



REPORT

THE ASSETS TOKENIZATION

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WHAT EXACTLY IS THE TOKENIZATION OF DIGITAL ASSETS?

With the exponential growth of cryptocurrency, one cannot ignore that there is a change coming to the financial sector. The real estate sector is not immune to this phenomenon.

It is now possible to invest in real estate assets through the blockchain with the tokenization of physical assets. From apartment owner to hotel owner, the tokenization of real estate assets will be added to the toolbox of the owner and investors. It is a new way for companies to raise capital and for smaller investors to invest in real estate projects.

Unlike cryptocurrency or NFT, it is attached to a physical asset that can be attractive to investors, this is an important distinction to make since one of the main critics of blockchain investments is that they are rarely attached to a fundamental asset, unlike the stock market.

However, just like the stock market, the value of the tokens would fluctuate based on the performance of the asset.

Real estate investment has always been one of the safest and stable industries to invest in, unfortunately, there was one huge downside, the price to enter such market, with this new technology you will be able to legally own a part of propriety with minimal investment and there is not any need to rely on expensive intermediaries.

BENEFITS AND DISADVANTAGES COMPARED TO ACTUAL REAL ESTATE INVESTMENTS

The tokenization of assets in real estate brings with it some relevant advantages and inconveniences under different aspects.

It is clear that tokenization will improve transparency and data integrity as all asset-related transactions are recorded on the blockchain and cannot be falsified.

A single property can be split into many tokens and owned by multiple people, so it is possible to attract small investors from around the world and increase market liquidity.

The disintermediation resulting from the process means cost-effectiveness and it is often a synonym of fast transaction. The removal of middlemen has the drawback of the regulatory compliance structure necessary for optimization.

Additionally, for the tokenization model to work, licensed platforms that can handle transactions are required. One of the main risks is hacking or stealing, so a high level of security is essential.

With regards to taxation, what are the complications? Today, tax regimes related to cryptocurrencies are not defined in all countries. This creates a complex network as the tax structure would vary across different countries.

The concept of tokenization of assets can be a real evolution for the real estate sector, but it must face a lot of different challenges, starting with the awareness of blockchain and tokens.





HOW DOES TOKENIZATION WORK?

It is possible to tokenize a property by creating digital tokens on a blockchain. Those tokens will then represent the physical assets.

For instance, if we have a property in London that is worth 2 million dollars, we could tokenize it into 2 million tokens which will then constitute a very small share of the initial property. In this case, each token will be worth 0.0000005% of the real property. It is then possible to invest in those processes by buying tokens.

It is also possible to tokenize properties that have not been built yet. In that case, the tokens might be used for having an interest in the property but also as a way of raising capital and finances, that process is almost the same as crowdfunding with the difference that tokens are involved. This permits to have a potentially larger audience as costs for purchasing tokens can be low compared to the value of the full property and there are no intermediary costs.