



PASSIVE INCOME ON THE BLOCKCHAIN

DIGITAL SECURITIES REPORT

BY ATLAS ONE RESEARCH

AUTHOR: VLAD ESTOUP



THE DSO MARKET IN NUMBERS

Real Estate Finance Technology Other

KEY FIGURES

Market Capitalization: \$1,132,497,239.60

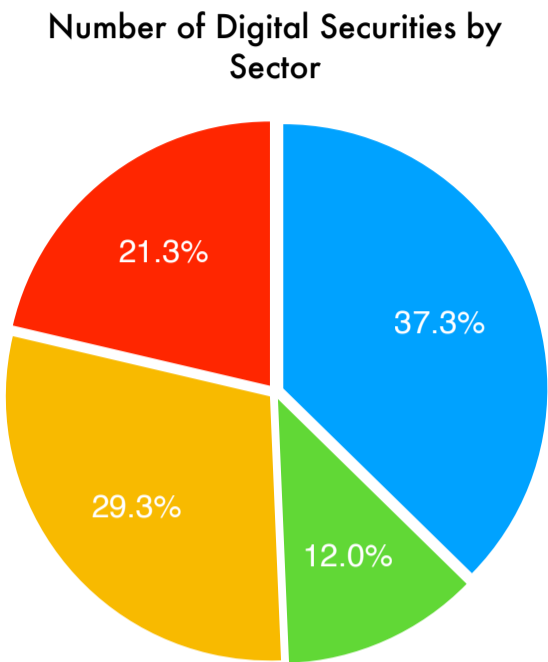
Growth year-over-year: 91%

Average Issuer Capitalization: \$15,099,963.19

Median Issuer Capitalization: \$1,520,000.00

Number of Digital Securities: 75

Forecasted Year-End Market Capitalization: \$3,500,000,000.00



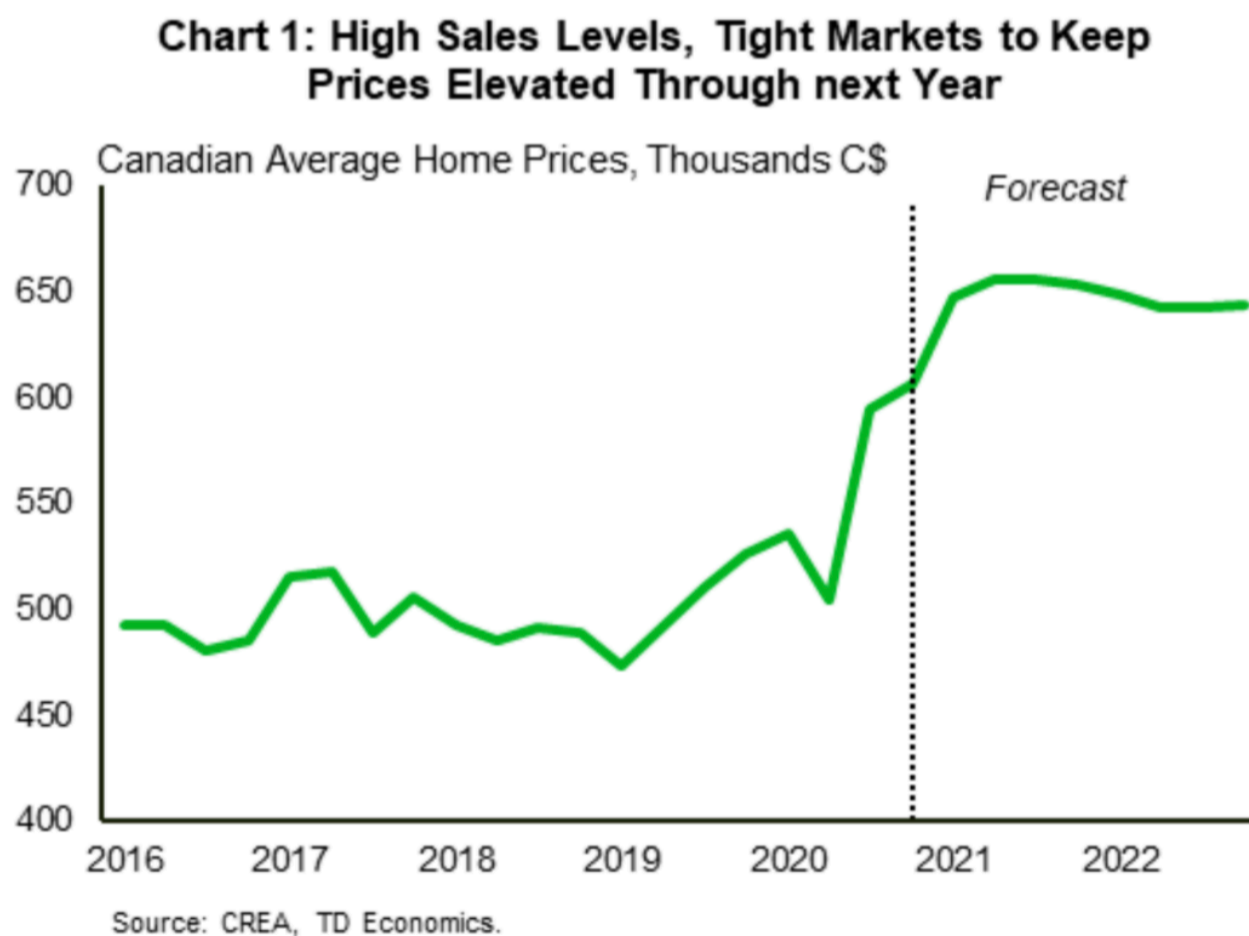
SECTOR-SPECIFIC

	Total Capitalization
Real Estate	\$136,573,470.88
Finance	\$232,201,170.88
Technology	\$355,199,718.80
Other	\$408,522,879.04

PASSIVE INCOME ON THE BLOCKCHAIN

One of the main avenues for passive income in the investment world is real estate. Whether it is cash-flow producing residential properties, commercial buildings, offices or hotels, real estate has created endless opportunities for buyers to receive regular payments on top of long-term capital appreciation.

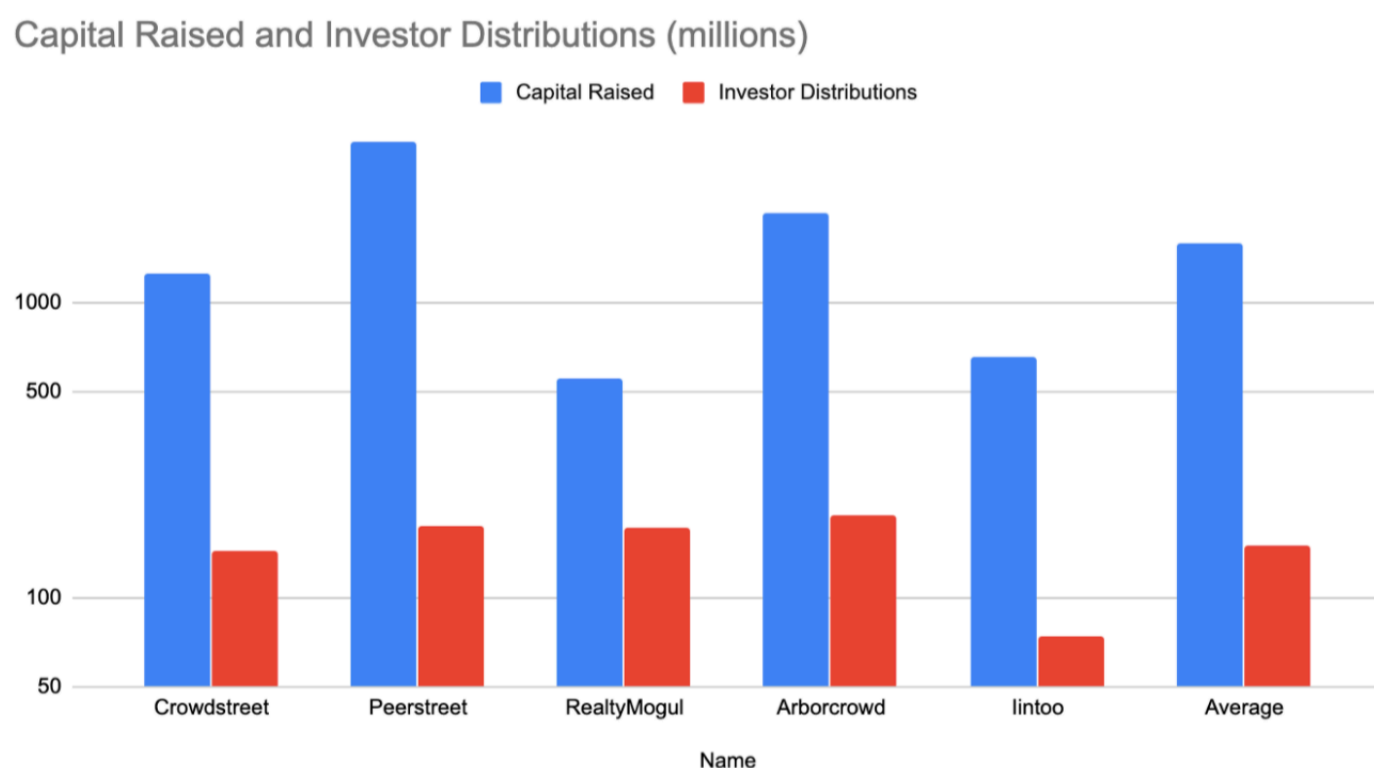
Real estate, however, is traditionally reserved for the wealthy. Especially in the North American post-pandemic market, where buyers are competing with multiple offers - some up to 10% above asking price¹. Canadian real estate has climbed substantially over the past couple of months, as you can see in the chart below from TD Economics:



¹ Home Shoppers are Looking for Flexibility, Stockhouse, <https://stockhouse.com/news/press-releases/2021/06/17/home-shoppers-are-looking-for-more-flexibility-in-their-home-space-and-are>

As more retail investors get priced out of the asset class, real estate marketplaces are emerging to appease this demand. Those interested in gaining exposure to real estate can now buy fractions properties or REITs, at a much more accessible price tag and without bidding wars.

Some of the top US real estate marketplaces have raised more than \$1 billion² and have distributed sizeable cash returns to investors (more detail in our [previous article on real estate marketplaces](#)):



However, there are key operational challenges to these venues. In a world where technology is enabling instant access across asset classes, the need for secure cap-table management, seamless distributions and streamlined KYC/AML procedures is higher than ever. On top of this, liquidity, transferability and transparency are important to investors.

In this report, we explore how blockchain technology is disrupting real estate marketplaces and creating a new investment ecosystem around the world's oldest asset class.

² *Atlas One Research*

ISSUER-SIDE

Issuers value simplicity and low transaction costs. After all, the lower the costs of issuing securities, the higher their profit margins and the more returns they can offer to their investors, increasing demand.

Real estate issuers compete against each other on two main fronts:

- **Higher returns and lower transaction costs:** typical yearly returns for residential real estate range from 7-20%³, depending on the amount of liquidity, the risk incurred by investors and type of property purchased. By tokenizing real estate securities, issuers incur much lower transaction costs, which can be appealing to investors seeking to get a higher percentage of the cash-flow. We explore this in more detail in our Real Estate Digital Securities Cost-Benefit Analysis (research.atlasone.ca/reports). In the report we examine how digital securities can save issuers 30-50% in transaction costs.
- **Security and Transparency:** blockchain technology allows issuers to track their cap-table in real time, without the need to constantly update it manually (whitelisted tokenholders are registered and visible on the token contract's page). It also provides investors with transparency around dividends and ownership structure. In the case where the security is issued on a public blockchain, the distribution of ownership is visible to anyone on the internet. This can be an appealing feature to investors, as their ownership is securely stored.

³ The Rate of Return on Everything, national Bureau of Economic Research, https://www.nber.org/system/files/working_papers/w24112/w24112.pdf

INVESTOR-SIDE

Investors also benefit from blockchain adoption on many fronts. From an asset allocation standpoint, diversification is an important factor - both geographically and in terms of property type. Furthermore, the ability to trade their securities without incurring liquidity premiums is also appealing, and many secondary venues are emerging around the world. As long as the digital securities are homogenous (issued on the same protocol), exchanges can list any asset independent of the marketplace it comes from.

Real estate investors can benefit from digital securities in two areas:

- **Lower single-asset risk:** by only purchasing fractions of properties or oftentimes smaller stakes in real estate funds, investors further diversify their portfolios across regions and types of properties. They can build their own real estate portfolios without relying on middlemen entities and fund managers. Their overall risk profile can be diminished if they choose to allocate capital more sparsely.
- **Transferability and liquidity:** secondary venues for digital securities are emerging worldwide, from tZERO's ATS where assets such as Aspencoin trade to decentralized exchanges such as Uniswap where investors can sell RealT's property tokens. Tokenization has allowed exchanges to create infrastructure whereby only whitelisted wallets can trade with each other, thus still operating within the frameworks imposed by regulatory bodies. This allows investors to liquidate their holdings without paying hefty premiums, and they can also acquire real estate securities even after the offerings have been sold out.

RECENT NEWS & DEVELOPMENTS

CURATED FROM



- **TADS Awards** is the world's first annual international awards for the Tokenized Assets and Digitized Securities ("TADS") sectors. Gathering individuals and businesses from around the world to share the energy that tokenization brings to financial markets, TADS Awards celebrates these industries by recognizing and honoring significant contributions and distinguished achievements worldwide.
- **UOB** is the first financial institution issuer in Singapore to tap Marketnode's digital asset issuance, depository and servicing platform. The Bank is piloting the digital issuance of its latest bond offering in its focus on supporting open digital solutions and ecosystems that help develop Singapore's capital markets infrastructure and the financial sector.
- **BitDAO**, one of the world's largest decentralized autonomous organizations, has completed a \$230 million private sale from initial partners led by Peter Thiel, Founders Fund, Pantera Capital and Dragonfly Capital. Other participants in the project include Alan Howard, Jump Capital, Spartan Group, Fenbushi and Kain Warwick of Synthetix, among a total of more than 20 institutions and DeFi projects.

- **DigiShares and Archax** are proud to announce a new partnership where real estate backed tokens issued on the DigiShares tokenisation platform can be made available for trading on Archax Exchange, the first FCA (Financial Conduct Authority) regulated digital securities exchange, based in London.
- **PixelPlex**, a custom software development company, has recently launched a webpage devoted to its fully-fledged, state-of-the-art security token offering platform that allows you to digitise virtually any type of asset.
- **Swarm Markets** is the newest addition to Swarm Capital's suite of modular applications and is the world's first licensed automated liquidity protocol. Swarm Capital is the premium service provider built on top of the Swarm Protocol — the open and permissionless protocol designed to offer infrastructure for the issuance of regulatory compliant digital securities. Swarm Capital's suite of products to date includes InvestorPass, EarlyBird, BlackBird and the Swarm App. Swarm Markets will add a DeFi-enhanced liquidity pool mechanism to this suite of decentralized, but still regulated, financial products.

Visit our Research Terminal at research.atlasone.ca to get access to digital securities market insights, reports, news and more.

Disclaimer: The information provided on Atlas One's research, social media channels, website, webinars, blog, emails and accompanying material (collectively, the "Information") is for informational purposes only. It does not constitute or form any part of any offer or invitation or other solicitation or recommendation to purchase any securities. The Information should not be considered financial or professional advice. You should consult with a professional to determine what may be best for your individual needs. The Information is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it does Atlas One assume any liability. Atlas One assumes no obligation to update the information or advise on further developments relating to these areas.