GETTING ON BOARD WITH BLOCKCHAIN?

Tokenization, the process of converting assets into digital tokens on a blockchain, holds the potential to unlock trillions of dollars in global real estate assets by fundamentally changing the way investors invest. But this pionnering technology is not without concerns. While some observers warn of tokenization as an industry disrupter, others caution those who are not prepared for the new "token economy" risk being left behind. These and other proptech trends were discussed at a summertime virtual panel of financial and legal experts hosted by the Fordham Real Estate Institute.

More than 300 professionals registered for "Get Ready: Tokenization, Blockchain and Crypto Currency Is Coming to Real Estate," which focused on best practices for using emerging technologies. The session included discussions on the technology's potential and the overall benefits of a token economy, as well as the biggest challenges to wide scale adoption of tokenization and issues of cybersecurity.

The panel, part of the Fordham Real Estate Institute's Visionary Series CCL, a five-year campaign tied to the 250th anniversary of the United States in 2026, featured Donna Redel, an angel investor and blockchain-digital assets professor at Fordham Law, and David Otto, attorney, co-founder and managing partner of Marin Davis, PLLC. The discussion was moderated by Daniel Mee, president of Dillon Capital Advisors, LLC.

The panel began with a primer on blockchain technology, essentially defining it as a decentralized ledger of transactions.

"It's an end-to-end record that is transparent and cannot be changed," Redel said. "You build continually on that blockchain. I sell a piece of real estate and put it on the blockchain; in two years, I cannot say I didn't do it."

The result is more liquidity, transparency and ease of transfer. And just as email moves information digitally, tokenization can move representations of physical assets, including real estate.

"We can still send letters, but we all send emails," Redel continued. "What we've seen is an increase in digitalization of assets."

Mee asked the panel to explain how tokenization could benefit limited partnerships and limited liability companies, in terms of investments. "Liquidity seems to be the big benefit here," said Mee. "Can't we just get liquidity by allowing the limited partners or members of LLCs to sell their rights freely? Why do we need blockchain? Why do we need tokenization?"

"It's a higher, more secure, more fluid and more transparent mechanism for the distribution and transfer of interests, and the recording of those transfers," said Otto. "So, there's immediate transparency, there's immediate transfer and there's a considerable amount of cost savings on the administrative side. The ability to transact immediately, at a low cost, with transparency and to be cryptographically secure is meaningful."

Otto noted a particular advantage for smaller investors: "From a small investor's standpoint, tokenization will enable democratizing direct access to an asset class, commercial and residential real estate, that heretofore has been unavailable."

The panel also noted that certain larger players — particularly banks — have not stepped up to the plate and are missing an opportunity in the token economy.

"Banks have completely missed the whole crypto evolution," said Otto. "Banks are a natural site for onboarding crypto wallet holders and parties that want to be involved in crypto currency. Name one bank that's done it."

Real estate has been slow to adopt the technology as well, but Redel note that it "will get there." Both institutional and individual investors can then hold real estate in their portfolios as shares.

"It's not lost on me or others that when Fidelity named its division, it was Fidelity Digial Assets," she said. "You may be able to keep your digital real estate assets — your token — in your Fidelity account and use them in a way you had not been able to do."

In the not-too-distant future, these tokens and other securities tokens could be used as collateral for lending. What is needed is more regulatory clarity for securities tokens. Bermuda and Liechtenstein have already created solid systems, Redel said. In the U.S., Wyoming has created a set of rules that could result in it becoming the dominant state to register crypto assets, much in the same way that Delaware created legal structures that has led it to dominate corporate registrations.

Mee also discussed concerns about cybersecurity, citing recent attacks on certain U.S. sectors, including energy and food processing, and questioned whether there are similar concerns for the token economy.

"This whole area is one big startup, and there are many, many startups within it," said Redel. "You have to be reasonable — you can be excited about the technology, excited about the individual company, but you have to apply the same due diligence that you do to anything else, with any other investment or any other new technology. You have to look at who's selling, why they are selling, what promises they're making, what the white paper looks like, etc. Anyone who thinks money is a fast thing to make, go back to your principles of how you look at any investment."

"It is so important to have these thought-provoking conversations, so we can contribute to the discussion on cutting-edge issues that will impact the real estate industry and society as a whole," said Lou Mirando, president of Streamline Realty Funding, who serves as chairman of the Fordham Real Estate Institute Advisory Council. "Our expert panel gave us an inside look at the token economy and how to benefit from the convergence of real estate investing and blockchain technology."