

The Future of Real Estate: Ecosystems and Active Ownership

By [Philippe Cornette de Saint Cyr](#), [Olaf Rehse](#), [Santiago Ferrer](#), [Neetu Vasanta](#), and Alberto Poncela

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For most of modern history, real estate was won in the capital markets. Winners were players with strong balance sheets, disciplined financing, and the patience to ride out volatility. They acquired well, financed cheaply, timed the economic and industry cycles, and managed risk skillfully.

Today, real estate is undergoing a structural reset. Value is shifting from capital allocation to operating performance. The next cycle will be won not by those who buy well—but by those who operate best.

Four fundamental shifts are driving this transformation: the rise of commercial ecosystems over standalone assets, the industrialization of construction, the elevation of facility management from cost center to value driver, and AI's acceleration of performance-based decision making. To get ahead of the pack, real estate developers need to adopt approaches that are fit for this new reality rather than remaining tied to outdated portfolios and business models. Firms that fail to redesign their operating model risk structural margin compression and long-term asset obsolescence.

Value Is Shifting to Property Ecosystems

The real estate industry today faces several powerful forces. The rise of AI and its impact on the world of work is driving growth in innovation hubs and data centers. Players also need to meet demand for branded residential communities and expand the stock of affordable housing.

Meanwhile, they are under mounting pressure to decarbonize both the construction and operation of properties.

Preparing for this emerging landscape is not just about adopting a new technology or complying with new regulations. To create value, real estate players will have to move away from passive ownership and toward active asset selection, design, operation, performance management, and rotation.

In addition, value increasingly will be created not at the level of a single building or an isolated office park but through vibrant ecosystems that combine residential and commercial real estate users and are supported by strong transportation infrastructure. Such ecosystems already exist and are often anchored by universities and hospitals, entertainment and dining venues that are part of the experience economy, or technology and life sciences companies.

The shift towards ecosystems is not merely about mixed-use developments. It reflects broader economic and social changes. Knowledge work, scientific commercialization, and urban mobility trends are driving the growing importance of locations that can support density, interaction, and adaptability. The transition is mirrored in the demand for highly connected neighborhoods, where essential services and amenities are accessible within a short walk or public transit journey, reducing car dependency while improving quality of life.

The same logic applies to data centers. These facilities are being built alongside commercial and residential properties, and often act as anchor tenants within broader ecosystems. Their proximity to these other property types enables developers to use the same power grid infrastructure and provide the fast data transfer needed to support edge computing and AI-enabled devices.

Conceiving, coordinating, and constructing property ecosystems requires a higher level of execution than for standalone assets. Developers must satisfy conflicting stakeholder demands, deliver projects in phases, and manage revenue streams that depend on one another. These are pressures that traditional asset-centric models were never designed to handle.

Ecosystems are reshaping office and residential markets

The shift away from standalone assets is transforming the drivers of performance in real estate. In both office and residential markets, value is concentrating around properties that function as part of broader ecosystems—locations that deliver experiences, identity, and interaction, not just space.

In office real estate, this dynamic has produced a sharp divide between prime offices that are contained within dense, amenity-rich urban ecosystems and the rest of the market. In the fourth quarter of 2025, prime office vacancy rates in the top 20 markets worldwide were 5.6 percentage points lower on average than overall office vacancy. Since 2020, non-prime buildings have suffered

170 million square feet of negative absorption, while prime stock has gained 49 million square feet. Developers continue to greenlight new prime projects in New York and other major cities worldwide, even as undifferentiated assets are increasingly uneconomic. This divergence is unlikely to reverse. Capital markets are already repricing assets based on ecosystem positioning—not square footage.

Residential real estate displays a similar shift. The rise of real estate based around lifestyle underscores how value is migrating toward experience-driven property ecosystems in some regions, including Dubai and India. Branded residential communities—developed in partnership with luxury brands such as Four Seasons, Armani, Bvlgari, and Lamborghini—embed the brand’s identity into architecture, interiors, service culture, and community design.

The implications for real estate players are material. Branded homes sell quicker. They also command rents that are 20% to 30% higher than non-branded properties, while sales premiums are as much as double. Equally important, brand partners lower execution risk by enforcing quality standards, keeping projects on schedule, and managing properties professionally—helping protect value over time.

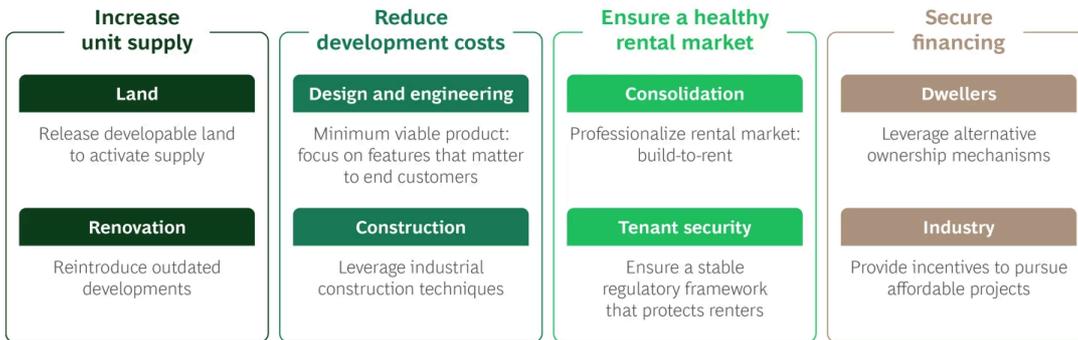
Scaling affordable housing requires a value chain redesign

Few segments need a new approach more than affordable housing. Demand is significant and growing, yet supply remains structurally constrained in many markets. Given its historically low profitability, private companies often introduce affordable housing late in the development process, as part of a bigger project, to meet their regulatory obligations rather than treating it as an important product with its own economics. As a result, design, construction, and operations are rarely optimized for affordability from the outset.

Scaling affordable housing will require private players across the value chain to take action in four areas—land supply, development costs, rental market health, and financing. (See Exhibit 1.) Of these, design and engineering, which determines development costs and speed to market, has emerged as a key driver of a more sustainable approach to the segment.

EXHIBIT 1

Key Actions to Scale Affordable Housing



Source: World Economic Forum and BCG, *A Framework for the Future of Real Estate*, April 2021.

Improved design and engineering depends upon creating a minimally viable design focused on real user needs, standardized processes across the value chain, off-site modular construction using repeatable components, and scale efficiencies that reduce unit costs. It also requires regulatory frameworks that align requirements with outcomes, enabling investment while maintaining quality and safety.

In Germany, for example, the government’s Bau-Turbo initiative has introduced new planning instruments that allow approved housing projects to deviate from zoning and planning laws, apply more flexible noise-protection limits, and benefit from expanded exemptions from local development plans. A proposed Building Type E framework would go further, simplifying technical standards to reduce costs while maintaining core safety requirements.

For real estate players, the lesson is broader than affordable housing alone. Segments with tight margins and high social scrutiny are exposed to the weaknesses of fragmented operating models. Those who revamp their value chain from design through to operations can unlock growth and overcome constraints.

Construction Excellence Is Becoming a Key Differentiator

As capital flows to affordable housing, data centers, and other large ecosystem deliveries, construction matters more than ever. Getting it right depends upon modernizing how the industry

builds. Data centers, in particular, highlight the importance of leveraging prefabrication and modularization. In this segment, speed to market and technical precision can create a valuable competitive edge.

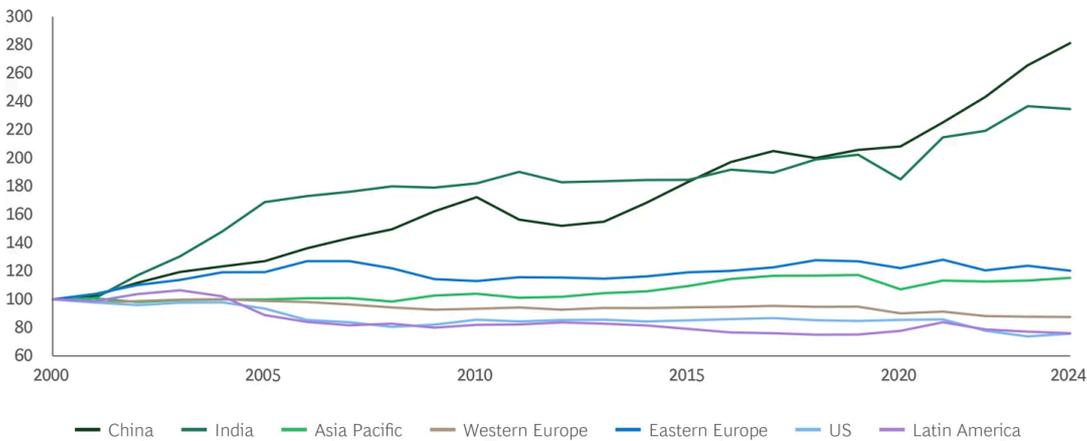
Construction has long been a productivity “black hole” for real estate. But the industry is on the cusp of a breakthrough. By using modular construction, robotics, digital twins—virtual models of buildings used to simulate design, construction, and operations before work begins—and other solutions that ensure excellence in capital project delivery, the sector could unlock an estimated \$1.6 trillion in annual value worldwide.

The contrast between countries that have embraced modern building techniques and those that haven’t is already visible. While developed countries have seen construction productivity stagnate or fall over the last quarter-century, emerging markets like China and India have benefited from productivity gains thanks to more modern techniques. (See Exhibit 2.)

EXHIBIT 2

Construction Productivity Has Risen in China and India While Stagnating or Declining in Western Countries

**Real gross value added per worker (construction sector)
(index 2000 = 100)**



Sources: Oxford Economics; BCG analysis.

Note: Western Europe includes Denmark, United Kingdom, Italy, Netherlands, Malta, Sweden, Belgium, Portugal, Switzerland, Norway, Spain, France, Finland, Ireland, Germany, Austria, and Luxembourg. Latin America includes Argentina, Brazil, and Chile. Asia Pacific includes Malaysia, Thailand, Japan, Philippines, Indonesia, South Korea, and Singapore.

For instance, China is now capable of commissioning and completing skyscrapers 40 stories and taller in as little as two years through cutting-edge techniques in prefabricated structures and preinstalled mechanical and electrical systems, together with overlapping finishing phases that begin before structural work is complete.

Regulatory standardization has been a key driver of China’s improved productivity in construction. The imposition of building codes requiring modern techniques across the industry has led to the emergence of supporting infrastructure and resources, including fabrication facilities, supply

chains, and trained workers. This has made the adoption of these techniques economical for all developers rather than just early movers.

Several factors are converging to make innovation in construction not just a possibility but an imperative. Labor shortages and rising costs are forcing developers worldwide to consider alternatives to traditional on-site construction. Modular and prefabricated components, once associated with low-quality buildings, now offer superior quality control and faster delivery times. Robotics and automation, particularly in finishing stages, address workforce challenges while improving consistency and reducing waste. Research in Asia has shown that these developments can deliver a 25% to 40% reduction in the time taken to complete a project and reduce costs by 15% to 25%, depending on asset type and baseline conditions.

Facility Management Is Emerging as a Value Driver

The competitive battleground in real estate has shifted from development to daily operations. Traditional cost-plus contracting models rewarded facility management vendors for minimizing expenses rather than maximizing performance. However, by moving to value-based contracting that links compensation to measurable outcomes—such as energy efficiency, uptime, and tenant satisfaction—real estate companies can transform facility management from a cost center into a strategic capability.

The logic is simple: smart buildings require smart facility management. Buildings account for roughly 30% of global energy use and emissions, much of it driven by daily operations. Tools such as predictive maintenance, AI-driven energy optimization, and data-based space management create value only when facility management teams are given the right incentives and skills. Without these, digital investments sit idle, sustainability targets slip, and “smart” buildings amount to little more than expensive shells with weak returns. (See Exhibit 3.)

The environmental, social, and governance (ESG) performance of buildings has implications for real estate players across their businesses—including facility management. CBRE’s 2022 global ESG survey found that LEED-certified US offices earned about a 3.7% rent premium versus non-certified peers, and the premium was about 5.5% in Europe. In addition, 32% of European investors are willing to pay a premium for ESG-friendly assets, and more than half would pay up to a 20% premium, according to CBRE. The same analysis found 63% of European logistics occupiers would pay a rental premium for sustainable building certification.

As ESG expectations mount, the role of facility management becomes even more critical. Facility management is on the decarbonization front line, based on factors such as how teams operate

and maintain heating, ventilation, and air conditioning (HVAC) systems; manage water and waste services; and execute cleaning and maintenance routines. In addition, as offices are repositioned as hubs for collaboration rather than simply places to work, facility management has an equally important role providing the consistent service quality, comfort, and amenities needed for the workplace of the future.

At the same time, many markets face shortages of skilled facility management talent due to existing workers retiring. Service providers who can professionalize hiring and training and automate parts of their offering can earn operating profit margins that are nearly double the typical 4% to 5%. Meanwhile, asset owners who embrace next-gen facility management can capture 15% to 30% efficiency gains while reducing downtime, operating risk, and their carbon footprint.

AI Is Advancing Performance-Based Business Models

Real estate has long lagged other sectors in digital adoption. But AI is rapidly changing the status quo. The technology is moving beyond driving isolated productivity tools toward providing end-to-end decision support that spans procurement, construction, operations, leasing, and capital allocation. In procurement and project delivery, AI-enabled analytics can shorten sourcing and contracting cycles by 15% to 35%. In operations and revenue management, algorithms can lift rental income by as much as 30% through dynamic pricing, improved occupancy forecasting, and better tenant mix decisions. These are just two of the AI-led use cases that developers can tap to generate large savings and boost returns. (See Exhibit 4.)

The impact of AI extends to other parts of the value chain. Site selection and feasibility analysis—long shaped by limited data and executive intuition—can now draw on large, integrated datasets covering mobility patterns, demographics, energy use, and market signals. Using this additional data can help to improve long-term return on investment by 10% to 30%. Asset disposition strategies, traditionally tied to broad market cycles, can similarly be sharpened using AI to identify optimal exit timing, boosting sale and refinancing outcomes by 15% to 35%.

How firms implement AI matters as much as what they implement. The most successful real estate organizations approach AI adoption with clear execution plans that account for organizational readiness, data quality, and change management. They start with specific use cases that solve real business problems, build internal capabilities alongside technology deployment, and create feedback loops that improve both systems and processes over time. By adopting this disciplined approach, players can ensure a worthwhile transformation and avoid costly experimentation.

Equally important to AI's effectiveness are governance and adoption approaches. AI creates value only when it is embedded in core operating processes, supported by high-quality data assets, and owned by the business rather than treated as an IT initiative. Firms that invest in ensuring the right foundations, including data architecture, clear decision rights, and a strong leadership commitment, can enhance performance across their portfolios.

Sustainability Is Growing in Importance

Environmental sustainability is no longer just a compliance issue—it has significant financial implications. Assets without credible net-zero plans already trade at “brown discounts” of 10% to 15% in major markets, and the gap is widening. By 2030, an estimated \$2 trillion of real estate worldwide could become stranded if it fails to meet environmental standards. More immediately, lenders are factoring climate performance into loan terms. Research on green-certified buildings found that loan rates are typically 25 to 31 basis points lower than for comparable non-certified assets. Insurance costs are diverging similarly, with high-risk properties facing premium increases of 30% or more in climate-vulnerable regions.

Decarbonization in the real estate sector happens largely through better property operation. New buildings benefit from passive design, on-site renewable power sources, and materials that can be disassembled and repurposed later. For existing buildings—which produce 60% to 80% of building sector emissions through their operations—retrofits like better insulation, efficient HVAC systems, and smart lighting can deliver cost-efficient reductions.

Materials create additional decarbonization challenges for real estate players. Cement, steel, and aluminum account for roughly a quarter of building sector lifecycle emissions, but lower-carbon alternatives remain costly and hard to scale. Developers that engage suppliers early and pool demand to reduce green premiums can gain an advantage.

Capital markets are responding quickly to net zero's growing importance for the sector. Green bonds and sustainability-linked loans now represent over \$500 billion annually in real estate financing, offering both lower costs and access to ESG-focused institutional capital. Developers who build decarbonization into their capital strategies gain a competitive advantage in both financing and exit valuations.

Social considerations are another key part of the ESG triangle. Players gain a social license to operate by taking concrete actions—creating local jobs, forging supplier partnerships, and building measurable community engagement. When these are embedded early, projects can move faster and face less resistance. In Saudi Arabia, for example, NEOM—a planned economic development

region for the “post-oil” world—pairs physical construction with workforce training, local hiring, and community programs that deliver visible benefits beyond the projects themselves.

What Leaders Must Do Now

A transformation is underway in the real estate sector, and players urgently need to keep pace with the rapidly unfolding trends we have outlined. Here are four key actions they should adopt over the next two to three years.

Reorganize around platform ownership.

Most real estate firms are still categorized based on asset class or geography. By contrast, leading organizations are planning for a future where developments and assets function as integrated platforms run by teams that own the full lifecycle—from acquisition through operation—with clear accountability for performance outcomes rather than just capital deployment. Other players should follow suit.

View facility management strategically.

Bring facility management into the core decision-making process. Tie contracts with vendors to performance outcomes, and invest in the data infrastructure and talent to turn buildings into continuously optimized assets.

Industrialize construction capabilities.

Build repeatable delivery systems using modular construction, digital twins, and prefabrication. The goal should not just be faster builds. Companies should also aim for consistent quality, predictable timelines, and the ability to scale new asset types like data centers and affordable housing.

Invest in data foundations now.

AI only creates value when supported by clean data architecture, clear decision rights, and ownership by the business. Firms should focus on building a data capability today using good-enough systems. Otherwise, if they wait for perfect data to appear, they risk falling behind competitors.

The Future Belongs to Performance-Driven Players

The future of real estate will not be defined by a single trend, technology, or asset class but by players' ability to operate buildings effectively.

The winners will treat real estate as an integrated performance business—one that combines a robust capital strategy, development execution, operational readiness, facility management, AI enablement, and ESG delivery into a coherent whole. Those that succeed will turn buildings into platforms: adaptable, resilient, and continuously optimized. Those that do not will find that capital alone is no longer enough to succeed.

In a world of rising scrutiny, tightening margins, and accelerating change, the mandate for real estate leaders is clear. Stop managing assets in isolation—and start building integrated property platforms designed to perform for decades to come.

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Authors



Philippe Cornette
de Saint Cyr

Managing Director & Senior
Partner; Global Lead for Cities,
Infrastructure Development,
Real Estate, and Tourism
Riyadh



Olaf Rehse

Managing Director and Senior
Partner, Global Lead Real Estate
Düsseldorf



Santiago Ferrer

Managing Director & Senior
Partner
Los Angeles



Neetu Vasanta

Managing Director & Partner,
India Leader, Travel, Cities and
Infrastructure
New Delhi



Alberto Poncela

Global Sector Director, Cities,
Infra Development, Real Estate
& Tourism
Madrid



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