Reevaluating Risk: Is Moody's New AI Tool a Gamer-Changer for CRE?

Amidst a flurry of new GenAI and Proptech tools that have hit the market over the past year, one of the more interesting options aimed at the commercial real estate (CRE) sector is Moody's recently released Early Warning System.

Moody's states that the tool is designed to both assess existing portfolio risk and to alert CRE professionals and investors to future risks, based on breaking news.

Predicting Impact

A key goal for Early Warning System is to use GenAI to detect "potential risk exposures" that may have downstream impacts on CRE portfolios. The tool accomplishes that by monitoring news headlines and then "stress testing" a given portfolio based on a mix of a specific client's proprietary data and Moody's own CRE data sets.

For example, a portfolio manager with extensive retail assets might be alerted to trends like store closures by major brands, especially in cases where their own anchor tenants or core assets might be affected. They could also be alerted to potential risks for related assets, based on market information like rental rates — risks that can be quantified much faster thanks to the unique learning capabilities of AI.

Luis Amador, General Manager of Commercial Real Estate at Moody's, explains: "By automating risk assessments and analyses, what once took hours or days to calculate manually is reduced to mere seconds or minutes. This transformative technology helps our clients make more informed decisions faster and with greater confidence."

Reevaluating Risk: Is Moody's New AI Tool a Gamer-Changer for CRE?

Targeting Uncertainty

Moody's adds that their tool aims to reduce uncertainty at a time when CRE professionals are facing an unprecedented set of challenges: "Now more than ever, CRE industry professionals focus on identifying and mitigating risks and rely on innovative technology solutions to do it."

An integral part of that goal, says the ratings agency, is "democratizing access to complex information," by making data easily understandable to a broad audience of stakeholders, including analysts and regulatory bodies.

Embracing AI Tools

For CRE professionals, Moody's new offering is certainly an interesting addition to the AI toolkit. Along with other AI tools, like ChatGPT, it provides yet another way to streamline CRE operations and boost efficiency.

With that said, given the many options on offer, it's still too early to say that one particular tool will become a go-to for savvy CRE professionals. What is certain, however, is that GenAI will continue to have a growing impact on the way we do business, and the value we can bring to our clients in the years to come.