How blockchain tech is disrupting the real estate industry

By Andrea Tucker

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The technologies underpinning the fourth industrial revolution (4IR) are transforming virtually every industry, including real estate, despite buying and selling property ultimately being a physical endeavour. One of the foremost technologies driving the revolution and affecting the sector is blockchain.

What is blockchain?

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In essence, blockchain is a reliable, difficult-to-hack record of transactions with digital information (the block) being stored in a public database (the chain). These ‘blocks’ store verified information about transactions such as the date, time, and amount paid, along with who is involved, thanks to their unique digital signature. Additionally, each block has a unique code, distinguishing the information stored from other blocks. As the name suggests, a blockchain consists of multiple blocks strung together, so when a block stores new data it is added to the blockchain.

What are some of the prominent property sector use cases?

Blockchain land registries

Blockchain land registry programmes are in the works globally, and due to the transparent and irrefutable nature of this technology, it is a perfect fit for use in a public records system such as our local Deeds Office. Integration of blockchain into land registry practices makes sense, given that blockchain is more efficient, reliable and cost-effective than current models in use. The South African Deeds Office documents the transfer of immovable property in a manner that is outdated and difficult to manage timeously. Keeping track of who owns property is also made difficult with hundreds of years of land records to sift through and it is common to stumble upon discrepancies through the process. An irrefutable ledger of property ownership solves a number of these issues.

Transparency on the block

Buyers and sellers can access information stored on a blockchain-based property registry. This allows for a level of transactional transparency that is unprecedented in South Africa and could mean that fewer fraudulent transactions would occur.

Liquidity

With blockchain, property can be tokenised and traded like a stock on digital platforms. This method is also more secure, transparent and efficient than the traditional approach. Tokenising a property will also make it a liquid asset, so a seller won’t have to wait for a buyer who can afford the whole property in order to get some value out of it. If real estate is traded like a stock or a bond, prices might rise due to increased liquidity. Similarly, they might fall because of greater volatility and risks.

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More efficient fractional ownership

Managing fractional ownership of properties by multiple parties will become more efficient with blockchain. Fractional ownership is prevalent in the holiday homeowning space and allows people to buy portions of a property via the relevant fraction of a token, thereby lowering barriers to real estate investing. What’s more, fractional ownership could help owners avoid managing properties themselves in terms of maintenance and leasing.

We anticipate blockchain to transform the property industry over time, but the question arises as to what this technology would mean for all the current stakeholders. While this is not an easy question to answer, something as transformative as blockchain would certainly alter, but not eliminate, their roles. The most engaging stakeholders are likely to get ahead of the curve. Blockchain technology will revolutionise the real estate industry. We just need to be ready for it.

ABOUT THE AUTHOR

Andrea Tucker is director at [[https://mortgageme.co.za/ MortgageMe]]. Tucker has a 15-year history in banking and consulting. She joined MortgageMe when they were debating what to name the platform and has been on a journey since then to get this new and exciting platform to market.