

## Here comes blockchain: Commercial real estate industry get ready



David H. Gunning II | Wednesday, June 13, 2018

I will be honest. A year ago, if you had asked me about blockchain technology, I would have given you the “deer in the headlights” stare. No clue. But today, we (lawyers, brokers, bankers, owners, tenants, surveyors, and environmental companies) in the commercial real estate industry need to be ready and look for ways blockchain will quite soon morph into our everyday world.

Imagine a universal, online network that lists every single real estate transaction in the world that is verified by anyone using the network and is transparent, and protects the privacy needs. This is what blockchain will be someday for the commercial real estate world. Imagine a MLS-type Database that is universal and subject to a much better way to be controlled and operated. Essentially, blockchain is a database that holds a listing of all of the transactions, without the need for a central authority.

Another blockchain concept that will soon emerge (it actually has in certain areas of commercial real estate) is the concept of the Smart Contract. The Smart Contract will be utilized in the commercial real estate world and be a revolutionary tool that alters how we do business in many, many ways. With smart contracts, every part of a lease or purchase agreement will be automated and payments will be received instantly even outside of business hours. First, the Smart Contract will be a computer program that takes the terms and conditions of the contract and distributes them across the blockchain database. It will speed up the due diligence process, remarkably, as it will be done in real time. Second, it will help reduce the need for middlemen, hold the monetary considerations and ultimately be the “arbitrator” of the

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contract. Third, it will generate a new level of security for landlord, tenants, lawyers, brokers and banks as they will all have real time access to lease conditions, rent rolls, covenant compliance, reporting requirements, terms and conditions, etc. The Smart Contract will streamline the process in communications, efficiencies of scale, costs, and help prevent fraud.

These are just a sampling of ways blockchain technology will eventually take over the commercial real estate world. In future blogs I will look at the impact on liquidity, title, private placements and other equity raising concepts. We are clearly trending toward this revolution of a new analytic technology that will change the way we all do business. Stay tuned!!!

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