

Blockchain and Real Estate: from asset registration to tokenization, is it possible to overcome publicity and formality?

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The use of blockchain technology in real estate presents both opportunities and challenges. By enabling secure, transparent, and decentralized registration of assets, blockchain offers a presumably trustworthy registration method for real estate transactions and finance, with potential benefits of lower costs, faster processes, and automation. Transactions, including property sales and rental agreements, can be completed instantly, while smart contracts can automate contractual conditions and performance of obligations without need of human interaction. However, despite these advancements, they also raise important legal questions around the integration of blockchain with traditional property rights, registers and regulatory frameworks.

A prominent application of blockchain is real estate tokenization, which allows property to be divided into digital tokens representing ownership stakes. These tokens can be classified as either utility tokens, granting usage or revenue rights, or equity tokens, representing fractional ownership in an asset. Tokenization is seen as a means to increase liquidity in real estate markets by opening investment opportunities to a wider audience. It is also marketed as a more cost-effective, flexible, and simpler alternative to real estate investment trusts (REITs). In fact, while the regulatory and cost structures of a typical REIT would normally require a large real estate portfolio, tokenization can be applied even to a single apartment unit. Furthermore, fractional tokenization can be used as an alternative to traditional secured credit, allowing property owners to issue tokens representing their real estate and pledge only the number of tokens necessary to secure each debt.

Despite its advantages, the adoption of blockchain in real estate faces significant legal and practical obstacles. Property rights systems, particularly the roles of notaries and property registers, are not designed to accommodate blockchain-based transactions. Questions about the enforceability of smart contracts, jurisdictional challenges, and compliance with existing regulations remain critical areas for legal professionals to address.

This presentation will explore case studies from emerging PropTech firms, illustrating both the potential and the challenges of tokenized property transactions, and demonstrating how this technology could transform the way we buy, sell, and leverage real estate assets.