Why Real Estate Tokenomics makes Economic Sense

Written by Lori Souza

Today's Global Real Estate market has been greatly affected by Inflation, with property prices having climbed over 50% in many areas of the world since the onset of the COVID pandemic. This inflation is not only happening in Real Estate markets but also with all consumer goods and services. The economy has not only seen real estate pricing increase significantly, but also market such as automobiles, gasoline, meat, and construction materials to name a few, all which directly impact consumer spending.

Not only are we seeing inflation, but we are also seeing a decreased supply of these goods and services available which brings a plot twist to the reason why. Consumer spending is trending in two very different directions. One mindset is to stock up on everything you can, just in case there is a shortage, or another pandemic outbreak. Supply chain is unable to keep up with this mentality of spending, especially when retail shortages are already apparent. The second mindset for consumer behavior is to not spend while prices are high. With such over inflated pricing, most of the population is unable to make these purchases and therefore decisions to spend has already been made for them due to a lack of purchasing power. Keep these two consumer behaviors in mind as we explore further the concept of Tokenomics and why it makes sense in an inflated economy for both buyers and sellers.

In regard to the Real Estate sector, with inflationary pricing so high, many potential buyers have been priced out of the market and more property owners have decided to hold on to their properties causing historically low inventory levels of listed properties for sale. When inventory is low, prices will continue to climb.

As consumer spending is slowed and/or stifled due to inflation AND supply continues to decrease, markets will eventually slow down, causing another factor to come in, and that is higher unemployment. In the Real Estate Industry, workers slow their volume of production, real estate agents, mortgage brokers, title companies. As unemployment increases, economic growth decreases. This is a formula for the next step to the equation, which is Stagflation. Stagflation halts much of the production, due to shortages, high prices and unemployment. The mainstream population will be scratching their heads, asking, how do we fix this Economy?

The answer will be, we can't. The US has printed an additional 9 trillion dollars in the last 2.5 years alone. This makes a total of a million dollars of debt per minute in US dollars making a recovery in the current economy impossible. Technologists have known this since the Great Real Estate Recession during the years of 2007-2012, something went wrong, economic laws were not considered in the solution. The solution then, for recovery, was to print more money and bailout existing corporations. Suddenly, millions of dollars became billions of dollars, which adds even another factor to the equation. Now, this is new and contrary to the very definition of Stagflation and Inflation. What we see now is a decrease in the value of the dollar, which has over the last decade, caused the income of the workforce to also stagnate, rather than increasing proportionately, which is what a healthy economy would see.

The band aid has been put on the Old Economy, the Economy that operated out of the principles of Economics, the law of supply and demand, economic growth with wage increases. This is not happening in our current system.

The good news is here! Technologists have been working diligently over the past decade to develop solutions, and new industries are building around these existing advanced technological infrastructures. I like to call this forward-thinking parallel economy today; The New Digital Economy, and in this new economy we introduce tokenomics.

Tokenomics is a subset of Economics, allowing for fractionalized and/or personalized digital financial ecosystems wrapped around real, tangible assets. These ecosystems are being developed and created while introducing brand new industries, job opportunities and investors. Tokenomics brings the not only the possibilities, but also the opportunities for new markets to emerge, new industries to spring open, allowing for job creation. And for the Real Estate sector, tokenomics opens up ownership interest opportunities to those already stifled populations worldwide through the purchase of tokens offered by the property owner.

Here is one scenario: A property owner in the current economy, wants to sell his property to gain liquidity to purchase another property. However, the property owner sees low supply and limitations. He decides to hold his property. With Tokenomics, the property owner continues to hold his property, while offering an ownership interest through a digital asset, a token. This is much like the concept of Mortgage-Backed Securities, now, we have Real Estate Backed Securities, however, in token form.

The new digital ledger technology of Blockchain, holds data, and keeps data, as if it was a County Recorder's office, first in time, first in line. This new financial technology, logs each transaction, proving the transaction is true, for the life of the digital asset. Now, property owners issue tokens for their properties, and offer these tokens to, not only accredited investors, but also individuals, who A. wish to get into the real estate market. B. who would normally not have purchasing power to purchase an entire property at inflationary prices and C. Now can hold a digital asset, which has value and backed by the real estate itself.

Tokenomics makes sense to keep markets moving and economic growth occurring. Implementing tokenomics provides job creation and an influx of investment backing. Industries currently being built around the creation of Tokens, use the new financial technology of Blockchain and Cryptocurrencies and consumers are becoming vastly aware that this alternative investment is becoming more readily available as an option. Global money is being moved into the new digital economy while the old economy is experiencing extreme hardships and new economic problems never seen before.

As we begin to fractionalize real assets through tokenizaton, we are digitizing the possibilities for both the future real estate investor and the property owner. Both must know the value both bring to the table, as holders of assets from the old economy. You see, anyone can make a token, but the token must meet criteria to hold value and longevity. Token creators and token holders alike would be wise to look at these 4 factors as part of their due diligence when considering Tokenization: 1) Utility- does the token have a use? Is it backed by a tangible asset? 2) Supply- what is the supply being offered to investors and for how much, including minimum and maximum investment? 3) Distribution- to what marketplace is the token being offered and is it being purchased? Lastly 4) Governance- A token provides the governance necessary in a transaction. It is minted or created through digital means using the technology of blockchain, which provides proof of transaction, a transaction of truth. The record cannot be changed and is transparent allowing for cross-border transactions of real assets.

Today, as regulations continue to realize and change, 2022 will be a monumental year, as we begin to see the unveiling of this new digital financial technology gain recognition as a solution for old systems and glimpse slightly into the future of how STO's (Security Token Offerings) will be affected. However, the point of this article has been to provide insight into the field of Tokenomics and how it plays and will continue to play a very important role as a viable solution as we continue to see old economic systems unraveling.

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