we are on a path to where human functions will soon be minimal.

As AI accelerates and its applications grow, higher levels of our business will be impacted. We expect that AI will make information more accessible while simultaneously enabling more advanced analysis, including deeper insights into investments and operations. Companies that adopt new technology will increase focus on critical thinking and problem solving to gain an edge in real estate investing and management. We believe it is critical to have a defined strategy to stay at the forefront of technology utilization.

We are often asked about our approach to proptech and how we navigate the changing tech landscape. Here, we offer our thoughts on our proptech strategy, possible pitfalls, and how we utilize our specific tech ecosystem. To be sure, technology utilization is not a “one size fits all” practice. We hope this series gives you a sense of our general approach to tech deployment and insights on how to leverage tech to fit your corporate culture and solve your unique business challenges.



After 30 years of experience in the proptech space, we have learned a tremendous amount about how to evaluate and implement new technology. Technology – when implemented correctly – should reduce friction, enable efficiencies, and enhance employee satisfaction. We have developed an approach to navigating the landscape to identify and prioritize solutions, select best-in-class technology companies, and implement the products successfully. Our focus is on readily available products at value-driven pricing for our organization (mid-size with 45+ people).

1. Start with a Pain Point

- Adopting technology, no matter the application, should solve a specific problem. This is a top priority for us, and we strive to quantify, measure, and reassess our technology solutions whenever possible. Measuring will help prioritize and support the business case for the product. Adoption is much more likely to succeed if it solves a current problem for the team.

2. Identify Solutions

- **Peers:** Go beyond web searches. Have conversations with trusted peers to see if they are experiencing similar challenges or have a recommendation. Though you may compete with them, sharing this type of information and advancing technology solutions makes everyone better and supports collective success. We've found that if we share problem-solving information with peers, we often receive great insights from them in return. This level of collaboration also helps our vendors succeed by providing them with new customers.
- **Industry Participation:** We regularly attend conferences to explore new technologies, talk to users, and learn more about the products. This is typically followed by multiple demos with the product team where we ask as many questions as possible and explain the challenges we are facing.
- **PropTech Investing:** Several years ago, we decided that we wanted to participate in the success of the proptech companies we were utilizing. We met with several companies and ultimately decided to invest with Camber Creek, a strategic venture capital firm focused on investing in real estate technology companies. This has proven to be an invaluable relationship that is mutually beneficial in many ways. We “test drive” and provide feedback on both perspective and new portfolio product offerings, and in return they suggest new solutions that we might find useful and opine on opportunities to potentially invest in new technologies.

3. Partner Selection

- **Solve for the Core Need:** Always focus on the best solution to solve the problem you have identified. While extra benefits can add value, it is important to remember that the product should address the core need first and foremost.
- **Request a Trial Period:** You often won't know the product's full capabilities until you use it for an extended period of time. Ask for a demo or trial period to test drive the product and ensure that you invest with limited risk.
- **Ability to Evolve is Key:** When considering a new product, we focus on the product roadmap, company leadership, its investors, and the product's other clients. PropTech is rapidly evolving, so we want our partners to evolve as well. The product roadmap will help to identify areas the technology may address in the future.

4. Adoption

Once we identify a solution, the next step is adoption. Adoption of new technology can be difficult, and the old saying “change is hard” rings true. Employees will be hesitant to embrace something new, even if it solves a problem. Below are some helpful techniques to increase adoption across your organization:

Embracing PropTech: FD Stonewater's Journey with Real Estate Technology

- **Include key end users in the research and product selection process.** The importance of inclusion cannot be underestimated. Thoughtfully consider which individuals and teams at your organization will benefit from the solution and encourage their participation in the process. When you include the intended end users of the technology in the process and seek their participation, they will share a vested interest in its success.
- **Senior-level support is key, and not just for funding approvals.** Senior leaders should lead by example, learn the technology, encourage broader adoption, and actively participate in its success.
- **Training, training, and more training!** Successful adoption requires a significant level of effort and training at the front end. Ensure the product includes a robust, in-place onboarding process to support as your team through implementation. Weekly calls with the technology provider might be necessary to ensure the team's questions are answered, and many providers can help track the product's adoption momentum. Periodic training sessions after initial implementation can also help teams stay on course and fully engage with the new technology.
- **Provide feedback.** If the product is providing a meaningful solution, let the vendor know. Give them honest feedback about possible improvements or recommendations for making the product better. View the vendors as partners; a positive relationship will make both parties better and should lead to mutual success.

PART 2 | PITFALLS AND WHY TECH DEPLOYMENT FAILS



1. **Tech first, not real estate:** We have made the mistake of investing in real estate companies that have tech ideas. For us, the most successful products have come from true tech companies with products that solve real world, real estate industry inefficiencies.
2. **Partnership vs Product-ship:** Does the company want to just sell you their product or do they want to build a partnership? One of our most successful tech partnerships has been with Juniper Square, a company founded by tech experts that identified challenges in real estate investor reporting. FD Stonewater started using the Juniper Square investor portal when it was a relatively new platform. As Juniper Square's footprint and capabilities have grown, the Juniper Square team has listened to client feedback and broadened their product offerings to address client problems. This has led to us expand our relationship with Juniper Square and we continue to beta test products in their development pipeline. This relationship is built on mutual trust and continues to benefit both parties.
3. **Companies falling short on roadmap promises:** Product roadmaps are extremely important. Very often products only solve a portion of your problem at the outset. You need to have confidence that they will deliver the entire solution within a reasonable amount of time and stay in tune with progress. Reassess when necessary.
4. **Great demos but difficult to onboard:** The product demo can look great, but what's really under the hood? Try to demo the product when you can play with it in real time, test the capabilities and functionality, and see if it will provide the solution you are seeking. It's important to have a termination option if the product fails, adoption rates are poor, or customer service does not deliver.

Embracing PropTech: FD Stonewater's Journey with Real Estate Technology

5. **Cut bait on tech that isn't working:** If a product isn't working, or if it is creating more pain points rather than solving the problem, let it go. It is okay to admit failure - this is part of making progress. Take time to get feedback from the users in your organization, reflect on why the tech might have failed, and move on. If you haven't failed in tech implementation, then you probably aren't doing enough of it.

PART 3 | OUR TECH ECOSYSTEM



Through selective exploration and adoption of new technology we have created a bespoke tech ecosystem to specifically address our company's unique set of challenges. While it is ideal for new technologies to seamlessly integrate with other products, a "one stop shop" simply does not exist yet in the proptech arena. Our tech ecosystem incorporates specific solutions for areas including analytics, construction management, lease management, energy efficiency, valuation, investor management and fund administration, and accounting. We also have a suite of non-real estate focused tech products that we utilize daily across the company. These general tools can be powerful and easy to use, benefiting from larger markets and more development. When there isn't a purpose-built product available (or one that justifies the cost), we've had success tailoring the technology to meet our needs.

This diverse set of technologies and software enables more efficiency and better productivity across the board while we continue to explore and adopt technology to solve our specific challenges. As the proptech arena expands and develops, there is more overlap between products and competition. Competition is a great thing for any consumer, and we have experienced many "close calls" on selecting competing or similar tech solutions. It is important to maintain good relationships with companies you don't select, as there could be another opportunity to work together down the road.

Current challenges we are trying to solve

We are excited to see what the future holds for real estate technology and are continuously seeking quality tech products that can add value to our business. We have recently considered various tech solutions in areas such as loan management and treasury management (and have even seen advances here and there) but none of the solutions have quite hit the target in terms of cost versus capability. We have also seen components of broader tech products that solve a problem, but the components are typically part of a larger (and more costly) product that we don't need.

In the near future, we hope to see advances in the following areas:

- **Treasury Management:** A system that provides real-time data for all our bank accounts and transactions without cumbersome authentications and breaks in those authentications. Understanding restricted accounts and deposit interest yields is also key.
- **Asset and Portfolio Management:** Dynamic source of data from the property through the investor level with advanced analytics, built-in logic, custom reporting, and automated report generation.
- **Loan Management:** Loan abstracting with live connections to source docs, covenant monitoring, reporting, and notifications when markets move so that we can complete beneficial transactions or prevent potential issues.
- **Drafting Process:** A product focused on Letter of Intent (LOI) tracking and conversion of LOI data into a draft lease or Purchase and Sale Agreement (PSA) format.