FEATURE

# RISE OF THE DIGITAL REAL ESTATE DEVELOPER

*Ar. Eric C.L. Gan*

**Digitalisation is the buzzword in today's business environment as more and more businesses and entrepreneurs adopt e-business models and practices in the digital economy as part of the 4th Industrial Revolution (4IR). The transformation comes as businesses and entrepreneurs adopt digitalisation to drive productivity gains, innovation and success.**

In Malaysia and Singapore, digital hubs are being created to cater to businesses such as Malaysia Digital Free Trade Zone (led by China's Alibaba Group) and Singapore Digital Hub in Punggul District, Singapore. Some examples of how business start-ups have become giant enterprises by adopting business digitalisation are online e-commerce retailers such as Alibaba and Amazon as well as digital sharing businesses such as AirBnB, Uber, Grab, YouTube and Spotify Music.

## WHAT IS DIGITALISATION?

Digitalisation and its disruption to existing businesses impact all industries including construction and Real Estate Development (RED). Before we discuss further, let us define digitalisation as the integration of digital technologies into everyday life and businesses and the process of converting current manual work processes and information into digital format to improve productivity and deliver results in real time on-demand (i.e. online instant access and delivery).

## REAL ESTATE DEVELOPMENT

Though real estate developers recognise the rising trend of digitalisation and its impact on change, how can they embrace and meet the challenges?

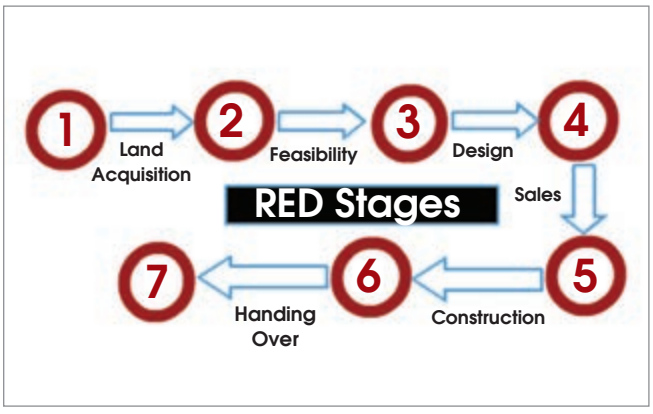
To understand the digitalisation of RED, we must first understand the process of procuring "raw land" and monetising it to make a profit. Essentially RED business boils down to 1 key principle, i.e. turning land into financial profit. This is not a simple process though, as it involves in-depth knowledge, experience and skills to acquire "raw land" and then convert it into "developable land".

Therefore, RED or property development involves the process of buying and converting "raw land" to "developable land" and the constructing of buildings on the land to be sold as whole buildings or units within the buildings (known as strata units). These include houses, apartments, offices and retail shops, etc.

In the process, the real estate or property developer makes a good profit. Over time, by acquiring more land and repeating the process, the developer will become rich.

Basically, the RED process involves the following 7 key stages, as shown in the flow chart:

1. Land acquisition.
2. Feasibility/viability study.
3. Designing the product.
4. Getting the necessary legal/statutory approval.
5. Selling the product.
6. Constructing the building and facilities.
7. Handing over to purchasers.

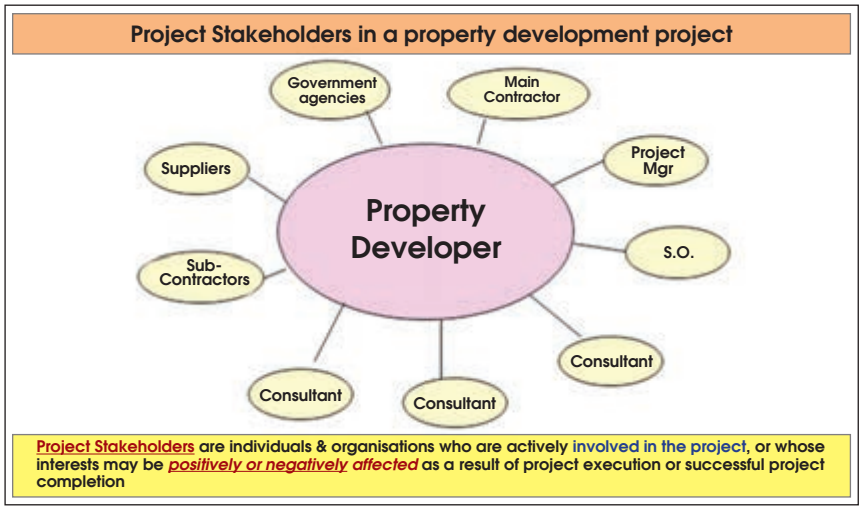


The developer must have the knowledge, experience and expertise to plan, manage, execute and deliver his products (buildings, facilities etc.) successfully within the legally contracted time-frame and cost. He must also be able to raise the initial capital, obtain financing to acquire the land, pay for the construction and assist purchasers to obtain end-financing and property (strata) title.

## PROFITS & RISKS

While the RED business is certainly profitable, there are also risks such as:

1. It takes a long time, say 10-15 years, for a new developer to acquire the necessary knowledge and experience in order to have in-depth "know-how" to carry out the business successfully.
2. In the absence of the required "know-how" due to the lack of knowledge and experience, a new developer can employ a team of experts to manage and execute the business on his behalf. However, this will incur substantial initial cost and at a point when the business has yet to receive revenue. In addition, there is the risk of these experts resigning and the difficulty of getting replacements, especially during a property boom period.
3. RED involves many stakeholders such as consultants, local authorities, financial institutions, contractors and building material suppliers which are outsourced parties. It would require considerable knowledge and skills for a new developer to manage these diverse parties and vendors well. See illustration below.



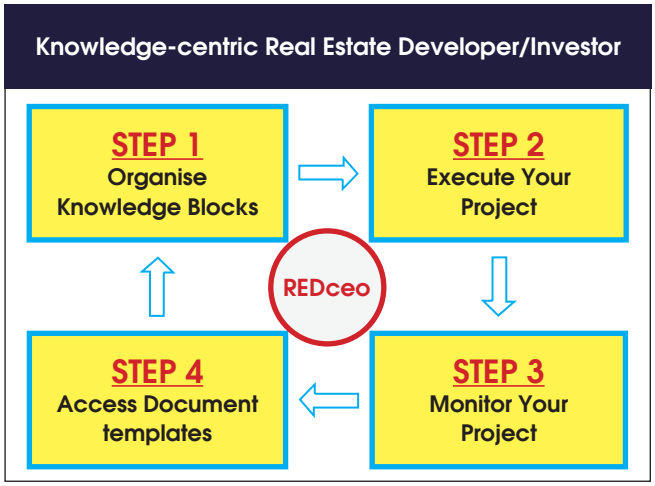

Therefore, without the necessary knowledge, experience and know-how, a new developer is at risk of his project being delayed or, worse, abandoned as these will lead to financial loss.

## ADDRESSING THE KNOWLEDGE/KNOW-HOW GAP

Apart from spending years to obtain on-the-job experience, how can a new developer to address the knowledge and "know-how" gap? Is there a way to self-learn or accelerate RED knowledge and know-how?

The writer's experience in developing digital knowledge methodology for the RED business shows that it is possible to accelerate the learning curve, via the 4-Step Methodology as outlined below (refer to illustration):

1. Organise the RED knowledge contents within a Digital RED canvas.
2. Execute the RED Project using a Digital RED Master Execution Map.
3. Monitor the project online virtually.
4. Compile the RED knowledge content in Digital Document (templates) Folders.

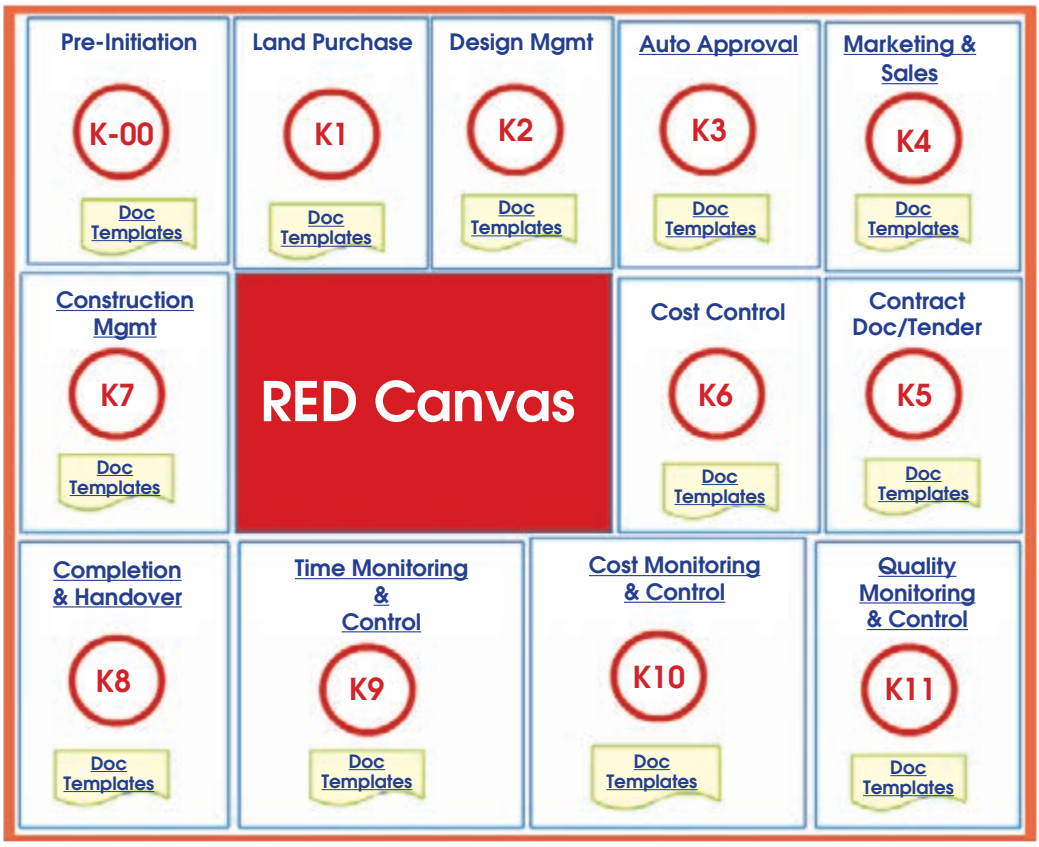


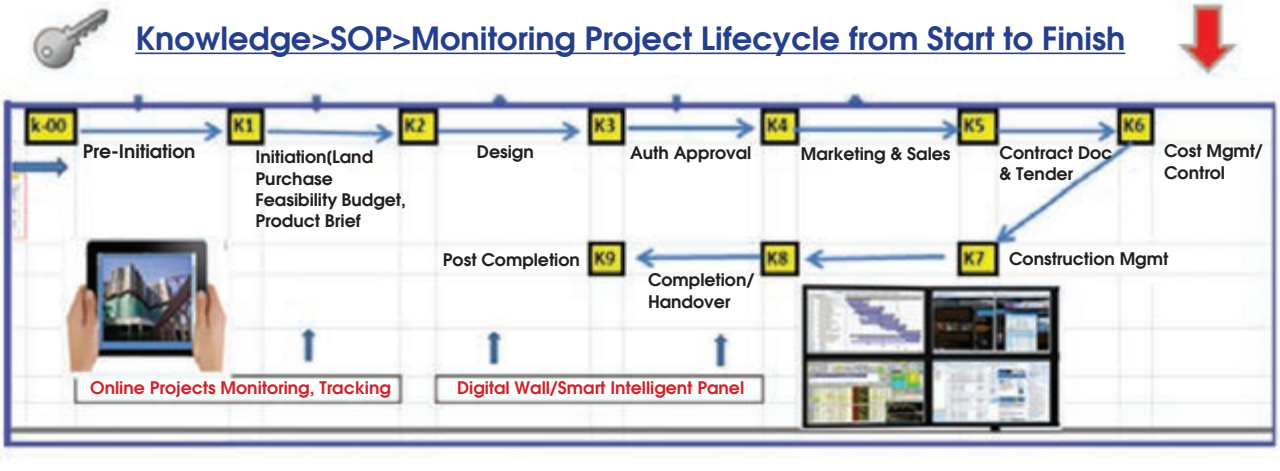

## 4-STEP METHODOLOGY

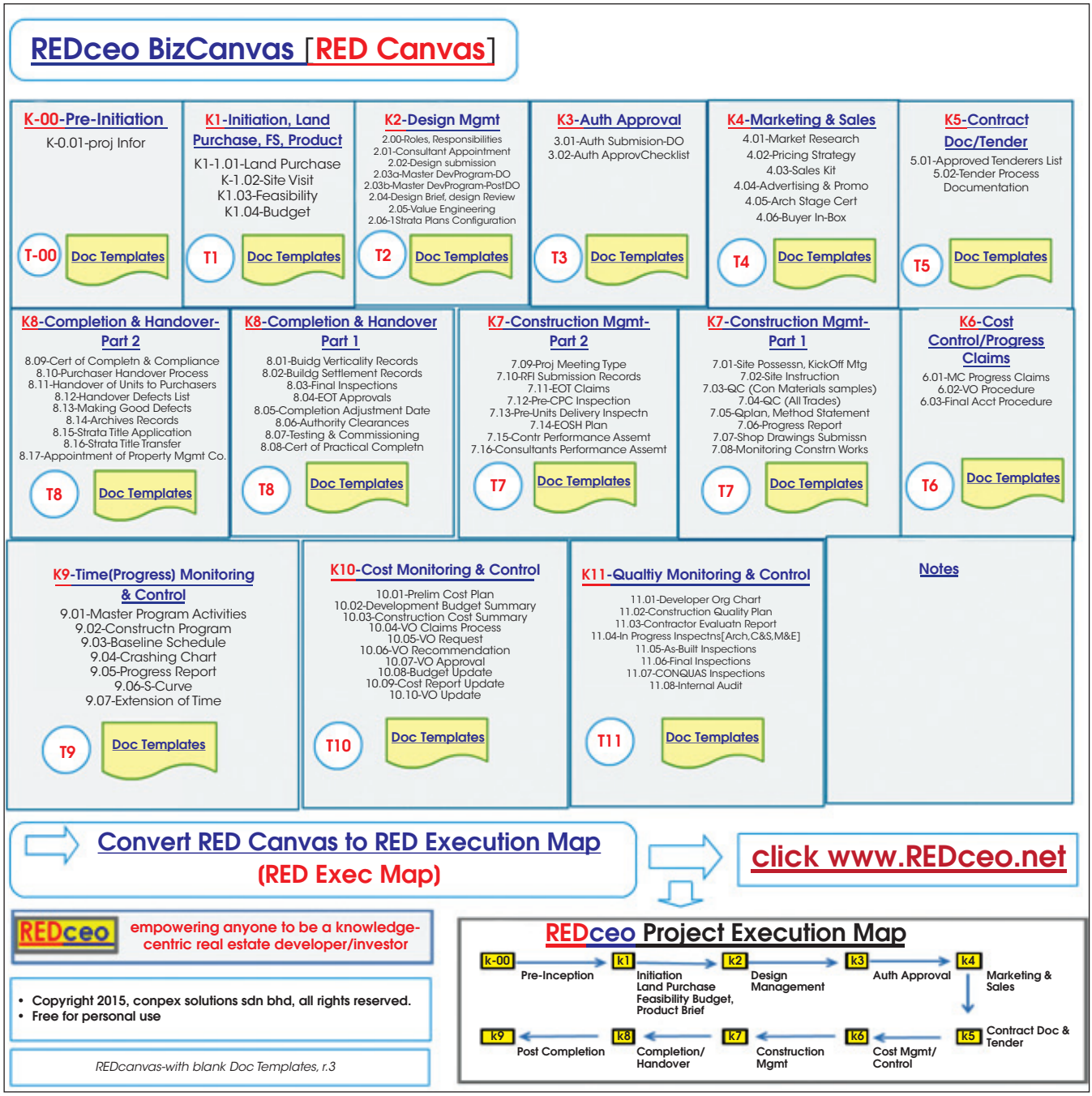
The 4-Step Methodology enables a new developer to organise, compile and manage his RED knowledge on a Do-It-Yourself (DIY) digital platform in order to plan, manage and execute the development project successfully across the project lifecycle with an online centralised project delivery view (see illustration).

## STEP 1: CREATING RED CANVAS

The RED Canvas is a one-page business canvas that can be used by all key stakeholders (CEOs, financiers, development/project managers, consultants, contractors, purchasers etc.) to have a helicopter view of all the activities on a single sheet. It is similar to the popular Business Model Canvas and Lean Canvas for business startups.






What is the purpose of the RED Canvas? It enables a new developer to understand how activities such as land sourcing, feasibility studies, design, authority approvals, sales launches, construction management etc. can be organised as knowledge content. Knowledge content that supports or is relevant to the RED activities can be created and deposited in digital folders or file cabinets called K-Blocks (Knowledge Blocks). The K-Blocks can then be organised into a digital map called Digital RED Canvas.

The RED Canvas allows key stakeholders to have an overall view of the entire RED process and development activities. A snapshot illustration of the Digital RED Canvas is shown on page 15.

A full illustration of the Digital RED Canvas is shown above: The RED Canvas can be used by CEOs, project directors or project managers to identify all the key activities and stakeholders responsible for these activities as well as use it as a digital tool to access and evaluate the capability and performances of critical stakeholders such as development consultants, contractors and government approving authorities. By understanding the strengths and weaknesses of the stakeholders, the RED CEO will then be able to select strong performing stakeholders while managing the weak or poor performing ones. This will reduce the risk of business failure due to wrong selection or ineffective management of weak stakeholders.

End of Part 1. Part 2 will cover the creation of Digital RED Master Execution Map using process mapping. ■

## Author's Biodata

*Founder of Digital Red Technology **Ar. Eric C.L. Gan** is an architect turned prop-tech speaker for the real estate and construction industry. Contact him at www.ericgan2.com and www.redceo.net.*