



COPENHAGEN LEGAL TECH LAB — PODCAST

EPISODE 10 – REAL ESTATE & LEGAL TECH

In this episode, Nick Hawtin, Legal Tech expert, and Mikkel Højland, Co-founder and Product Owner at Estaid, discuss the potential of legal tech tools in the real estate market.

00:00:00

Intro music

00:00:06,940

Nick Hawtin

Hello and welcome to the Copenhagen Legal Tech Lab Podcast where we address innovation and the law from three angles people, technology and business.

My name is Nick Hawtin, and today we're here at the Faculty of Law at the University of Copenhagen, together with Michael Højland, who is co-founder and product owner at Estaid.

I always stumble over your name. I apologise for it. What is it you guys? There's a talented bunch of people. What do you guys do?

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Mikkel Højland

Nick, thank you for having me. We're really good at making convoluted data operational in everyday work life.

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Nick Hawtin

And you've done this a bunch of different, several different places. You did it first as a consultancy, you've done several products. You've got Estaid now. What's the industry that Estaid does this for? And what do you do more specifically?

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Mikkel Højland

Now with Estaid we are specifically in commercial real estate. We found that is an industry with a high need of transparency and insight when trading assets in the commercial real estate space, but also with a whole lot of convoluted data and with a very low amount of transparency.

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Nick Hawtin

I'm seeing lots of paper. That's like some of its typed, some of its not typed. I see, like ink pen. Over the years all kinds of little attachments and easements are a big thing for you guys. So, what do you do for the customers? What do you do to the material?

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Mikkel Højland

Well, the customers, they get a platform, a data platform from where they can hit up any property in the country and get all of the data that they need.

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Nick Hawtin

And for now, you're in Denmark?

00:01:54,030

Mikkel Højland

For now, we're in Denmark.

00:01:59,280

Nick Hawtin

When you say all data on a property, where are you getting it? And what kind of data?

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Mikkel Højland

We integrate loads of different public data, sources of 15 different public data sources where we get a lot of information about sort of the structure of the property, the ownership, the transactions, a lot of that kind of thing. And then also we started actually partnering up with private companies that have interesting data sets that they want to operationalise and monetise for our clients also. So, we have this the audience of customers within commercial real estate that we then can serve unique datasets to make them get an even better foundation to make that decision making on.

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Nick Hawtin

All right, your clients. What's the breakdown in your clients? I'm assuming you've got lawyers involved? But and then there must be other people, too. So, whos' the client?

00:02:53,050

Mikkel Højland

Yes, we definitely got a lot of lawyers involved in quite a few of them. It's all of it is based around the people transacting commercial real estate on a high level. So that would typically be investors, investment managers or asset managers in real estate investment companies.

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Nick Hawtin

We're not talking about a residential single unit homes, house and apartment. We're talking apartment blocks and commercial property.

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Mikkel Højland

Yes, definitely large transactions like 50 million DKK+, often more. These larger transactions often for pension funds and companies like that.

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Nick Hawtin

And then all their brokers and all the people that get involved.

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Mikkel Højland

Yeah, exactly. So, the people actually making the decision on buying the real estate is obviously a big part of our customers, but they also have a lot of different types of advice. One of those advisors being the legal teams, typically from larger law firms, and those advisors are also part of our customers.

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Nick Hawtin

All right, did you pick this industry?

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Mikkel Højland

Well, there's multiple reasons for it. It's an industry with a lot to be done better. It is one of the oldest industries in the world. And the legislation and the principles like around the world kind of also shows that a little bit.

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Nick Hawtin

There's room for improvement, right? Somebody a week or two ago told me that the real estate industry has the has the software it deserves. Ouch! So, there's room for improvement. And there's a lot of money, it's a huge asset.

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Mikkel Højland

It's the world's largest asset class. Yes. And also, it's something that frankly impacts all of us like we all have to have to pay a place to live and work and, like doing well within real estate means a better place for all of us.

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Nick Hawtin

All right, and the opportunity to build nice business while improving the quality.

All right, so one of the things we always talk about in this space and a recurring theme in this podcast is getting the lawyers to actually use the software. There's a lot of great tools out there. But word and Excel work great. And, you know, look, I've got a screen for each on my desk. Getting this into the market. How is that going? Because you guys were in this game for a while. It's not uncommon to sell five licences to a company at a law firm, and then one gets activated or zero get activated. How are you getting people to use it? And are they using it? And how is that going?

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Mikkel Højland

Yes, it's definitely an area where there's a lot of, you know, work there is to be done there. But I think over the last, just the last few months, even we've gotten a lot better at activating the users. And we often see that as soon as people get the gist of it and there's a ball rolling, they use it more and more and more, and we also see that in our performance metrics on the product.

But it's really getting over that first sort of understanding and getting started and seeing the value in your own context. Once you get over that hill, it's a lot easier to get the ball rolling.

So, we emphasise a lot of our time in getting people on board, being there in the early phases, having people like sit down with me in the room, try it out and try some cases out that they know and are comfortable with themselves.

I had a recently a lawyer to say to me that, he was a very conservative person and he said to me and to the rest of his colleagues «You guys should try it out because it actually works» and what he meant by that essentially, he was sceptical for the longest of times. But after he had tried it out

and tested it like with other traditional sources, so to speak, he had found that it just works and it's just, you know, fast and gives the better overview. It takes a lot of time.

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Nick Hawtin

Well, like when I met you guys, you guys were under the umbrella of “why”. And you said there was a very good reason because if you need to keep asking why, to get down to why people need something.

And the lawyers are perfectionists and those of us that they come from the software innovation side, we're looking for good enough.

With your product you're dealing with data. And you guys are specialists at making data accessible. How good did you have to make the data the lawyers to say yes. Because I mean an 80% solution isn't good enough. You can't fake it till you make it, with legal documents, are you? How do you get everything out? How do you get them to buy into this as a labour saver?

Do you have the full 100% of all the data that's out there or are there missing pieces? How do you judge any gaps? How do you deal with the gaps?

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Mikkel Højland

Good question. I don't think that it's quite possible to get 100% of the data out there, but we can be striving for it.

The problem is also that the different sources have different methodologies and definitions and, you know, structures of the data. And it has to be, you know, working together. All of it.

I think, to answer your question, I feel like it's important for us to choose the data sources and so the data points that are being used the most often and being activated the most often. And then there might be outliers once in a while where you cannot use the state for it right now. It might come in the future though.

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Nick Hawtin

But they're satisfied that you cover enough of the data that they're getting what they need.

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Mikkel Højland

Yes, and that's the key part. First of all, we have to make sure that what we show is correct. That's a big part of it, we cannot have things that are incorrect. And by correct, of course, I mean correct compared to the public sources.

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Nick Hawtin

So correct, it is a complete representation of everything out there.

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Mikkel Højland

Exactly. So that's one thing. Another thing is definitely you need enough information that it gives you a temper advantage to go with us as compared to going to like these 15 different sources. You have to be able to go in and with, like a few clicks, get an overview

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Nick Hawtin

The value that you're creating for your customers, the age-old conflict between time saved versus time, build the billable hour, the tyranny of the billable hour. How do you create value for this? How do your customers see this?

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Mikkel Højland

This is definitely also interesting question that we encountered a few times, especially with more conservative organisations. We try to optimise for a more effective commercial real estate industry in Denmark, but in the future also like the world. So, we believe that if we can make sure that transactions are happening faster with less work and at higher precision, then we create value for the industry, and we believe that big advising customers that are currently billing hours, they share that vision with us and if they don't share that vision with us, they probably will share that with fishing with us soon because they had advise us that work to optimising the transactions will win more clients.

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Nick Hawtin

The advice you're looking at is fixed price deals. Deal volume vs. obviously hourly rate.

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Mikkel Højland

Yeah. So, there's an incentive alignment that is happening slowly in the legal segment right now, which is some of the standard services turning more into fixed price services. And also in some cases, there's a lot of focus on what kind of value do we actually create for this account so that they will come back, you know, for the for the next deal.

And so, what we're trying to do is really to align those incentives so that the advisors, the lawyers, get the same kind of incentive structure as the end customer

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Nick Hawtin

We talked earlier before we started talking here about how to deal with the biggest asset class that there is and that it's a slow asset class because, for example, one of the tools you have is a search tool for easements. And right now, the process is so slow from identifying property you'd like to analysing to make it a bid and closing the sale, and that we've seen a similar development with a lot of financial instruments. The speed of transactions has led to an exponential increase in the number of transactions.

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Mikkel Højland

That's exactly what we are working towards. So, we see that there's no real reason that commercial real estate shouldn't be traded much more. Speedily, freely, efficiently, accessibly as you see with stocks. It's something that would, you know, create a lot of benefits not only to the players in the market now, because there would be a lot of benefits there, but it would also potentially open up four more players in the market because, you know, the entry barrier to be able to transact here would be much lower if you don't have to spend six months on one single transaction.

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Nick Hawtin

Listen. I mean, 15 minutes ran away from us. So mega thanks for joining us here at the Copenhagen Legal Tech Lab Podcast.

This is Mikkel Højland, co-founder and product owner at Estaid

I'm still Nick Hawtin. Thank you for listening to the Copenhagen Legal Tech Lab Podcast.

Mikkel, thank you for joining us.

00:14:03,200

Mikkel Højland

Thank you, Nick.

00:14:08,860- outro

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