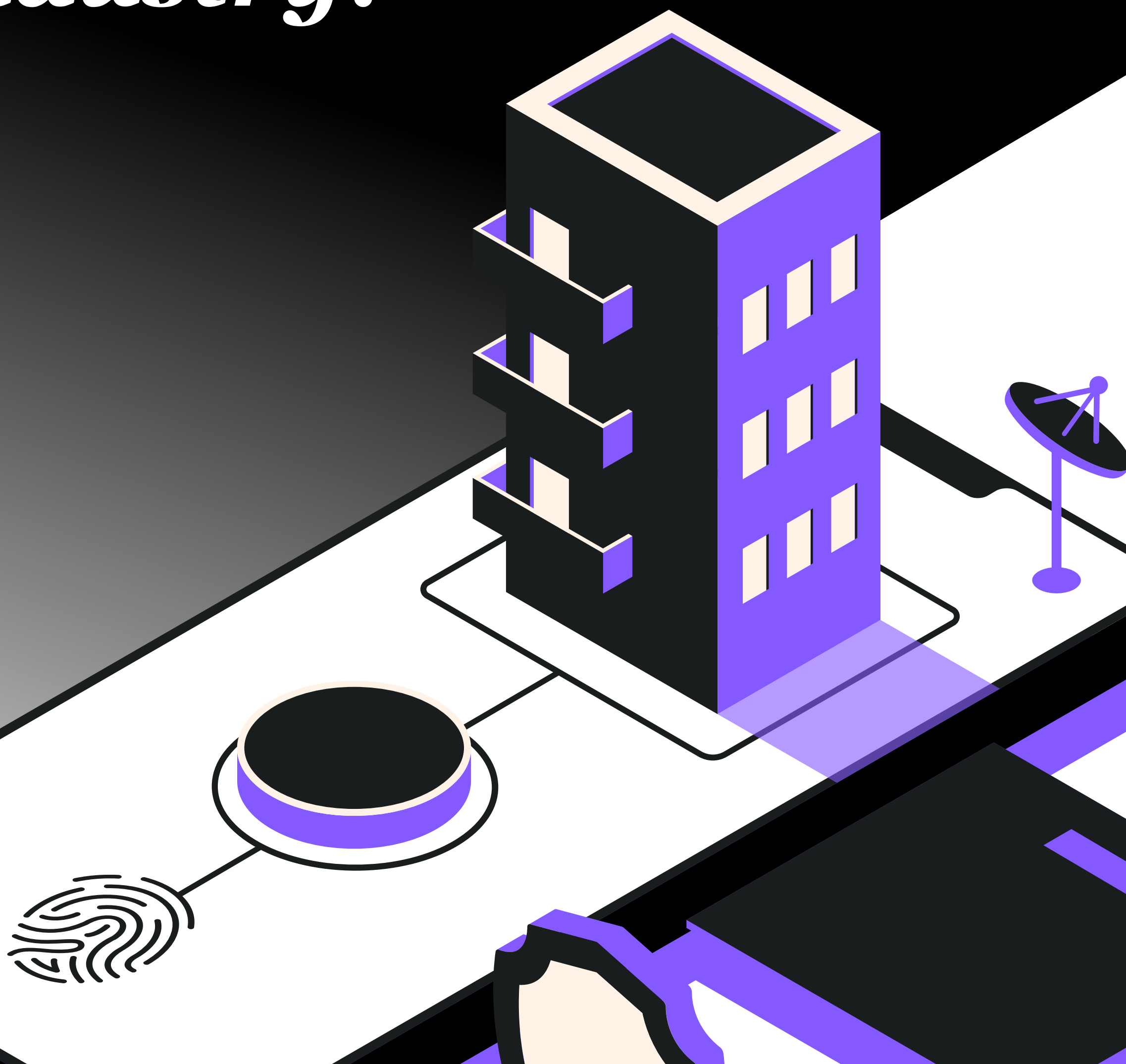


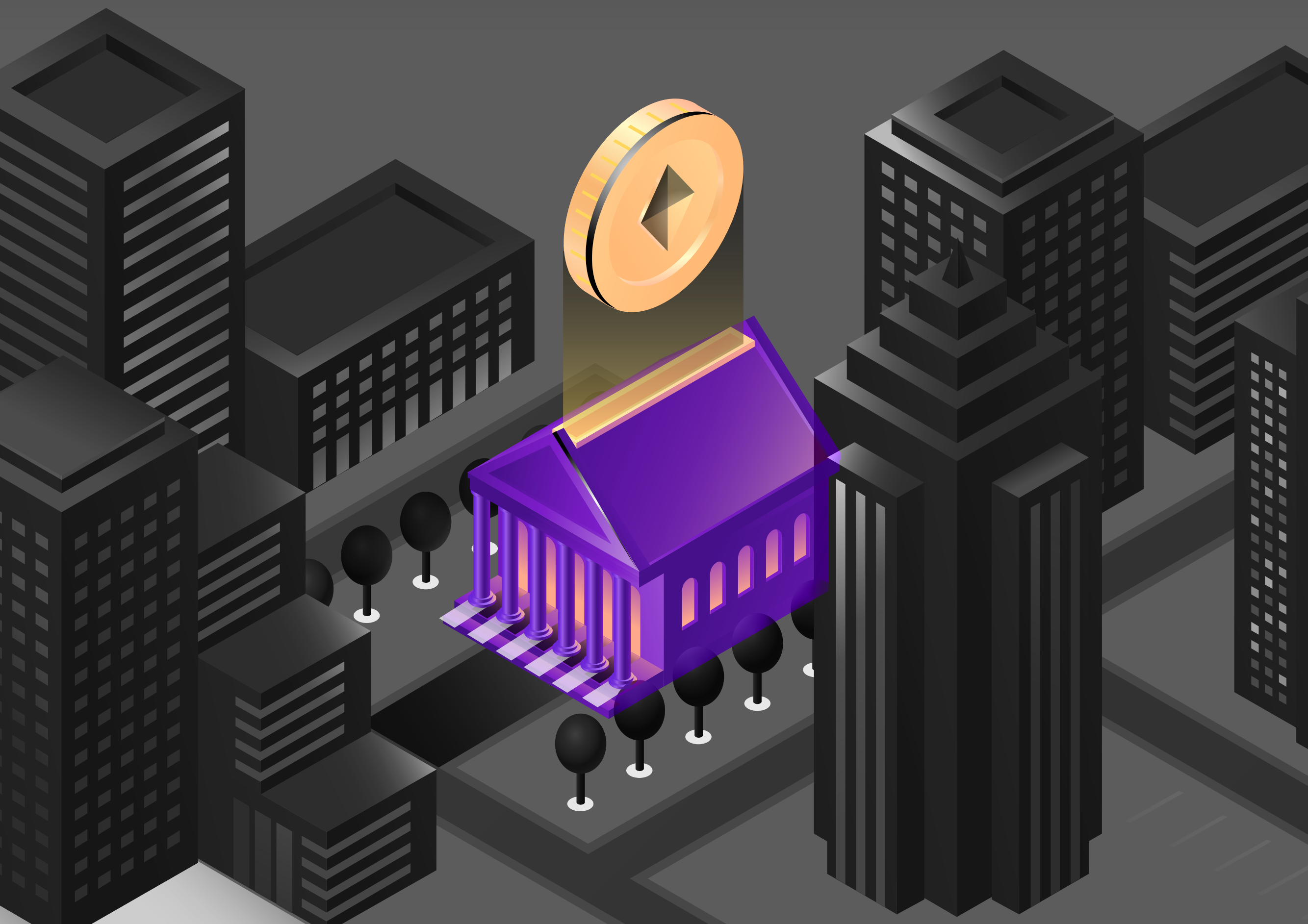


SoluLab

*How will real estate
tokenization
revolutionize the
industry?*



The olden days, when one needed to purchase an entire property to make it their own, have changed. In today's world, small parts or virtual assets of any property are readily available for purchase and sale. This way is popularly used for the distribution of real estate property.

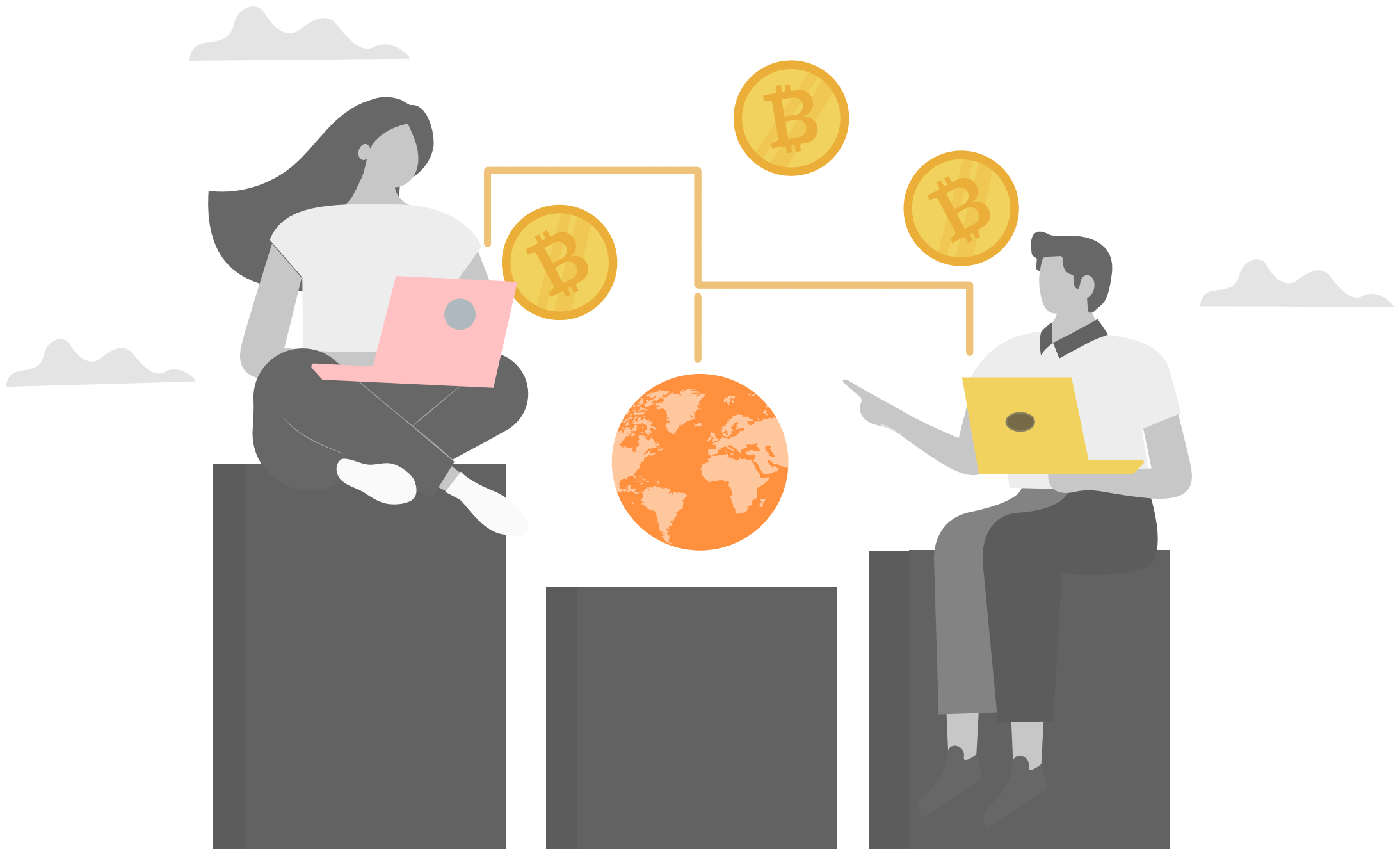


What is real estate tokenization?



The term real estate tokenization seems tricky, but in reality, it is pretty simple. The act of converting a physical real estate property into minor divisions virtually is known as real estate tokenization. These virtual real estate properties are commonly used in the marketplace to conduct trade and exchange of money and these tokens. The sale of real estate tokens is quite similar to that of real property. The value of these tokens also increases and decreases as per the market value of the real estate. One can also book profits as and when needed.

BENEFITS OF REAL ESTATE TOKENIZATION



There are several benefits of real estate tokenization. Here are some of them-

- Unlike real estate property, an individual doesn't need to invest or own a significant capital of money. Instead, the value of the property is broken down into small parts. People can easily purchase a property, as per their financial capacities.
- Real estate tokenization has made acquiring real estate relatively straightforward and simple. It is highly time efficient and has reduced a more significant workload because of the extensive paperwork necessary to buy a real estate property.
- Trading in the real estate world has become possible with tokenization. People can now purchase low-value property and sell it for higher returns in the open market.

WHY SHOULD WE GO FOR TOKENIZATION OF OUR ASSETS?

To summarize, what we know now, is the concept of tokenization of real estate. The properties are listed as fragments where investors can now buy, sell and invest in portions of the property on a digital platform. What we don't understand is how it is beneficial for an investor. Let us know why tokenization is an asset for us-



Converts real estate into a liquid fund

Let us first understand the concept of a liquid fund. A liquid fund is any asset that you can easily monetize as and when you need it. For example, cash that you are in your bank account or in hand, gold that you can quickly sell to gain capital. Tokenization converts real estate into liquid funds that you can soon sell in the open market as and when you need to book your profits or need the money for other purposes. Tokenization is a legal way of transfer of assets and funds. Since there is no broker or middlemen involved, investors also end up saving a lot of money.

Proof of Ownership

When you are purchasing or investing in a real estate property, there are many documents involved. It is essential to get each of these documents verified by reliable sources. Unfortunately, you need to hire a lawyer to get the proof of ownership and can still end up getting into fraud. However, this cannot happen while investing in real estate tokenization. This marketplace involves an artificially designed intelligence system which is used to verify the documents before a person can be listed as a buyer or seller. The blockchain technology used is highly advanced and accurate to ensure that fraudsters cannot log in to the system.

Easier searching for properties

Blockchain technology uses an advanced system for listing multiple properties at once. Tokenization provides a faster way of searching for more and better properties to invest in. All this is achieved by centralization of the marketplace, where all the properties are listed in one portal. This makes the job of an investor much easier, as finding the right property to invest in can be quickly done at home. Investors can also track the past record of the property, such as profit gain, depreciation value, etc.

WHAT VALUE DOES REAL ESTATE TOKENIZATION OFFER TO THE INDUSTRY?

Any scheme can only be successful in the marketplace if it offers something valuable to the people. So let us understand the value real estate tokenization brings along with it.



Shared secure database

How frequently have you gone looking for real estate properties over the internet? If you haven't, here is how you do it. First, you must enter details such as the property type and area. Based on this data, you receive a list of related properties in that area. Further, you can add a price range and whether you want to buy or rent the property. You can sort this list as per your requirements. This is known as the multiple listing services, or the MLS, in the real estate industry. For years, people have repeatedly used this service to look for their ideal property or sell their existing one.

The blockchain-based MLS service offers the latest advancement seen in this service. This software technology will provide more reliability and trust to conduct worry-free transactions. The brokers will have more control and can operate a better peer-to-peer network. Customization shall also be possible so that people can only see the type of properties they have an interest in. This makes property acquisition a more straightforward, simpler and safer process.

Liquidity Booster

In traditional times, people didn't see real estate as a source of income or short-term investment. However, today, people equally invest in real estate properties, just like they do in mutual funds and stock markets. Previously real estate was known to be an illiquid market as it needed large amounts of money to invest and make profits. As the tokenization of real estate is possible, small virtual property fragments can be sold. This not only needs a small capital for investment but also gives early returns and is easier to buy and sell. Diversification is also possible in vast properties. Multiple investors can also invest in a single property, irrespective of their financial status.

New Capital Channels

As the tokenization of real estate is possible, the need for significant capital has been eliminated. This opens the scope for more small-scale investors to step foot in the market and invest. The size of investment and market has widened because of tokenization. As it is a more modern concept, young adult society is taking an interest. This way, the market is welcoming new scope and talent to take over development.

Efficient cash flow management

When it comes to the financial market, it only works on one important parameter, which is cash flow. This talks about the intake of cash into the system and the outflow. With the establishment of the tokenization of real estate, the cash flow system has opened even further as investors can now purchase small fragments of property instead of waiting to collect a large sum of money and wait for an investment opportunity.



CHALLENGES FACED WITH REAL ESTATE TOKENIZATION

When stepping in, into any industry, limitations are equally present. This is also true in the case of real estate tokenization. Although this system has several benefits, investors have also reported several limitations. Here are the commonly faced difficulties by investors -



Tax implications

As you are aware that the government of different countries have their own system of implying taxes on financial transactions, and so is the case for real estate tokenization. The rules set out by the government are still not clear on how taxes would be imposed on the transactions seen in this segment of the money market.



Lack of digital infrastructure

Blockchain technology has been recently implemented in society and is not that popular in the money market. To establish multiple listing services using blockchain technology, the software developed by the company or the government must be highly advanced. The lack of digital infrastructure directly hampers security and can cause damage to the intellectual property of the user.



Legal rules and regulations

Each country has their own set of rules and regulations when it comes to working with financial transactions and cash flow management. As technology is advancing, there are new technology and money management systems that can be seen in the market. For example, cryptocurrency is one such new trend recently seen in the money market. When such a new concept is introduced, the government of each country takes their own time to analyze how the system would actually work. Then, they set out rules and regulations governing such financial transactions. As real-estate tokenization is a reasonably new concept, it is still under process in many nations. Thus investors are not clear about the rules present in their country, which is seen as a limitation.

TYPES OF REAL ESTATE TOKENIZATION

If you are planning to invest in the real estate tokenization scheme, you must know everything about it to make an informed decision. There are three types of real estate tokenization that you ought to know about. They are -



Residential tokenization

The conversion of residential property into tokens is known as residential tokenization. If you wish to invest in residential properties for real estate tokenization, this is what you need to look for.



Trophy tokenization

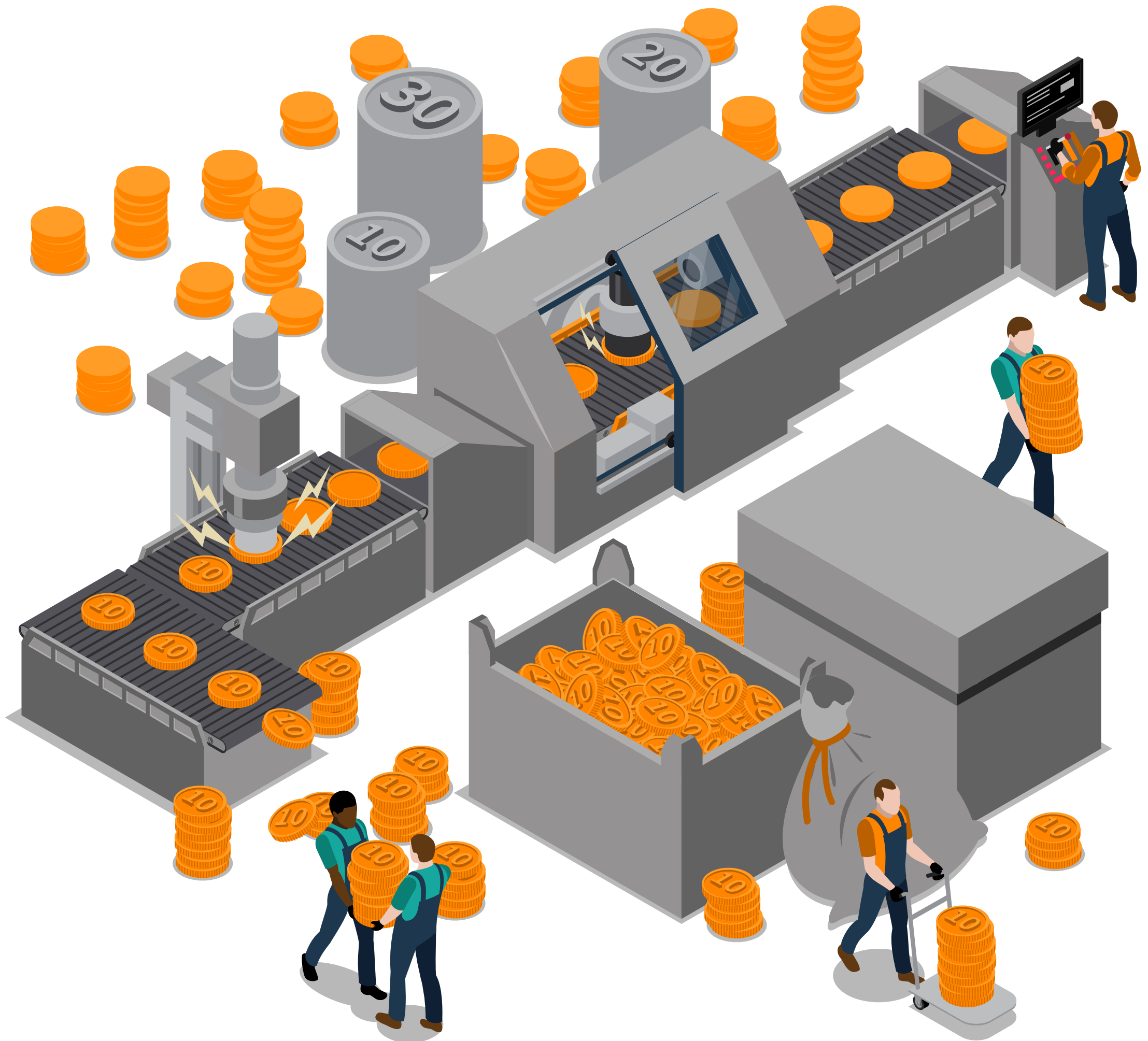
If you wish to invest in prime properties in popular areas, look for trophy tokenization real estate properties. These are high-value tokens in iconic regions.



Commercial tokenization

Commercial properties are the ones on which business can be conducted. To convert a property to commercial property, the property owner is liable to take necessary actions and acquire a commercial license from the government. When this type of real estate is divided into small fragments and set up in the market for sale, it is known as commercial tokenization.

CONCLUSION



Clearly, the limitations of real estate tokenization are lesser as compared to its advantages. The rules are mainly due to the government and the restrictions due to the lack of infrastructure. However, this can easily be eliminated in the future. Thus, making real estate tokenization highly valuable in the coming future. To conclude what we have understood so far, real estate tokenization is definitely an asset that will completely change the coming future and the money market.