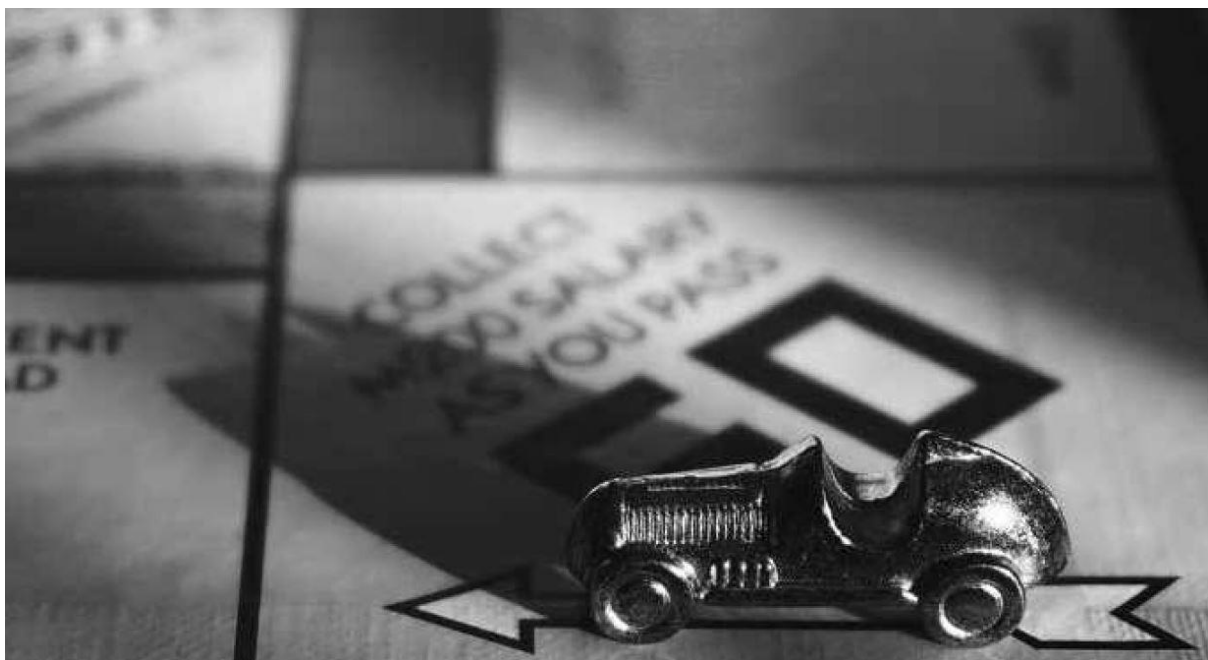


Monopoly moves with the times

Just as the board game now comes in startlingly modern variations, real estate itself has evolved to match our changing world

Stephen Ryan



The board game Monopoly has been around since 1935. It was based on an older educational board game. Just in case you have never played Monopoly, it works like this: players move around a board, buying and trading properties and developing houses and hotels. Players collect rent from their opponents, trying to force them into bankruptcy, and the winner emerges when all opponents are broke. That's the theory, at least. My childhood memory is that the game ends when one player flips the board and storms off in a shower of miniature plastic houses.

One player is nominated as the Banker and handles the cash (the famous "Monopoly money"), the title deeds, mortgages and other trappings of property investment.

The game originated in the US and when it crossed the Atlantic the names of the properties were changed to well-known streets in London. The game is currently published in at least 47 languages and sold in 114 countries. The Monopoly board has been localised countless times. For example, the Dutch version features Kalverstraat in Amsterdam as the most expensive location, replacing Mayfair.



However, despite multiple local versions and novelty versions, the game remained the same for decades – or at least it did until the “Revolution”.

Monopoly Revolution was a special edition released in 2010 to celebrate the 75th anniversary of Monopoly. It features electronic banking and a very striking circular board. No paper money is used. Instead, it uses a credit card setup with an electronic device that produces sound effects and music.

Despite the considerable changes in appearance and technology, the kit still contained title deeds and miniature plastic houses and hotels. The Banker’s role endured. There was just one rule change: for a quicker game, play could end when the first player went bankrupt. Then all other players would add up their money and properties and the richest player would be the winner.

An even bigger change came in 2013 when Monopoly Empire was introduced. In this version, the players collect brands and billboards displaying those brands rather than properties. Inspired by high-rise advertising seen in the world’s biggest cities, players showcase their brands on a miniature tower and the first player to fill their tower with brands wins. The objects of desire are no longer posh addresses but icons of the tech-driven, 21st century lifestyle such as Spotify, Xbox and Samsung.

Imagine Samsung replacing Park Lane!

No-one goes bankrupt in Monopoly Empire and the game moves much faster than traditional Monopoly. Since there is no need to collect property groups or to build houses or hotels, the game can last less than 30 minutes.

With Monopoly Empire, the game moved from a marathon between locally based

landlords and developers to a sprint between global investors in a tech-driven lifestyle.

Just as Monopoly has evolved to reflect social change, real estate has also evolved to reflect the user-experience (UX) economy. The end-user, a term which includes the growing number of individuals working in the freelance or ‘gig’ economy, now expects flexibility, experience and convenience in everything including real estate space. Technology has risen to the occasion, enabling co-working offices, home-sharing platforms and online shopping – all being examples of real estate’s evolution.

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This evolution can be called operational real estate or “space as a service”. Space as a service marks the change from real estate as asset ownership towards the monetisation of physical space and related services. In this new world, the previous hands-off relationship between landlord and tenant gives way to a closer involvement.

The focus shifts to more personal, flexible and tech-centric services to the end-user, who may not be the tenant but rather the tenant’s client. This is the big change. Traditionally, the space that tenants occupy is not core to their business. It is simply the shelter they need for their people, equipment or goods. With operational real estate, the opposite is true – the space is integral to the end-user’s experience and therefore to the success of the tenant’s business.

Space is something to be repackaged and branded. This often involves technology-driven disruptions to an existing market, such as Airbnb in hotels and WeWork in offices. Monopoly Empire marks the board game’s



transition to the new user-centric world; space as a service marks the same transition for real estate.

Monopoly and real estate have moved together. Original Monopoly and traditional real estate concentrate on the physical aspects of real estate and the landlord/tenant relationship. In contrast, both Monopoly Empire and space as a service look beyond the physical to focus on the user's experience.

This new world of space as a service or operational real estate, which Didobi has examined for the Investment Property Forum is as different from conventionally defined real estate as Monopoly Empire is from the original 1930s Monopoly. We believe that operational real estate cuts across the familiar traditional labels (such as office, retail and industrial). In certain sectors it will become the norm.

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What does it mean for investors? Operational real estate is a relatively new concept. For investors, the key distinguishing feature is the variability of the underlying revenue stream when compared with the income streams derived from traditional real estate. The certainty associated with institutional leases is gone. Into its place steps a 21st century real estate investment where the return is directly and deliberately linked to the fortunes of the business conducted on the investor's premises. Assessing the riskiness of such an investment needs new tools, which are described in Didobi's report.

Monopoly has evolved in ways unthinkable to its original promoters. An equally fundamental change is happening in some parts of the real estate market. It is currently labelled operational real estate or space as a service but eventually, for those parts of the economy where it works best, the term will morph to just 'real estate' or possibly 'space'.