

Real Estate Digital Securities - Where Are We Now?

Real estate is known for being an illiquid, oftentimes exclusive asset class. The entire real estate market is significantly larger than the public equities market in terms of total value (220 trillion vs 85 trillion). However, its rate of innovation and technological adoption is substantially lower. Physical real estate is usually purchased in person and is accompanied by large transaction costs as well as counterparty risk. Private real estate investment trusts are also generally illiquid and rely on a series of paper-based processes and manual records. In order to close positions in real estate funds, investors are usually faced with a liquidity premium, on top of the challenge of finding a new buyer.

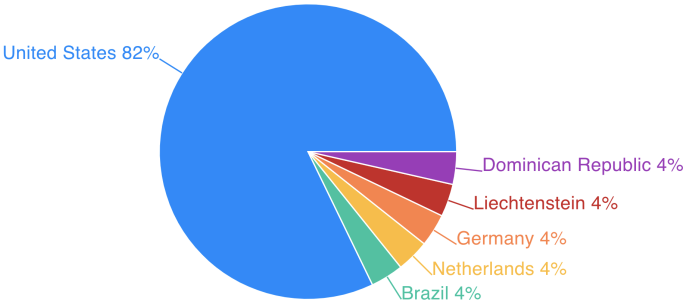
In order to address the shortcomings of the traditional real estate investment ecosystem, Atlas One is employing the power of digital securities to increase access, facilitate transferability, increase transparency and automate cap-table management.

Market Overview

The total market capitalization of real estate digital securities is currently estimated to be around \$210 million. This is very small compared to the size of the overall market, signaling an enormous opportunity for adoption of digital securities in the sector. Aspencoin, a digital security backed by the St. Regis ski resort in Aspen, currently has the largest market capitalization. Aspencoin was issued by digital securities platform Solidblock, and has returned 28% since its inception. Another significant player in the ecosystem is RealT - a platform that offers fractions of single-family homes in the United States. Some of RealT's tokens are traded on Uniswap, a decentralized exchange where investors can transact independently. Their total deals have increased by 40%+ over the past year.

Most real estate digital securities are issued in the United States (about 82%), but other jurisdictions such as Germany and Brazil are also tokenizing real estate investments. In emerging jurisdictions, the practice is generally motivated by a desire to offer market access to foreign investors who want exposure to real estate outside their home countries.

Real Estate Digital Securities by Jurisdiction

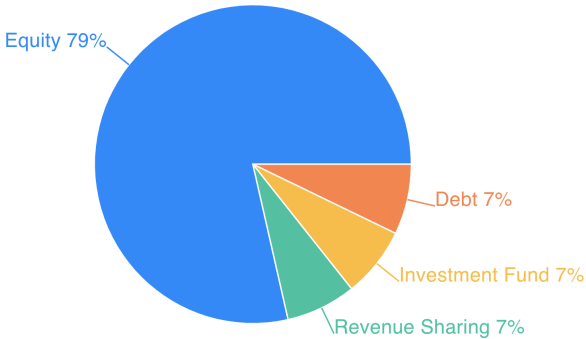


From the Atlas One Research Platform

Although certain protocols (such as ERC-1400) allow for automated investor whitelisting, most real estate digital securities use ERC-20 (89%) or Tezos (7%).

About 79% of real estate digital securities are equity offerings, meaning investors have direct ownership of the properties and will usually receive dividends on a consistent basis. However, an emerging subcategory is emerging: digital bonds backed by real estate. These debt instruments are allowing issuers to raise capital by offering investors relatively low-risk fixed-income opportunities backed by real estate. An example of this would be Liechtenstein based Crowdlitoken, a real estate-backed digital bond that pays investors a 7% annual dividend.

Real Estate Digital Securities by Investment Type



From the Atlas One Research Platform

Solidblock is currently offering London Digital Bond, backed by London properties, on the Atlas One Platform to eligible investors. This type of security will be important to the growth of the DSO market as it may carry lower risk for investors, making it relatively easy to digitize. In 2019, of the US\$2.1 trillion of capital raised in the U.S., \$1.8

trillion was debt, which emphasizes the need for a streamlined and secure debt issuance process.

Notable Developments

Overall, the real estate tokenization world has been quite busy over the past couple of months, as blockchain technology gains notoriety and key players begin to capitalize on the disruptive potential of digital securities. Here are some of the most recent developments in the industry:

- **tZERO partners with Earn.re:** digital securities pioneer tZERO has announced a partnership with earn.re - one of the first US regulated digital platforms for trading commercial real estate securities - to work on commercial real estate tokenization. They have also partnered with ROI Group, a real estate development company, to digitize up to \$50 million of preferred equity in a luxury hotel and residential development located in downtown Dubai.
- **Enjin & LABS Group are looking to Democratize Real Estate Assets with NFT (non-fungible token) Property Titles:** Enjin and LABS Group have announced a partnership that will enable investors to buy fractionalized real estate assets for as little as USD100. This move will lower barriers to entry into the real estate market.
- **Enterprise Blockchain Platform for Real Estate, Ubitquity, Is Partnering LavaTrust to Streamline Closing Operations:** Ubitquity, a blockchain-as-a-service firm, has partnered with Vancouver-based LavaTrust to open up networks and innovate the real estate investment ecosystem.
- **Real estate agency in Spain sells a home tokenized in Ethereum for the first time:** The Spanish startup RentalT announced on February 11 the first sale of a tokenized property in the city of Seville, in southern Spain. The transaction was made on the Ethereum blockchain. The property was sold to 33 investors from Spain, Mexico and Argentina.
- **Crypto Asset Rating, Inc. plans to Launch its Real Estate Tokenization Asset Platform (RETAP):** Crypto Asset Rating has created a marketplace for real estate professionals. Agents, brokers, realtors, and property owners will be able to tokenize commercial or residential properties on the RETAP marketplace. It allows investors from across the globe to buy into the US real estate market through legally compliant blockchain-based digital securities.

Future Outlook

The real estate tokenization market is due for tremendous growth over the coming months. The market is just starting to gain momentum, both in terms of capitalization and business activity. One key growth catalyst in the real estate digital securities market is the “network effect”, also referred to as demand-side economies of scale. This is a phenomenon whereby a good or service becomes more valuable when it is used by more people. For instance, if more people become accustomed to blockchain wallets, transactions and issuances, the market will grow exponentially. Furthermore, if the network of broker-dealers, issuers and investors using digital securities grows, the real estate tokenization market will become more established.

The current capitalization of real estate digital securities is somewhere around \$210 million, whilst the potential market capitalization it could reach in the coming years is substantially larger (in the trillions). This market will likely grow incredibly fast in terms of capitalization due to the fact that the assets backing these securities - unlike cryptocurrencies - already possess intrinsic value. Digital securities are merely a shift in how this value is stored and transferred.

The real estate digital securities market is due for some significant growth in the near future. As more real estate issuers and investors begin to see the clear benefits of digital securities, this innovative capital raising model is likely to replace traditional methods over time.

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