

## **How Blockchain Technology Could Transform Commercial Real Estate: Land Records**

*Hinckley Allen Real Estate*

November 27, 2018

---

There is a lot of buzz around blockchain technology and cryptocurrency. Blockchain technology has potentially limitless applications outside of Bitcoin. It could modernize the way we do business. It offers a more secure and transparent system of recording transactions, with the potential to maintain land records, automate acquisitions, manage leases, and more.

### **It Builds Trust**

As a distributed ledger system, blockchain is the answer to creating trust on the internet. A distributed ledger is a network of computers, each recording a series of transactions. It provides a means of sending information across independent databases that validate each transaction. Each new modification is called a “block” and is time-stamped and added to the chain of existing information blocks. This blockchain appears on each distributed ledger, publicly and transparently. It is secure because it is hard to hack or otherwise tamper with data that is kept on so many ledgers. All computers receive the same data and can create consensus that the recorded transaction is valid.

### **Creates Administrative Benefits**

This technology could revolutionize keeping land records. Land records are still largely kept on paper at the municipal level. There is currently no standard for electronic transfer of property rights or a secure technology to support it. In today’s global market, this process is inefficient. Blockchain technology provides a secure, public, cost-effective system of online land registries where no exists today.

### **Reduces Risk**

Blockchain land records are secure because of the network of independent computers that validate each change. The land owner is given a unique code representing the property, referred to as a token, and that party is recorded as the owner of the token on all distributed ledgers. The record owner has a private access key to make modifications like transfers, mortgages, and recorded leases. Each action affecting a property is performed through a smart contract. A smart contract is an automated computer code that is triggered when pre-programmed conditions are met. Because the system of distributed ledgers is tracking all changes when they are made, it is difficult to hack. This reduces property fraud. Blockchain is disaster-resistant. It could be used as a robust computer backup system, resistant to malicious attacks and erasure. In contrast, current land records are prone to everything from natural disasters that threaten paper deeds, to cyberattacks that delete electronic records. Blockchain prevents both.

### **Stays up-to-date**

Blockchain records are also transparent and instantaneous. The network of validating ledgers would accept or reject

changes made to the land records automatically and immediately. Parties will know about changes in property ownership in real time; this increases trust between the parties and speeds up the overall transaction. In an acquisition completed on blockchain, the property token would be automatically transferred to the buyer, maintaining the most up-to-date records at all times. This system would reduce human error in recording and increase efficiency by eliminating the need to manually review or record in a local vault; it facilitates purchasing property remotely.

## **Conclusion**

The adoption of blockchain technology in commercial real estate has already begun. Earlier this year, South Burlington, Vermont, became the first town to record a deed on a government-supported blockchain. Other early adopters should anticipate legislative hurdles. The biggest hurdle to electronic recording is that it is currently not valid and binding in most U.S. jurisdictions. Certain transactions can be effectuated only with paper.

Questions that industry leaders are seeking to answer include: Should records be kept locally, statewide, or nationwide? Who will be able to record on the blockchain land registries? Who can access the ledgers that are verifying records? In the event of a dispute, will blockchain deeds be considered valid and binding and satisfy evidentiary burdens?

---

Stay tuned for further information on blockchain technology in Commercial Real Estate. Follow Hinckley Allen on [Twitter](#) and [LinkedIn](#) for the latest news and updates.

For questions about the above topic, or any issue related to [Real Estate](#), please contact the [Hinckley Allen attorney](#) with whom you regularly work.

---

Read more from our Real Estate newsletter on the latest technology trends, and our recent work:

1. [Exclusive Use Provisions in Shopping Center Leases](#)
2. [Qualified Opportunity Zones: Insights from the Government's New Guidance](#)
3. [A Developer's Guide to Mixed-use Developments](#)

## **Related Industries**

[Real Estate](#)

## **Related Practices**

[Real Estate](#)



[Albany](#) [Boston](#) [Chicago](#) [Hartford](#) [Manchester](#) [New York](#) [Providence](#)