What Is Real Estate Tokenization?

Fractional property ownership on a blockchain — what the token legally is, why no registry on earth treats it as title, and what the category's record actually shows.

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Real estate tokenization is the practice of representing an interest in property as tokens, so that a building can be owned in small fractions and those fractions transferred on a blockchain. The pitch is compelling: property has always been the asset ordinary people are locked out of by minimum size and illiquidity, and here is a technology that appears to solve both. The reality is more specific and considerably less flattering than the marketing, and the gap between them has cost real investors real money. This report explains what is actually being sold. It assumes you know what real-world assets are.

AT A GLANCE

WHAT YOU HOLD	WHAT HOLDS TITLE	LEGAL STATUS
A share in a company, wrapped	**A legal entity — not the token**	**A security, in every major market**
ACTUAL SCALE	PROMISED LIQUIDITY	REAL COMPETITOR
Tiny beside tokenised debt	**Largely has not appeared**	**The listed property fund**

01

The chain of custody

Follow what actually happens, in order, because the sequence is the whole subject. A legal entity is formed — typically a limited liability company, often one per property. That entity buys the building and is recorded as owner in the government land registry. Investors buy membership interests in *the entity*. A token is then issued as a wrapper around each interest, and the blockchain records who holds which tokens.

So the blockchain maintains the company's shareholder list. It does not maintain the ownership record for the land, which sits where it always has: in a government registry, updated by deed, governed by the law of the place the building stands. Notice too what makes fractional ownership possible. It is not the token — it is the company. Direct co-ownership of land by hundreds of people is impractical in most legal systems, because co-owners can force partition, disposal often requires unanimity, and registries will not record a thousand names against one title. Company law solved that long before blockchains existed; tokenization inherits the solution and adds a transfer mechanism on top.

02

You cannot tokenize a deed

State it plainly, because almost every misunderstanding in this field traces back to it: *you cannot tokenize a deed, only an interest in the company that holds the deed*. No jurisdiction examined treats a token as legal title to land by itself.

The evidence is unusually clean. Civil-law systems where the register is constitutive of ownership require a notarial act and a register entry; a ledger entry does not substitute. The most permissive tokenization statute in Europe, which allows a token to carry rights of almost any kind, *expressly excludes* immovable property from its scope. Recent English legislation confirming that crypto-tokens can be personal property says nothing about land. Several American states recognise blockchain records as valid electronic records — a rule about format, not authority over title — and no state has made an on-chain record constitutive of ownership.

The most-cited counter-example is a government-backed programme in the United Arab Emirates that writes title-deed data to a public ledger synchronised with the official registry. It is a genuine and significant experiment, and it is worth being precise: the registry remains authoritative, and the ledger mirrors it. That is a registry-issued fractional record reflected on-chain — not code as title.

03

Three constraints nobody mentions

Beyond title, three legal features bite regardless of jurisdiction and appear in almost no marketing. The first is that land is governed by the law of the place it sits. You cannot contract into a friendlier property regime by issuing the token elsewhere; the building stays where it is and so does the law over it.

The second is transfer taxation. Many jurisdictions levy duty not only on direct property transfers but on transfers of interests in *entities* that hold property, once cumulative changes cross a threshold — so continuous secondary trading can trip a charge on the whole property, colliding directly with the promise of frictionless trading. The third is mortgage debt: loan agreements routinely restrict changes of ownership or control, so tokenizing the equity of a mortgaged property without lender consent can be an event of default. A prominent early attempt to tokenize a large property was abandoned for exactly this reason when the senior lender declined consent. Off-chain debt covenants sit above the token layer, and always will.

> *The blockchain records who owns shares in a company. The land registry records who owns the land. Nothing in the technology bridges those two facts — and every disappointment in this category lives in the gap between them.*

04

The honest record

Measured on-chain, tokenized real estate is a rounding error in the real-world asset market. Against tokenized short-term government debt, the property category is smaller by something on the order of fifty to eighty times — low hundreds of millions against the mid-teens of billions — and represents only a low single-digit percentage of non-stablecoin on-chain real-world assets. Larger figures circulate widely; they generally count off-chain wrappers and appraised property values rather than anything auditable on a ledger, and trace mostly to material published by firms selling the service. The wider market's composition is mapped in our report on RWA tokenisation.

Direction matters more than level: while the wider real-world asset market grew several-fold, this category has been flat to declining, with listed assets rising while measured value fell — many small offerings with no depth behind them. One corrective matters. In Japan, real-estate security tokens have been issued at genuine retail scale, distributed by established banks and brokerages using a long-standing trust structure, under securities law, on permissioned infrastructure — and because those are not public chains, none of it appears in the trackers everyone quotes. The honest reading is therefore not that this cannot work anywhere, but that it has worked where built as a regulated security distributed by regulated institutions, and repeatedly failed where built as an unregulated offshore retail product.

05

What the largest failure taught

The category's defining episode involved a platform that raised roughly a hundred and forty million dollars from tens of thousands of retail investors worldwide against several hundred single-family houses in one American city. The tokens worked exactly as designed: ownership was fractional, transfers settled, distributions flowed, and the on-chain record was accurate throughout.

The buildings were the problem. The city brought a large legal action over property conditions following an investigative report; distributions were suspended; a court placed the portfolio under an independent fiduciary; and the operating entities entered voluntary liquidation. The lesson generalises with unusual clarity: *blockchain transparency verified the token, not the building*. A perfect ledger tells you nothing about vacancy, unpaid taxes, code violations or a roof. Beneath it sits a harder structural point. Any novel channel raising retail capital tends to receive the assets that could not obtain conventional financing or an institutional buyer, because the mature channels see them first. That adverse selection, rather than any failure of cryptography, is the deepest explanation for this category's record — and worth carrying into the next thing promising access to an asset class you were locked out of.

06

Income, control, valuation, exit

Four realities decide what holding one of these is actually like. *Income* is net, not gross: rent arrives after vacancy, property tax, insurance, maintenance reserves and both the property manager's and the platform's fees, and headline yields are frequently quoted before several of those. Distributions are often discretionary rather than contractual — the manager decides what, if anything, is paid, and defines distributable cash too. And a yield is not a return: ten percent income on an asset that lost a third of its value is a loss.

Control is generally minimal. These vehicles are manager-managed by design; holders typically cannot direct repairs, set rents, choose tenants or approve a sale, and some operating agreements state explicitly that holder approval will not be sought on disposal. A few platforms genuinely put major decisions to a vote; they are the exception. *Valuation* is usually computed by the sponsor, internally, quarterly, with independent appraisal engaged selectively — so the problem is not mispricing so much as no reliable price at all between valuations, which is one reason buyers do not appear. *Exit* runs through an investor-to-investor market where one exists, a sponsor repurchase programme where it does not, or waiting years for the property to be sold. Repurchase programmes are typically capped, discounted, and suspendable at the sponsor's discretion — and suspensions have occurred, entirely in accordance with the documents, at exactly the moments holders most wanted out. A discretionary redemption right is not an exit guarantee, and the whole arrangement depends on the operator continuing to exist, which is the most consistent point of failure in the record.

07

The comparison that decides it

The decisive question is rarely asked: what is this competing against? For fractional, liquid, professionally managed property exposure, the answer is the listed property fund — a structure that exists in something like forty countries, including large retail-oriented regimes in Asia, Africa and Latin America, and is available in any brokerage account, alongside international property funds offering exposure across many markets at once.

Against that comparison the tokenized product loses on almost every axis that matters: continuous market pricing versus a sponsor's quarterly estimate; audited mandatory disclosure versus a variable offering document; board accountability versus a manager with sole discretion; investor-compensation schemes through a regulated broker versus none; a diversified portfolio versus one building. Two genuine advantages remain, and they are narrow: minimum investments of tens rather than thousands of dollars, and settlement in stablecoins for people the banking system serves poorly. Those are real, and worth separating carefully — *the payment rail solves a genuine problem; the property wrapper is where people have been hurt*. Note too that institutional tokenization of government debt is frequently cited as validation for retail property tokens. It is a different product with a different risk profile, and that inference does a great deal of unearned work.

08

What to check before buying

Most of these you can perform without asking the platform anything. Check the token's transfer history on a block explorer — months with no trades is your liquidity answer, and this is the one place the blockchain genuinely helps you. Demand a street address, then search the local government's tax-delinquency and code-violation records yourself. Verify the operator on the regulator's register rather than its own compliance page, applying the scrutiny set out in evaluating a cryptocurrency. Read the fee schedule and distributions clause in the actual offering document, looking for the words “sole discretion”; if there is no offering document, stop there.

Then: is there a mortgage, and at what proportion of value, since leverage wipes out equity first? Who calculates valuations, and is anyone independent accountable for them? Can the sponsor sell or refinance without your consent? Is your exit an investor market or a repurchase that can be switched off? What happens if the operator ceases to exist? And finally your own position — the tax and reporting obligations this creates where you live, and whether buying foreign property interests is permitted under your country's exchange-control rules, which is your legal exposure rather than the platform's. Treat guaranteed returns, referral commissions, absent offering documents, unnamed properties and a sponsor occupying every role at once as reasons to walk away. Understood correctly this is not a liquid asset with a low minimum — it is a long-dated illiquid private investment with a low minimum, and reading it that way reorganises everything else you have been told.

> *“Except the LORD build the house, they labour in vain that build it.”*
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> PSALM 127:1

Methodology & Sources

This report was prepared with a multi-agent research process covering legal structure, market scale, the documented failure record and operational mechanics, followed by an adversarial fact-check; claims that could not be substantiated were removed rather than hedged. It describes a category as at the date of publication and names no platform, sponsor, project or jurisdiction-specific programme operator. Figures are given directionally and on a stated basis: comparisons of scale refer to on-chain distributed value as reported by market trackers in mid-2026, and larger figures in circulation generally incorporate off-chain wrappers and appraised property values that are not independently auditable. Legal characterisations — that the special purpose vehicle model dominates, that no examined jurisdiction treats a token as constitutive of title to land, that the most permissive European tokenization statute excludes immovable property, that recent English digital-asset legislation does not address land, and that land remains governed by the law of its location — reflect statutory provisions and published legal analysis. The registry-linked programme in section 02 is described as reported, noting that public materials present more than one structure without reconciliation. The failure described in section 05 reflects publicly reported events including municipal litigation, suspension of distributions, appointment of an independent fiduciary and voluntary liquidation; unadjudicated allegations are not treated as established, no individual or entity is named, and no conclusion is drawn as to fault. Operational descriptions reflect terms disclosed in publicly filed offering documents and vary materially between platforms. Nothing here is a recommendation regarding any platform, token, property or transaction, and nothing here is legal, tax or investment advice.

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