

SECURITY TOKEN MARKET REAL ESTATE INTELLIGENCE REPORT - 2022



Security
Token
Market

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INTRODUCTION

Blockchain technology offers tremendous benefits to capital markets through enforcing automation of sensitive data, allowing software to act as a swift and consistent arbiter between dozens of fragmented parties throughout the financial system. Security tokens, digital assets, digital asset securities—or whichever terminology you may prefer—offer inclusion and liquidity across asset classes that have never before been possible. In employing consistent compliance standards across industries, jurisdictions, and investor types, these technological developments will empower all economies of the world to participate collaboratively in our collective financial ecosystem, which has become increasingly connected throughout the digital revolution of the 21st century.

Security Token Market is pleased to present a comprehensive analysis of the tokenized real estate market. Featuring a detailed primary market breakdown by Peter Gaffney and astute secondary trading analysis by Aneesh Shinkre, we believe this monthly report will represent an in-depth scope of the market size for the real estate sector. Ranging from billion dollar commercial properties to single-family Section 8 homes trading for \$50/share on the international market, the real estate sector proves to be one of the most compelling use cases for tokenization, allowing asset owners to explore complex liquidity structures and providing investors globally with access to one of the most successful investments available, 24/7.

As a company, Security Token Market leverages the highest quality of data for our reports. Tracking hundreds of tokens across dozens of markets around the world, we strive to be the industry standard in monitoring compliant tokenized asset investments. For more information on our platform, please visit stomarket.com. For commercial inquiries regarding our asset and blockchain data, feel free to reach out to me or any members of our rockstar team!



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Overview of the Primary Tokenized Real Estate Market

The existing tokenized real estate market can be broken into the following tranches:

- Assets securitized on the blockchain
- Assets that are fully-tokenized but not actively trading on secondary markets
- Assets that are fully-tokenized and actively trading on secondary markets

With real estate assets accounting for upwards of 40% of the pipeline for certain technology providers in the industry, it's likely the largest and most "urgent" sector when it comes to future security token offerings. To understand what the existing 2022 landscape looks like, the following context will shed some light on notable developments and deals.

Trying to find its roots in 2018 and 2019 through deals like Inveniam Capital Partners' proposed [\\$260 million 4-property portfolio](#) fundraise, a number of real estate projects, models, and targets have come through the door. Yet the number of projects that fully came to fruition is more limited. Still in 2019, a [Parisian property](#) worth around \$750,000 was fractionalized, onboarded, and offered across 100,000 tokens built upon the Ethereum blockchain. At this point in time, it was found that multiple US-based deals were already reaching sizes upwards of \$30 million, likely on the back of the [St. Regis Aspen AspenCoin](#) offering model, which was worth \$18 million through [Elevated Returns](#).

Moving forward in 2020 and 2021, Shareable Asset in Singapore, Tokai Tokyo and LIFULL in Japan, Telos in Croatia, MountX in Mexico, Max Crowdfund in Germany, WeLand and BlokHaus ([an Security Token Advisors client](#)) in Florida - all announced *real estate tokenization platforms*. This business model is fixated on facilitating

offerings for either the entities themselves or on behalf of other issuers, with the ultimate goal of creating a “warm lead” base of investors and active issuers.

Meanwhile, RealT in Boca Raton, FL has been tokenizing millions of dollars worth of Section 8 and Affordable Housing (subsidized) properties first in Detroit & Chicago, and now expanding into Ohio, Florida, and other opportunity zones. It's found that RealT already has 175+ separate properties through which security tokens are issued with around 100 of those [actively trading](#) on decentralized exchanges like Levinswap, a fork of Uniswap that RealT developed specifically to trade its own security tokens.

Security token issuance platform and transfer agent Vertalo signed a [\\$300 Million deal](#) with a Pennsylvania-based *Real Estate Capital Management*, of which the first tranche worth \$90 million of office and hospitality space has been tokenized on the Tezos blockchain.

Tokensoft announced a real estate platform with Signature Bank, and the St. Regis in Aspen actually listed on tZERO for secondary trading—establishing itself as one of the first “end-to-end” issuances the market has been able to watch from development to primary issuance to secondary trading.

Across the pond in Europe, Tokeny has been dominating the primary issuance market, claiming over [\\$8.5 billion](#) worth of tokenized assets to date, of which we assume between 60% and 80% consists of real estate assets - putting the amount of tokenized real estate between \$5.1 billion and \$6.8 billion.

Moving back into the United States, it was expected that Silicon Valley flexed its muscles with a large-scale [\\$100 million tokenization project](#). Owned by Alterra Worldwide and dubbed “Tower 27” in downtown San Jose, the multifamily high-rise building will be fractionalized and issued in the primary market as T27 Silicon (T27S) built on the Ethereum blockchain, with the tokenomics following a structure of *100 million tokens* at \$1 each. This very low price-per-token hints at a lower minimum investment amount and retail access through the selected offering type, rather than an accredited investor-only and high buy-in approach.

And lastly, the blockchain-centric data layer operated by Inveniam, which has been applied heavily to real estate assets, grew its onboarded assets from \$1 billion to \$5.5 billion over the course of 2021, and is already topping \$10+ billion in February 2022. A common theme that will bring validation and legitimacy to the security token industry is two-way transparency when it comes to data and reporting. Since this technology is changing behavior when it comes to investment operations - namely,

the fact that investors can all be distributed and not somebody directly within the issuer's network - reliable data sources and checks like Inveniam will be a crucial component for the growth, stability, and trust associated with tokenized assets and tokenized real estate.

The motivations behind tokenization vary among:

- fractional ownership enabling lower investment minimums
- digital governance enabling scalable management of thousands of investors
- global pool of investors via digital interface
- smart contracts enabling easy secondary transfers & automatic dividend distributions
- creating new hybrid real estate investment structures altogether

About Security Token Advisors

Security Token Advisors is primarily a white-glove consulting firm dedicated to guiding and converting prospective security token issuers into successful offerings. Acting as a full-fledged project manager, STA connects the dots among not only the components required for tokenization (legal, technology, marketing, primary raise strategy, secondary liquidity strategy, etc.) but also among the industry players themselves in order to create a more robust and reliable ecosystem. Connecting those respective dots is not just how STA *adds value*, but it's how we *create substantial value*.

Security Token Advisors Insight

Given our position and track record in the industry, we have a first-hand perspective of what prospective issuers are looking to do, what their interests are, what their questions are, and what the barriers-to-entry are. The most frequent question we get from issuers is: *What are other people in the industry doing?*

What's notable is that not all real estate offerings are created equal—and that's usually a function of 1) the offering structure, 2) the underlying asset, 3) the scalability, 4) the region, 5) the size of the underlying assets, and 6) the target investor audience.

Rather than waiting for more offerings to come to market, the best preparation for prospective issuers may be to analyze and evaluate current concepts, ideas, and structures that have already been made available in the prospective pipeline. Maintaining confidential data and information, this section will highlight key facets to prospective and active issuances in the real estate space.

A New Billion-Dollar Student Housing Portfolio

A family office real estate portfolio totalling a *Gross Asset Value* (GAV) of \$1 billion is looking to fundraise an amount that, currently, would be the largest single publicly-known real estate security token offering. Comprised of mainly student housing and luxury apartments and/or condos across the United States, the portfolio managers are looking ahead of standard real estate management practices.

The motivations for a security token offering here are the abilities to connect more deeply with the renter base and the early liquidity solutions that an offering of this scale provides existing investors. Bringing in other blockchain services to provide a more transparent management system is also a sweetener to the offering itself, and will likely provide the base layer in which all future information must flow through.

“Slice of a City” Portfolio

A FinTech portal that owns numerous buildings across certain global major cities envisions a future where investors can come to their website, click a button, and immediately be transferred a security token that represents ownership in a “slice of a city.” The premise behind this capability is that each “city slice” may consist of a multifamily component, a retail building component, commercial real estate, office space, warehouse / venue, etc. to not only diversify the holdings and hedge against a concentration risk, but to truly usher in an offering that would provide the investor with exposure to assets that are unique to each city.

Rather than needing to pinpoint single assets or work through a publicly-traded REIT, investors can pinpoint cities and ensure that they are still spreading the risk profile across various property types, while still heavily betting on the city itself. The motivations for tokenization largely surrounded the possibility of reaching a global investor base in the most seamless and hands-off fashion.

Single-Family Home Investment Platform

A very well-established and prominent single-family property investment firm is actively exploring tokenization to ease the backend features of the investment process, distributions and reporting, and eventual trading capabilities. With an emphasis on asset-level data, this firm wants to bring more transparency to both property owners and investors, while exploring the fractionalization benefits offered by fungible and uniform security tokens. Representing institutional buyers (in the billion dollar range) first, there would likely be some “tester” products coming to market before rolling tokenized offerings out across the entire platform.

This model would take what RealT (aforementioned and covered later) is doing for Section 8 and Affordable Housing, and roll it out on a larger and less limited scale. This particular vertical within real estate caught fire over the past 18 months as firms like BlackRock [publicly announced](#) the single-family home buying spree amidst COVID-19 atmospheres. Not only does this add urgency and legitimacy to the single-family home investment thesis, but it also signals a longer-term focus that can be recreated from region to region as America's "[housing hot spots](#)" shift over the coming months, years, and decades.

Tokenization would essentially be a technology overlay here, as the firm already has an active and loyal user base. This will likely only grow as real estate becomes more accessible to individual investors (although, as mentioned, the current focus is on institutional buyers). The Catch-22 here is that tokenization will make these investment opportunities more accessible to the everyday investor, so ideally there will be little delay in implementing this technology vs. waiting for an expanded user base first.

Bits of Buildings

Rather than the portfolio-level or fund-level approach—or even full single-asset approach—we have seen interest in a service that would fractionalize individual buildings without needing to fully own them first. It is indeed possible to play around with smaller pools of capital with the goal of fractionalizing office buildings (for example) in order to bring the minimum investment amount down to a retail investor digestible level.

The typical barrier to entry is confidence and ability to fundraise and acquire an entire asset, especially in commercial real estate and similar higher-ticket property types. Understanding how acquisitions and security token offerings can be structured actually unlocks the thought that: *We can fractionalize bits of buildings.*

This is similar to the single-family home approach except for the difference on the management level. In the previous example, the original firm will control each asset in its entirety, whereas, in this example, it is not so. Instead, the security tokens could be issued on an entity that's seen as co-investing with the main operator entity.

This approach seems marginal on the surface level but will actually likely find some footing as it will enable 1) prospective issuers to come to market with less capital and 2) a wider range of potentially higher-quality investment opportunities to investors.

This concept is currently being put into motion in a non-tokenized format through [LEX Markets](#).

New Development and Metaverse Cloning

Utilizing a security token offering to fundraise a new development in South Florida from accredited investors, this project is looking to develop a small living oasis in a region that's seeing more "tech gentrification." To complement this and add to the tech-centric narrative, the ability to work NFTs into the mix—from an art and a utility perspective—is being heavily pursued.

As the icing on top of the cake, this entire property (healthy living and retail), will be cloned in the metaverse. This will further connect the physical property and its tenants via virtual reality and blockchain technology, and may act as the start of this management company's own meta-district. Obviously, the goal will be to create and strengthen the "meta community" around the district, and ultimately monetize this additional business line.

Mortgage-Backed Securities Portal

As a real estate derivative, we've seen numerous projects come through looking to bring some clarity and transparency to the mortgage-Backed Securities (MBS) industry. Rather than relying solely on OTC trades, there is immense value in securitizing assets on the blockchain, and further offering tokens that can be transferred through an internal bulletin board to other registered investors, or even traded freely on a true secondary market.

While we've seen multiple projects in this space, the most promising and established one has around \$1 billion in assets, plus a direct partnership with and pipeline to a roughly \$3 billion lender. Given the macroeconomic backdrop in the United States specifically, tokenized MBS will likely be quite popular for risk mitigation and precision reasons—which can be applied to nearly all illiquid assets, but especially applicable to Mortgage-Backed Securities and the housing market.

Condominium Resort

As an international offering, there was interest in raising \$40 million to renovate and redevelop an entire condominium complex in Peru. Designing it as a small oasis for residents, the offering would be structured as equity with expansion rights to investors—meaning tokenholders from the first raise would have preference for follow-on investments and expansion plans.

In addition to the equity interests in the complex, follow-on opportunities may include exposure and access to operations-level returns such as businesses, restaurants, bars, and services that operate within the complex limits.

Socially-Conscious Real Estate in Southern Europe

As a common theme that overlaps the tokenization of real estate, ESG (Environmental, Social, and Governance) has been working its way into conversations with more frequency. Targeting younger generations like Millennials and Gen Z, this firm sees a great deal of value in packaging pro-ESG operations into tokenized real estate assets.

While initially targeting Southern Europe, the firm has plans to raise up to \$50 million via a security token offering in non-US jurisdictions. The overall investment structure of this initiative includes non-voting Limited Partner interests in the venture fund. What's notable is that the investment fund not only focuses on socially-conscious real estate development and management, but also allocates a portion to direct ESG investment opportunities. This provides growth when it comes to the LP interests, all the while focusing on stable and predictable European real estate.

Natural Billboards: Separating the Wall and the Content

To show the granularity that is afforded by security tokens, we even had a case where the owner of a building was looking to tokenize and offer equity shares in the building itself, but first had to sort out one nuance. One wall of the building had actually been spray painted by a prominent artist, and so that wall had significant value on its own—aside from the property value.

Deeming the wall a “billboard” per city ruling, the street art and the building were to be legally separated and managed. Nonetheless, the building's ownership status was maintained and tokenization is still in the cards. The property would lie between the constructed and usable walls, and the billboard simply exists on the exterior of that single wall.

The “billboard” itself can ALSO be monetized. With permission from the artist, the wall and its art, which was appraised at around \$2 million, can be fractionalized and offered to investors via security tokens. So the full picture would show a livable property that could be tokenized and offered, AND an official piece of artwork tokenized and offered in a separate offering and structure. This is proof of the newfound flexibility and precision that comes with tokenization.

Indian Real Estate Portfolio: 24 Properties

Looking to raise around \$60 million in Singapore—a common jurisdiction for Asian countries to raise capital via digital securities—this India-based firm already has a portfolio of 24 properties. The primary issuance, therefore, would be an offer for new investors to take the position of existing investors in the portfolio. The firm is very motivated to take advantage of the governance, distribution, compliance features, and efficiencies that security tokens enable, since these facets are programmable and automated (if desired).

Midwestern Townhouse Neighborhoods

There is an interesting option for scalability when it comes to townhomes and newer-age complexes in which the properties are all uniform. One prospect is looking to acquire an entire townhouse neighborhood in Kansas City through security token offering equity financing, as they already have a pro-tokenization sponsor on board. The neighborhood would include 162 townhouses valued around \$65 million, with plans of increasing that aggregate number closer to the \$80 million mark after closing. Token holders would be equity owners in the neighborhood itself rather than in individual properties.

Farmland

Similarly to AcreTrader, there is interest in tokenizing farmland for investors to get comparable returns to other high-yield properties. In conventional farming, the returns are stable but limited. This prospect is looking to make use of Regenerative Agriculture, which is a technique that avoids chemical treatments on the farm and any activities or operations associated with farming. Given this, Regenerative Farms are able to reduce costs by \$26/acre and improve revenues by up to \$50/acre, on average, for farms of 1,000+ acres.

Token holders and investors will benefit from these improved financials, and will likely see Regenerative Agriculture as the more attractive investment opportunity to standard farming, and maybe even more competitive with other real estate types. The initial fundraise would be \$6 million with a 70-30 equity split to investors and to the management company itself.

Retail-focused Sales

As perhaps the most “retail oriented” project we have seen, one New York City based firm wants to remove the “paperwork hassle” associated with property sales—this goes for people’s primary homes, in addition to investment properties and classes. Rather than putting a huge focus on tokenized real estate as an investment class, this firm wants to improve the home-buying (and selling) experience by uploading

the necessary legal and financial documents to the blockchain, so that involved parties have all the information necessary.

This is essentially “CarFax” on steroids for homes and properties. The blockchain is an immutable ledger, so documents and information uploaded to it will be there for eternity, and any and all edits will be made available to those who can access the ledger. Rather than taking a heavy fractionalization focus, this is more comparable to selling a home’s deed or [ownership interests](#), which has been done via an NFT (Non-Fungible Token) on *Propy*.

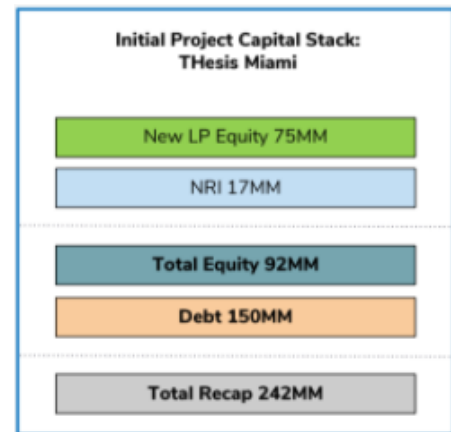
Active Primary Real Estate Offerings

The security token industry is quite fragmented—both in the required partners and services for issuance and trading, as well as in the display of active offerings. To alleviate this, the below section compiles active primary real estate security token offerings for both investors and prospective issuers to study and participate in.

NRI THesis Hotel

Located in Coral Gables, FL (suburban Miami), Nolan Reynolds International’s THesis Hotel is actively utilizing a unique investment structure. Called the “UPREIT,” investors may own traditional, analog Limited Partner interests with the option of converting those into tokenized shares in the property itself.

Raising a collective \$75 million on [CrowdStreet](#), THesis will use the funds for recapitalization purposes at a time when existing investors are asking for early liquidity solutions. After the primary fundraise to accredited investors, which closed after October 2021, the securities would normally be locked up for one year under the Regulation D 506(c) private placement guidelines. However, “NRI is shortening the typical one-year lockup via a private placement under SEC Rule 506(c) followed by registration of the REIT under the Securities Exchange Act of 1934 using Form 10.”



The UPREIT structure provides the benefit of tax-free conversion from Operating Units (LP Interests) into tokenized REIT shares. The reason for this lies in the fact that once LPs trade their Operating Units back to THesis—in exchange for REIT shares—the THesis owner/operator (NRI) now has greater control over the property and can achieve greater economies of scale. [Per Mike Lingle](#) of Security Token Group,

the overarching goal is to incentivize existing Limited Partners to convert their interests and partake in the standard REIT, which grows in coverage as more partners convert.

NRI has yet to publicly decide on an Alternative Trading System (ATS) partner for secondary trading, although that 6-month mark is approaching sometime between *April* and *June 2022* (depending on when the primary round officially closed and filed).

Frontrunners for this offering are tZERO, who is the most established ATS in the security token industry, and Securitize Markets, whose parent company (Securitize) recently acquired Pacific Transfer Agent and its 1.2 million clients.

Figure Technologies Marketplace

Figure has handled some very impressive securitizations on their Provenance blockchain. Focusing on HELOCs, Mortgage-Backed Securities, and similar real estate debt instruments, Figure is designing a marketplace for these investments that are increasingly becoming tokenized. As a sample, Figure led the largest securitization and sale of a HELOC-backed bond in over a decade, coming in at \$308 million for a single transaction.

[Working with parties](#) like Jefferies, WSFS Institutional Services, Saluda Grade, and even private equity megafund [Apollo Global](#), Figure is one of the more institutional-grade solutions on the market yet, and will likely continue to find itself in the headlines for large transactions. The significant takeaway here is the access that investors will get to products through the aforementioned names (and more) as the number of primary issuances expands.

The [Figure Marketplace](#) currently services accredited investors across 14 primary offerings that range from real estate to private equity, security token infrastructure private investments, and digital asset hedge funds. These products may be managed by either Figure's investment team or 3rd party issuers that are vetted by Figure prior to the offering(s) commencing. Nonetheless, it's expected that Figure (or at least, Provenance blockchain) carves a real estate & debt product specialty out for itself, as seen through its [Private Credit Strategy](#).




Figure Private Credit Strategy

● Open | Fund | USD

\$1k minimum

Figure Private Credit Strategy (the “Fund”) provides exposure to an institutional quality portfolio of residential mortgage assets, allowing individual investors to access attractive yield generating assets in a simple, easy-to-understand vehicle. The REIT exclusively holds Figure HELOC whole loans and residuals from Figure HELO...

Focus	Fund Type	Target Raise	Requirements
Real Estate	Private Credit	\$25 Million	Accreditation Verification

>

RedSwan Commercial Real Estate

Founded in 2018 and claiming to have [already tokenized](#) \$2.2 billion worth of commercial real estate assets on the Polymath blockchain, RedSwan and its 30,000 onboarded accredited investors is a commercial real estate-specific primary offering portal.

The makeup of this initial \$2.2 billion coverage is as follows, [per CoinTelegraph](#): “The issued tokens represent 16 top-tier properties including mid-rise and high-rise apartments in California, New York, and Texas, and a 150-acre hemp farm in Canada’s Ontario province. Tokens worth \$780 million will be sold in a pre-sale to accredited investors in what is believed to comprise the world’s largest sale of tokenized real estate to date.”

Ed Nwokedi (Founder and CEO) and his team are fixated on the primary issuance process, which includes securing real estate assets and creating the securities offerings themselves, although discussions of a secondary trading marketplace have been surfacing for a [couple of years now](#). RedSwan itself actually raised \$1.2 million across 514 investors through a Regulation Crowdfund (Reg CF) [offering on SeedInvest](#). Ideally, these shares will eventually be tokenized similarly to the CRE assets that RedSwan has been offering.

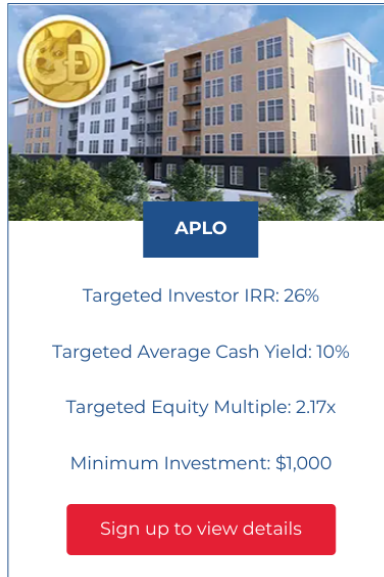
The [marketplace](#) currently has 16 offerings open (Class A Apartments, Class B Apartments, Commercial Class B) across the United States, each requiring a minimum investment of \$1,000. Three active offerings are shown below for reference.



RSVA

- Targeted Investor IRR: 14%-18%
- Targeted Average Cash Yield: 5.5%
- Minimum Investment: \$1,000
- Diversified CRE Fund

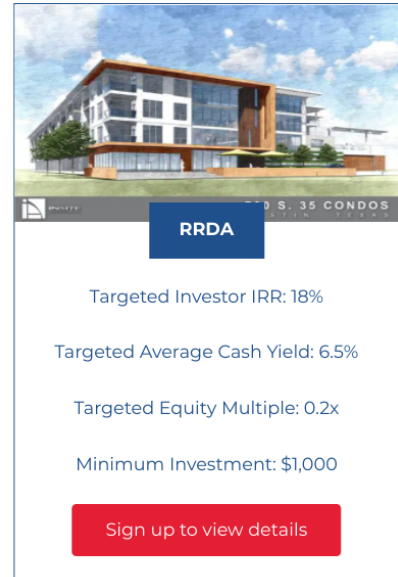
[Learn More](#)



APLO

- Targeted Investor IRR: 26%
- Targeted Average Cash Yield: 10%
- Targeted Equity Multiple: 2.17x
- Minimum Investment: \$1,000

[Sign up to view details](#)



RRDA

- Targeted Investor IRR: 18%
- Targeted Average Cash Yield: 6.5%
- Targeted Equity Multiple: 0.2x
- Minimum Investment: \$1,000

[Sign up to view details](#)

Hedgehog Invest

[Hedgehog](#) is piecing together the “slice of a city” narrative, beginning with \$1.5+ billion worth of real estate assets including warehouses, content studios, and renewable energy infrastructure across the Greater New York City Metro Area.

Rather than prioritizing one type of a real estate asset, Hedgehog is targeting younger generations and more tactical investors with the uniqueness of these asset offerings. For instance, part of [Hedgehog’s pitch](#) includes, “Hedgehog wants you to be able to: Invest in a security token representing a share of the studio where filming takes place and earn rental income paid by the producers of your favorite show.” Not only does that tap into the underlying real estate of this content studio, but may even include operational cash flows in the future (pending discussions and partnerships with any tenants, of course).

The existing asset listings and prospective pipeline can be categorized by one of more of the following classes:

1. Industrial & Logistics
2. Renewable Energy
3. Content Studios
4. Residential Apartments
5. Affordable Housing
6. Biomedical & Life Sciences

From an investor’s standpoint, Hedgehog considers these 6 factors to be *overweight* in the growth of cities going forward. These types of sub assets will play a strong role in the molding of and landscape shifts within major cities presently and in the medium/long term, explaining the emphasis of these types as Hedgehog works to enable a portfolio-level offering in addition to single assets.

RealT

RealT is one of the most well-known real estate security token issuance platforms, with 175+ offerings. RealT focuses primarily on Section 8 and Affordable Housing properties, which are quite appealing to investors as it means some (or all) of the underlying rental revenues are covered and subsidized by government programs.

RealT is able to offer single-property tokens to US accredited and International investors with efficiency as it utilizes something called a *Master PPM* that covers the holding company level and enables numerous, uniform offerings through [Series LLC](#). Essentially, each new offering is another LLC in the already registered series that facilitates “*Real Tokens*” on the Ethereum blockchain. This allows RealT to continue offering tokens for separate LLCs (as each property is structured under their own unique LLC) at scale, which is one challenge that prospective issuers of multiple properties and/or assets have been facing in the industry.



Unique Tokens

Ownership of each property is distributed across a finite number of representative tokens. Based on token share, owners can collect revenue from rent, and vote on property decisions.



Property Managed

Each RealT property has a property management company managing the property on RealToken owners behalf. The property management company sources tenants, collects rent, and manages repairs, so the diverse group of RealToken owners don't have to.



INC/LLC Owned

Real estate can't directly be tokenized, but legal entities can. Each property is owned by company (either an Inc or an LLC). Each company is tokenized as a unique set of RealTokens and made available for purchase.



Weekly Rent Payments

With blockchains, we no longer need to wait 30 days to receive a bank transfer. Owning property with RealT allows you to collect rent every week. Rent is paid using a US-Dollar stablecoin, sent to your xDai or Ethereum wallet.

New primary offerings through RealT tend to fully subscribe within mere minutes, as the firm has been developing a reputable brand and carving its own one-touch solution to real estate access since 2019. Each property is managed by a professional management team, and rental cash flows are sent to investors’ digital assets wallets on a weekly basis, rather than the traditional monthly calendar. This feature may be attributed to the weekly payments made by Section 8 and housing authorities, but

the ease of transferability can be attributed to the efficiencies of blockchain-based transactions. As an added “blockchain sweetener,” RealT deploys excess funds from its maintenance reserves into a [liquidity pool on Compound](#) so that investors can earn an extra bit of yield (4%-6%) in addition to the stated rental distributions.

Lastly, RealT offers an [Affiliate Program](#) that essentially turns affiliates into Digital Real Estate Agents. This program incentivizes users to share listings and offerings with those in their network through a *2% commission* on each investment. This could be a powerful tactic in growing the strength of the RealT network, although it is currently only available to international investors and users (no US retail or US accredited investors may partake in the Affiliate Program at this time).

LoftyAI

As a near-direct competitor to RealT, LoftyAI has facilitated over \$14 million worth of investments in its blend of Affordable Housing and single-family homes on the Algorand blockchain. LoftyAI distributes rental income on a [daily basis](#), but what makes the platform truly unique is its “[Sell My Property](#)” tab. Rather than solely relying on its team to source and secure properties, LoftyAI may also act as a broker to everyday homeowners, should the situation and property fit the mold of LoftyAI’s target. Since LoftyAI engages a professional management company for every property on the platform, their criteria likely centers around cash flow potential, with an emphasis on rentable properties.

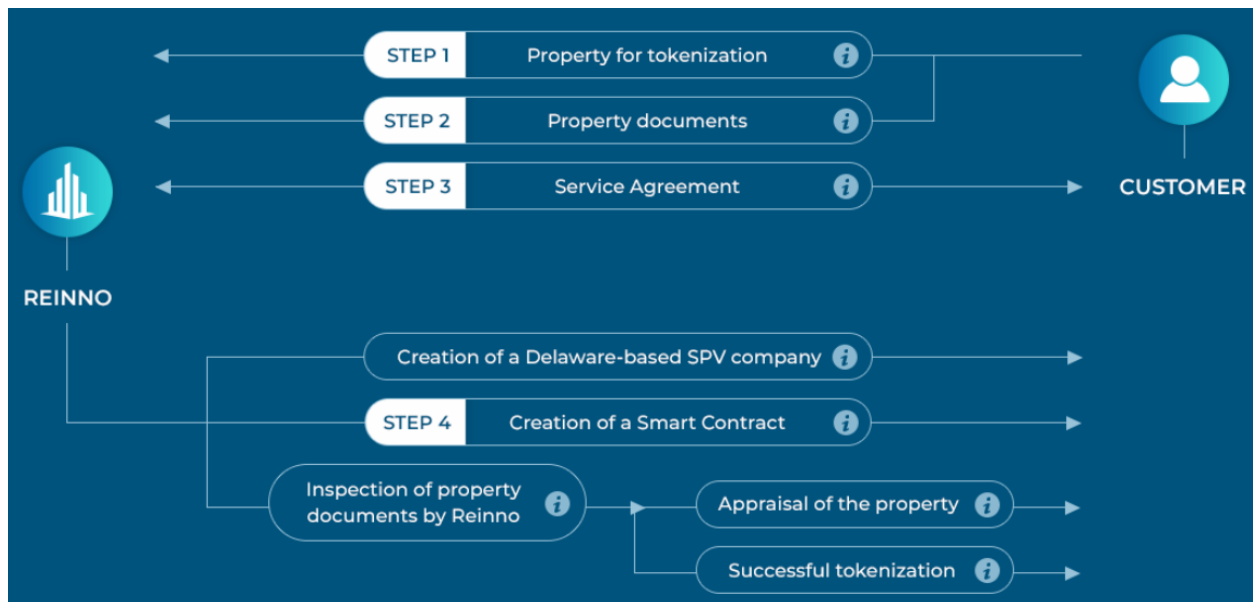
LoftyAI recently introduced its [VIP Program](#) to reward users that hold onto tokens over a tiered period of time rather than selling and/or trading tokens actively. Rewards come in the form of gift cards that can be used to purchase additional property tokens on the platform. This draws directly from the concept of [Staking](#) in cryptocurrencies, which is when users pledge their crypto assets to the blockchain network itself and get rewarded via distributions (much like an interest payment). Common reasons for staking involve providing liquidity to a trading pool and limiting the number of tokens hitting the open market (supply). LoftyAI’s VIP program will similarly incentivize off-chain “staking” and enable the LoftyAI treasury to do more with its own assets, and expand features as part of their long-term road map.

Reinno

Reinno is one of the industry pioneers when it comes to real estate lending through security tokens. As covered in [The State of Security Tokens 2022](#), real estate security tokens may find footing as a superior form of collateral in decentralized lending protocols due to the intrinsic value of the underlying asset, rather than generic cryptocurrencies.

Reinno developed a service that offers both traditional lending and mortgage refinancing AND digital asset-based solutions. The protocol uses tokenized equity in a property as the down payment and/or collateral for a cash loan (*fiat*) from Reinno or its partners. The collateral is handled as a security token, although the loan(s) itself is made in cash as of now. The longer-term goal will be to enable fully on-chain lending as users and underwriters become more fluent in digital assets and stablecoins.

Reinno provides technology services ([tokenization](#)) in addition to its financial services (lending and brokerage) which may make it a one-stop-shop for prospective real estate issuers and borrowers. Leveraging this capability should enable Reinno to better serve its customers as well, and will likely provide a pool of rich actionable data.



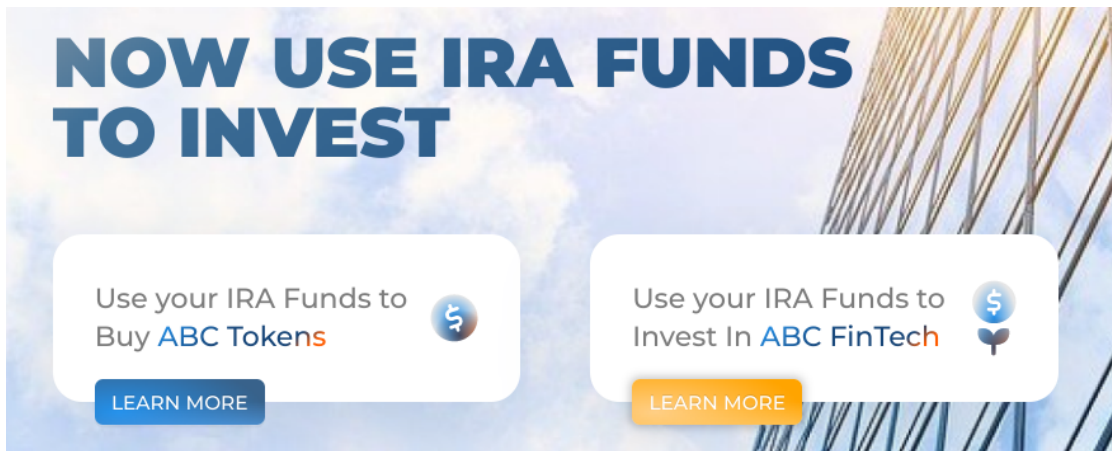
ABC Tokens

[ABC Tokens](#), powered by ABC FinTech, is another tokenized real estate investment source and portal that is actually raising its own funds via security token offering in the near future. The firm is currently in its “*Test the Waters*” phase per the Regulation Crowdfund (Reg CF) provision to raise up to \$5 million from retail investors.

ABC Tokens has already closed on \$3 million in AUM with another \$50 million in commercial real estate assets in the pipeline for its tokenized portfolio. With a minimum investment of only \$100, retail level investors (and accredited) gain an equity interest in the overall portfolio that offers expansion potential as ABC Tokens closes on more assets. These equity interests will be tokenized on the Polymath

blockchain, which is a public-permission chain designed for built-in compliance and distribution features.

What differentiates ABC Tokens is its outline for investors to purchase these tokenized interests in IRA accounts through [AltoIRA](#). Not only are they offering a solution for real estate tokens, but also for the firm’s own crowdfund. Pending a success story here, this security token-enabled IRA could be the foundation on which other tokenization projects and investors build—as not only would they be gaining access to 1) fractional real estate assets, but 2) the significant [tax benefits](#) associated with the IRA structure.

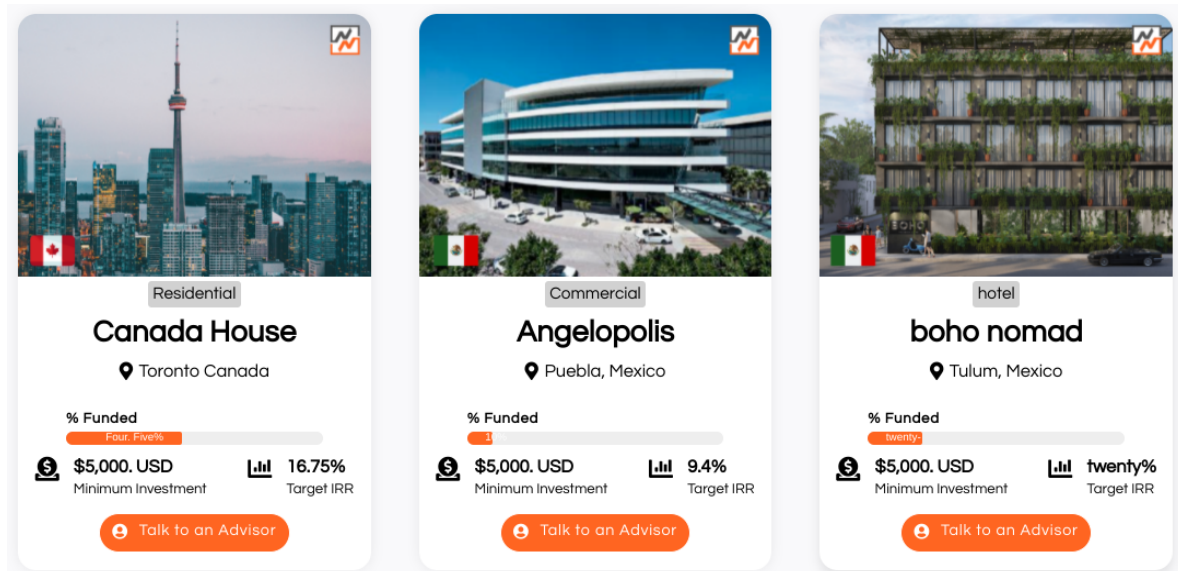


MountX

The team at [MountX](#) has the common goal of enabling US and Canada real estate investment access to all of Latin America and its investors. Working directly with security token issuance platform Vertalo, the “new partnership will facilitate direct investments in Class-A residential properties located in Canada. MountX will be conducting multiple issuances: initial deals will only be promoted to Latin American investors, and eventually expand to include U.S. and Canadian markets. According to the statement, through the digital tokens, investors will be able to directly access their equity and asset information,” as covered by [Nasdaq](#) in 2020.

The original partnership was inked upon the agreement that 15 properties would be tokenized to commence the MountX initiative. Each property requires a minimum investment amount of \$5,000, with a total of 4 active property [listings to date](#) (3 of which are shown below), which leaves 11 properties to still be secured and tokenized per the firm’s partnership with Vertalo. What’s interesting is that MountX also lists 3

investment fund offerings in addition to the properties themselves. If the demand is there, these investment funds may gain traction and position MountX as a multiple asset class player.



BlokHaus Real Estate (previous STA Client)

[BlokHaus RE](#) is a Miami-based dual-threat real estate firm that caters to traditional and digital asset investors. **Security Token Advisors** [guided BlokHaus](#) in the development and launch of a tokenized real estate investment portal, where investors can buy fractional shares of properties that the BlokHaus company manages. Additionally, BlokHaus still acts as a real estate agent and broker for individual transactions, but is quite forward looking with its categorization as a “FinTech Real Estate brokerage operating on the blockchain.”

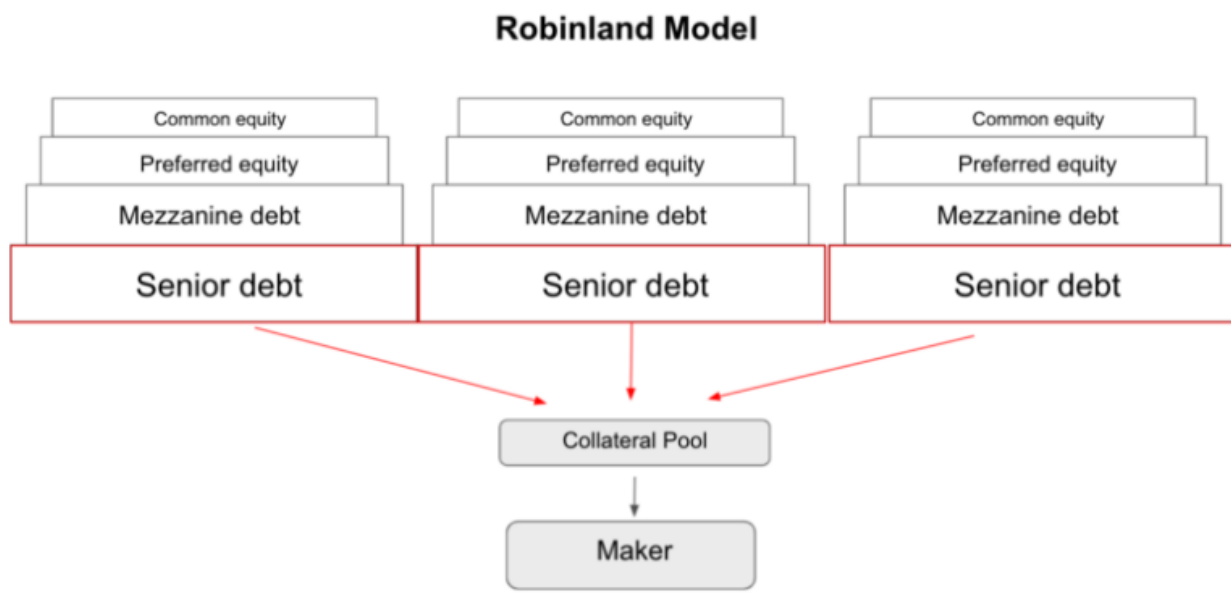
With an asset range from single-family homes to condos to pre-construction developments, digital asset investors can gain access to the portfolio through the [BlokHaus Real Estate Token \(BRET\)](#) traded on token issuance platform Securitize. The competitive advantage that BlokHaus offers investors is its own front-lines positioning within the Greater Miami Area. As South Florida boasts one of the [hottest real estate markets](#) in the country, BlokHaus can synthesize and digest the data and actions that it directly works on through the firm’s brokerage/agency division, and leverage that to improve its own investments and operations. These improvements and decisions should, in theory, come back to benefit investors through the BRET offering and capabilities.

Robinland

[Robinland](#) currently has 3 active primary offerings—2 of which are *mezzanine loans* and the other one an *equity* investment. Robinland has been touting the power of tokenization when it comes to debt instruments, and envisions a future where these tokenized debt assets can be used in a variety of DeFi solutions like lending and staking pools through Aave or private blockchain solutions.

In fact, in late January 2022 Robinland’s “Greenlight Poll” collateral onboarding application to [MakerDAO was approved](#). Since MakerDAO is a decentralized liquidity provider to other cryptocurrency projects, this is a significant step towards bridging the gap between DeFi, real-world assets, and solutions. This will enable both Robinland and investors in fractional real estate loans through Robinland to utilize MakerDAO collateral and lending services with the goal of achieving extra yield and liquidity on these products.

MakerDAO has \$9.5 billion in collateral that enables a circulating \$5.5 billion in DAI (the protocol’s utility coin / currency), which implies a 172% overcollateralization rate ([Source](#)). The need for this overcollateralization stems from the volatility of cryptocurrencies themselves. Understanding this and the very low capital utilization rate associated with the current MakerDAO landscape, Robinland’s tokenized real estate products should command lower collateralization rates due to the intrinsic value backing, and may even prove these DeFi solutions to be more useful than they currently are with native cryptocurrencies.



Chainraise

[Chainraise](#) is looking to offer a wider range of real estate investment opportunities to retail investors specifically. Actively pursuing its Regulation Crowdfund (Reg CF) license, Chainraise will be a FINRA-approved crowdfunding platform that real estate asset owners and retail investors can use to connect and facilitate deals.

With minimum investment amounts of \$100, Chainraise has the goal of tokenizing all of the deals that come through its portal due to the appeal of secondary trading capabilities associated with security tokens.

Smartlands

[Smartlands](#) supports both fiat and cryptocurrency payments for investments on its platform. Still technically in beta mode, listings are only shown to investors on an approval-basis, making it unclear as to the volume, size, and types of deals currently offered. The approach is straightforward per the Smartlands flow chart: investors deploy fiat or cryptocurrency into a real estate project, Smartlands issues securities representing this investment that investors may hold in the Smartlands Wallet, and Smartlands manages the backend and operations between the asset owner and investors.

Much like LoftyAI offers the ability to “*Sell Your Home*,” Smartlands will rely on asset owners coming to them with deals and projects for additional listings on the platform through the “[Tokenize My Property](#)” tab. Smartlands likely acts more as the technology solution rather than the deal sourcing and asset securing solution, although it will inherently have to play on both ends of the FinTech spectrum.

In reference to the activity and traction on the platform, the [firm states](#): “The full infrastructure has been developed over the past three years, and a trial listing of a property in Nottingham, UK, has already been carried on the platform to confirm proof of concept.” Primary targets include office buildings, residence halls, warehouses, logistics sites, and arable land in the \$10 trillion Agricultural Asset Class.

MarketSpace Capital (*Myra Park token listed on tZERO ATS March 7, 2022*)


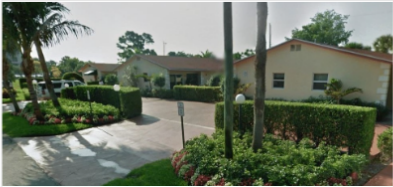

Market Space Capital is a \$480 million private equity real estate firm focused on ground-up developments and value-add investments throughout the U.S. The firm’s “[Myra Park](#)” security token will be trading on the secondary markets through the tZERO ATS beginning [March 7, 2022](#). “*The Spot*,” as the property is referred to, is a 250-unit active adult community complex whose security token is built on the Ethereum blockchain through [DigiShares](#). This security token represents equity in the entire property and is MarketSpace Capital’s first real estate digitization project.

SolidBlock

[SolidBlock](#) is another dual-pronged real estate platform that offers a marketplace for investors and a tokenization service to issuers. As of June 2022, there are 4 active primary offerings on the marketplace, with 3 of them ranging from 11%-18% targeted IRR. These offerings are all set to close in August 2022, and given SolidBlock's strategic partnership with tZERO ATS, makes the projects viable to be trading on the secondary markets sometime August 2023 and beyond.

The existing offerings range from traditional single-family home properties in London to therapy and detox centers in Palm Beach County, FL, which hints at SolidBlock's commitment to be asset type agnostic and cover the map, both in location and in target opportunities.

Historically, SolidBlock was instrumental in the first ever commercial real estate security token offering in which it helped the St. Regis Resort in Aspen raise \$18 million for roughly 20% of the property in 2018.

		
<p>London Digital Bonds (\$LDB) London, England</p>	<p>Detox Digital Coin (\$DDC) United States</p>	<p>Red Frog Beach Portfolio (\$frOGI) Bocas Del Toro, Panama</p>
<p>We're buying and flipping prime residential single-family properties in the heart of London</p>	<p>We are acquiring 20 properties within the United States that will increase the number of detox treatment programs for those in...</p>	<p>We are expanding this environmentally sustainable luxury resort that is home to lush rain forests and pristine beaches.</p>
<p>£1M First closing</p>	<p>\$2.45M First closing</p>	<p>\$6M First closing</p>
<p>£250 Minimum Investment</p>	<p>\$250 Minimum Investment</p>	<p>\$250 Minimum Investment</p>
<p>10% - 15% Annual cash yield</p>	<p>12.03% Targeted ROI (Annual)</p>	<p>15% Targeted ROI (Annual)</p>
<p>54 Days Left to Invest in Current Round</p>	<p>11.05% Targeted IRR</p>	<p>13.61% Targeted IRR</p>
<p>54 Days Left to Invest in Current Round</p>	<p>54 Days Left to Invest in Current Round</p>	<p>54 Days Left to Invest in Current Round</p>

Additionally, SolidBlock is in the process of developing and issuing its own [SolidToken](#), which is the first step in a mini ecosystem. The goal of the ecosystem is to enable investors to purchase security tokens on the SolidBlock portal and begin generating yield through staking and similar activities, with the eventual implementation of an ecosystem stablecoin. SolidToken will be structured as a utility token that provides holders with early access to SolidBlock deals, rather than a security token in itself.

Propy

As touched upon earlier, [Propy](#) is more of a retail-driven service in the sense that it's tapping into the NFT market for a different application of blockchain technology in the real estate industry. Rather than tokenizing properties for investment purposes, Propy has a service that accepts all required documents for real estate transactions and puts them on-chain in order to have an immutable paper trail of components like titles, tax assessments, inspections, and more. The general process for each property is as follows.

1. Propy aggregates property listings and sales data from a Multiple listing Service (MLS), just like Zillow and Redfin do
2. Propy generates the purchase and sale agreements for selected properties, and sends signable copies to the buyer and seller in a transaction
3. Here is where the intermediary enters: the Title Agent uploads the official title report for signing, and sets up the escrow account between buyer and seller
4. The buyer must transfer funds to the escrow account, either in fiat or accepted cryptocurrency, and the smart contract will mark payment as "Received"
5. The buyer receives the official deed to the house, which is now recorded on the blockchain, and the transaction is complete

Propy completed its largest sale to date in [February 2022](#) when a Gulfport, FL home sold for \$653,000, or 210 ETH at the time. Over 7,000 users were onboarded and part of this sale bidding process, which only accepted ETH, and Propy is working towards integrating with USDC in order to accept stablecoin from a wider user base.

ReTok

[ReTok](#) is the first Avalanche-based application covered in this publication. While most other projects are Ethereum-based, ReTok offers itself as one of the first real estate focused projects in the Avalanche ecosystem, with the usual benefits and value-adds of real estate tokenization. Moreso, ReTok offers a "rent-to-own" play on the properties it supports. The company is able to purchase these properties in full or in partial, and take on the debt portion from a bank or lender. Renters and tenants in ReTok supported properties can buy tokens and accumulate equity from ReTok over time, rather than paying a fixed, variable, or adjustable-rate mortgage to the lender.

In this sense, ReTok is able to generate returns based on any spreads between traditional financing and the security token offering, and tenants are able to live in their desired properties sans a mortgage agreement.

The Rent-to-Own model is extremely interesting, and has come up in several conversations with clients and prospects of Security Token Advisors. Since transactions can be so seamless, fractionalized, and properly accounted for via blockchain technology, security tokens stand to be the superior vehicles for facilitating rent to own transactions that may occur as frequently or infrequently as the tenant desires.

Rather than paying a mortgage to a lender every month, a tenant can choose to buy property tokens on a daily basis, monthly basis, quarterly basis, or even an annual basis. The owner, who in this case is ReTok, has the upside with equity and rental payments, so there is not usually a hard deadline for payment or a need to give up equity on a fixed schedule like there is with a bank or mortgage lender.

As tenants pay rent, it's likely that a portion of rental payments or overpayments goes towards the equity that accumulates as a greater number of tokens are purchased. Not only does this position ReTok as an offering issuance portal for investors, but also as an asset manager of any properties it chooses to purchase, hold, and maintain.

Retok acquired 2 properties in Israel and 1 in France and launched its ReTok token in Q1 2022. The ReTok token is what facilitates investment and payments associated with each property rather than each property having a unique token. Given this, it still requires some work on ReTok's part to ensure the cap tables for each property match up to the rightful owners, which is a bit surprising but not necessarily limiting or a drawback. ReTok has plans to acquire 6 more properties across Switzerland, Israel, and France by the end of 2022, as well as conducting a public token sale to raise \$5 million, likely through a Regulation Crowdfund or comparable European offering type.

Akru

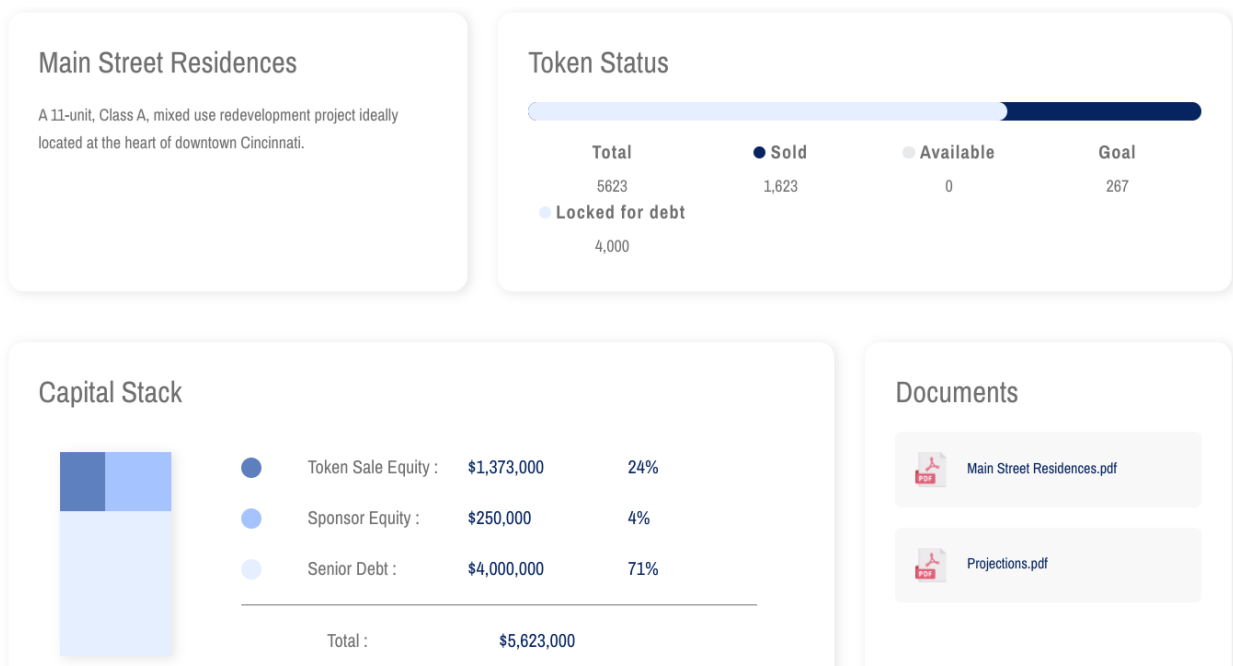
Akru is another platform that offers investment properties to equity investors, as well as offers its tokenization services to interested property owners and would-be sellers. Akru's minimum buy-in per commercial property is \$1,000. In the example below, only 24% of the [Cincinnati asset](#) is tokenized while the remainder is either held as debt or as equity for the sponsor. This is important as it shows that assets and properties do not have to be entirely tokenized but can rather be done on a fractional basis.

As debt is paid down over time it is quite possible for Akru, the managing entity, to issue additional equity tokens to the public in follow-on sales. The service also rates

each property or asset offering with a certain risk level (low, moderate, or high) based on the dividends, appreciation, and projected returns. These ratings may be subject to change as the makeup of the asset changes over time, and presents interesting strategy insight to investors that other platforms may not.

Akru utilizes a multi-token architecture including an asset-level security (for each property, for example) and a utility token named AKUSD. The utility token represents each investor’s USD balance in their wallets, and is designed to be volatility resistant for more precision and transparency to investors, rather than holding something like Ethereum (ETH) or Bitcoin (BTC).

In terms of secondary trading, Akru tokens are not yet connected to an Alternative Trading System or marketplace. Instead, users are able to make use of a [Bid-Ask](#) mechanism within the Akru portal for peer-to-peer transactions. This provides an avenue of liquidity for investors and token holders, while enabling them to maintain control of pricing and volume.



YieldCrowd

[YieldCrowd](#) takes the portfolio rather than the individual asset approach. Additionally, much like Robinland is debt-focused, YieldCrowd syndicates debt agreements for investors backed by the underlying properties within the portfolio. It’s possible that the company uses investor funds to acquire new properties and

enjoy the equity while maintaining the 8.75% target return that it promotes to investors, the dividends of which are paid out on a daily basis.

Interestingly, YieldCrowd’s returns are actually on the lower end of most real estate security token offerings that may range anywhere from 7%-15%, with an estimated average around 12%. Since this is a portfolio investment rather than an asset-level investment, the diversification of underlying assets makes the 8.75% target more feasible and sellable to investors. This comparable market pressure is why it’s difficult to offer debt tokens on individual properties unless they’re targeting 10%+. Anything less positions that offering on the lower end and becomes a tougher sell to the investor audience.

The YieldCrowd portfolio is free to expand in size and asset type as time goes on, which will shift the investor audience and ideally drive additional benefits to both the issuer and investors. In fact, there is still a smaller appreciation component that makes up the target 8.75% total return for these YIELD tokens, as shown in the graphic below.

2022 COMPARISON	Volatility	Dividends	Appreciation	Liquidity
YIELD <i>tokens</i>	Low	5.02%	3.0%	Medium
STOCKS <i>sp500</i>	High	1.49%	-(13.31%)	High
BITCOIN <i>BTC</i>	High	0.00%	-(38.81%)	High
REAL ESTATE <i>US market</i>	Low	4-8%	10-15%	Low

YIELD tokens are built on the Stellar blockchain (XLM) and are being offered to international investors only at this time through a Regulation S placement. The tokens are made to trade on secondary exchanges, although they are not currently circulating on any US-based ATS, leaving decentralized exchanges (DEX) that support Stellar-based assets as the go-to options for investors looking to trade.

TerraChain Issuance: Naki Group

Security token issuance platform TerraChain completed its first ever security token offering in Cambodia in May 2022 with [Naki Group](#). The project tokenizes 34 high-income units in the Silvertown Metropolitan condo building and will likely serve

as a proof-of-concept for additional projects in the area and in Naki Group's portfolio, which focuses on hospitality, realty services, and property development.

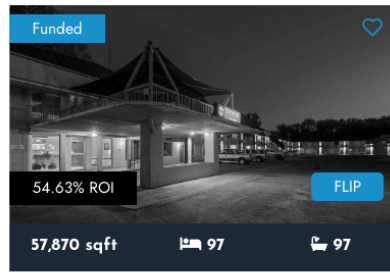
Partnering with the [HKVAX](#), a securities exchange in Hong Kong, TerraChain developed the security token with a pathway for secondary trading liquidity. Hong Kong remains as one of the more [valuable jurisdictions](#) for tokenization given the sheer amount of assets and digital interests. This partnership and proof-of-concept with Naki group will likely open the faucet for additional security token rollouts on both the primary and secondary sides of the market.

Vairt

[Vairt](#) is a Cincinnati-based real estate investment portal that is currently offering its own properties to accredited investors, with future plans encompassing the general public, via security tokens. The company uses a proprietary 100-datapoint screener for existing and future properties that it accepts onto the platform, and that it therefore offers to investors.

Vairt creates a Special Purpose Vehicle (SPV) for each property that comes onto the platform in a Series LLC, which essentially enables one base filing with the ease and flexibility for add-on filings. This contributes to the scalability of the platform and individual offerings, which is not uncommon in some of the other platforms covered in this report. Current proposed minimum subscription amounts are \$5,000 per property, which is manageable for accredited investors but will likely compress for retail investors in the future, although previous examples had minimums of \$25,000, as shown below.

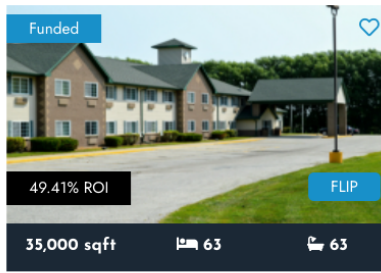
Strategies range from flips to steady income to capital appreciation, while the majority of listings are flips. These properties are managed by Vairt and any associated gains are passed through to investors per each property's subscription agreement.



97 Rooms Value added hotel in WESTERN SALINA

Acquisition Cost	Rehab Cost	Min. Investment
\$ 1,250,000	\$ 350,000	\$ 25,000

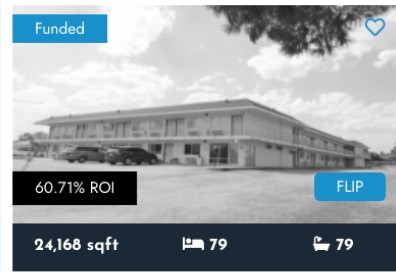
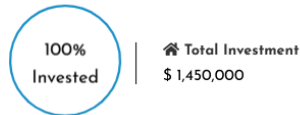
The SureStay by Best Western Salina is one of the most intriguing hotels in Salina. Conveniently located off I-70, the hotel is minutes from the heart of Salina, Kansas and a short drive to Salina Municipal Airport (SLN). While



63 Rooms Colfax Inn value added Hotel

Acquisition Cost	Rehab Cost	Min. Investment
\$ 1,250,000	\$ 200,000	\$ 25,000

Hotel in Colfax with free breakfast and 24-hour front desk Coffee/tea in a common area, laundry facilities, and a 24-hour front desk are available at this hotel. Free continental breakfast, free WiFi in public areas, and free



Budget Inn - 79 Room Value Add Hotel

Acquisition Cost	Rehab Cost	Min. Investment
\$ 850,000	\$ 200,000	\$ 25,000

The subject property is currently a independently owned hotel that was a former Motel 6 constructed in 1983. The exterior corridor property includes 79 guest rooms and one manager's quarter with 1 bedroom and 1 bathroom and



Metaverse Land Sales & Headlines

Aside from physical properties and tokenization, Metaverse land sales have made the headlines as the metaverse and “digital living” narrative began finding traction throughout 2021 and 2022. Metaverse land sales topped \$500 million by [February 2022](#) through value drivers like land appreciation potential, gaming, and metaverse businesses (i.e. casinos, eCommerce storefronts, art fairs, concert venues, fields). Much like physical land is scarce and can be capitalized upon through appreciation, metaverse land is scarce—to an extent. While new metaverses can be created, land will be most valuable in the long-term in popular metaverses, of which Decentraland, The Sandbox, and Roblox currently dominate.

Decentraland and The Sandbox are blockchain-native metaverses that conduct transactions via the blockchain and make use of components like NFTs, while Roblox is an analog gaming metaverse. This makes Decentraland and The Sandbox more interoperable than Roblox on average, as users can move NFTs throughout the various venues, whereas Roblox items are limited solely to the Roblox ecosystem. With that background, the following land sales have made public headlines out of sheer size and, to most people, surprise.

- Metaverse Group (owned by Tokens.com) - November 2021 - \$2.4 million purchase in Decentraland’s “Fashion District” ([Source](#))



- Republic Realm - June 2021 - \$1 million purchase in Decentraland to develop a shopping center ([Source](#))
- Republic Realm - December 2021 - \$4.3 million purchase in The Sandbox to co-develop NFT based games with Atari ([Source](#))
 - The game will be called Fantasy Islands in which the land parcel is broken into 100 islands with villas, jet skis, and boats (possibly represented as NFTs)
 - Ninety of the hundred islands pre-sold for \$15,000 each (\$1.35 million collectively) with secondary sales listed upwards of \$100,000 per island
- Snoop Dogg’s Neighbor - December 2021 - \$450,000 was spent to be Snoop Dogg’s neighbor in The Sandbox, where Snoop Dogg is developing the virtual Diamond Bar for exclusive events and parties ([Source](#))
- Curzio Research (previous Security Token Advisors Client) - May 2022 - announced partnership to acquire \$5 million worth of TCG’s metaverse land to develop 19 commercial buildings in TCG World ([Source](#))

<p>Long-term Hold</p> <p>We buy and hold for the long term, targeting capital appreciation.</p> <p>We seek out relative value through:</p> <ul style="list-style-type: none"> • Public auctions (with early access) • Private sales • Joint ventures • Token sales DAOs 	<p>Development</p> <p>We develop metaverse real estate with our in-house design & development team including:</p> <ul style="list-style-type: none"> • Master planned communities • Retail shopping malls • Speculative developments • Corporate build-to-suit • Event spaces <p>We also develop in-metaverse games.</p>	<p>Strategic Partnerships</p> <p>We partner with gaming guilds to earn recurring revenue on our gaming metaverses, rent land to blockchain and real world brands and provide liquidity to NFT loans.</p>
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[Republic Realm’s](#) metaverse investment thesis and plans across 13 various metaverses..

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Security
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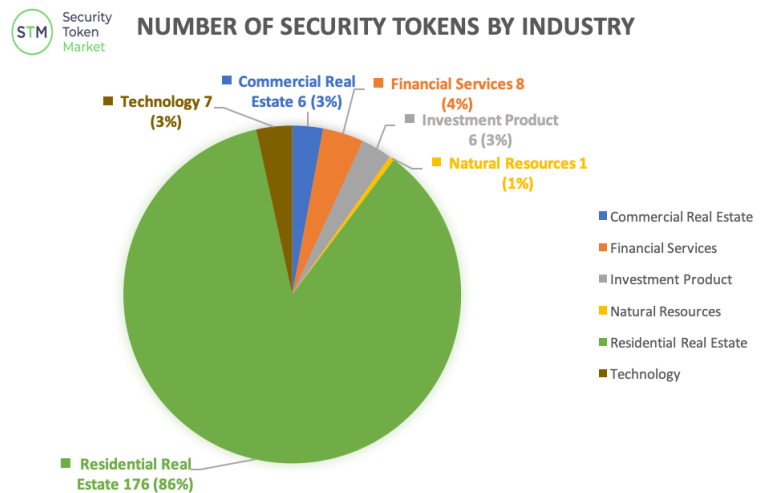
Overview of the Tokenized Real Estate Secondary Trading Market

Once assets are securitized, offered, and issued through the primary markets, the security tokens may have the opportunity to begin trading actively on secondary marketplaces. Any provisions for trading (i.e. timeline, limits, jurisdictions) are determined by the original offering, with examples ranging from 6 to 12 month lock-up periods. Nonetheless, the secondary markets are where the majority of investors and traders may gain access to tokenized real estate offerings, and the ecosystem—including marketplace servicers & providers, market cap, and volume of offerings—will likely grow as a function of primary offerings and onboarded investors.

Tokenized Real Estate: The Rise to Domination

Tokenized real estate has notoriously climbed its way to the top of the security token industry peak and does not plan on hitting the brakes any time soon. Tokenized real estate properties currently represent a staggering **89%** of the total number of issued security tokens trading on the digital secondary markets. This includes both residential and commercial real estate, although residential makes up the vast majority at **86%** of the total.

However, this newly-found dominance of tokenized real estate had not always been the case: When security tokens emerged from the post-ICO bubble in 2018, a majority of their use cases involved fractionalizing crypto investment portfolios, crypto VC funds, profit shares, and tokenized stocks. This was the initial model of security tokens: *focus on tokenizing already-liquid assets*. The earliest of security tokens often appealed to the “crypto-savvy” retail trader who would prefer to trade assets already representing their interests—highly liquid, “day-tradable” assets.



In December 2019, the RealT Platform shocked the industry with a milestone unheard of at the time: Its property, **9943 Marlowe St**, was the first real estate property ever to be tokenized using ERC-20 tokens on Ethereum.

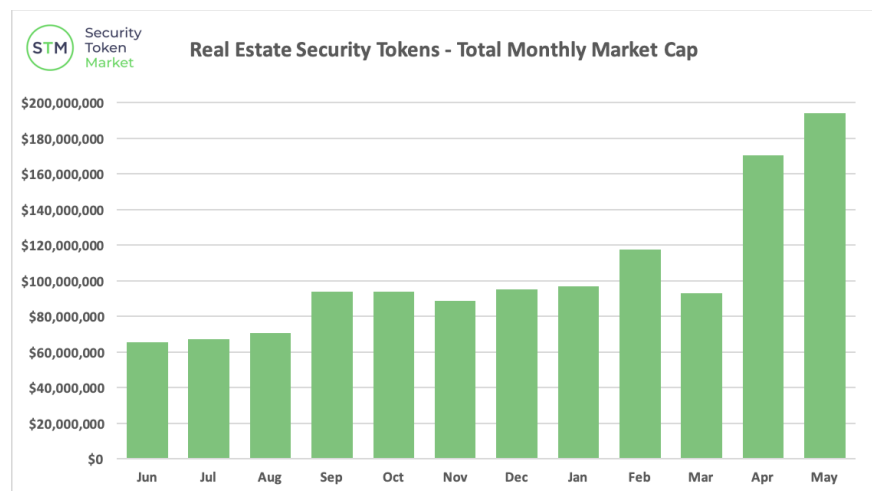
Growth

Tokenized real estate growth has outpaced other security tokens by a wide margin. From 2021 to 2022, the number of actively traded real estate tokens increased by **112%**. Just a year prior from 2020 to 2021, the number of tokenized real estate properties on secondary markets increased by **655%**, while non-real estate tokens on secondary markets only increased **88%**. The reason for the dramatic increase of 655% is due to the fact that RealT went from a mere 11 properties in 2020 to 83 properties in 2021. In 2022, RealT doubled that amount to **176**. Comparing these real estate figures over the past two years to other categories of tokens, one point is clear: tokenized real estate is a force to be reckoned with. Even with every other security token category combined, real estate still emerges the winner—not only in number of tokens, but also in growth.



Market Capitalization

Tokenized real estate grew in both residential and commercial aspects. Approximately **\$157.7 million** in commercial real estate currently trades on secondary markets, with **\$36.3 million** in the residential market. Together, these two subcategories represent approximately **\$194 million** in the tokenized real estate secondary market. **Over the past year, the total market capitalization of real estate security tokens has surged dramatically**



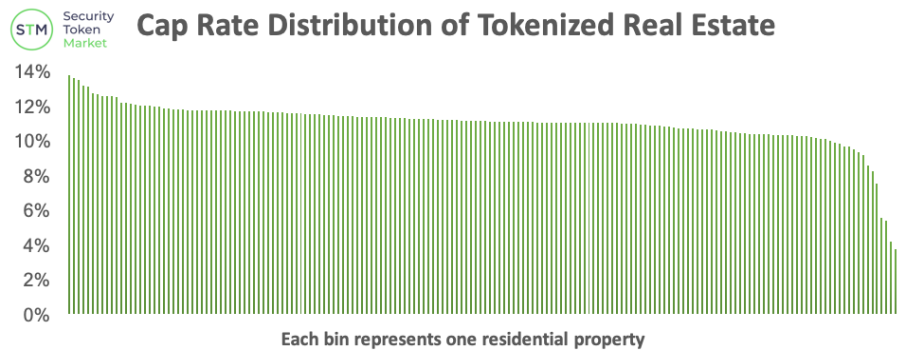
from just above \$65 million at the end of June to **\$194 million** at the end of May.

These figures point us to an interesting observation. Although tokenized real estate leads the industry in number of issuances, its **\$194 million** market capitalization accounts for only **1.2%** of the **\$16.4 billion** aggregate market capitalization of all security tokens. Yet, real estate represents a whopping 89% of all security tokens currently trading.

Commercial real estate’s market capitalization currently involves **six** properties: Aspen Coin, Tinaga Island Resort, FirstShot Centers, **Myra Park, SiriHubA, and SiriHubB**. **Aspen Coin and Myra Park** trade on **the** tZERO exchange, while **Tinaga Island Resort and FirstShot Centers** trade on the CryptoSX exchange. **The relatively newer SiriHubA and SiriHubB tokens trade on Thailand’s ERX exchange**. As for residential real estate, **at least 176** properties currently exist. However, these properties are smaller in size, hence a lower market cap when compared to commercial projects. That being said, residential tokenization has seen stronger scale due to replicability and efficiency of the tokenization process.

Investing in Residential Properties

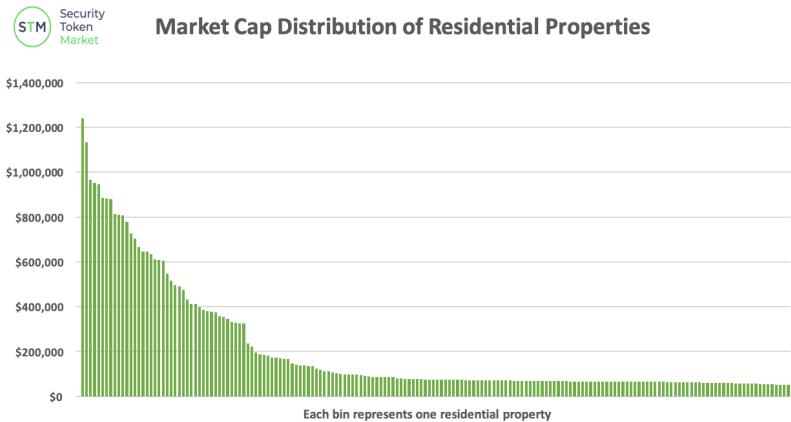
Tokenized residential properties, although smaller in size, offer investors with yields substantially higher than the market. Although numerous other firms plan to enter the real estate tokenization market in the latter half of 2022, the only platform that offers secondary trading as of now is RealT, with over **175+** residential properties to date.



RealT Yields & Capitalization Rates

The average market-cap weighted¹ capitalization rate of RealT tokenized properties, as of February 2022, is **10.55%**.

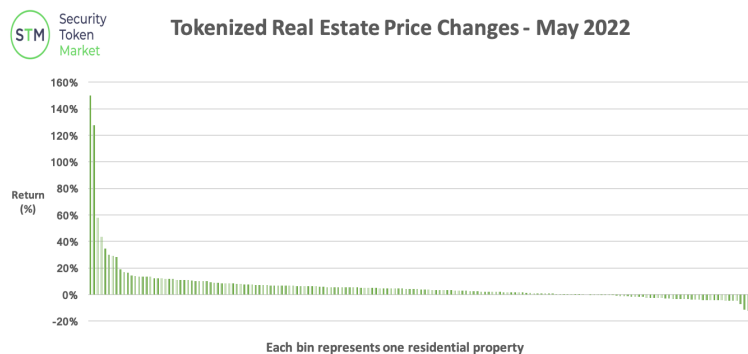
The average² capitalization rate is **10.98%**. However, some properties currently yield as high as a **13.73%** cap rate. Although it may be tempting to argue the narrative that the high yields are a result of the 2022 real estate boom and rise in rental prices, there still lay other factors at play. For instance, RealT published a report in mid-2020 displaying their yields, and it was in fact higher – the average cap rate of their 15 properties was **11.36%**.



Property Prices

The average RealT residential property is currently valued at **\$206K**, as of **May 2022**. However, this number skews quite heavily towards the lower end – after all, the median is only **\$74.7K**. For investors, this skew implies that a majority of available properties are low-income, single family homes, while a minority of homes are either larger townhouses or vacation rentals exceeding \$500K+.

With the exception of RealT's **15634 Liberal St and 9165 Kensington Ave tokens spiking almost 150% and 127% in one month of trading respectively**, the vast majority of market capitalizations generally remain stable from month-to-month. The median price **appreciation was 3.9%**. Given a majority of these homes attract low-income tenants, prices often remain stable as opposed to more luxurious, suburban homes which have skyrocketed in value from 2021 onwards.



¹ This methodology computes aggregate yield via market capitalization. For instance, a \$900K property's yield holds nine times' more weight than a \$100K property.
² The "average" methodology would be used if an investor owned one token of every property.

Given that most of RealT's portfolio lies in the Midwest—with Michigan, Illinois, and Ohio representing over 90% of all properties—the below-average growth in those inner-city regions has led to more pricing stability. However, as RealT expands into the suburban market and vacation rentals space, we can expect more volatility in both yields and prices due to macro forces from the greater US housing market.

Credit Risk Profile

RealT's residential real estate portfolio merits itself as not only a high-yield security, but also a less volatile one. This is primarily because RealT specializes in Section 8³ housing. Section 8 enables the U.S. Department of Housing and Urban Development to provide partial or fully-guaranteed rental subsidies for low-income tenants to sponsor their housing rental at fair market price. During Covid, this Section 8 policy saw lots of action, as many tenants relied on the federal government for rent assistance. This was also great news for the token holders, since they were nearly guaranteed monthly rent payments via a federal subsidy.

Another positive element worth noting is that every RealT residential property is acquired with 100% cash, resulting in a 0% loan-to-value (LTV) ratio. This is good news for investors worried about foreclosures or crashes similar to the 2008 recession, since the tokenized real estate is never in debt. If interest rates were to hike in the coming years, all else equal, investors would be more protected compared with properties which rely on a high LTV ratio, or a non-creditworthy mortgage.

Risks to Investors

No real estate investment is perfectly riskless. Just like any traditional real estate investment, tokenized properties face similar risk measures. After all, tokenizing a property cannot alleviate things like crime history, neighborhood data, evictions, or other external factors. Similarly to traditional real estate, the primary risk to investors from tokenized properties lies in the possibility of an empty property which does not actively collect rent. RealT has only had one single tenant briefly vacate the property back in mid-2020 due to Covid-19, when there were 15 RealT properties. The other 14 properties, in all of 2019 and 2020, were fully occupied and collecting rent the entire duration. **Out of 176 residential properties being traded on RealT, 2 are classified as short term rentals, while the other 174 are long term rentals. Of these 174 long term rental properties, 172 are fully rented at the current time, while the other 2 properties - 3747 Scovel Pl and 581-587 Jefferson Ave - have 8 units rented out of 18 and 13 units rented out of 14 respectively. This puts RealT's percentage of fully rented properties at almost 99% as of May 2022.**

³[What is Section 8?](#)

Liquidity Analysis of Tokenized Real Estate

Real estate historically has been one of the most illiquid asset classes, perhaps next to hedge funds and private equity. This comes to no surprise: real estate often involves extensive planning requirements, cost constraints, property management, safety requirements, and legal prowess. These variables can cost an investor months and years in time, alongside thousands and millions of dollars in avoidable fees depending on the size and scale of the project.

A major innovation of security tokens is their added liquidity into the historically illiquid market of real estate. By trading fractionalized portions of a property, investors can enjoy the yield generated by rent without the legal and time-consuming hassles associated with paper-based real estate investing.

Where Lies the Liquidity?

With **over 180** tokenized real estate properties trading on secondary markets, the battle for the liquidity leaderboard is quite a competitive one. Although real estate is less liquid than tokenized stocks, debt, and companies, it is significantly more liquid than traditional real estate. According to Zillow, homes in 2020 spent an average of 25 days on the market, excluding the 30 to 45-day closing period. This adds up to around 55 to 70 days to sell a property, in addition to the exorbitant fees which average around 6% of the property's value.⁴

From a liquidity perspective, we know that tokenized real estate shares can be traded within seconds or minutes. However, given the varying range and size of property prices, it would be more beneficial to quantify that liquidity in the context of volumes and market capitalization. The below figure shows the ten highest "volume-to-market cap ratios" in **May** 2022. The "annualized" column simply multiplies the monthly value by 12, to give investors a

Token	Volume-to-Market Cap Ratio (Monthly)	Annualized Ratio
9151 Whittier Ave	4.50%	54%
8531 Intervale St	2.17%	25.98%
19154 Sherwood St	2.02%	24.24%
13370 Wilshire	2.00%	24%
14263 Ohio St	1.77%	21.24%
19962 Waltham St	1.76%	21.12%
20039 Bloom	1.76%	21.12%
19191 Bradford	1.52%	18.24%
14215 Hampshire	1.44%	17.28%
14839 Wisconsin	1.37%	16.44%

⁴ [Bankrate: How much does it cost to sell a house?](#)

rough approximation of how much volume trades annually in proportion to a property's price.

The proper interpretation of this graphic would be as follows: "For every \$100 in 9151 Whittier Ave's property value, \$4.50 is traded monthly, or \$54.00 when annualized." If a property had a 20% annualized ratio, that would mean it'd take about five years to fully trade the property's value.

Although 9151 Whittier Ave may seem like an outlier, this is very normal given the property's market capitalization. This property has a relatively smaller market cap of under \$60,000, and thus is more sensitive to bursts of high trading activity. For instance, it would only take \$3,000 of monthly volume to cause a \$60,000 property to top this leaderboard. Likewise, a \$60 million property would require \$3 million in monthly volume to tie with the \$60,000 property.

We often observe different properties experiencing high trading volumes each month, and that process is often random. Whether that be a large institution or a series of buyers placing a buy or sell order, we find that these spikes in volume often regress to the average. Therefore, the "annualized" figure should only be taken with a grain of salt for small, residential properties given the unpredictability in volumes.

Commercial Real Estate Liquidity

Although only six commercial properties exist on secondaries to date, it is worth noting their liquidity behavior given their combined \$157.7 million in market cap. The highest liquidity lies with AspenCoin (St. Regis), a luxury hotel in Aspen, Colorado, with an annualized ratio of 1.25% volume-to-market cap.

Token	Volume-to-Market Cap Ratio (Monthly)	Annualized Ratio
Tinaga Island Resort	0.00%	0.00%
AspenCoin (St. Regis)	0.10%	1.25%
FirstShot Centers LLC	0.00%	0.00%
Myra Park Investors LP	0.01%	0.16%
SiriHub A	NA	NA
SiriHub B	NA	NA

Concluding Thoughts

Tokenized real estate properties offer investors with exciting opportunities to place their capital, whether that be \$50 or \$50 million. Real estate profit channels have historically catered to exclusive, high-net-worth individuals or large, traditional institutions specializing in the sector. Projects which were once bureaucratic, costly, and secretive endeavors taking months or even years to close, are now taking seconds and minutes to purchase, trade, and settle. Secondary trading liquidity only continues to grow as fresh investors and capital onboard in conjunction with the volume of new issuances, which we hope to observe in future reports and analysis content. The road ahead looks promising for one of the most scalable, replicable, and efficient use cases of security tokens and digital assets.

Disclosures:

Neither Security Token Market nor the individual Authors of the report pursue their own financial interests with the reports. This report is not a recommendation to purchase or trade any mentioned securities. Everything in this report is for entertainment purposes only. Nothing written should be considered financial nor legal advice and any investment decisions should be consulted with financial advisors and/or legal experts.

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ABOUT SECURITY TOKEN MARKET

Security Token Market is a leading brand in the security token industry, with a highly engaged audience, receiving 150k+ monthly impressions site-wide on stomarket.com. We currently track over 200 security tokens and tokenized stocks across 9 different live marketplaces worldwide. These users vary geographically, and the website receives traffic from over 164 countries each month. With a current engagement (click-through) rate consistently above 2% in addition to the much higher lifetime value of the average security token enthusiast and investor when compared to a general retail impression via Google Ads or Facebook, advertising drives high-value traffic. Our website authority continues to grow as the industry relies on the information aggregated by the API and curated by our data team, turning STM into the leading source for security token information and data. The domain currently sits first on Google for multiple keywords, including 'Security Token Market Cap,' 'STO Market cap,' 'Security Token Price,' and 'Token Market.'

The Security Token Show is the longest-running and largest security token podcast in the industry. The STS podcast has resulted in outreach from industry insiders and requests for introductions to investment firms exploring the industry. As a niche financial technology podcast that has positioned itself as the primary weekly digest for the industry, the show has developed an audience of quality industry participants that can be targeted directly through this medium.

Security Token Market is also an industry influencer via its various social media channels. The Security Token Market (@stomarket) Twitter account is the cultural epicenter of the security token industry, delivering high-quality research and validation for the industry, positive support and recognition for developing projects and communities, and attentive engagement within its own community.

Connect with STM at megan@stomarket.com.



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ABOUT SECURITY TOKEN ADVISORS

Security Token Advisors (STA) is the original consulting company in the industry, advising the first security token offerings (STOs) as early as 2017. The US and global market infrastructure for digital securities has since developed to the point where institutional issuers are considering alternatives to traditional financing and liquidity solutions.

STA advises businesses, technology providers, industry service providers, and even blockchain protocols to help them create new partnerships and to optimize their service offerings for the marketplace. STA helps clients understand the security token technology and legal framework in order to apply it to their business.

Security Token Advisors (STA) acts as your trusted guide through multiple stages such as structuring the investment, regulatory requirements, tokenization strategy, vendor selection, STO project management, marketing approach, distribution strategy, and liquidity solutions. Clients choose STA for deep industry experience, STO process optimization, and targeted introductions to the most relevant vendors at each stage of the process.

Successful STOs require professional structuring, as well as coordination of multiple partners to create the full token stack. STA will advise on the best approach and coordinate the necessary third-party services including lawyers, marketing, brokerage services, technology firms, etc. STA will also advise on distribution strategy, marketing and communications, and how to facilitate a digital securities transaction. Once the offering is completed, STA can advise on the investor relations strategy, token liquidity strategy and implementation, and post-issuance management processes and controls.

STA understands that every project is different which is why we do not take the "one-size-fits-all" approach. Connect with Security Token Advisors at peter@securitytokenadvisors.com.



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