

# Why is \$326 trillion in real estate locked behind six-figure minimums and 90-day sales?

## Global real estate — the largest asset class:

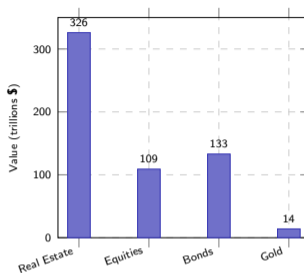
- Estimated \$379 trillion total value in 2022 (Source: Savills World Research, 2023)
- Larger than all stocks and bonds combined
- Average transaction takes 30–90 days to close
- Minimum investment typically \$100K–\$500K

## Why it stays illiquid:

- **High minimums:** a single apartment costs more than most people's savings
- **Legal complexity:** title transfers, notary, land registry
- **Geographic lock-in:** you can only inspect and manage nearby properties
- **Slow settlement:** weeks of due diligence, financing, closing
- **Concentration risk:** one building = one bet

**Key insight:** Real estate is the world's largest asset class, yet most people can only invest in it through their own home or expensive REITs (REIT = Real Estate Investment Trust, a company that owns income-producing real estate and sells shares to investors).

Real estate's illiquidity means most investors are locked out entirely, concentrated in one property, or paying high REIT management fees.



**Paradox:** The largest asset class is also the least divisible. You cannot buy \$500 of a building the way you buy \$500 of Apple stock.

Source: Savills World Research "The Value of Global Real Estate" (2023); SIFMA Capital Markets Fact Book for equities/bonds.

# Imagine buying a piece of a skyscraper for \$50 and receiving rent every month

## The vision:

It is Wednesday evening. You open an app, browse tokenized properties across three continents, and buy 10 tokens representing a share of an apartment building in Detroit for \$50 each.

## What happens next:

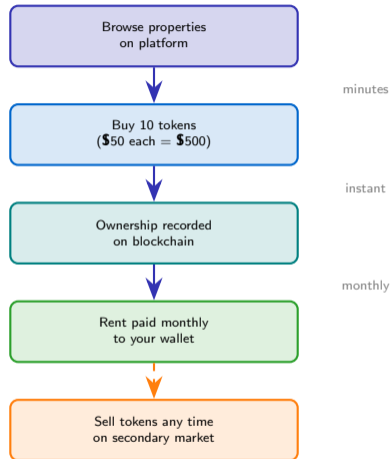
- Monthly rent distributions arrive in your wallet as stablecoins
- You can track occupancy, expenses, and income on-chain
- You can sell your tokens any time — no 90-day waiting period
- Your ownership is recorded on a blockchain, not in a paper registry

## Compare to traditional real estate:

- No mortgage application
- No notary, no land registry visit
- No property management headaches
- Diversify across 20 buildings instead of betting on one

**The promise:** Real estate investing with the simplicity of buying stock.

Tokenization turns illiquid real estate into divisible, tradeable digital assets — lowering the entry barrier from hundreds of thousands to tens of dollars.



# How does tokenization turn a physical building into tradeable digital tokens?

## Definition: Real Estate Tokenization

The process of creating blockchain tokens that represent fractional ownership claims on a property, where each token entitles the holder to a proportional share of rental income and capital appreciation.

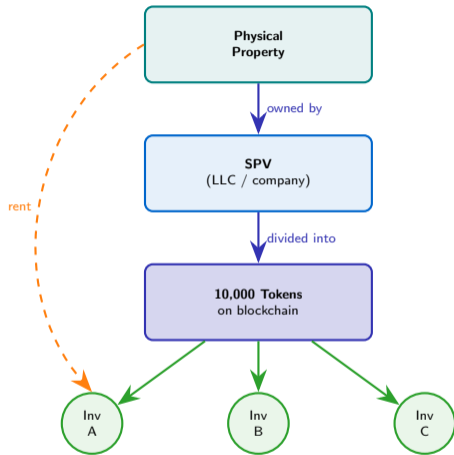
### The legal structure:

- 1 **Property acquisition:** a company (Special Purpose Vehicle, or SPV) buys the building
- 2 **SPV tokenization:** ownership of the SPV is divided into blockchain tokens
- 3 **Token distribution:** tokens are sold to investors on a platform
- 4 **Rent distribution:** property manager collects rent, converts to stablecoins, distributes pro-rata

### What a token represents:

- Proportional claim on rental income
- Proportional claim on sale proceeds
- Not direct property ownership — ownership is via the SPV

**Key insight:** You do not “own” the building. You own a token representing



**SPV** = Special Purpose Vehicle: a legal entity created solely to hold one property and issue tokens.

# How has RealT tokenized 400+ properties with 8–10% yields and a \$50 minimum?

## RealT platform overview (Source: realt.co, 2026):

- Founded 2019, based in the United States
- 400+ single-family homes and small multi-family properties
- \$100 million in total tokenized value
- Minimum investment: \$50 per token
- Rent paid weekly in USDC or xDAI stablecoins

Metric	REIT	RealT
Minimum	\$500+	\$50
Yield (avg)	3–5%	7–10%
Liquidity	Stock mkt	Token mkt
Diversification	100s props	1 per token
Transparency	Quarterly	Real-time
Mgmt fee	1–2%	1–1.5%
Settlement	T+2	Minutes
Geography	Global	US Midwest

## Yield characteristics:

- Gross rental yield: typically 8–12%
- After management fees (1–1.5%) and platform fee (0.5%): net 7–10%
- Properties are primarily in Detroit, Chicago, and other Midwest US cities
- Higher yields reflect higher property risk and lower property values

## How it works legally:

- Each property held in its own LLC (US SPV)
- Tokens represent LLC membership interests
- Regulated under Reg D (accredited) and Reg S (non-US) exemptions

RealT shows tokenized real estate can work at scale — but higher yields come from higher-risk properties, not from tokenization magic.

**Caveat:** Higher yields on RealT properties reflect higher risk — lower-value buildings in economically challenged cities. This is not a free lunch.

# Worked example: buy tokens in a \$500K property and calculate your net yield

**Property:** 4-unit apartment building, Detroit, MI

## Tokenization:

- Property value: \$500,000
- Tokens issued: 10,000 at \$50 each
- Your investment: 20 tokens = \$1,000
- Your ownership share:  $20 / 10,000 = 0.2\%$

## Annual income calculation:

- 4 units  $\times$  \$750/month = \$36,000 gross annual rent
- Per token:  $\$36,000 / 10,000 = \mathbf{\$3.60/\text{token}/\text{year}}$
- Gross yield:  $\$3.60 / \$50 = \mathbf{7.2\%}$

## Fee deductions:

- Property management (1.5%):  $-\$7,500$
- Platform fee (0.5%):  $-\$2,500$
- Maintenance reserve (1.0%):  $-\$5,000$
- Net income:  $\$36,000 - \$15,000 = \$21,000$
- Net yield:  $\$21,000 / \$500,000 = \mathbf{4.2\%}$

Item	Amount
Gross rent	\$36,000
Property mgmt (1.5%)	-\$7,500
Platform fee (0.5%)	-\$2,500
Maintenance (1.0%)	-\$5,000
<b>Net income</b>	<b>\$21,000</b>
Gross yield	7.2%
<b>Net yield</b>	<b>4.2%</b>

## Comparison:

- Tokenized net yield: 4.2%
- US REIT average: 3.5–4.5%
- Bank savings: 0.5–1.0%
- S&P 500 dividend yield: 1.5%

**Key insight:** After fees, tokenized real estate yields are competitive with REITs — the advantage is the \$50 minimum and blockchain transparency, not higher returns.

Your 20 tokens earn:  $\$21,000 \times 0.002 = \mathbf{\$42/\text{year}}$  (\$3.50/month)

# What can go wrong when you connect physical buildings to blockchain tokens?

## The oracle problem — the fundamental challenge:

- Blockchain is immutable, but who verifies the building exists?
- Who confirms it has not burned down, been condemned, or been sold?
- Token on blockchain says “you own 0.2%” — but what enforces that claim in the real world?

## Legal risks:

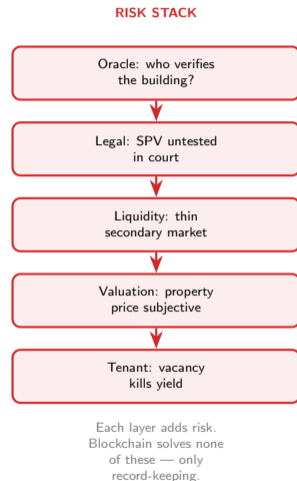
- SPV structure untested in bankruptcy across jurisdictions
- Token holder rights vary by country
- Regulatory classification unclear: security? property? utility?

## Market risks:

- **Thin liquidity:** secondary markets have few buyers
- **Valuation opacity:** property values are subjective
- **Concentration:** small platforms hold few properties
- **Tenant default:** vacancy directly reduces your yield

**Warning:** Tokenization makes buying easy but does not eliminate any traditional real estate risk.

Blockchain guarantees token ownership is immutable — but it cannot guarantee that the physical asset behind the token is safe, occupied, or legally yours.



# Where is tokenized real estate today — platforms, regulations, and market size?

## Market size (Source: rwa.xyz, 2026):

- \$3–5 billion in tokenized real estate globally (rwa.xyz)
- Compared to \$379 trillion total real estate: roughly 0.001%
- Growing rapidly but from a very small base

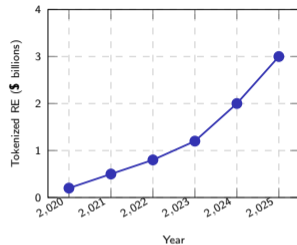
## Key platforms:

- **RealT**: 400+ US residential properties, \$50 min
- **Lofty**: US properties, fractional with governance rights
- **Propy**: End-to-end blockchain title transfers
- **Centrifuge**: Real-world asset lending protocol
- **Ondo Finance**: Tokenized treasuries and real estate funds

## Regulatory landscape:

- **Switzerland**: DLT Act (2021) enables tokenized securities
- **Liechtenstein**: Token and TT Service Provider Act
- **EU**: MiCA framework, DLT Pilot Regime
- **US**: SEC Reg D/S exemptions, no specific token framework

Tokenized real estate is growing rapidly but remains a niche — \$3B tokenized versus \$326T total market. Regulation is the main growth bottleneck.



Source: rwa.xyz. Growth is strong in percentage terms but the absolute market remains small.

**Switzerland leads:** The DLT Act explicitly recognises blockchain-based securities, making it one of the most favourable jurisdictions for tokenized real estate.

# Is tokenized real estate genuine democratisation or just marketing for the same assets?

## The democratisation argument:

- **Lower minimums:** \$50 vs \$100K+ for direct ownership
- **Geographic access:** invest in New York from Nairobi
- **Faster liquidity:** sell tokens in minutes vs 90-day property sale
- **Transparency:** on-chain rent distribution, auditable

## The sceptic's argument:

- REITs already offer fractional real estate exposure (since 1960s)
- Token secondary markets are thin — liquidity is theoretical
- Most platforms require KYC, limiting “permissionless” access
- High-yield properties often carry high risk (poor locations)
- Tokenization adds a tech layer but does not change the property's fundamentals

**Key insight:** Tokenization lowers the investment minimum dramatically. Whether that translates to genuine democratisation depends on liquidity, legal protection, and investor education.

Tokenization genuinely lowers barriers to entry — but “democratisation” requires liquidity, legal clarity, and investor protection that do not yet exist at scale.

	REITs	Tokens
Minimum	\$500	\$50
Liquidity	High	Low
Transparency	Quarterly	Real-time
Regulation	Strong	Evolving
Track record	60+ years	< 5 years
Diversification	100s	1 per token
Fees	1–2%	1–2%
Legal protection	Strong	Untested

**Verdict:** Tokenization's main advantage over REITs is the \$50 minimum and blockchain transparency. On liquidity, regulation, and investor protection, REITs still win.

**Tokenization lowers the minimum from \$500K to \$50 —  
but the “last mile” of connecting tokens  
to physical buildings remains unsolved.**

### **Solved by tokenization**

- Fractional ownership (**\$50**)
- Global access
- Blockchain transparency
- Faster settlement

### **Not solved by tokenization**

- Oracle problem
- Thin secondary liquidity
- Legal enforcement
- Property management

### **What needs to happen**

- Regulatory frameworks
- Liquid secondary markets
- Standardised SPV structures
- Institutional participation

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**Tokenized real estate is a genuine innovation in access — but the physical-digital gap and thin liquidity limit its impact today.**

## Your turn: would you invest \$500 in tokenized real estate?

### Discussion Question

You have \$500 to invest. A platform offers tokenized shares in a Detroit apartment building yielding 7.2% gross (4.2% net after fees).

**Would you invest? What due diligence would you do before buying?**

- How would you verify the building exists and is occupied?
- What legal protections do you have if the platform shuts down?
- How would you sell your tokens if you need cash?
- How does this compare to buying a REIT ETF for the same \$500?

### Further Reading

- RealT platform: [realt.co](https://realt.co)
- Baum (2021), “Tokenization — The Future of Real Estate Investment?”
- Swiss DLT Act overview: [finma.ch/en/documentation/dlt-act](https://finma.ch/en/documentation/dlt-act)

### Reflection

Tokenization makes real estate investable at \$50 — but smart investing still requires the same due diligence as buying a whole building.