# Work Smarter Not Harder: the Impact of Blockchain on CRE

Blockchain has the promise of changing the fundamental aspects of how we make, and document, commercial real estate (CRE) deals.  Let's look at the implications of this pivotal technology.

## Blockchain Basics

Nowadays, blockchain is a term everyone's hearing with increasing regularity. To start, it's worth having a brief recap of exactly what the tech is. At its simplest, a blockchain is a ledger – a record of information. Not all that different from the databases you're already using to record details of properties, clients, or transactions.

The feature that makes blockchain unique is the way that information is recorded. Each "block" can hold a certain amount of data. Once a block is full, a new block is started and the previous block forms part of an immutable chain – essentially a timeline extending outwards from the first block to the current one.

Information on the blockchain is public and distributed across a network of computer systems – meaning that it's very, very difficult for one person to hack or alter the information stored in the chain.

## Streamlined Data

The opportunity blockchain presents for the CRE space is the ability to streamline a lot of time-consuming tasks. Imagine having all of the paperwork for a given property digitized, accessible to everyone involved in the deal and confirmed as accurate by multiple parties.

Steve Weikal, MIT's Head of Industry Relations at the Center for Real Estate, describes it like this:  "There are two areas where I think the blockchain is. There's going to be the intersection with legal tech, so that's land registry and recording and ownership, and all of that paperwork that exists in the system… the other is the intersection with fintech."

# Work Smarter Not Harder: the Impact of Blockchain on CRE

Of course, an issue that comes up is how this system can be used with potentially sensitive information – client details that shouldn't be a matter of public record. For business networks, private blockchains can be set up to only allow access to specified parties. In this case, the identity of participants is verified in the network as well, unlike public blockchain where users can remain anonymous. Private blockchains function more like a traditional database in this sense, trading off some of the immutability of their data for privileged access.

## Sealing the Smart Deal

Maybe the most promising application of blockchain for CRE deals is being able to deploy "Smart Contracts" for things like tenancy agreements. Smart contracts hard code the details of an agreement on the blockchain and are uniquely suited to real estate deals, because they can handle conditional clauses.

As an example, startups like UK-based Midasium are already providing a prototype platform that replaces traditional landlord-tenant agreements. Using smart tenancy contracts, clauses of the agreement are automatically enforced when certain conditions are met. This can include paying rent, returning a security deposit, and directly deducting maintenance costs from the rental amount paid across to the landlord.

It's a system designed for transparency and rapid settlement, and the concept is gaining traction in other parts of the world. An added bonus of using smart contracts for tenancy is the possibility of building up a database of real-time data for rental prices and trends in the rental market.

## A Growing Sector

Overall, enterprise reliance on blockchain is set for rapid acceleration. Forbes, quoting an International Data Corporation (IDC) report notes that:

"Investment in blockchain technology by businesses is forecast to reach almost $16 billion by 2023. By comparison, spending was said to be around $2.7 billion in 2019, and we will see this acceleration ramping up over the coming year."

Blockchain adoption in CRE, however, is still in the early stages. The tech still needs to overcome a few growing pains – in terms of privacy concerns, operational complexity, and a lack of standardized processes - before we'll necessarily see it forming the backbone of CRE transactions.

That said, it's a space well worth keeping an eye on. There's been growing interest, for example, in CRE tokenization - splitting the value of a given asset into separately buyable blockchain-based tokens. What this means in practice is that instead of looking for one buyer for an expensive asset the value gets subdivided and opened to a much broader market. Which in turn may actually boost the value of the underlying asset.

There's a lot of potential and little doubt that blockchain will make its way into CRE one way or another. But, like many things in the cryptocurrency and blockchain space, the real challenge will be separating the wheat from the chaff, the fact from the hype, and identifying functional applications of the tech rather than purely fanciful ones.