

# NFTS IN THE REAL ESTATE SECTOR



*NFT SERIES  
USE CASE #2*



# NFTS IN THE TRADITIONAL REAL ESTATE INDUSTRY

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The way we think about asset ownership in both the physical and digital worlds is being transformed thanks to NFTs.

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The use of NFTs maintained on a blockchain ledger that reflect ownership of an item is growing significantly as means to authenticate and transfer different rights.

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The real estate sector is one industry make use of the technology at impressive rate.

▶▶▶ Let's take a deeper look...



# PROPERTY OWNERSHIP

- ▶ Real-world (Metaverse real-estate is a whole other topic!) property ownership can be **represented through NFTs**.
- ▶ Traditionally this is done through property deeds which need to be **authenticated** through:
  - Insurance firms
  - Escrow holders
  - Lawyers

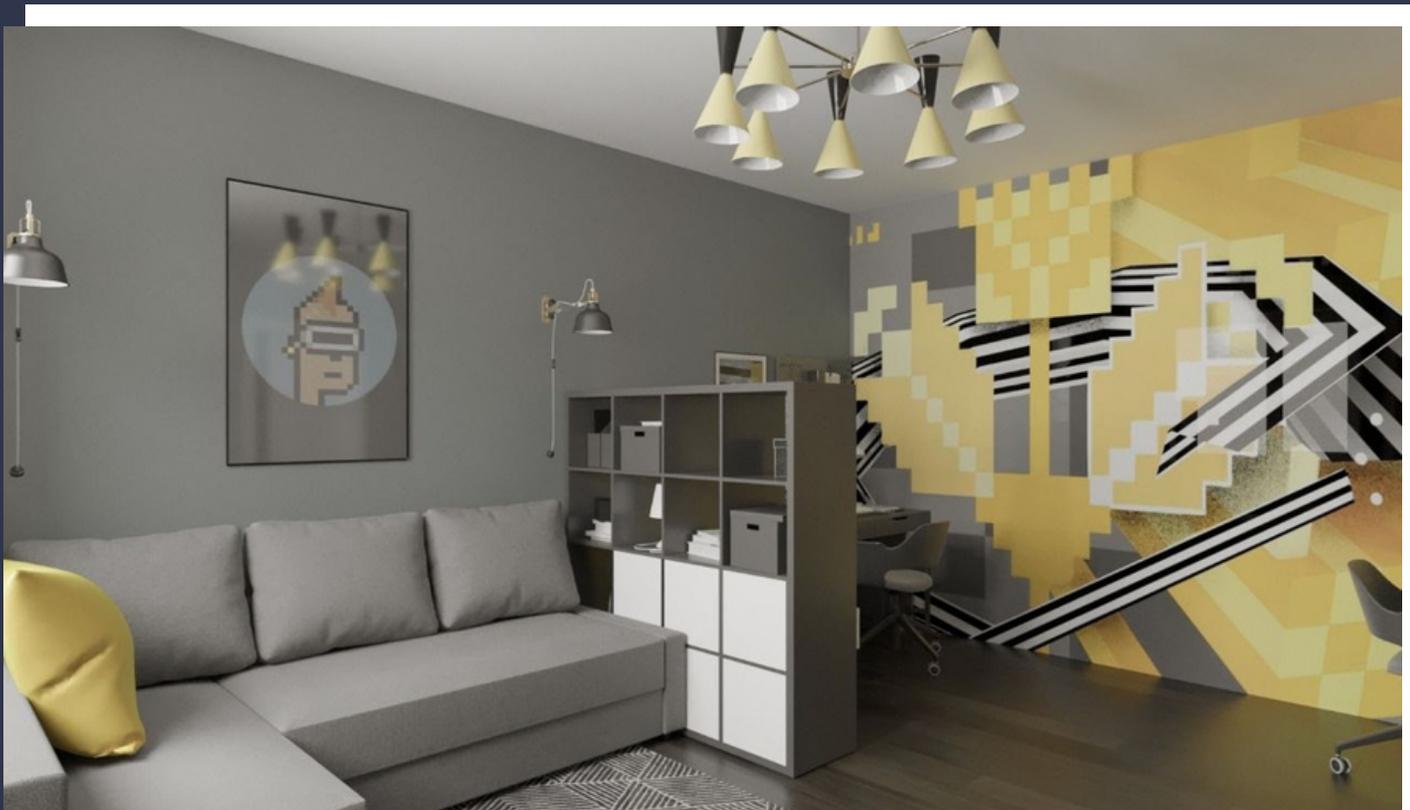
This takes time, money and creates room for distrust and a lack of transparency.
- ▶ Blockchain technology **can be used to**:
  - Quickly settle transactions
  - Detect title encumbrances
  - Verify ownership
- ▶ This ultimately **removes** the need for **3rd party involvement** in a number of areas.



In 2021, TechCrunch Founder  
Michael Arrington

sold his apartment  
as an **NFT**

NFT



# FRACTIONALIZED INVESTMENTS

- NFTs can boost the real estate market's **capital efficiency** by lowering the barrier of entry to regular investors.
- More **convenient** and **financially viable**.
- Similar to **DeFi financing**, real estate development capital can be raised through a **DAO**, run by the community and development team.
- Investors can fund multiple project pools, each of which receives an **NFT token** once construction begins.
- NFT can be **fractionalized** by DeFi vaults into ERC-20 tokens and given to investors.
- This can make real estate investment as **simple** as a few clicks.
- NFTs can also help homeowners in **borrowing against or selling** a their home and could help facilitate shared homeownership.

# CASE STUDIES

One property investment business, **Omni-Psi** raises capital from investors by issuing tokens (ORT) to pay for properties with ongoing pro-rata distribution of revenue to token holders.

Tech startup **Lofty** have developed an online market where you can pay as little as \$50 for a token that is equal to a stake in a single rental property company.

An Indonesian boutique developer named **OXO Living** offered NFTs that represented the actual residences they were offering for sale in Bali. The NFT that was connected to a residence had a right of first refusal for the home's owner.

Through the sale of "Aspen Coins" tokens, the **St. Regis Aspen Resort** sold an 18.9% ownership part in the hotel in 2018. Coins could be purchased by investors using US dollars, bitcoin, or ether.

# HYPERLIQUID **NFTS**

**Illiquidity** is a trait of the current real estate market. This is due to complex and lengthy transaction procedures, which can take months or even years to complete.



Blockchain technology can be used to automate **labor intensive procedures**, removing the need for middlemen. For example, this can help with title searches and lawyer certifications. This is where NFTs can step in.

NFTs can also speed up processes of borrowing against real estate by **fast-tracking lending procedures** on the blockchain by automatically computing the rates.

# HYPERSECURE NFTS



There are issues when **digitalizing physical collectables**. When creating an NFT of such a collectible, this usually requires the destruction of the original copy or permanent imprinting of a digital certificate onto the physical copy in a way that makes it hard to remove without seriously harming the item. \_\_\_\_\_○

This issue isn't the case with property due existing real estate property rights and due to the **non-fungible** nature of the building or land. A property is naturally unique due to its geographic location. \_\_\_\_\_○

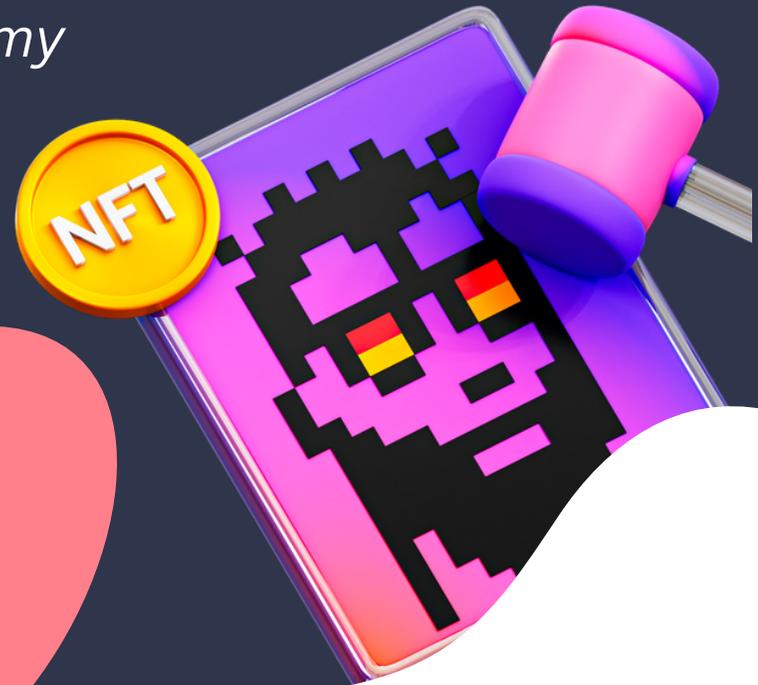
You can also consider physical security of a property. Imagine now that the NFT holder has on their phone or **hardware wallet** the **ownership rights** to the building, of which they control the security systems and IoT networks. \_\_\_\_\_○

# MARKET CAPITALIZATION IN REAL ESTATE

*A large part of the future economy  
will be driven by tokenization*

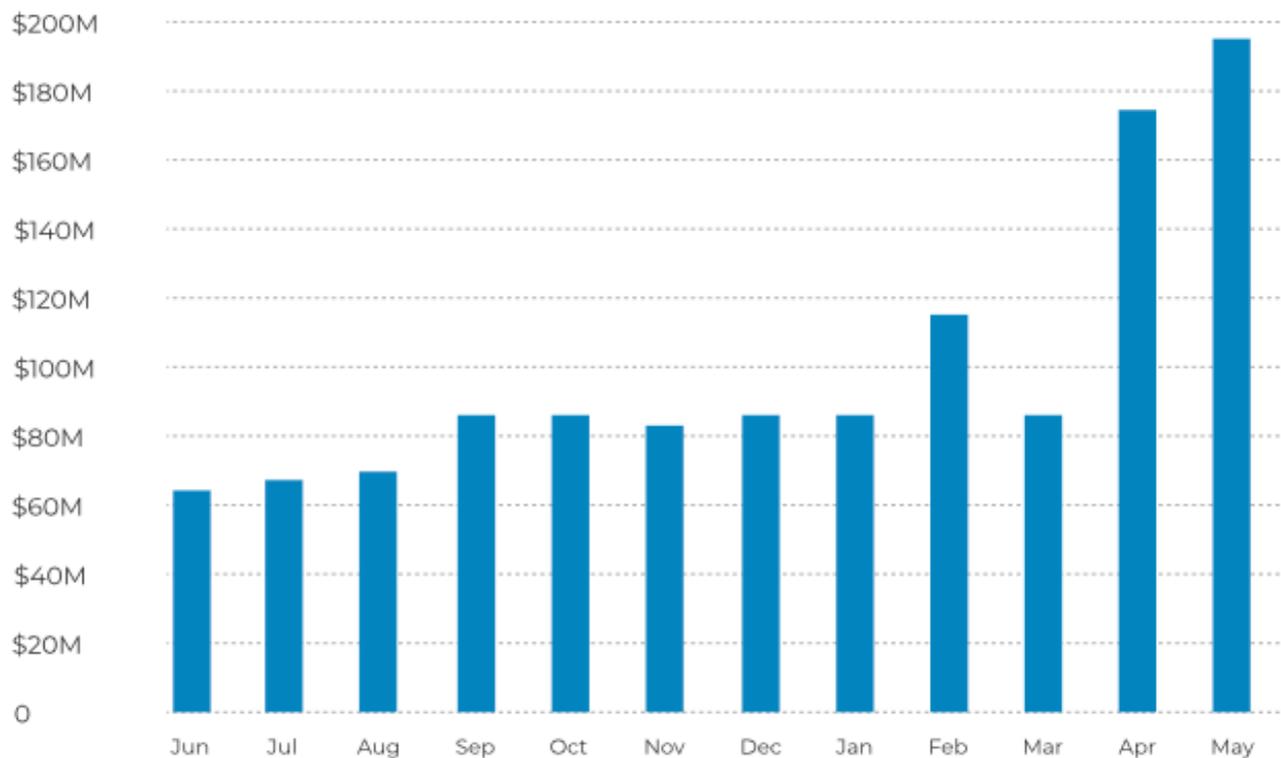
Between June 21 - May 22 the total monthly market capitalization of real estate tokens grew from \$65 million to \$194 million.

This makes the real estate the fastest growing sector of the \$16.4 billion market capitalization of the emerging token economy.



# MARKET CAPITALIZATION IN REAL ESTATE

## Real Estate Security Tokens - Total Monthly Market Cap



# CONCLUSION

NFTs and tokenization will play a big part in the real estate industry for years to come...

- **Irrefutable** history of ownership
- Improved **security and transparency** of records
- Improved **liquidity**
- **Simplified** exchanges
- Secure, **high-speed** transfers
- Secure and automated processes via **smart contracts**
- **Fractional** ownership



# CONCLUSION

- ▶ However we are at the early stages of the technology, and with a field as complex as property ownership, there are **regulatory** areas that demand attention.
- ▶ But as and when all the legal prerequisites are covered, the key next steps are how real estate properties are **minted on each blockchain**. The method of description and legal data need to be consistent.
- ▶ At some point soon, moving home could be as simple as putting an offer on a house with a **few clicks on your phone**, swiftly followed by a quick and easy transfer of payment and digital paperwork.





SEAN DELANEY

# WHAT ARE YOUR THOUGHTS?

INTERESTED IN WEB3 AND ALL THAT JAZZ?

ME TOO

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