Lease Intelligence Buyer's Guide

The business case for AI-powered lease abstraction in real estate

mri

REAL ESTATE SOFTWARE

Introduction

Today's property managers and real estate departments face the challenges of balancing occupancy, managing revenues and costs and mitigating their risks to maximise portfolio performance. To accomplish these goals, businesses must successfully manage the document that sits at the core of the tenant/landlord relationship: the lease.

The data contained in real estate leases plays a critical role in helping tenants and landlords at both the operational and strategic levels of their organisations. Lease abstraction is commonly used to extract essential information, such as key terms and clauses, and make it more accessible for decision-making, but the traditional process requires manual work and takes time away from business-critical tasks.

Key risks of manual lease abstraction:

- **Data quality** – Regardless of whether data collection and aggregation are outsourced or performed in house, the risk of mistakes is high. Identifying errors and discrepancies is difficult, and fixing incorrect information is cumbersome and tedious. Data inaccuracies can lead to poor decisions and negative financial repercussions.

- **Lack of auditability** – When data is extracted into spreadsheets without linking back to source information, there is no audit trail, which results in a painstaking process to identify and fix mistakes. Once the data is abstracted, it cannot be manipulated or analysed in ways that provide additional insight for the business.

- **Lack of structured data** – With traditional lease abstraction, critical data is locked in leases or spreadsheets as opposed to being stored in one central location where it can be accessed and leveraged to gain portfolio insights. The larger problem is that unstructured data, including text files, PDFs and scanned documents, is usually not as searchable or easy to interrogate. Traditionally, teams managing real estate have relied on human interaction to make unstructured data meaningful, but this process is inefficient, expensive and often prone to errors.

- **Slow turnaround time** – Highly skilled staff spend hours searching through large, unwieldy documents to find specific data points, and entering the information into spreadsheets takes up valuable time and comes with a high risk of human error. Manual lease abstraction can slow down the due diligence process when potential acquisitions are being evaluated. In these scenarios, firms need data quickly to determine valuations and other metrics. Solely relying on humans to accurately extract large amounts of data can prolong the timeline or even jeopardise the opportunity.

The value of Lease Intelligence

The introduction of Artificial Intelligence (AI) to the lease abstraction process solves these pain points, unlocks valuable lease data and presents opportunities for landlords to maximise growth and revenue, or for tenants to more efficiently control their costs. In this guide, we'll discuss the benefits of AI-powered lease abstraction and how to select the right provider for your requirements.

Section 1: What is Lease Intelligence?

Lease Intelligence is an AI-powered lease abstraction solution that brings critical lease data to the surface so that it can be accessed, analysed and consumed for strategic business benefits. The technology enables real estate executives that oversee operations, technology, lease administration, property management and asset management to reduce risk for the business, work more efficiently and identify opportunities for growth.

MRI Lease Intelligence is built on Leverton Intelligence, a proprietary technology that uses machine and deep learning algorithms and cutting-edge Natural Language Processing (NLP) to handle complex data extraction tasks. Lease Intelligence is highly trained and understands the language of the world's most complex document types. It automatically finds relevant data within text using NLP, pattern recognition, and layout detection. Instead of implementing specific rules, the solution can quickly learn and generalise from examples. In addition, the Optical Character Recognition (OCR) technology in Lease Intelligence is built to handle even the most nuanced image-to-text issues with higher precision than most other OCR technologies.

How does AI-powered Lease Intelligence work?

Lease Intelligence accelerates the abstraction process using trained AI technology along with a human review service to fill in gaps. The extracted data is highly structured and can be leveraged in ways that provide insight to the business, including streamlined contract analytics, improved lease negotiations and efficient valuations for real estate firms.

At a high level, these are the main steps in the AI-powered lease abstraction process:

1. **Upload** of leases via e-mail, direct upload, or APIs

2. **OCR (Optical Character Recognition)** processing of leases into machine-readable text. This allows turning the visual text into a text file that can be read by the machine. Once the OCR is completed, the text is "read through" like a human using natural language processing.

3. **AI data extraction and linking of extracts to source information** in the original document (lease). The machine looks to find information based on an extraction template that tells it to look for key data, such as a specific name, rent amount, termination option, CAM charge, or due date. The extracted data are linked to source information in the lease. Over time, the AI solution learns from every lease that comes through the platform so that it better understands the terms and increases accuracy over time.

4. **Two-step quality control and validation of extracted data** during which any discrepancies in extraction are corrected through human input, ensuring the highest data quality.

5. **A centralised repository of structured data** enables users to search for important parameters and create dashboards and reports for stakeholders to drive additional insights from data. Structured data can be easily accessed and analysed in different formats in the platform.

6. **Integrate with third-party systems** and export to Excel via API. For large organisations, the availability of clean data and the ability to consume structured data within your desired target systems makes forecasting and reporting significantly easier.

What are the business benefits of Lease Intelligence?

Employees across the workforce have reported losing up to ten hours a week manually tracking data. Human error is the leading cause of accounting mistakes, and according to Gartner, **the average financial impact that poor data has on a business is estimated to be around $9.7 million per year.**

Lease Intelligence reduces the risks associated with bad data and empowers companies managing a real estate portfolio to make decisions based on accurate, reliable data that can be tracked, searched, analysed and manipulated in ways that benefit the business.

Structured vs. Unstructured data

A key capability that differentiates Lease Intelligence from traditional lease abstraction processes is the concept of structured versus unstructured data.

Real estate firms own and store massive amounts of data in a variety of formats -- structured and transparent in some instances, but more often in unstructured formats. Data from PDFs, scanned documents, emails, amendments, text files and even social media files are often entered into spreadsheets manually or stored in document management systems and other enterprise applications.

However, the biggest challenge with unstructured data isn't about storage and organisation, but rather how to make the content contained within unstructured documents functional so that value can be derived from it. Traditionally, firms have relied on human interaction to make unstructured data meaningful, but this process is not only slow and expensive but often prone to errors.

OCR, natural language processing, and deep learning technologies present an opportunity to alleviate this headache by turning volumes of unstructured data into actionable data that can be easily analysed and searched. As the amount of data and the variety of data types continue to grow over time, firms that can efficiently process data, make the content functional and derive value from it will be several steps ahead of the competition.

Business impact of Lease Intelligence for property managers and real estate teams:

- **Improved data quality and management** – Paper-based documentation, manual data extraction, and continuous data re-entry come with their own set of risks. Lease Intelligence provides real estate owners, operators and occupiers with access to tools that improve the accuracy of the data entered and extracted. Businesses that leverage data to their advantage can make better strategic decisions for their current portfolio and speed up the due diligence process to move quickly on new opportunities and stay ahead of the competition.

- **Auditability, transparency and availability of data** - Since the lease is efficiently digitised and the terms cataloged, links to source documents are automatically built and data can be extracted and aggregated to provide a wealth of analytics, making the data usable across the organisation. Firms can achieve more effective asset and property management with finger-tip access to critical data.

- **Structured data** - Turn volumes of unstructured data into actionable data that can be easily analysed and searched. Lease Intelligence goes beyond OCR data extraction and population; it applies structure to the data which allows it to be usable outside of the original project or use case.

- **Save time** - Commercial leases can contain detailed information with hundreds of data points that take time to review and extract. Lease Intelligence shortens this time frame, providing significant resource and time savings for organisations, especially at scale. Systems with multi-language capabilities offer even greater time savings for global organisations, enabling lease abstraction from a centralised system rather than relying on in-country support.

Section 2: Use cases for commercial real estate

While many AI technologies promise to deliver results far into the future, Lease Intelligence can provide results today. The benefits of Lease Intelligence for real estate owners, operators, property managers and occupiers can be applied in different ways depending on the unique requirements of the business.

Challenge 1: Extract key lease terms and prepare data for consumption

A real estate organisation based in the US, specialising in securities trading, was challenged to manually extract lease terms, clauses and rent paid from property management documents in a variety of formats. The data needed to be extracted and organised quickly and accurately, so it could be used for performing due diligence, creating documents for public offerings and modelling proformas with lease abstractions.

The firm used Lease Intelligence to abstract lease documents into usable information and expedite the process of populating complex reports. The data was then organised into an easily consumable format to enable comprehensive search of property information.

Business benefits:

- Quicker turnaround times from property owner signup to property qualification
- Create more reliable data for due diligence, creation of proformas and distribution to investors
- Reduce dependence on legal support, resulting in significant cost savings
- Standardise the filing process and documents, leading to increased accuracy and reduced manual efforts

Challenge 2: Automate abstraction of lease data

A leading real estate investment management firm required technology to centralise and automate its lease abstraction process and speed up future diligence processes. The company needed to maintain accurate lease data to use its existing MRI Software property management and accounting solution in order to collect revenue from tenants, pay expenses and generate NOI. Modifications to existing leases required continuous manual updates to ensure accuracy, avoid missing any revenue-generating opportunities or expose the business to undue risks.

Using a centralised document management system along with Lease Intelligence, the firm was able to improve processes and reduce manual effort while ensuring data quality. AI technology automatically reads and gathers crucial data from leases to deliver more accurate and structured data that drives reliable reporting and forecasting. With easier access to data, staff can focus on more value-added initiatives and the analysis and interpretation of data.

Business benefits:
- Digitised and abstracted nearly 400 office, industrial and retail leases using Lease Intelligence, saving approximately 1,600 hours of manual abstraction and review time
- Achieved full auditability of key dates, dollars and clauses
- Processed new leases within 48 hours, increasing turnaround time
- Incorporated AI technology into the company's lease management operations and workflow
- Lease Intelligence technology increased efficiency while preserving the quality and accuracy of data

Challenge 3: Create accurate rent rolls to identify revenue opportunities and prevent leakage

A commercial landlord needed to speed up and simplify the process of rent roll comparisons across its growing portfolio. It required the ability to compare portfolio data to data tapes and rent rolls in order to identify and eliminate discrepancies. The landlord was unable to rely on data in its ERP system to accurately calculate rent.

The firm used Lease Intelligence to digitally abstract key data from scanned leases and conduct a rent roll comparison between the data sets. Billing discrepancies ranging from 10 - 30% of total rent values were identified. With Lease Intelligence, the landlord can be confident that the rents being billed are the actual rent amounts according to the contract.

Business benefits:
- Reduce the risk of incorrect billing and invoicing by using AI to read lease files
- Compare and validate rent roll data to find discrepancies
- Calculate the correct rent according to the agreements
- Confirm that the rent being billed is the actual rent amount in the contract
- Trace data back to the original source document to confirm accuracy
- Ensure proper asset valuation based on correct data

Challenge 4: Ensure compliance with lease accounting standards

A UK-based quality assurance provider, with global locations and operations, needed to optimise its ongoing lease management processes to ensure continued compliance with new IFRS 16 lease accounting standards. A major part of this was a requirement for a streamlined solution to centralise all multi-asset lease documentation and automate the transfer of key data into its lease accounting platform to improve the underlying quality of financial data. The company's lack of manual resource to abstract such high volumes of data from complex lease documents presented a significant challenge.

Using Lease Intelligence, the company has created a fully searchable document set, regardless of document quality. They have been able to utilise technology to extract key data from 1,200 leases a year – ensuring all data points are captured quickly and accurately, and are readily available to support ongoing IFRS 16 compliance.

Business benefits:
- The ongoing generation of high-quality and accurate data
- Mitigation of the burden on internal resources to handle document review and data aggregation
- Reduction in turnaround time between new leases being signed and data being made available for accounting purposes
- A centralised repository of structured, up-to-date data for ongoing lease data management

Section 3: What to look for in a Lease Intelligence solution

AI and machine learning is the first step in creating a comprehensive data strategy from which sophisticated analytics and insights garnering can be used to benefit the business. The right AI-powered Lease Intelligence solution will support your organisation's digital transformation journey.

Integration capabilities – Choosing a solution that plays well with others will provide more value than a standalone system. Integration with your broader property management, asset management or ERP system will allow you to leverage lease data across all facets of the business and gain exponentially more insight and competitive advantage.

Pre-trained AI – It is important to note that with natural language processing (NLP) for any new type of document, it requires time to train the machine learning. That learning is then retained for the next review, but it won't improve efficiencies for the first batch. Look for a solution provider who has experience with your particular type of document, since their technology will come "pre-trained."

Ease of use – While AI can be a complex technology, a Lease Intelligence solution should not require users to have advanced technology skills or be data scientists. Easy-to-use solutions are available for firms without in-house IT resources, and user adoption is achieved more quickly.

Granular data extraction – Look for Lease Intelligence solutions that extract granular data instead of only clauses. Granular property and lease data is the foundation that drives efficiency, auditability and digital completeness for your firm.

Multilingual capability – Lease Intelligence solutions with multi-language capabilities are a must for global businesses. The ability to extract data from leases in different languages saves significant time, and global companies should understand the language capability of the data abstraction solution provider when evaluating it against their requirements.

Table 1: The value of Lease Intelligence

VALUE	BENEFITS
Risk mitigation	Establish an accurate, informed data-driven decision-making process by leveraging source-based data rather than conjecture or stale information.
Operational efficiency	Speed up data extraction processes by 50 to 75%, enabling staff to spend more time on strategic, high-value tasks.
Transparency and auditability	Data points remain connected to the relevant section in the original document and can be accessed with a single click, even from spreadsheets.

Table 2: Traditional lease abstraction vs. AI-powered Lease Intelligence

LEASE ABSTRACTION	LEASE INTELLIGENCE
Paper-based, scanned documents	Digitalised documents
Unstructured data stored in spreadsheets	Structured data stored in a smart, centralised repository
Manual data extraction	AI-powered data extraction
Continuous and manual re-entry to update data	Automatic and real-time data updates
No audit trail to source data	Complete audit trail to source information
Data inaccuracies resulting from human error	Data integrity and congruency
Manual data entry into target system	Efficient API integrations to the target system
Hours spent locating data in documents	One click search to find key data in documents
Limited or no contract analytics	Advanced and predictive contract analytics

Section 4: Buyer's Guide Checklist – Lease Intelligence

If you're starting to explore options to improve your company's lease abstraction processes, here are questions to ask prospective providers.

Technology & Integration

- ❑ Does the provider have pre-trained AI with out-of-box trained models for key contract types?
- ❑ Can the solution integrate with other systems, such as ERP or asset management software?

Product Capabilities

- ❑ Does the solution generate data that is auditable, and easily searchable?
- ❑ Does the solution offer granular data extraction?
- ❑ Does the solution have multi-language capability?
- ❑ Does the solution have available dashboards, reporting and analytics capabilities?

Ease of Use & Training

- ❑ Is the solution user-friendly and easy to adopt?
- ❑ Does the vendor provide user training and additional resources to get up and running quickly?

Market Adoption

- ❑ Is the software being used by other companies that are similar to yours?
- ❑ Can the vendor provide references that are similar to you?