

EARLY BIRDS OF BLOCKCHAIN

By Leah Zitter, Ph.D.

It's said about blockchain that it's a solution in need of a problem. But early adopters in real estate predict the industry will be irreversibly altered by the technology. "What real estate professionals should know about this technology is straightforward," says Dave Conroy, National Association of REALTORS® director of emerging technology. "Blockchains are simply a new way of thinking about how information regarding a transaction could be stored and shared." (See Conroy's "Blockchain: What's Possible," page 8.)

"Being able to close a transaction on an immutable blockchain with less friction than we've ever seen is going to transform our industry," says educator Amy Chorew, president of Hartford, Conn.-based Curated Learning.

Blockchain uses smart contracts to expedite the flow of funds, making property transactions fast, convenient, and seamless. Documents are updated in real time. Parties retain control of their own data, and emanations are visible to all participants, thereby ensuring content accuracy.

"Less friction means happier clients," says Steve Bintz, owner of Insights Realty Advisors in Fairport, N.Y., and, along with Chorew, a member of the Crypto Real Estate Alliance. Alliance members serve as ambassadors for Propy, a proptech company founded in 2016 to create a global real estate market using blockchain technology. The company was a 2019 NAR REACH company and, in 2021, was named a technology pioneer by the World Economic Forum.

DEFI-NING A NEW PARADIGM

One of blockchain's most revolutionary changes may be in the area of decentralized financial services, or DeFi. Proponents say finance transacted over the distributed ledger instead of through banks can deter fraudulent activities.

"My VC fund invested in DigiBuild, which brings blockchain to the construction sector," says Zain Jaffer, a partner in Blue Field Venture Capital Fund, which invests in early-stage proptech startups. "A contractor could create a simple rule to verify construction materials were delivered before sending payment [as well as] having an IoT device measure and verify the materials were delivered on time, sign lien-waivers on behalf of all parties, and [confirm] payment."

Blockchain's transparency deters wire fraud, says Nate Smoyer, host of the proptech podcast Tech Nest.

It also creates new avenues for real estate investing. Canadian company AcreageWay says it's "democratizing the market," giving would-be investors an avenue to spend as little as \$1,000 on a fractional share of a building. Investors can click "buy" or "sell" on their mobile device and trade ownership in properties. Buyers use cryptocurrency tokens to purchase "blocks" of property without the need for proof of funding or credit scores. Such a process makes investing in property as convenient and seamless as investing in stock.

With fractional investment, "you don't have to sell the entire building," says Jaffer. "Instead, you could sell a 'corner' of the building, which unlocks trapped liquidity. DeFi disrupts an entire industry of middlemen, including title companies, banks, attorneys, and even governments."

'ONLY A MATTER OF TIME'

Will that disruption extend to real estate brokerage itself? In 2019, Britain's Instant Property Network worked with blockchain software firm R3 to conduct a trial that the company said reduced transaction time "from months to weeks" and transformed transactions that generally involve eight parties into a direct person-to-person transaction.

But proponents say knowledgeable pros will remain essential to the transaction and that blockchain has the potential to benefit them. First, says Bintz, it can help brokers and agents complete transactions at a lower cost, more quickly, and more securely, resulting in improved buyer-seller relationships. Second, it provides new opportunities for them to showcase their thought leadership, rewarding them for their expertise and helping them invest in and finance their ventures over the distributed ledger.

Use cases in commercial real estate are still rare, says Jaffer. In September, Magnum Real Estate Group announced it would accept bitcoin in the sale of three retail condos in Manhattan's Upper East Side. *Real Estate Weekly* called it "the first major income-producing real estate investment opportunity in the United States for bitcoin investors."

"Real estate is already behaving as a digital asset," says Natalia Karayaneva, founder and CEO of Propy. "It's only a matter of time for blockchain technology to become the new industry standard. Agents will see new streams of revenue in the world of Web 3.0, as well as the benefits of increased speed, savings, and security."