



## Commercial Real Estate Tokenization — Owner Q&A

### 1. What is tokenization in simple terms?

Tokenization is a way to **convert a portion of a property's economic value into digital units** that can be sold to investors through a regulated structure. Instead of selling or refinancing the entire property, you can **raise capital by selling a defined percentage of the asset's economic rights**.

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### 2. Does tokenization mean I am selling my building?

No. The property remains intact and owned by a legal entity (such as an LLC or SPV). You are **selling a portion of the economic interest**, not physically dividing or transferring the property itself.

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### 3. How much of my property can I tokenize?

There is no fixed requirement. Many owners choose to tokenize **10%–50%** of the property, depending on their capital needs, risk tolerance, and long-term plans.

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### 4. Do I keep control of the property after tokenization?

In most cases, yes.

Typically:

- You remain the **managing owner/operator**
- Day-to-day decisions stay with you
- Token holders have **limited governance rights**, defined upfront

Control terms are clearly set before any transaction.

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## 5. How does tokenization benefit me as a property owner?

Tokenization can:

- Unlock liquidity without selling the property
  - Reduce dependence on bank refinancing
  - Lower leverage risk compared to new debt
  - Fund renovations, expansion, or new acquisitions
  - Bring in long-term aligned capital instead of short-term lenders
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## 6. How is this different from a traditional syndication?

Structurally, it is similar, but tokenization:

- Uses digital units instead of paper shares
- Can allow **faster settlement and clearer ownership records**
- May offer **better secondary liquidity** over time
- Expands access to global institutional capital

Think of it as a **modernized wrapper** around familiar real estate structures.

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## 7. Who buys the tokens?

Depending on the structure, tokens are typically purchased by:

- Institutional investors
- Qualified or accredited investors
- Funds and family offices

Retail participation is **not automatic** and depends on jurisdiction and regulation.

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## 8. What happens to rental income?

Rental income continues as normal:

- The property generates income
- Net income is split according to ownership percentages
- Token holders receive their share

- You retain your remaining share
- Distribution methods are defined in advance.

## 9. What happens if the value of the property goes up?

If the property increases in value:

- Token holders benefit proportionally
- You benefit proportionally
- Upon sale or refinancing, proceeds are distributed based on ownership

You still participate fully in the upside for the portion you retain.

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## 10. What happens if the value of the property goes down?

If the property value declines:

- Token holders share in the downside
- You are **not personally liable beyond the structure**
- There is no margin call or forced sale like some debt structures

This is equity-based risk, not debt risk.

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## 11. Is this debt or equity?

Tokenization is typically **equity-based**, not debt.

That means:

- No fixed interest payments
- No maturity forcing repayment
- Risk and reward are shared

Some hybrid structures exist, but equity is the most common.

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## 12. Can tokens be sold later?

In some cases, yes.

Tokens may:

- Trade on approved secondary markets
- Be transferred subject to compliance rules

- Be redeemed upon sale of the property

Liquidity is improved compared to traditional private equity, but it is **not guaranteed**.

### 13. Is tokenization regulated?

Yes. Proper tokenization is done through:

- Regulated platforms
- Licensed issuers
- Jurisdiction-specific compliance frameworks

Aurelius Capital Group does **not** issue tokens or provide regulated services—we introduce owners to compliant partners.

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### 14. What role does Aurelius Capital Group play?

Aurelius Capital Group:

- Sources and pre-screens properties
- Introduces owners to qualified tokenization partners
- Helps align transaction structure and expectations
- Does **not** custody funds, issue tokens, or manage investments

Our role is origination and alignment.

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### 15. What are the costs involved?

Costs vary by structure and jurisdiction and may include:

- Legal structuring
- Platform fees
- Issuance and compliance costs

These are typically paid from the transaction proceeds and discussed upfront.

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### 16. How long does the process take?

A typical timeline:

- Initial review: 2–4 weeks
- Structuring and compliance: 1–3 months
- Issuance and capital raise: varies by deal
- Well-prepared assets move faster.

## **17. Is tokenization right for every property?**

No. Tokenization works best for:

- Income-producing properties
- Clear ownership structures
- Owners seeking partial liquidity, not a full exit

Aurelius Capital Group screens assets carefully to determine fit.

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## **18. Why would investors want tokenized real estate?**

Investors gain:

- Access to institutional-grade real estate
- Fractional ownership
- Potential income and appreciation
- Improved transparency and transferability

This demand is what enables owners to access capital.

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## **19. What happens if I want to sell the property later?**

If the property is sold:

- Sale proceeds are distributed based on ownership
- Token holders are paid automatically per the structure
- You receive your remaining share

Sale mechanics are defined in advance.

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## **20. What is the first step if I'm interested?**

The first step is a **confidential, no-obligation discussion** to determine:

- Whether your property qualifies
- What percentage could be tokenized
- Which partners may be appropriate
- No commitments are required upfront.

## Additional Asset-Specific Q&A

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### Office Properties — Additional Questions

#### **21. How does tenant vacancy or lease rollover affect tokenized ownership?**

Vacancy and lease rollover risk are treated the same as in traditional ownership. Cash flow distributions to all owners (including token holders) reflect actual net operating income. Tokenization does not mask or transfer operating risk—it simply shares it proportionally.

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#### **22. What if my office building is partially vacant?**

Partially vacant office assets can still be tokenized if:

- There is a clear leasing strategy
- Historical income supports stabilization
- Investors are informed of the risk profile

In some cases, tokenization is used specifically to **fund repositioning or lease-up**.

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#### **23. How are long-term office leases handled?**

Existing leases remain in force.

Token holders inherit economic rights subject to the lease terms already in place. Lease structure, tenant quality, and remaining lease term are fully disclosed prior to issuance.

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#### **24. Does tokenization make sense given current office market uncertainty?**

Tokenization can be particularly useful in uncertain markets because it:

- Reduces reliance on refinancing

- Allows partial liquidity without a forced sale
- Brings in patient, equity-based capital

However, not all office assets are suitable; disciplined screening is critical.

## **Industrial & Warehouse Properties — Additional Questions**

### **25. How does tokenization work with long-term industrial tenants?**

Industrial assets with long-term leases are often well-suited for tokenization because:

- Cash flows are predictable
- Tenant credit quality is easier to underwrite
- Investors value stable yield profiles

Lease terms remain unchanged.

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### **26. What about triple-net (NNN) industrial leases?**

Triple-net structures are straightforward:

- Operating expenses remain the tenant's responsibility
- Net income distributions reflect the NNN structure
- Token holders benefit from reduced operating volatility

This is often attractive to institutional investors.

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### **27. Can logistics or warehouse assets be tokenized across multiple properties?**

Yes, in some cases:

- Multiple assets can be pooled into a single entity
- Tokens represent proportional exposure to the portfolio
- This can reduce asset-specific risk

Structure depends on jurisdiction and platform capability.

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## **28. How are capital expenditures handled for industrial assets?**

Capital expenditure reserves and approval thresholds are defined in advance. Major capital decisions typically require predefined consent mechanisms, while routine maintenance remains with the operator.

## **Multifamily Properties — Additional Questions**

## **29. How does tokenization interact with tenant turnover in multifamily?**

Tenant turnover is treated as normal operational risk. Income distributions adjust based on actual performance, and turnover assumptions are disclosed upfront.

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## **30. What if the property is rent-stabilized or rent-controlled?**

Rent regulations are fully disclosed and priced into the structure. Tokenization does not change tenant protections or regulatory obligations.

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## **31. Can tokenization help fund renovations or value-add strategies?**

Yes. Many multifamily owners tokenize a portion of the asset to:

- Fund renovations
- Improve unit mix
- Increase long-term NOI

Investors are informed whether the strategy is stabilized or value-add.

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## **32. How are property management decisions handled?**

In most cases:

- Existing management remains in place
- Performance benchmarks are agreed in advance
- Replacement rights (if any) are clearly defined

Day-to-day operations are not controlled by token holders.



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## **Cross-Asset Questions Owners Often Ask**

### **33. What happens if I want to buy back the tokenized portion later?**

Some structures allow:

- Buyback options at predefined valuation methods
- Buyback upon refinancing or sale
- Negotiated repurchases subject to consent

Terms are defined before issuance.

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### **34. How are disputes handled between owners and token holders?**

Dispute resolution mechanisms (typically arbitration or jurisdiction-specific courts) are established in the governing documents.

This is no different than traditional equity partnerships.

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### **35. Will token holders have access to detailed financial reporting?**

Yes. Reporting standards are defined upfront and typically include:

- Periodic financial summaries
- Operating updates
- Material event disclosures

Transparency expectations are aligned with institutional norms.

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### **36. Does tokenization affect my relationship with lenders?**

In many cases, tokenization:

- Improves balance-sheet equity
- Reduces leverage ratios
- Can strengthen lender confidence

However, lender consent may be required depending on existing loan covenants.

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### 37. What happens if regulations change?

Regulatory risk is addressed by:

- Using regulated platforms
- Structuring conservatively
- Including legal contingency provisions

Tokenization does not eliminate regulatory risk, but it does not increase it beyond traditional equity structures.

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## Final Positioning Statement

Tokenization is not a replacement for sound real estate fundamentals. It is a **capital structuring tool** that, when used appropriately, can enhance liquidity, flexibility, and long-term ownership outcomes for commercial property owners.



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