

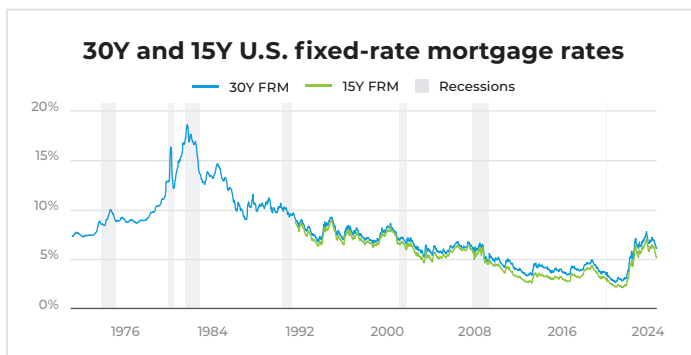
## Tokenization finally finding product-market fit, with Japan leading the way

October 21, 2024

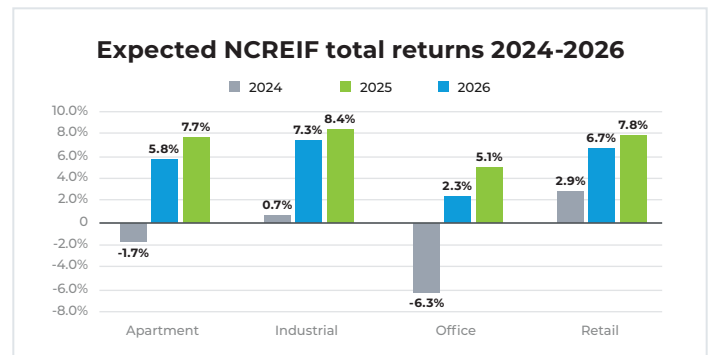
- Both the real estate and blockchain industries are recovering from years-long secular and unrelated downturns, and finding an interesting intersection.
- The tokenization of Real-World Assets (RWA) into the blockchain ecosystem represents one of the most promising and transformative trends in the crypto industry, and the real estate industry has recognized the benefits of this product and structure since at least 2017.
- In recent years, the industry has seen a surge of innovation, with multiple startups offering blockchain-based solutions for real estate tokenization and traditional financial players launching proof-of-concept projects.
- The regulatory regimes are key to driving tokenization adoption in various countries - tax advantages, securities status, and the ability of traditional brokerages to participate in the process are all critical ingredients to success.
- Japan has become a global leader in tokenizing real estate, with a remarkable growth in issuances over the last three years. The country sets the benchmark for clarity of crypto regulation, securitization infrastructure, distribution, and ecosystem development.

## The real estate market is emerging from the rate-driven downturn

- The real estate asset class plays a significant role in many investment portfolios, with investor allocations increasing significantly over the last 20 years. During the recent financial crisis, most real estate performed better than other investment asset classes. Cyclical fluctuations and structural changes in the real estate market primarily affect investment activity in real estate and affiliated markets like prop-tech and blockchain x real estate.
- Rising and volatile interest rates largely drove the most recent downturn in the real estate market. Real estate transaction volumes were muted globally in 2023 as institutional investors reallocated to stocks and bonds, and others had difficulty pricing in a volatile rate environment. Overall transaction volumes were down 48% year-over-year in 2023, according to MSCI. According to the National Council of Real Estate Investment Fiduciaries (NCREIF), the average annualized rate of return for real estate properties in the U.S. fell from an average of 9.76% in 2010-2022 to -7.9% in 2023.
- The sentiment has changed in the second half of 2024; experts believe the global real estate market is starting to emerge from the most recent downturn. Interest rate decline trajectory clarifies value expectations giving buyers more confidence. According to Blackrock, there are clear signs of life for improving investment activity, with institutional investors hopping back into bidding tents and lenders coming back to the market. After peaking at 7.79% in October 2023, the average U.S. 30-year fixed mortgage rate has been below 6.5% since mid-August 2024. Meanwhile, the Fed finally cut the federal funds rate in September, and more cuts are in store and expected by the market. The Dallas Fed expects the NCREIF returns to reach 8% in two years.



Source: Freddie Mac



Source: Federal Reserve Bank of Dallas & SMU Cox Folsom Institute for Real Estate, May 2024

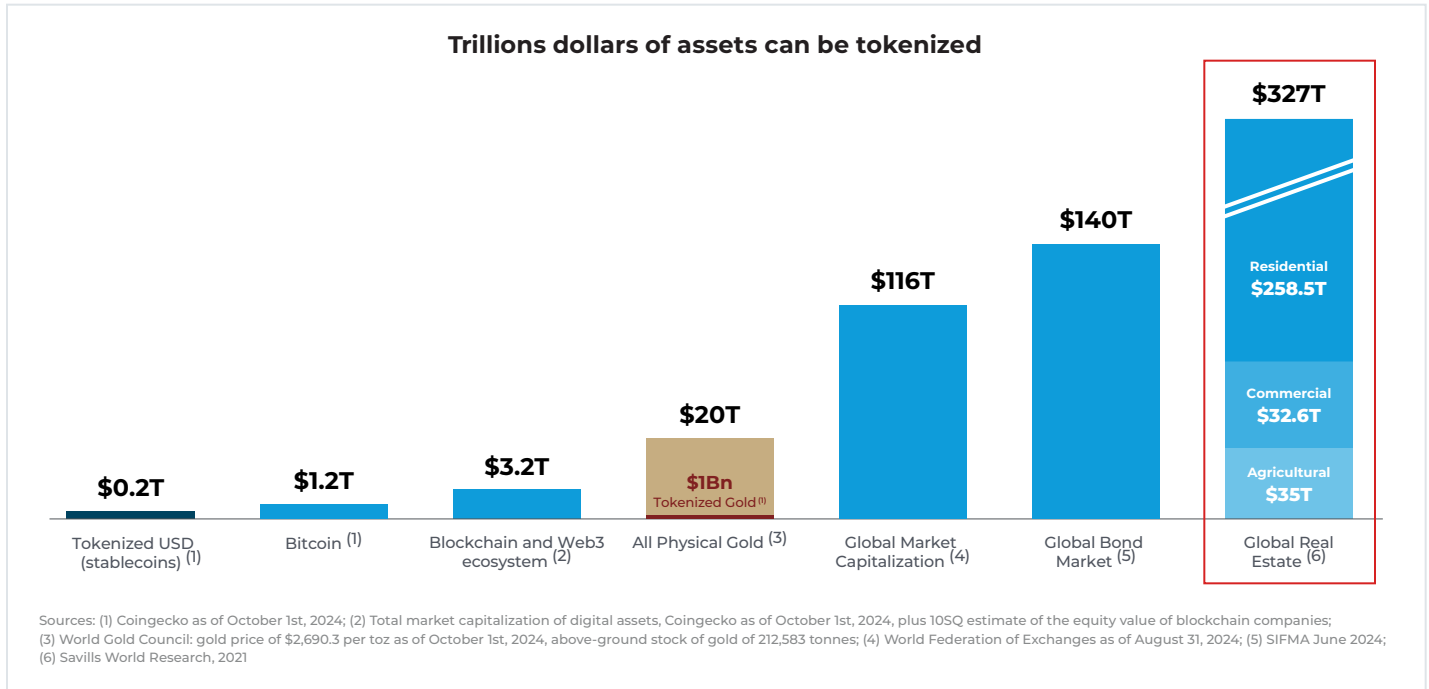
- Structural changes in the global real estate market are driven by changing demographics, remote work, integration of fintech, increased digital innovation, and tokenization of real estate, among others.

**TenSquared ("10SQ) is a venture capital firm investing in the innovation happening in the blockchain and Web3 sector**

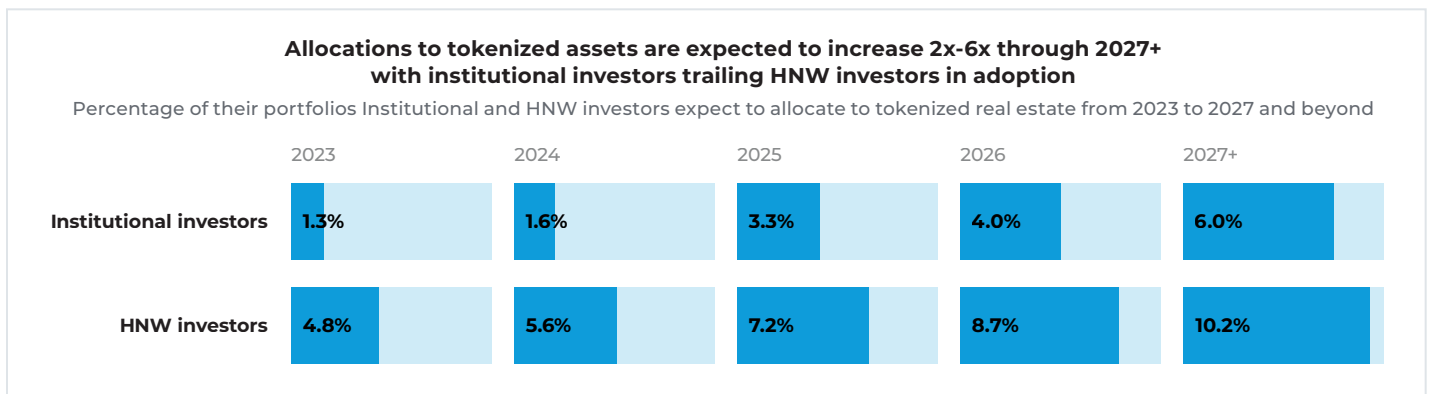
# BLOCKCHAIN X REAL ESTATE - CHALLENGES AND OPPORTUNITIES

## Real estate tokenization presents a massive opportunity

- Real estate tokenization has sparked considerable interest, reflecting the growing excitement around the potential of asset tokenization. In 2021, the global real-estate market was valued at ~\$326.5T, making it one of the largest markets in the world <sup>(1)</sup>.
- Tokenization is the most viable and widespread application of blockchain in the real estate sector. Citibank predicts that the tokenized assets market will reach \$5 trillion while tokenized real estate assets will be worth **\$1.5T by 2030**. The Boston Consulting Group forecast that asset tokenization could reach more than \$16T by 2030, with almost 20% of that in real estate. Tokenized real estate is when a real estate property or its cash flows are represented as blockchain tokens. Moody's Investor Service estimates that applying blockchain in the US market **could save 20% in expenses, or \$1.7B annually**.



- Earlier this year, BlackRock, the world's largest asset manager known for launching its Bitcoin ETF, announced its vision to tokenize \$10T of its assets in partnership with Securitize. With BlackRock managing around \$39B in real estate assets, real estate tokenization can redefine institutional property investment.



[https://www.ey.com/en\\_us/insights/financial-services/tokenization-in-asset-management](https://www.ey.com/en_us/insights/financial-services/tokenization-in-asset-management)

- Real estate tokenization usually involves either fractionalizing the property into (security) tokens representing property shares or wrapping the property title into an NFT representing such RWA as a whole (typically not a security, although this depends on a structure). Both types of tokenization of RWAs require a KYC/AML verification for the parties to the transaction to comply with securities and/or real estate-related laws.
- Real estate tokenization platforms also often introduce utility tokens that can grant access to a particular platform's functionalities, features, or services. While such utility tokens have numerous advantages, transparency and regulatory compliance must be at the forefront to prevent their improper use as securities.

1) Savills Real Estate

## The benefits of real estate tokenization are clear:

- **Raised capital:** Tokenization provides an alternative method for property owners to raise capital by selling tokens representing fractional ownership of their property. It also creates a new universe of buyers for whom tokens solve specific problems.
- **Increased liquidity and lower costs:** Tokenization streamlines transaction processes, removes unnecessary third parties, and lowers the price barriers to entry. This enables low-cost and trusted coordination between mortgage lenders, notaries, escrow companies, and more. Assets can be transferred onchain.
- **Increased affordability:** High-value real estate becomes accessible to a broader range of investors. Instead of requiring large sums to buy an entire property, individuals can invest in fractional ownership through tokens.
- **Reduced fraud:** Blockchain provides improved authentication and verifiable data that reduces information asymmetry and serves as a single source of truth for ownership and titles.

## Regulation - key enabler of tokenization

- To date, the United States has not yet adopted a specific regulatory regime for blockchain-based securities, and therefore, tokenized RWAs in the United States need to be structured in a way that complies with the current securities law framework. As a result, the most straightforward path for issuers of security tokens to offer these tokens in the United States is only to offer them to “accredited investors” and to rely on Regulation D promulgated under the Securities Act. This inability to market or sell to all persons in the United States and all the securities compliance obligations necessary to comply with these restrictions ultimately limit the potential for large-scale adoption and trading of tokenized RWAs in the United States <sup>(1)</sup>.
- Multiple international jurisdictions have been proactive in setting forth blockchain-specific regulatory regimes. In the European Union the Markets in Crypto-Assets (MiCA) regulation came into effect in 2023 with specific regulation covering crypto-assets, including “asset reference tokens” and “e-money tokens.” Switzerland has also long been a leader in digital asset tokenization regulation as well <sup>(2)</sup>.
- Asia leads the way in tokenization regulation, with jurisdictions like Hong Kong, Singapore, Japan, and Thailand implementing regulatory frameworks to support tokenization. The Monetary Authority of Singapore has set forth comprehensive guidelines for issuing security tokens. Japan has implemented clear guidelines indicating how digital tokens are to be regulated under an amendment to the Act on Settlement of Funds and the Financial Instruments and Exchange Act <sup>(3)</sup>.

## Major challenges

- **Lack of actual liquidity and standardized infrastructure:** The secondary markets for real estate tokens are still in their infancy. Limited trading platforms and secondary markets can hinder liquidity and market acceptance. Developing and partnering with regulated exchanges and trading platforms dedicated to tokenized assets can enhance liquidity and market infrastructure.
- **Lack of standardized valuation:** The lack of standardized valuation and pricing methodologies can also be a major challenge for investors. It can be difficult to determine the true value of an asset and make informed investment decisions. The introduction of real estate indices and integration of decentralized finance and decentralized physical infrastructure solutions could help to improve investor experience and address these issues.
- **Institutional hesitation:** Institutional investors hesitate to adopt tokenized real estate due to concerns about regulatory compliance, liquidity, the maturity of the technology, and the availability of alternative investment opportunities. Education campaigns, involvement of best law and cybersecurity experts, demonstration of benefits and successful case studies can facilitate greater acceptance.

## Emerging startup ecosystem

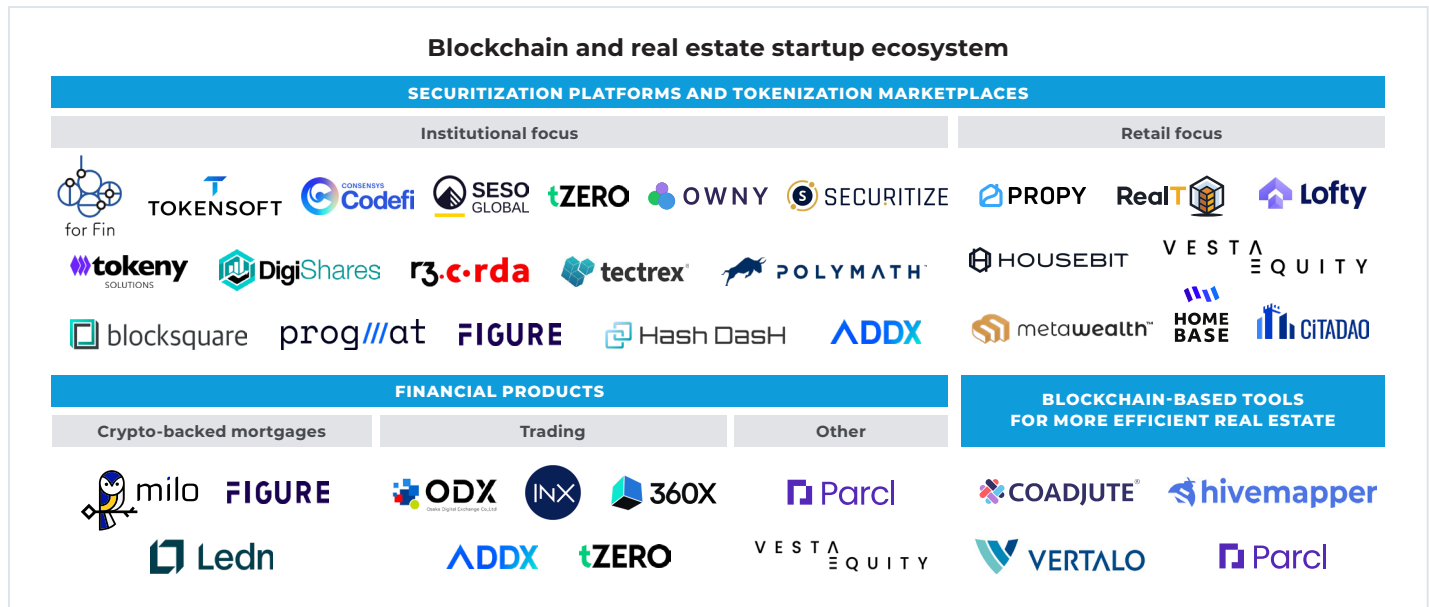
- Real estate blockchain startups are a subcategory of proptech startups, where investors might be more focused on the tech behind proptechs. We see the following three main categories of tech investment opportunities in the blockchain and real estate space:
- **Securitization platforms and tokenization services:** Most startups emerging at the intersection of blockchain and real estate offer tokenization services and, as a next step, build distribution and asset management infrastructure. The names here include Progmatt, Ibet for FIN, ADDX, and Blocksquare, among many others, which target institutional clients, and RealT, Homebase, Lofty - targeting mainly retail players. The innovation here includes tokenization infrastructure and tools, automated workflows, integrated custody, how the asset can be fractionalized, compliance, and reporting features.
- **Blockchain-based tools enabling more efficient real estate:** the startups here provide digital mapping, property data analytics, real estate market indices, or property registration services. Some of these startups can use decentralized exchange (DEX) or decentralized physical infrastructure models (DePIN). Examples here include Parcl, Hivemapper, Coadjute. The innovation here comes from using the incentive mechanisms of decentralization for scaling and trading, automated workflows and integrated financial solutions.
- **Financial tools facilitating investment in and management of real estate:** Companies that enable secondary trading, mortgages, escrow accounts, or better forms of payment for real estate, including stablecoin rails. Companies like Milo, Figure, Osaka Digital Exchange, ADDX, Ledn are working in this space. While product innovation can look like automated, it often includes a level of financial engineering or some pricing, risk, or underwriting model that traditional incumbents don't offer.

1) <https://www.fenwick.com/insights/publications/tokenized-real-world-assets-pathways-to-sec-registration>

2) <https://www.emerald.com/insight/content/doi/10.1108/JPIF-07-2024-0087/full/html#:~:text=In%20Asia%2C%20Japan's%20Financial%20Services,revision%20of%20FIEA%20in%202020>

3) <https://forkast.news/how-asia-is-paving-the-way-for-tokenization-adoption/>

# BLOCKCHAIN X REAL ESTATE - USE CASES (1/3)



## Blockchain and real estate use cases:

- Below, we briefly describe emerging use cases and blockchain startups operating in the blockchain and real estate space, categorizing them by three main client focus groups: institutional, government, and consumer.

### Institutional focus

- An increasing number of traditional financial institutions have launched proof of concept projects or announced plans to integrate blockchain-based solutions or to start real estate tokenization initiatives. Below are some of the notable startups:
- Figure Lending** has made the most progress in integrating blockchain technology. The company is the leader in home equity loans (HELOCs), with \$9B lent so far. Figure Lending is using the Provenance blockchain to log the current ownership of a mortgage in its Digital Asset Registration Technologies (DART) solution in conjunction with asset manager Apollo. It packages some of those as asset-backed securities (ABS), with the ABS tokenized on the Provenance blockchain. The company has also recently announced the launch of Figure Connect, a blockchain-based marketplace for private credit loans.
- UK's **Coadjute** has launched a blockchain-based platform that enables communication and data sharing among all parties involved in a house sale. Rather than directly targeting estate agents or buyers, Coadjute opts to integrate with the existing property software platforms used by estate agents. Coadjute utilizes R3's Corda enterprise blockchain. The company has recently announced a funding round of \$12.6M, led by Lloyds Bank, with participation from Natwest, Nationwide, and the UK's largest property website, RightMove (market capitalization: £4.35B). Three of the top five UK retail banks and largest UK mortgage lenders are these banks.
- ibet for Fin** and **Progmatt** are the leading real estate tokenization infrastructure providers in Japan. Their digital asset platforms facilitate over 90% of Japan's security token issuances. The platforms provide security token and stablecoin issuance and administration infrastructure, and also host consortiums of financial services providers: banks, asset managers, brokers, administrators, and other financial advisors.
- Slovenia's **Blocksquare** enables companies with real estate portfolios to increase asset liquidity through RWA tokenization. Blocksquare is focused on fractional ownership, allowing the investors to own portions of properties with lower capital requirements. The company is also working on launching a marketplace. Earlier this year, the company announced that it tokenized over \$100M in properties across various sectors in 21 countries across the globe.
- German **Tectrex**, a joint venture of RTX21 and 360X AG, backed by Deutsche Börse and Commerzbank, offers a real estate digital securitization platform for institutional investments.
- Osaka Digital Exchange** and **SIX Digital Exchange** are active tokenization platforms and security token secondary marketplaces directly owned by legacy market infrastructure firms. Some secondary digital securities marketplaces founded by startups include Securitize, ADDX, Figure, INX, and tZERO.

- 10SQ View:** *Tokenization of real-world assets is one of the areas of focus for 10SQ. We believe that digital assets will be ubiquitous and trillions of dollars of traditional assets being tokenized will provide further on-ramps into the crypto economy. The tokenization of real-world assets presents a massive opportunity to re-platform finance into a more secure, transparent, and efficient backend infrastructure stack.*

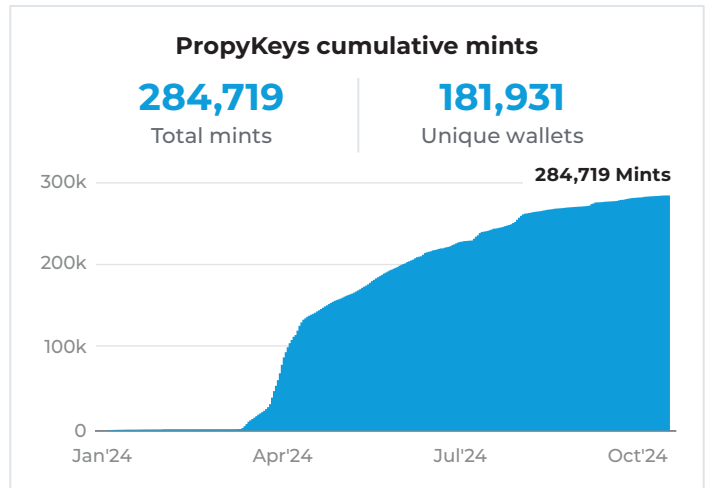
# BLOCKCHAIN X REAL ESTATE - USE CASES (2/3)

## Government focus

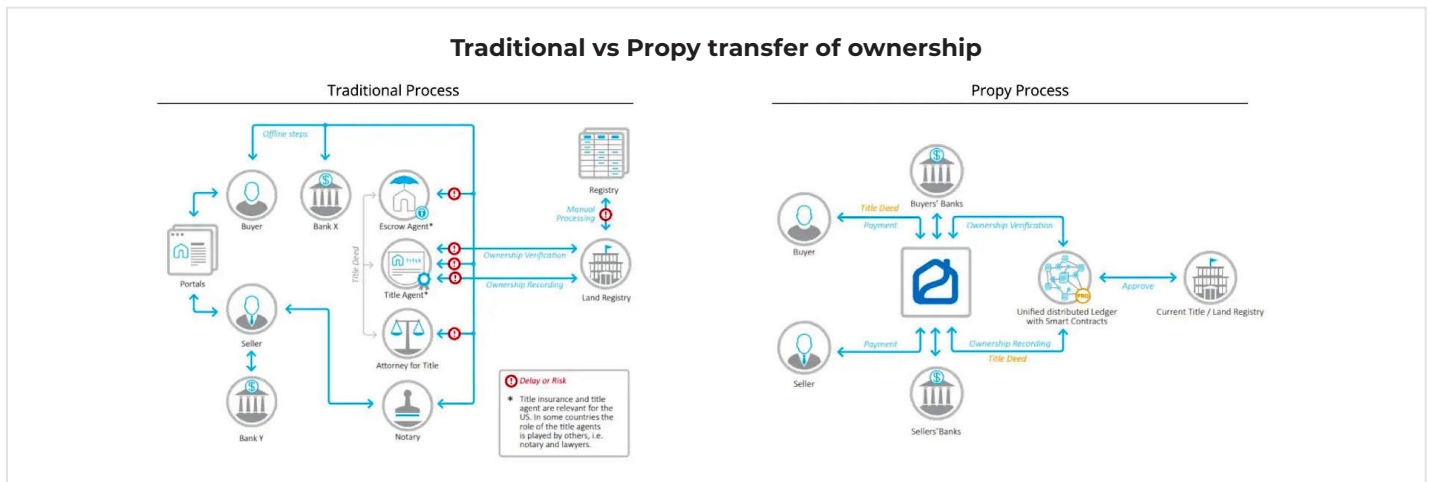
- Blockchain for property registry has been trialed globally by local governments and authorities:
  - Her Majesty's Land Registry, the U.K. government department responsible for recording 25 million ownership titles on lands and properties valued at over £7T (\$8.7T), partnered with **Consensys Codefi** to explore the use of blockchain and smart contract technology to aid speed, simplicity and transparency in the real estate market <sup>(1)</sup>.
  - The project involved creating a digital token representing ownership of a specific property. Owners could decide the number of tokens or shares of a virtual property and the offer price.
- Propy's successful proof of concept project with the U.S. city of South Burlington, VT, is another example of the global interest in blockchain initiatives. Similar projects are also active in South Africa, Nigeria, UAE, India, Mexico, and other countries demonstrating a widespread commitment to innovation in property registry.

## Retail focus

- A growing number of blockchain and real estate startups focus primarily on retail clients. Among them, several tokenized real estate marketplaces have recently emerged that allow investors to trade real estate tokens. Another emerging trend is the integration of real estate tokenization and decentralized finance (DeFi). Besides additional liquidity, DeFi platforms allow token holders to use their real estate tokens as collateral for loans to access financing.
- Propy** is at the forefront of utilizing blockchain and smart contracts for real estate in the US. Under Propy's licenses for title and escrow, the company has processed over \$4B in transactions. Via PropyKeys, their service for minting real estate addresses onchain, they've put over \$10B onchain globally. Eventually, they aim to become the Web3 version of Zillow.
- Propy focuses on enabling digital property transfers by providing title services through its blockchain-based platform. Their platform supports crypto and fiat and facilitates on-chain escrow services that securely hold assets, including cryptocurrency, to prevent potential tax impacts and the need for currency repurchase if deals don't close.
- The tokenization process through the PropyKeys platform has three steps:
  - Initiating the tokenization process by anchoring a property address on the blockchain (over \$10B worth of U.S. homes have already been prepared for tokenization in the Propy ecosystem).
  - Tokenizing deeds (\$270M in property value was tokenized to date);
  - Converting property titles into LLCs linked to NFTs that can be traded and used as collateral.



Source: Dune Analytics



Source: Propy Whitepapers 1.0

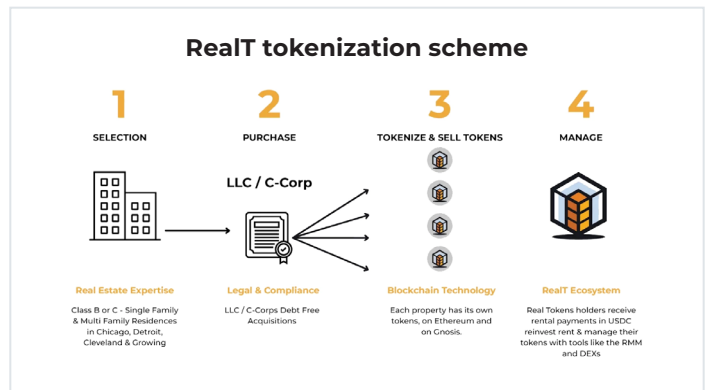
1) <https://consensys.io/blockchain-use-cases/finance/hmlr>

# BLOCKCHAIN X REAL ESTATE - USE CASES (3/3)

- **RealT**, one of the pioneers and leaders in innovation in real estate tokenization, is a platform that offers simplified real estate investments.

- Launched in 2019, RealT has built a dynamic, engaged investor community of 16k+ active investors from 154 countries <sup>(1)</sup>. They have tokenized over 535 properties for \$100M+, ranging from single-family homes to large residential buildings <sup>(2)</sup>. Through the RealT platform, investors can own a fraction of a financial instrument (represented by a token), receive net revenues via cryptocurrencies like USDC from the asset management company, and buy or sell their RealTokens. The company distributed over \$15M in net revenues directly to token holders' portfolios. RealT charges a 10% fee when listing properties on its marketplace and then takes 2% on the income.

- From day one, RealT issued Security Tokens to comply with regulatory requirements. Throughout this time, the company has been actively experimenting with new products and legal structures.



Source: <https://medium.com/realplatform/realt-the-ideal-contender-to-be-the-future-gafam-of-tokenization-e62e26af85fc>

- **Lofty.ai** is a marketplace offering fractional ownership in tokenized rental properties. Users can buy (and sell) fractional ownership in the form of digital tokens on the Lofty marketplace, earn rental yield, and profit from value appreciation. Lofty's marketplace lists over 100 properties across 11 U.S. states and has around 7k monthly active users <sup>(3)</sup>.
- **Homebase** and **Metawealth** are other marketplaces that allow users to invest in rent-generating real estate. Both companies were founded in 2022, built on Solana, and integrated with stablecoin rails. While Homebase is tokenizing residential real estate properties in the U.S. via security token offerings (STOs), Metawealth focuses on institutional-grade real estate properties in Europe.
- **Vesta Equity** is a home equity marketplace that allows property owners to access their home equity without loans by tokenizing and selling a fraction of their property. The platform, built on the Algorand blockchain, enables direct transactions between owners and investors, emphasizing no loans, monthly payments, or foreclosure risks.
- Crypto-backed mortgages is another example of blockchain and real estate. For these mortgages, crypto lenders usually use digital assets and home values as collateral. **Ledn**, **Milo**, and **Figure** are the leading providers of crypto-backed mortgages.
- **Parcl** is a perpetual decentralized exchange that allows users to trade perpetual futures that track the prices of real estate markets in major cities. The company also offers real estate analytics and Parcl price indexes, trying to build a new betting market that will offer transparent and tradable real estate data. As of October, Parcl crossed \$2.7B in total volume traded on the exchange.
- DePIN projects can be instrumental in making the real estate market more efficient. DePIN is the application of blockchain technology and decentralization principles to physical infrastructure and systems. The Hivemapper Network, launched in November 2022, is an open, global, and decentralized mapping network that uses AI to build a map from the driving we do every day. Thanks to its contributor community, in less than two years, the Hivemapper Network managed to map its first 10 million unique miles of roads, while it took ten years for Google Street View to map an area of the same size.
- **Hivemapper's Scout** product provides real-time street-level imagery for accurate property assessments and neighborhood monitoring. The technology enables virtual check-ins, saving time and expenses associated with in-person property visits. Real estate experts can also leverage Hivemapper's Map Image API to access fresh, street-level map imagery for instant analysis of neighborhoods and cities. Hivemapper's mapping network and AI-processed map features provide accurate property assessments and rich local insights and enable remote evaluation of properties and neighborhoods without the need for on-site visits.

- **AT 10SQ, we are actively looking for real estate tokenization and DePIN startups with resilient unit economics that promises to lead to revenue streams. These companies will have some form of unique advantage or innovation in their technology, customer acquisition, analytics, insights, or distribution.**

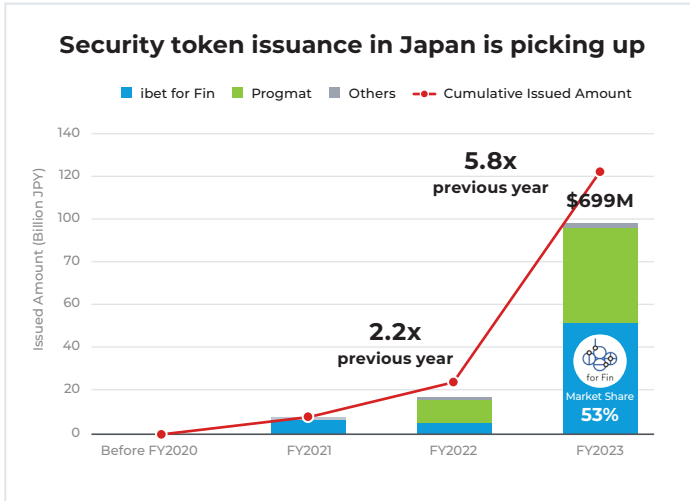
1) RealT is currently unavailable to U.S. investors, but that can change in the next few months, according to the company's website.

2) The RealT blog on Medium

3) <https://algorand.co/case-studies/lofty-transform-real-estate-industry>

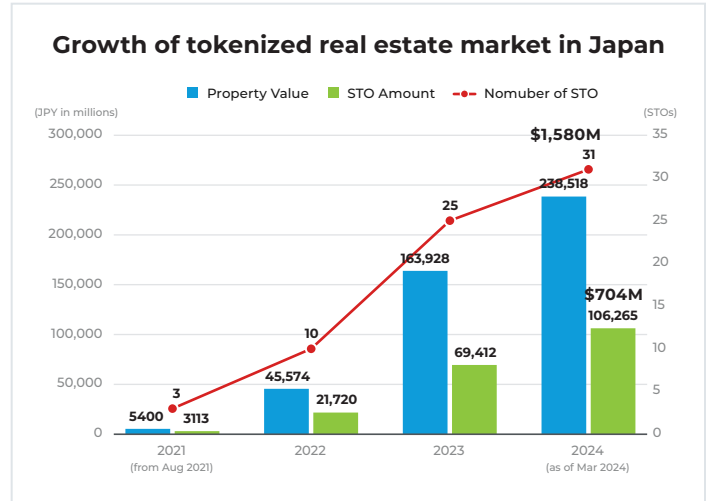
# REAL ESTATE TOKENIZATION EMERGING IN JAPAN (1/3)

- Japan has become a global leader in real estate security token issuance, with a robust legal and regulatory framework, collaboration from major financial institutions and government officials, and active startup ecosystem.
- Security tokens rapidly transitioned from proof of concept to practical use in Japan. The cumulative issuance amount of security tokens in Japan in 2023 reached JPY 97.6B or \$700M, a 5.8x increase from the previous year, according to Boostry. This represented 16% of annual issuance in the Japanese stock market and 31% of annual issuance in the listed REIT market, making it a significant portion of the capital markets.



Source: Boostry.co.jp

Note: STOs are represented by 85% real estate beneficiary certificate issuance trusts, and 13% corporate bonds.



Source: Kenedix, as of Mar'24

- Japan has one of the most progressive crypto regulations:** the country has passed legal framework for stablecoins, supported cross-chain public bank-backed stablecoin trials, and seen a bank issue a retail-focused deposit-backed token.
- Japan's Financial Services Agency (FSA) regulates tokenized real estate. The Payment Services Act (PSA) and the Financial Instruments and Exchange Act (FIEA) provide the legal foundation. Tokens representing real estate ownership are treated as securities, requiring compliance with FIEA, which includes disclosure requirements, registration, and AML measures. The positioning of security token offerings (STOs) under the FIEA in Japan helped to clarify the position of security tokens (ST) as financial instruments and created an environment in which many investors can invest with confidence. After the first real estate STO in August 2021, the market has steadily grown, reaching seventy STOs up to this date.
- The current tax reform proposal promotes fundraising with crypto assets:** Japan may reclassify cryptocurrencies under financial instruments legislation, potentially reducing crypto taxes from up to 55% to 20% in 2025. Last year, the Japanese ruling party tax committee approved a proposal to exempt crypto startups that issue their tokens from paying corporate taxes on unrealized gains <sup>(1)</sup>.
- Tokenization is also getting support from local governments,** which are starting to encourage businesses to get involved. Earlier this year, Tokyo announced a subsidy program for security tokens, covering up to two-thirds of the issuance costs, including platform fees, advisors, and system development <sup>(2)</sup>.
- Japan has also one of the world's most developed real estate tokenization infrastructures.** Osaka Digital Exchange Co., Ltd. (ODX) operates Japan's first Proprietary Trading System (PTS) for security tokens. ODX started dealing with security token trading in December 2023. It is one of two active tokenization platforms directly owned by legacy market infrastructure firms; the other one is SDX in Switzerland <sup>(3)</sup>. ODX is majority-owned by SBI Holdings, one of Japan's largest financial services conglomerates. Last year, ODX launched the START secondary market for tokenized securities. Other key shareholders are financial giants Sumitomo Mitsui, Nomura and Daiwa Securities. In the interview with Coindesk Japan, ODX CEO Kimio Mikazuki highlighted the platform's focus on getting new real-estate tokens on board and mentioned corporate bonds as an area of interest <sup>(4)</sup>.

1) <https://www.coindesk.com/policy/2023/06/26/japanese-crypto-issuers-wont-pay-taxes-on-unrealized-gains-govt-clarifies/>

2) <https://www.ledgerinsights.com/tokyo-subsidizes-digital-securities-issuance-costs/>

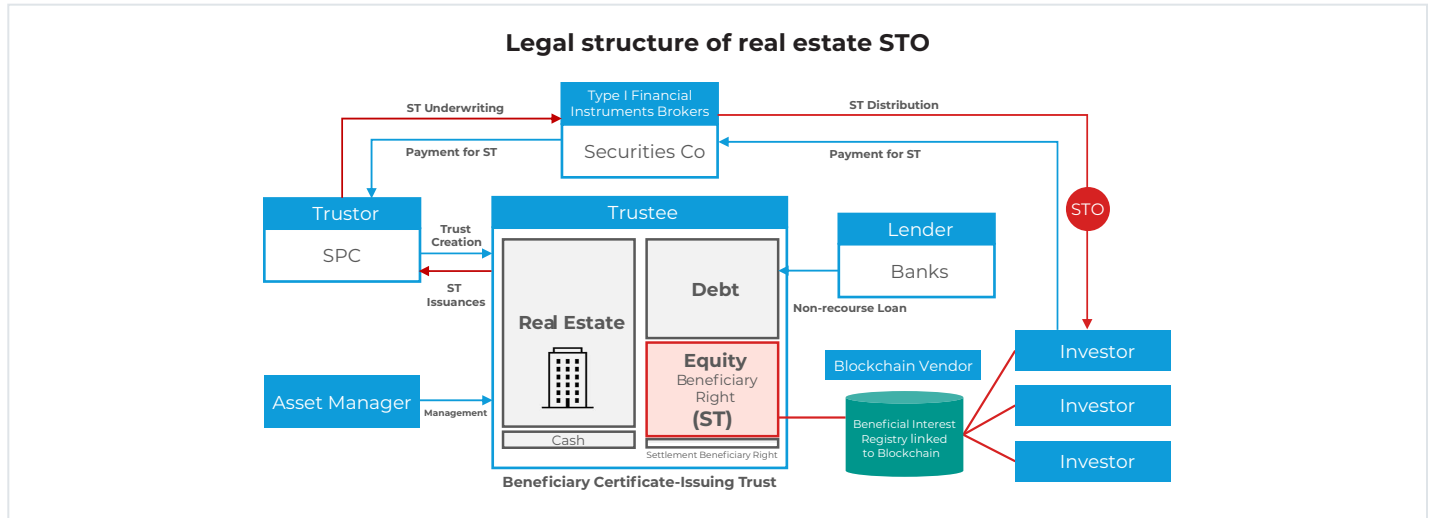
3) Majority-owned by SIX Group, a consortium of around 120 banks that run the Swiss stock exchange

4) <https://www.coindeskjapan.com/227338/> and <https://medium.com/@NoelleInMadrid/tokenization-and-regional-competition-in-japan-9bfd80cc8818>

# REAL ESTATE TOKENIZATION EMERGING IN JAPAN (2/3)

## Legal structures of real estate security tokenization

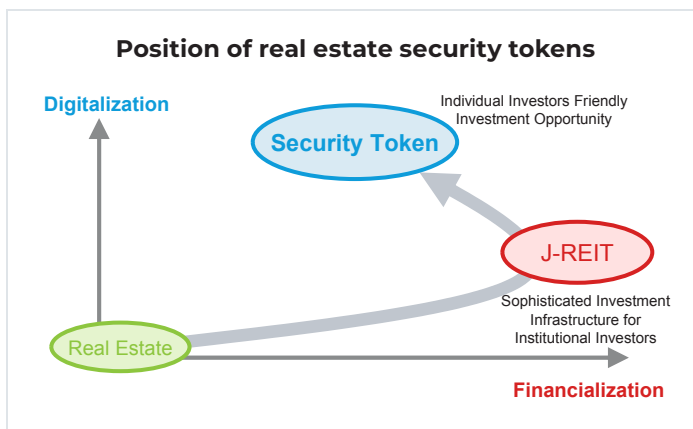
- Beneficiary certificate-issuing trusts are the first choice for real estate tokenizations in Japan. They are special trusts that enable the assignment of beneficial interests to others to be executed by electronic registration on the beneficiary rights register. In real estate STOs using beneficiary certificate-issuing trusts, a trustee such as a trust bank receives a transfer of real estate trust beneficiary rights from the originator and issues trust beneficiary rights. The trust agreement provides that no beneficiary certificates will be issued, allowing the transfer of beneficiary rights, represented in digital securities, solely by agreement between the parties. These digital securities are issued as tokens on private permissioned blockchain and regulated as securities <sup>1)</sup>.
- In 2023, beneficiary certificate-issuing trusts accounted for 85% of Japan's STO issuance in 2023 (JPY 82.5B), followed by corporate bonds at 13% (JPY 13.2B), according to Boostry. Corporate bonds, or tokumei kumiai (TK) interests, represent limited partner interests in an investment limited partnership and beneficial interests in a jointly managed money trust, which gives true pass-through taxation to its partners.



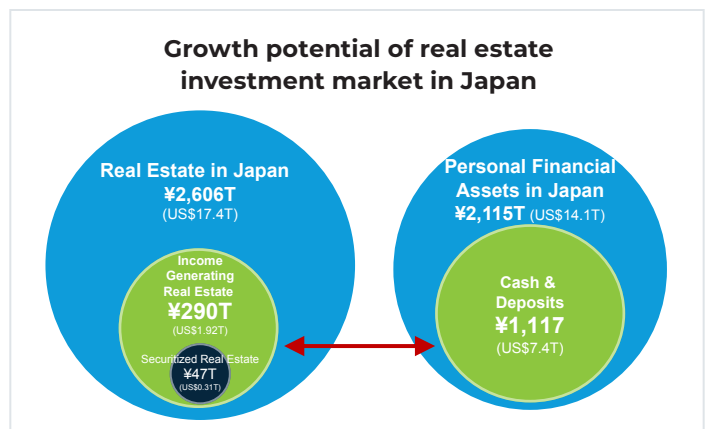
Source: Kenedix, as of Mar'24

## Tokenizations are attractive investment opportunities for retail investors

- Real estate security tokens present a friendly investment opportunity for retail investors. According to Kenedix, this instrument is more accessible for retail investors compared to traditional J-REIT investment instruments.
- Many of Japan's real estate tokenizations target retail investors and relate to specific buildings. For example, Mitsui & Co Digital Asset Management (MDM) targeted retail investors with Alterna real estate funds in October 2023. It used tokenization to remove the need for brokers and enable the asset manager to have direct client relationships.
- Some tokenizations target only institutional clients. For example, Digital Securities announced its second tokenized real estate issuance in Japan in December 2023. Sumitomo Life was the primary institutional investor and a Blackstone real estate fund underpins the tokenization. Digital Securities' backers are Marubeni and regional Jojo Bank. The bank lent money to the tokenization structure. Nagoya Bank was the investor in the first security token.



Source: Kenedix, as of Mar'24



Source: Kenedix, as of Mar'24

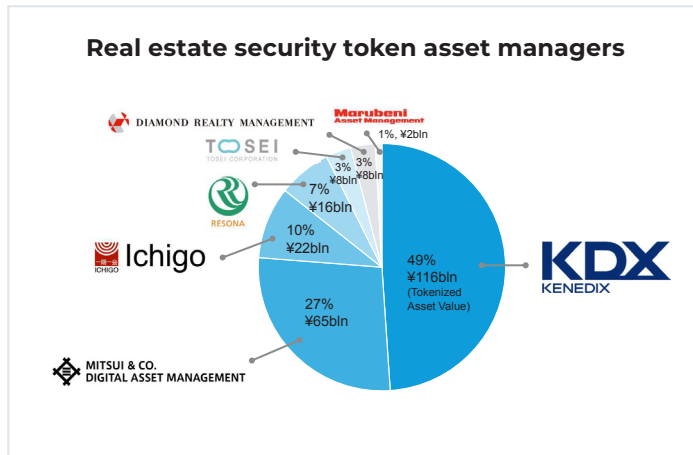
1) <https://practiceguides.chambers.com/practice-guides/fintech-2024/japan/trends-and-developments>



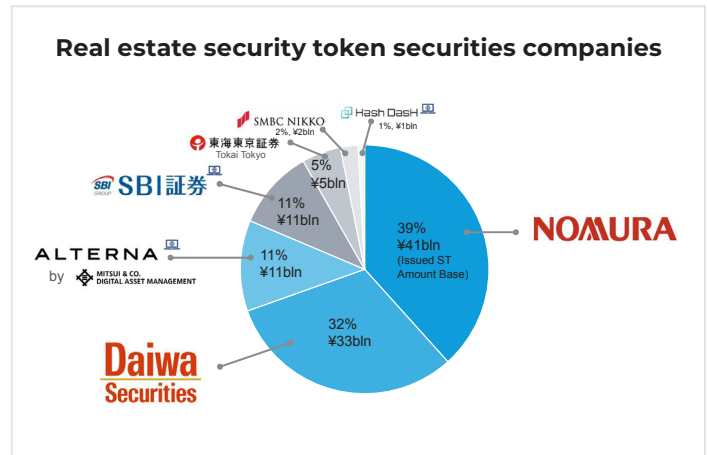
# REAL ESTATE TOKENIZATION EMERGING IN JAPAN (3/3)

## Large and growing tokenization ecosystem

- According to a 2023 report by Boostry, at least thirteen asset managers and corporations are actively involved in Japan's tokenizations, handled by over ten distribution firms and six trustees/administrators. The U.S. tokenization market may win in terms of volume, but Japan is well in the lead when it comes to ecosystem involvement.
- Most of Japan's real estate security token asset managers are represented by the largest real estate holdings and institutional asset managers, with Kenedix and Mitsui & Co being the most prominent players.
- The top five securities firms that sold security tokens to investors account for over 95% of sales, as shown in the figure below, with Nomura and Daiwa Securities leading the way.



Source: Kenedix, as of Mar'24



Source: Kenedix, as of Mar'24

- **ibet for Fin** and **Progrmat** are the leading real estate security token blockchain infrastructure providers in Japan.
- **Progrmat**, a security tokenization and stablecoin issuance platform used by Mitsubishi UFJ Trust and Banking Corporation, facilitated a 54% share of real estate ST issuances, ranking first in real estate beneficiary certificates issuance trusts with fourteen issuances, according to Kenedix.
- The **ibet for Fin** consortium is a consortium-type security token network in Japan, which secured 43% of real estate ST issuances. As of April 1, 2024, ibet for Fin is jointly operated by eighteen major Japanese financial institutions, a structure that does not allow any one company to monopolize it, according to Boostry.
- Other notable players include **Hash DasH** and **ADDX**.

■ **10SQ View:** Japan's real estate tokenization market has already transitioned from proof of concept to practical use. The timely, well-developed, and investor-friendly STO regulatory framework, tax reform promoting fundraising with crypto assets, the significant size of the local real estate market, significant domestic investment resources, and sophisticated investors have created a unique space for experimentation and adoption of real estate tokenization. The example of Japan will drive more attention from institutional investors to the digital asset space. Many developed countries worldwide might adopt this example in the coming years. The success of Japan could pave the way for a new era of investment, where digital and traditional finance converge to create a more inclusive, efficient, and transparent marketplace.



## IMPORTANT DISCLOSURES

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