Building Your Digital Information Knowledge Base
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Exploring Blockchain Technology: The Time is Now
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On March 23, I had the great pleasure of participating in the 2017 Road to Reinvention Conference presented by The University of California Irvine’s Center for Digital Leadership. I participated in a panel discussion entitled “What the Heck is Blockchain and Why Should I Care?” Bill Maurer, Dean of UCI’s School of Social Science and one of the world’s leading authorities on blockchain invited me to participate because of my interest in the potential for blockchain in the real estate arena. Bill moderated the session; the other panelists were Mic Bowman, who heads the blockchain development effort at Intel, and Mark Moore, assistant general counsel at Silicon Valley Bank.

My basic thesis was (and is) this: That due to certain specific problems in real estate transactions, blockchain holds great promise. Among the problems blockchain could address is land title registration. While this is handled reasonably well in the United States at the county level, in many countries around the world there is no history of government title registry. Even in the United States, title registration is particularly susceptible to fraud. By providing a broadly distributed, transparent, unalterable record of transactions, many issues of fraud could be avoided. US title searches are one of the most onerous aspects of property transactions; while about 70 percent of title searches result in no problems, the remaining 30 percent can be difficult. And the title search process itself has progressed little in the past 100 years, despite advances in technology. It involves a painstaking search of public records, first to determine an unbroken chain of ownership, and then to discover encumbrances such as tax liens, mortgages and claims that can complicate transfer of ownership. The cost of the title search and accompanying title insurance can add significantly to the cost of the transaction. Title companies typically compile their own databases of property information. A publicly searchable blockchain could greatly simplify this process and reduce transaction costs. There are several pilot projects underway built on blockchain platforms to address property transfers or registration including one in Cook County, Illinois for property transfers and another in the Republic of Georgia to create their first nationalized parcel id registry.

Similarly, blockchain holds promise in the area of escrow. Because blockchain ledgers can contain self-executing code, the need for escrow agencies could be reduced or eliminated by having the transfer of funds held in escrow automated so that it happens without a manual instruction when contractual conditions have been met. Real estate transactions are notoriously slow. Blockchain based applications could speed up these transactions so that they could happen as quickly as stock and bond transactions. It currently takes about 10
minutes for a blockchain transaction to be validated, which is a limiting factor in some applications, such as retail. In real estate, 10 minutes is the blink of an eye.

There are issues with blockchain technology, as one might expect for such a new development. Blockchain relies on validation of transactions through solving complex mathematical computations. In the bitcoin world based on a blockchain platform, this is referred to as mining. Mic Bowman pointed out that this is a surprisingly energy-intensive process: It is estimated that by the year 2020, blockchain validation may use as much energy as the country of Denmark! Clearly, something needs to change for blockchain to be economically viable on a large scale. Although there is currently enormous hype around blockchain, there is no one solution to all business problems.

As we explore emerging technologies (ET) including blockchain applications to address real estate industry challenges, it is advisable to consider if the problem could be alleviated by one of the several distinctive aspects of the platform: its disintermediated, ownerless, distributed nature; its built-on protection against fraud due to the fact that past transactions cannot be altered; the security provided by the fact that all copies of a blockchain ledger must remain constantly in sync and others. If one or more of these characteristics is critical to a solution, blockchain warrants a much closer look and a collaborative approach to pilot projects that move current conversation to action steps. You'll hear more about an OSCRE initiative in the coming days that we hope you will consider joining.

Standards Update

Lease Abstracting Standard - Increased Use of Service Contracts for Short Term Space

New functionality is emerging in the lease abstracting world that OSCRE is building into standards. We will be soon be releasing highlights of recent work by OSCRE member companies for public comment. Some of the more interesting features relates to the use of service contracts for interim space use as part of workplace strategies.

- They can take multiple forms and have a variety of terms but they’re treated like leases.
- They’re managed by the same organizations that manage space overall.
- Space use needs to be tracked as part of an overall space management program.
- It’s a true occupancy cost.
- Yet they look like service contracts.

The current initiative will implement these considerations and other emerging trends into systems and data exchanges conducted through OSCRE’s Lease Abstract Standard.

Investment Valuation Standard - Increasing Demand for More Frequent Updates

Through its collaboration with The International Real Estate Data Exchange Council (IREDEC), OSCRE is looking into the increasing demand for updates to asset and portfolio values in the investment arena. For regulatory purposes and greater interest in tracking values more precisely to market, investment firms are looking to their valuation firms for more frequent valuation updates. This puts increased pressure on the use of databases and the use of a core data set of property information, such as changes in leasing activity. The implications are significant, including:

- Lease abstracting and valuation updates have important connections.
- Flows along the data supply chain will need to be much faster and more fluid.
- New technologies are coming into play – such as machine learning - that speed things up.
- Data governance is even more critical with speed and highly distributed data sources.
Look for your opportunity to review and comment on proposed changes to these two standards initiatives in the near future.

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**Launching soon - OSCRE Academy**

**Data Governance Certificate Program**

Getting the latest information to move your organization forward can be a challenge - knowing what to do with it is the key. Learn how to leverage information for your organization as the catalyst for innovation and competitive advantage. The launch date is approaching for the OSCRE Academy Data Governance Certificate program. This series will provide you with a wealth of working knowledge and solutions in an easy to access web-based format. Webinars are facilitated by industry professionals, giving you access to their knowledge, experience, and guidance on how to apply it to your own organization.

The curriculum covers 6 Core Segments:

1. Building an Information-enabled Business
2. Linking Information Management and Sourcing Strategies
3. Information Architecture, Data Integration and Business Intelligence
4. Information Standards Strategy
5. Data Quality and Data Governance
6. Implementation and Change Leadership

In today's competitive workplace, it's not enough to be the best at what you do. Having the hard skills to master information that drives business decisions at every level of the organization is a must. The Data Governance Certificate makes that possible. For more information, please contact us at info@oscre.org

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