

SEARCHFLOW

COMMERCIAL REAL ESTATE LAWYERS OF THE FUTURE

MARKET RESEARCH

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INTRODUCTION

The commercial property sector is continually evolving.

We know that the Top 100 law firms in the UK are already embracing technology across many areas of practice. We wanted to probe into the impact 'LegalTech' is having in practices of all sizes, and to consider what the future of real estate transactions will look like.

We have spent time interviewing 42 **senior commercial real estate legal professionals** to discuss the next phase of digitisation, automation and AI in the legal transaction process. Do they believe AI and automation will gain further traction? What do they think the impact will be on our industry's hard-working colleagues? And, of course, how will the end-user clients be affected? This report provides the insights to these questions, and more.

From talking to our customers, we know the pandemic has accelerated digitisation strategies, with the value of technology shining through when teams were forced to revert to home-based working. Indeed, it also highlighted gaps where further advances could be made to enhance or modernise the way transactions are processed.



DR THOMAS QUIRKE
Managing Director, SearchFlow

A VIEW ON DIGITISATION

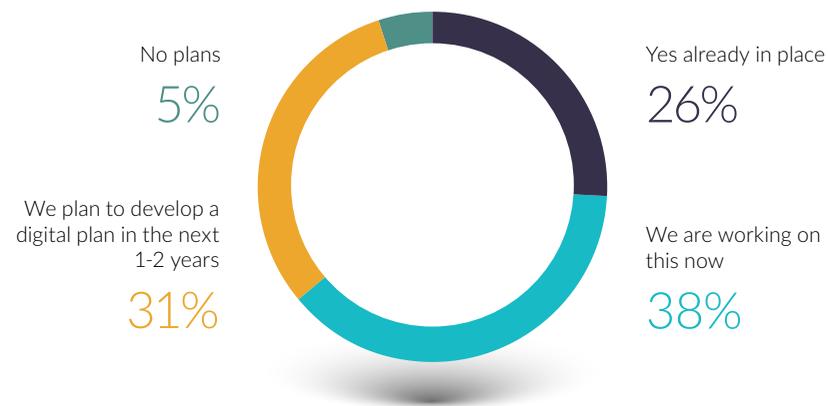
Do you have a defined digitisation roadmap within your commercial real estate business?

The first phase of our interviews focused on digitisation to really understand where firms are today with the adoption of digitisation strategies. In particular, we wanted to find out whether firms are transitioning away from paper-based or manual tasks, and instead replacing these with digitised processes or automation wherever practical. It became apparent that digitisation is firmly on law firms' agendas.

Digitisation is already proving its worth

Just under three quarters (71%) of the senior professionals felt that digitising aspects of the legal process provides their firms with a competitive advantage or differentiation over other firms.

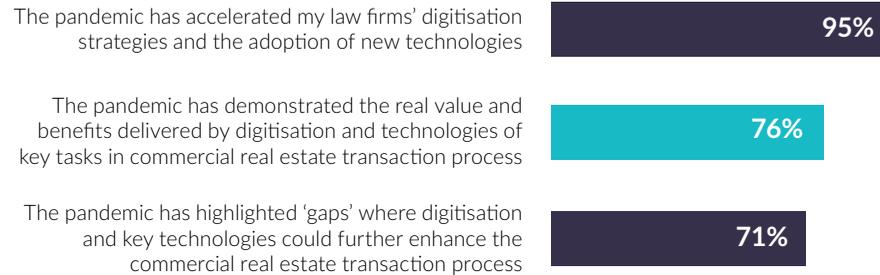
According to 60% of property professionals, digitisation enables lawyers to evolve or upskill in other areas as fewer manual interventions are needed to progress transactions.



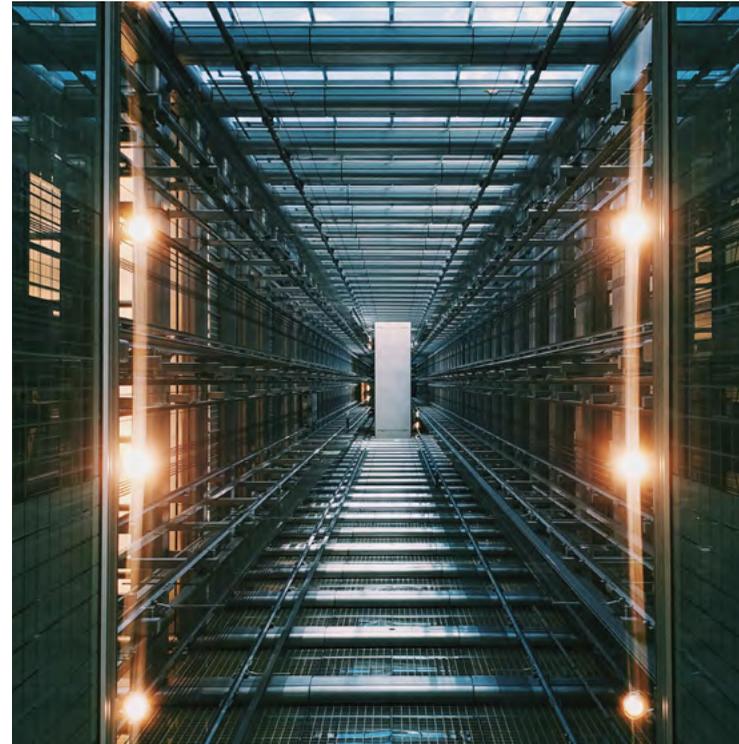
95% say the pandemic has accelerated their digitisation strategies and adoption of new technologies.

The pandemic has sharpened lawyers' focus on technology

Law firms have increased their investment in digitisation and technology spurred on by the pandemic – and are already seeing the benefit of their investment.



Just over half (52%) believe a major benefit of digitisation is the time saving efficiencies it creates.



AI AND AUTOMATION IN REAL ESTATE LAW

Does your firm currently use Artificial Intelligence (AI) or other systems that automate what were previously manual processes or tasks in your real estate team?

The concept of Artificial Intelligence (AI) and its use in automating aspects of the commercial property transaction process is not new. Output from our interviews shows that it is gradually starting to replace previously manual processes or tasks in real estate teams.

29% already use AI and automation in parts of their business

No, we have no plans to integrate AI/automation technologies in our commercial real estate team

5%

Yes, we have been using AI/Automation within aspects of our business for more than 12 months

12%

Yes, we have been using AI/Automation within our business for less than 12 months

17%



No, however we are currently reviewing solutions with a view to launch within the next 12-months

33%

No, we have no short-term plans to integrate AI/Automation technologies

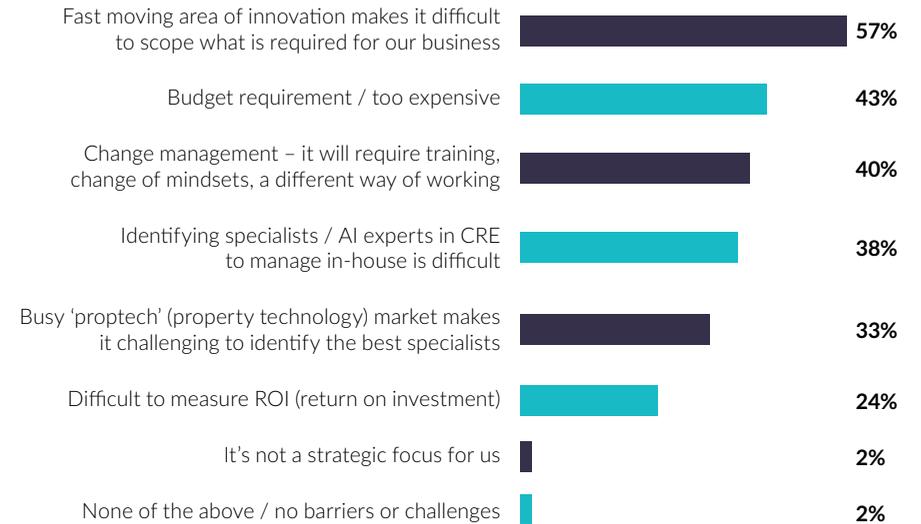
33%

What would you say are the main barriers or challenges to adopting AI and automation software?

Multiple barriers to AI adoption were cited: The fast-moving pace of AI/automation makes it difficult to scope what is required according to 57%, while 43% stated that budget requirement was the main barrier, with a perception that AI/automation is too expensive.

Managing change within firms was also a potential barrier to adoption, suggesting that training, changing mindsets and adopting different ways of working make AI/automation adoption a challenge (40%).

Just 2% felt there are no barriers or challenges to adoption.



How important is it to be able to measure Return on Investment in new technologies?

While AI and automation are gaining traction, the ability to measure ROI on new technologies is considered important, with 95% citing this as critical or very important.

Do you believe that an increased use of software automation increases or decreases your firm's exposure to risk?

Cautious lawyers: When we asked whether the increased use of software automation to handle due diligence processes in their commercial real estate department (i.e. less person-to-person interaction) would increase or decrease their firm's exposure to risk, almost half felt it increases the risk to the business (48%). This compares to just over a third (36%) who felt it decreases risk. 17% believe there would be no change to their risk profile or potential for attempted frauds, or similar, as a result.



THE FUTURE OF REAL ESTATE TRANSACTIONS – WHAT CHANGES AWAIT US?

AREAS TO FOCUS: DIGITISATION

We then moved on to looking ahead a few years into the future. We asked our interviewees to consider the tasks involved in commercial real estate transactions and to suggest which they believe are ripe for further digitisation or LegalTech innovation.

Those that were mentioned the most were legal searches in addition to risk management processes, such as conducting anti-money laundering and identity checks.

This was followed by contract drafting and checking, the environmental due diligence process, automatically returning searches and reports, and drafting lease agreements.



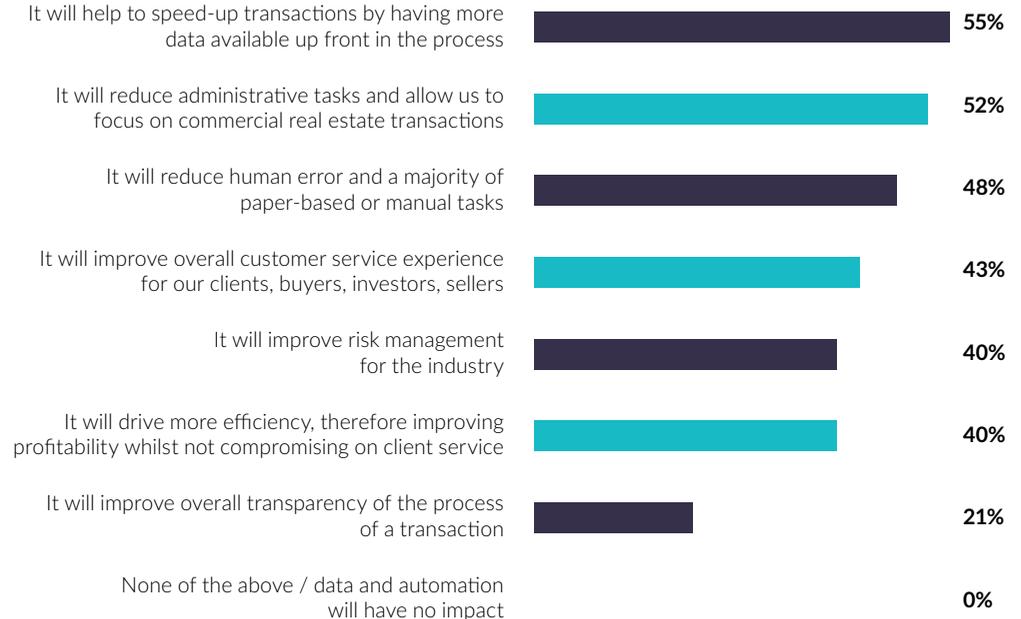
Future scenarios in commercial real estate industry in 2025

98% agreed administrative tasks will be automated, meaning lawyers can concentrate on more revenue-generating activities.

95% believe more data insights or due diligence upfront will mean buyers and investors can make better informed decisions sooner, and received fewer or no surprises later in the legal process.

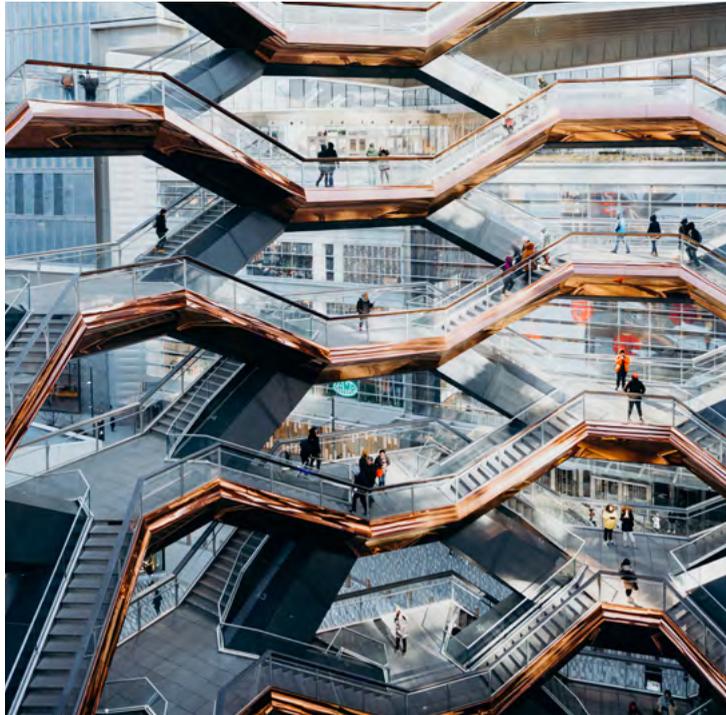
73% believe the industry will see increased regulation by 2025.

What will be the biggest impacts of data and automation on the commercial real estate industry in next four or five years?



Improved customer experience

By 2025, 43% believe the overall customer service experience for clients, buyers, investors and sellers will improve.



Less admin

Almost everyone we interviewed (98%) believes that it is 'very likely' or 'quite likely' that administrative tasks will be automated, meaning lawyers can concentrate on more revenue-generating activities (67% very likely, 31% quite likely).

Better decision making

By 2025, 95% suggest that having earlier sight of due diligence information or data insights will give buyers or investors the ability to make better decisions far sooner (31% very likely, 64% quite likely). The benefits of this will hopefully provide greater certainty on each case, as surprises are less likely to be uncovered later in the transaction lifecycle.



SUMMARY

By 2025, it is clear that lawyers believe that more data and automation will play its part in speeding up commercial real estate transactions. By serving up more data earlier and reducing manual interventions, practitioners will be able to closely focus on completing deals while reducing human error.

While there appears to be a perception by a proportion of interviewees that software automation of due diligence carries a risk, law firms are clearly embracing technology in many aspects of their legal practice. Perhaps this is driven by the many suggested benefits that outweigh the perceived risks, for example competitive advantage and time saving efficiencies were just two positive aspects of automation that were flagged by lawyers.

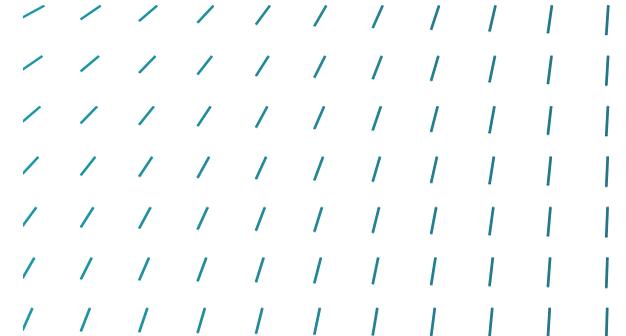
We believe that technology, such as AI, machine learning and the digitised flow of data through cases, is there to empower partners, paralegals and secretaries.

It should not be seen as a direct replacement of specialist people or teams, but instead used to complement their expertise, remove human error and manage risk.

Almost all those senior professionals that we spoke to agreed that further change is coming, driven by LegalTech, and I for one believe that the positives will outweigh the negatives. It's certainly an interesting time to be working in this vibrant sector.



TRACY BURTWELL
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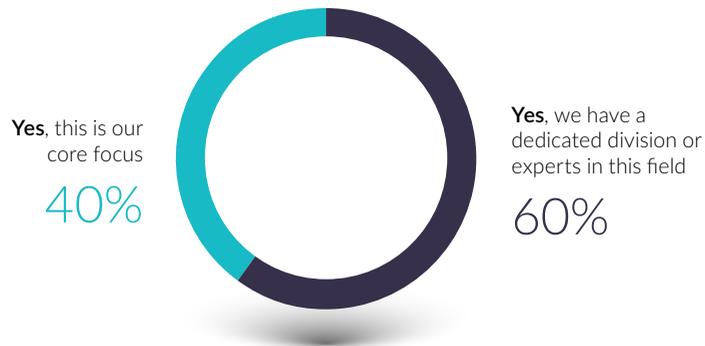


APPENDIX

Who did we speak to for our report?

We interviewed 42 managing partners/partners, heads or fee earners in commercial real estate or fee earners, or directors with visibility of commercial real estate

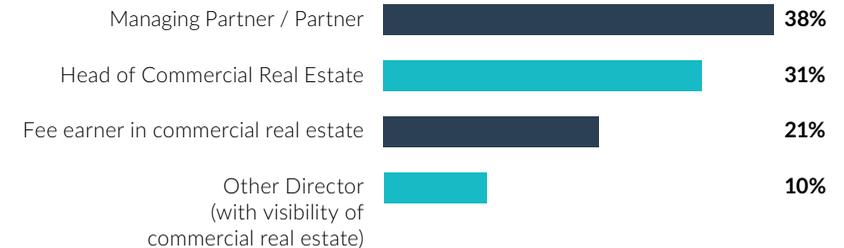
Does your law firm have a commercial real estate focus or division?



How many fee earners are there in your business?



Job role



MAP OUT YOUR MOVE TO AI,
PLEASE CONTACT US FOR YOUR
FREE 1-HOUR AI CONSULTATION
OR SIGN UP FOR A DEMO

You could be 24 hours from cutting-edge property data,
time savings and cost efficiencies

Access more valuable insights with our Property Trends, Market Research and
Data Insight guides **available here**

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