**What Real Estate Tokenization Is, and What Benefits Does It Bring**

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**Introduction**

In 2024, the global real estate market is estimated to reach [USD 637.80 trillion](https://www.statista.com/outlook/fmo/real-estate/worldwide#:~:text=The%20Real%20Estate%20market%20market,tn%20in%20the%20same%20year.). Residential Real Estate dominates the market with a projected market volume of [USD 518 trillion](https://www.statista.com/outlook/fmo/real-estate/worldwide#:~:text=The%20Real%20Estate%20market%20market,tn%20in%20the%20same%20year.) in the same year, with its size reaching unprecedented levels. In the Philippines, it is expected to grow at 2% CAGR, resulting in a market volume of [USD 6.56 trillion by 2028](https://www.statista.com/outlook/fmo/real-estate/worldwide#:~:text=The%20Real%20Estate%20market%20market,tn%20in%20the%20same%20year.). With a healthy aggregate growth rate of [5.2% from 2022 to 2030](https://www.grandviewresearch.com/industry-analysis/real-estate-market#:~:text=The%20global%20real%20estate%20market,5.2%25%20from%202022%20to%202030.), real estate remains a lucrative investment opportunity for individuals and institutions alike. However, traditional real estate investment comes with its fair share of challenges, including high barriers to entry, illiquidity, and limited accessibility. In this blog, we will examine tokenization, a blockchain-powered revolutionary concept that promises to transform the way we invest in and interact with real estate assets.

**Challenges in Real Estate**

Among all asset classes, real estate is sometimes seen as less liquid and inefficient than others. It takes time. It may take weeks, months, even years to find a buyer or seller. Uncertainty can arise from fluctuating prices. The actual closing of a transaction may take weeks. Generally, more complications arise when several regulators, service providers, and other intermediaries are involved.

The real estate market of 2024 is not exempted from the unpredictable nature of global economies. War in Ukraine and geopolitical tensions result in market volatility that challenges industry professionals to be adaptable, innovative, and creative.

**Understanding Real Estate Tokenization**

Real estate tokenization involves converting ownership rights of real estate properties into digital tokens on a blockchain and smart contracts. Simply put, it means converting real estate assets into digital tokens. Powered by blockchain technology and smart contracts, these digital tokens representing fractional ownership pof the real estate asset that can be owned by multiple people.

These tokens represent fractional ownership of the underlying property, allowing investors to purchase and trade them on digital asset exchanges. Each token is backed by a portion of the real estate asset's value, giving investors exposure to the property's potential appreciation and rental income.

Smart contracts work like automated digital deals that self-execute once certain conditions are met. This digital deal is faster and free from intermediaries.

**Benefits of Real Estate Tokenization**

1. **Increased Liquidity:** One of the primary benefits of real estate tokenization is increased liquidity. By tokenizing real estate assets, investors can trade fractional ownership stakes in properties on digital asset exchanges, providing them with the liquidity and flexibility that traditional real estate investments lack. This liquidity allows investors to buy and sell real estate tokens quickly and easily, without the need for intermediaries or lengthy settlement processes.

**Real-World Example:** A commercial property owner tokenizes their building and sells fractional ownership stakes to investors. These investors can then trade their ownership tokens on a digital asset exchange, providing liquidity to the previously illiquid real estate asset.

1. **Access to Global Markets:** Real estate tokenization opens up new opportunities for investors to access global real estate markets. Through digital asset exchanges, investors can invest in real estate properties located in different countries and regions, diversifying their investment portfolios and mitigating risk. This access to global markets allows investors to capitalize on opportunities that were previously inaccessible or impractical due to geographical barriers and regulatory constraints.

**Real-World Example:** An investor from the Philippines can purchase fractional ownership tokens of a commercial property located in New York City through a digital asset exchange, gaining exposure to the US real estate market without leaving their home country.

1. **Fractional Ownership:** Real estate tokenization enables fractional ownership of high-value properties, making real estate investment more accessible to a broader range of investors. Instead of needing to purchase an entire property outright, investors can buy fractional ownership tokens representing smaller portions of the property's value. This fractional ownership model allows investors to diversify their portfolios, reduce risk, and invest in properties that may have been financially out of reach otherwise.

**Real-World Example:** A retail investor can purchase fractional ownership tokens of a luxury condominium in Manila's central business district, gaining exposure to prime real estate assets without needing to invest large sums of capital.

1. **Efficiency and Transparency:** Blockchain technology underlying real estate tokenization offers enhanced efficiency and transparency in real estate transactions. Smart contracts, programmable contracts executed automatically when predefined conditions are met, streamline the process of buying, selling, and managing real estate assets. Additionally, the transparent and immutable nature of blockchain ensures that all transactions are recorded securely and cannot be altered or tampered with, providing transparency and accountability throughout the real estate investment lifecycle. **Real-World Example:** A real estate developer uses smart contracts on the XODE Blockchain to automate the process of distributing rental income to fractional property owners. The smart contract automatically disburses rental payments to token holders according to predefined terms, eliminating the need for manual intervention and reducing administrative overhead.

**Real Estate Tokenization with XODE Blockchain**

XODE Blockchain, within the Polkadot ecosystem, offers a compelling platform for real estate tokenization, bringing the benefits of blockchain technology to the real estate market in the Philippines and beyond. By leveraging XODE Blockchain's interoperability, security, and efficiency, Filipinos, particularly Cebuanos, can unlock new opportunities for real estate investment and wealth creation. With XODE, investors can tokenize real estate assets, trade fractional ownership tokens on digital asset exchanges, and access global real estate markets with ease. Moreover, XODE's transparent and decentralized governance model ensures trust and accountability in real estate transactions, empowering investors to participate in the digital economy with confidence.

**Conclusion**

Real estate tokenization represents a paradigm shift in the way we invest in and interact with real estate assets. By digitizing ownership rights and leveraging blockchain technology, real estate tokenization offers increased liquidity, access to global markets, fractional ownership opportunities, and enhanced efficiency and transparency. With XODE Blockchain at the forefront of this transformation, Filipinos, including Cebuanos, can harness the power of blockchain to unlock new opportunities for financial growth and prosperity in the real estate market.