BLOCKCHAIN: WHAT'S POSSIBLE

HOW THIS NEW WAY OF RECORDING TRANSACTION DATA COULD CHANGE YOUR BUSINESS

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For commercial estate professionals, blockchain technology seems straightforward: Blockchains are simply a way of thinking about how information about any transaction could be stored and shared. In their most basic form, they're systems that maintain a growing list of records or transactions stored across a network of computers.

This independent, verifiable, and trustworthy record of events could be used as the single source of truth for a property or transaction. Having access to this record could enable the parties to a pending deal to trust that the seller has true ownership of that property and to see without question that the property is free of claims.

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WHAT THE FUTURE MAY BRING

The real estate industry has several opportunities to use blockchain in the near future, including in these areas:

1. **Title**—Blockchains could provide indisputable and instantly verifiable proof of who owns a property.

2. **Fractional property ownership**—Multiple parties could more easily own fractions of a single property. This could increase accessibility to real estate by lowering the minimum amount of capital needed to get exposure to real estate as an asset class. It could also allow property owners to sell partial equity, providing greater access to liquidity. This differs from a real estate investment trust, which falls short of granting investors any actual ownership of underlying investment properties.

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3. **Nonfungible tokens**—Nonfungible tokens, or NFTs, have mostly been used as an indisputable certificate of authenticity in the sales and representation of digital art. But that doesn't preclude them from being used to represent physical products. NFTs could be used to represent physical real estate assets on a blockchain, opening property investment opportunities to many more people.

4. **Decentralized finance**—Decentralized finance, or DeFi, has been called Wall Street 2.0 on the blockchain. For institutional and retail customers, most of the traditional financial goods and services that depended on intermediary third parties such as banks and investment firms can now be accessed directly through innovations like smart contracts on blockchain protocols. Common aspects of real estate transactions like lending, borrowing, refinancing, and accessing liquidity could become equally open to anyone in the world. This is already becoming possible today without the need for backing by any central bank, relying instead on pieces of code and secure DeFi protocols.

Certain components of blockchain technology, like NFTs and cryptocurrencies, have reached the mainstream. *(See "Early Birds of Blockchain," page 20, for a look at some companies already in this space.)* Although their impact is still ahead, the technology will undoubtedly affect the industry at some point in the future.

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