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Metaverse finale: Virtual real estate future? - by Daniel Calano

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This is the third and final NEREJ article regarding Metaverse concepts and their path towards virtual real estate investment. In my December and January articles, I reviewed the basics, including the definition of Metaverse and its current uses. For lack of space, I can't repeat it all here, so please go back and read them. Trust me, it will get you thinking about possibilities, or make you totally cynical!

I will reiterate the best Metaverse definition I found: in its most ambitious future it is the concept of blending real-world activities, common in daily life, with the virtual world. It is clearly already here (think Zoom), but it's true future is at least 10 years away. Currently, much of the activity is in gaming, but other recent innovative aspects are making gaming seem like, well, games. This article is for you real estate investors who are adventurous, or crazy enough to buy and build virtual "real" estate, an ironic oxymoron of the "real" part of estate.

You already know some of the basic companies or concepts involved: Digital currency, block chain accounting, three-dimensional graphics, robotics, avatars, holograms, digital mapping and so on. What you probably don't know is that there are many real estate companies, banks, brokerage, consulting, REITs, all focusing on potential fortunes of Metaverse real estate. In fact, there is a whole industry, backed by many, many millions of dollars, hoping to make many more millions.

Metaverse real estate, is comprised of virtual places, like towns and cities, being registered, zoned, subdivided and developed. Investors have already purchased and laid claim to what they foresee as "good" areas. According to the Wall Street Journal, Republic Realm, a firm that develops property in the Metaverse paid \$4.3 million for land in the area called Sandbox. According to Tokens.com, which was purchasing land in another neighborhood called Decentraland, "this is like buying land in Manhattan 250 years ago as the city was being built." FYI, "land" is actually pixels located in areas mapped by early adapter companies, located and conveyed through block chain technology which establishes unique ownership, much like title companies.

What do these investors hope to achieve? Broadly to rent or sell space and products. Some are investing in retail hoping to create virtual show places making products and shopping experiences better than walking through brick-and-mortar buildings. Much retail is already being shown and sold in the artists world, not unlike a gallery. The difference is that hundreds of millions of people can be reached and sold goods at any one time. Similarly, virtual office use will establish three-dimensional places where individuals can meet, be trained/mentored, discuss, and implement much like they do in physical spaces. One investor plans to "build" a university for interactive self education. Other

hopeful uses are virtual casinos in which to gamble or watch entertainment.

In all of these cases, virtual real estate behaves similarly to physical real estate. Location is important; scarcity is important. Development quality of neighborhood, recent sales showing higher values, neighbors themselves, are all important in defining value. As examples, one investor recently paid \$500,000 for land adjacent to property recently purchased by Snoop Dogg. Another paid an unknown price to be next to an Addidas store.

At this stage, everything is based on perception, and clearly early investors could make costly mistakes. Factors other than good due diligence are in play. Some behavior seems reckless. For the super-rich, some may not care about losses. FOMO, or fear-of-missing-out, motivates many. Bragging rights and ego gratification cannot be ruled out.

Can things go wrong? Absolutely! Also similar to physical real estate, no one can be certain about good locations, demand and supply balance, overbuilding issues. While scarcity is helping value now, new future platforms, and therefore more real estate can be created. There are no laws, and lawsuits may ensue. And while block chain is uniquely suited to establishing ownership, it is not bulletproof.

Like bitcoin, virtual real estate is not for the faint of heart or weakly funded investor. All that said, it is hard to ignore how quickly this industry is moving. I for one, wouldn't mind taking a chance on an inexpensive "building" there, as an alternative to an overpriced or unaffordable one here in the real world....but probably not yet!

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