BE NEWS

Sponsored by drooms

HOW TO SPEED UP THE DEAL-MAKING PROCESS USING AI

Leading industry figures joined **BE News**, sponsors **Drooms** and hosts **Freeths,** for a lively and important debate exploring how asset managers should be using tech and AI to complete deals faster

INDUSTRY GUESTS:

Joey Aoun, Director, Savills IM

Nicolo Benzi, Investment Director, Patron Capital

Meenal Devani, CIO, Aprirose Real Estate Management

Ollie Donaldson, Senior Investment Manager, Knight Frank Investment Management

Alexandre Grellier, CEO & Co-Founder, Drooms

Sam Kempe, Founder, IMMO

Sabri Marsaoui, Director at Blackstar Real Estate

Nicolas Melvin, Portfolio Manager, Edmond de Rothschild

Katarina Papavasileiou, Director, Federated Hermes

Clive Pearce, Partner, Freeths

Alex Price, Founder, Ashen Capital

Martin Roberts, Principal, Addington Capital

Jack Sibley, Head of Proptech and Innovation, Related Argent

Alexander Spronk, Head of Sales, UK, Ireland & Benelux Drooms

Liz Hamson, Editor-in-Chief, BE News (chair)

Transactions are taking longer than ever to complete, with the latest research from Drooms showing that the average time taken to complete a deal has increased from 342 to 363 days in the past 12 months.

So, why aren't more asset managers using AI to accelerate the process, what are the pros and cons of using AI and what is the size of the prize for those that do use it?

These were just some of the questions debated by leading industry experts at a wide-ranging roundtable discussion sponsored by Drooms and hosted by Freeths.

WHAT DO WE REALLY MEAN BY AI?

GRELLIER: When answering what AI is, we need to forget the term 'AI'. We all use a variety of tools that make life easier, faster, more transparent and ultimately cheaper. Are they based on AI or not? We don't care. We want tools that provide the information and we need to have reliability.

How you get that reliability is by knowing the source of the information and the latest statistic is ChatGPT 4.0 has an accuracy of 77%. It is high, but it's not enough.

For due diligence, this is obviously a problem, except if you are using software


Clive Pearce


Alexandre Grellier


Joey Aoun

designed for this process. And while software that is 100% accurate does not exist, finding one that helps save 50% of your time with the same level of confidence if you were not using it is the trade-off.

AOUN: Generative AI can deliver this [due diligence] in a trustworthy way. But when it comes to machine learning and forecasting the future based on behind-the-scenes data analysis, we're struggling.

When we question our providers about how they reached the solution, usually they do not know because the algorithm itself is outsmarting the human brain in terms of how they're using the data.

This adds another resource problem, where we must add extra due diligence to our own research to double check if an outcome is a fact or if we should question it.

PEARCE: If someone said to me that a trainee just out of university coming into the workplace to help prepare reports had a 77% accuracy rate, I'd be happy; it would be a dream. So, people's idea of what is acceptable for AI and what is not is interesting.

Knowing it's only going to be 77% accurate means we validate everything, but that still gives a better starting point for some things. We have started using Microsoft Copilot 365, which hives off our client information, so we've got the full GDPR compliance and PI compliance.

People's idea of what is acceptable for AI and what is not, is interesting."

Clive Pearce

WHAT IMPACT HAVE POLITICAL AND ECONOMIC HEADWINDS, COUPLED WITH NEW LEGISLATION HAD ON THE DEAL-MAKING PROCESS OVER THE LAST 12 MONTHS?

DEVANI: It is variable. Some deals have fire safety issues that we just cannot move on, where sellers are having challenges demonstrating how these issues will be solved. Part of it is to do with the issues tied to Gateway Two within the Building Safety Act framework. Another issue surrounds the willingness of buyers and sellers to truly transact. There are many sellers holding


Nicolo Benzi


Sabri Marsaoui


Ollie Donaldson


Sam Kempe

out for a higher price.

BENZI: We are seeing a similar situation. From a due diligence perspective, fire takes more time than before, especially from a technical perspective, where it is more complex and you need an overview as to how to price your refurbishment CapEx works to deliver an appropriate business plan.

MARSAOUI: Regarding the due diligence process, it is frustrating as a buyer when you request basic information and it can take weeks to get information that, frankly, you should always have available.

Over the 20 years of my career, I've always made it a point that any assets we managed or owned should be ready for sale at any time. This should be your foundation position, because, let's be honest, everything is always for sale. It is just always about the right price.

So why would you ever get yourself in the position were you haven't got easy access to the data and information a potential buyer would need? As one of my managers says, "time kills deals."

KEMPE: We had a situation where the sellers were being deliberately opaque about information. They were trying to draw people into the process and hoping they would get more committed before they released certain information like cladding reports, something they thought was negative. This blew the whole deal up – they released it the day the bids were due and I don't think they got any bids.

DONALDSON: Market and client requirements are much greater and are impacting on how long deals are taking. Ten years ago, we were doing simple FRI leases, but today clients expect more information particularly around ESG - how do we arrange the relationship with PV panels with the tenant, for example? More tenant demands have created more administration.

> ***As one of my managers says, 'time kills deals'."***
>
> *Sabri Marsaoui*


Katarina Papavasileiou


Alexander Spronk

COULD AI HELP MANAGE SOME ADMINISTRATIVE TASKS AND HANDLE THE INCREASING VOLUME OF DATA?

PAPAVASILEIOU: The problem we have seen is that in real estate the data is poor and fragmented. There are different information RPMs and there is different information for the buyers, lawyers, the IMs.

The risk with AI now is because data is not stored centrally, it could be difficult for an investor to create or run any AI agents on it.

CAN AI HELP TO GATHER BETTER, CLEANER DATA?

SPRONK: We need to start with the basics and start earlier. I don't believe anyone who says they do not use their email as a main database for version control about agreements. Everybody does, which creates massive issues in running a company day-to-day given the turnover of people nowadays.

We all have disaster recovery plans. We need to have data recovery plans obligated in our system.

PRICE: People talk to me about the AI revolution. I do not think we are in one. We are in a technology evolution. This is a slow process and if you look back, the first thing you needed was data. Without that you cannot even compete and the non-data centric businesses are being lost.

What has evolved is that you no longer need to structure your data. You just need to have it, because today the language models can look at the words and generative AI could then create the content. The world is changing and while lawyers still have a valuable place, we are going through a societal shift.

FOR THOSE PEOPLE CURRENTLY USING AI, WHAT ARE THE KEY BENEFITS?

DONALDSON: I'm more productive with AI. As an asset manager looking at different properties all over the country, my job has evolved in the past decade and it is a lot more complex, so I use AI as a search tool.

As a result, my level of understanding is greater and much quicker, meaning deals are completed faster because I can respond immediately, as if I was an expert,

SIBLEY: AI solutions can add value and there are many examples how they can help save time, particularly in understanding large amounts of unstructured data, like documents, during due diligence.

However, the core question is where that time saved is redeployed: this could be into making the deal-making process shorter or used for deeper due diligence.

When due diligence was digitised, most productivity saving was largely deployed into doing even deeper due diligence, not faster

There is a whole list of questions you have to run through before you start to use these tools."

Alexandre Grellier

deal making. There is likely to be a similar trend with the incorporation of AI into the due diligence process.

FOR THOSE HERE WHO HAVE NOT YET ROLLED OUT AI IN A SIGNIFICANT WAY, DO YOU FEEL YOU SHOULD BE USING IT MORE?

MELVIN: I have been acting on the sales side for an organisation with people who are not using AI at all, and others who are using it. This is a legacy situation where real estate is pushing back adoption rates, at least in relation to smaller companies that do not know what benefits the technology brings.

A huge part of the problem is the lack of awareness of what is possible and which tools should be used - some tools are better for certain companies compared with others, but not knowing which tools to use is certainly a problem.

HOW CAN RISK BE BETTER MANAGED BY AI TOOLS?

GRELLIER: When you want to use certain tools you have to bring them to the experts in your company to assess legally if you are allowed to use them. You have to ask where do those tools store the data? Am I obliged to store data on my server? Are they more secure than having a cloud that is triple redundant?

There is a whole list of questions you have to run through before you start to use these tools. It's the smart thing to do, especially if these tools are free.

AOUN: The way we have managed risk is by launching a quarterly global AI webinar earlier this year. This is led by our head of IT who guides us in the use of the technology.

PRICE: A lot of this debate is about how humans can manage technology. I have a dystopian fear that in 10 years' time it may be about how technology can manage


Martin Roberts


Meenal Devani

humans, because I suspect some of the winning businesses in our industry will come forward that will be technology first and they will use humans to interact better.

AI can leap ahead of human creation and human civilisation – it has that ability. I'm not saying it will, but it could thanks to the depth of knowledge it can bring.

HOW WILL AI SPEED UP THE DEAL-MAKING PROCESS, HOW TRANSFORMATIVE AN IMPACT WILL IT HAVE AND WHAT'S THE FIRST STEP FOR THOSE COMPANIES WHO HAVE YET TO START UTILISING AI?

MELVIN: AI presents a good opportunity and the first step for those who have not yet set out on the AI journey is to get a good overview of what is out there in terms of systems.

DEVANI: AI can be transformational. From the buying side, there are three areas where I see it impacting very quickly: information collection; writing IMs and the transaction piece when reviewing legals.

What companies should do, and certainly I would like our company to do, is break down the acquisition and sales processes into very specific tasks and then analyse which tasks you can use AI for because we talked about AI as a big board solution. However, it only works when it is very clearly defined.

ROBERTS: Which AI agent to use and when to use it is a tricky decision for a small business that does not have that capability in house. Inevitably, it tends to be a piecemeal affair based on those people within the firm who have an interest in the subject and their experience gained while working. The alternative is to hire in the capability on a consultancy basis.

KEMPE: AI can undoubtedly speed up the deal transaction timeline. But where it is going to be more impactful, whether for fund managers, or investors, is the ability to work on more deals simultaneously. What is going to create the incentive is when the fund managers and investment managers realise they will get more fees by deploying capital faster. There's going to be a fight for hiring talent.

You also have to get your data right first, and only then will you be toasting AI's success five years from now. □

> ***AI can leap ahead of human creation and human civilisation."***
>
> *Alex Price*