

Blockchain Technologies and Cryptocurrencies

Course Work

Tokenization of Real Estate

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Word Count : 1993



Executive Summary –

"Pie and Thai" owns the place near Camber Sand beach and runs their restaurant business. The Company has a good reputation, and its financial history is also sound. They are recently expanding their Business, and in the future, they have expansion plans. The Company issued its Token, and it plans to enlist its Token into decentralized exchange later on. The detailed information about the Company is in the following table.

Proper Value	800,000 USD
Property Location	Camber Sand
Total Offereing	800,000
Price per Token	1 USDT
Minimum Investment	500 USDT
Private Sell (Pre- ICO)	40%
ICO	60%
Expected Return	10%
Company Name	Pie and Thai
Tracker	P&T TOKEN (PTK)
Ticker	PTK
Decimal	4
Blockchain	Ethereum

Ethereum Address (Smart Contract) –

0x06932F3549C7e18edcF1D0C560b5C84884F4416e

Transaction Hash –

0xe99915aa9877388561dd50cd7fb8613cdc4e9343c522b7b7644b8807f8fcc639

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Introduction –

Before COVID hit the world in 2019, global commercial real estate investment topped \$830 billion. However, the real estate prices went down during the lockdown phase and then again boomed in late 2020 and 2021, and experts expect further increases in future years. In addition, a new wave of technology brings efficiency, security, and cost savings to the banking industry, while Tokenization is ushering in digital real estate goods.

Traditional real estate institutions are studying loan or equity tokenization with technology providers. As a result, the Business expects increased investor access to excellent property assets as more technology-backed real estate initiatives come to fruition. In addition, traditional real estate stakeholders will benefit the technology providers by providing information about asset origination and financial expertise. This type of distributed ledger secures data across a network of authorized parties. Unlike a centralized database, data stored on the Blockchain is virtually impenetrable. In addition, Tokenization secures digital fractional ownership transactions and speeds up settlement.

Tokenization of new financial technology allows investors to buy digital tokens backed by physical assets. "Tokenization" means converting non-digital assets to digital assets using blockchain technology. From there, people can buy a fraction of the tangible assets by purchasing the Tokens of that asset. Thus the Business or owners of the support gets some liquid, and many small investors have the opportunity to invest in Business.

This paper will examine real estate tokenization, including technological, real estate, and valuation of a business name, "Pie and Thai."

Deal Structure –

I. Description of the property –

Pie and Thai Ltd., a Restaurant Company, has been formed to do Business near the Beach of CAMBER SAND. The Company owns the property, and currently, they are focusing on selling food and generating significant revenues every month. During Summer, their profit increases 60% more than usual time. However, the Company has some empty places and plans to expand their area and renovate their sitting positions. The construction is ongoing, and the site will be ready before summer 2022.

The development will include approximately 2000 square feet of the kitchen and the sitting area built-up upon completion. The Market Value for the Restaurant is \$ 800,000 with a Forced Selling Value of \$ 600,000 and a completed value of 1,000,000. The pictures of the place, their internal design, and their architectural design are below –

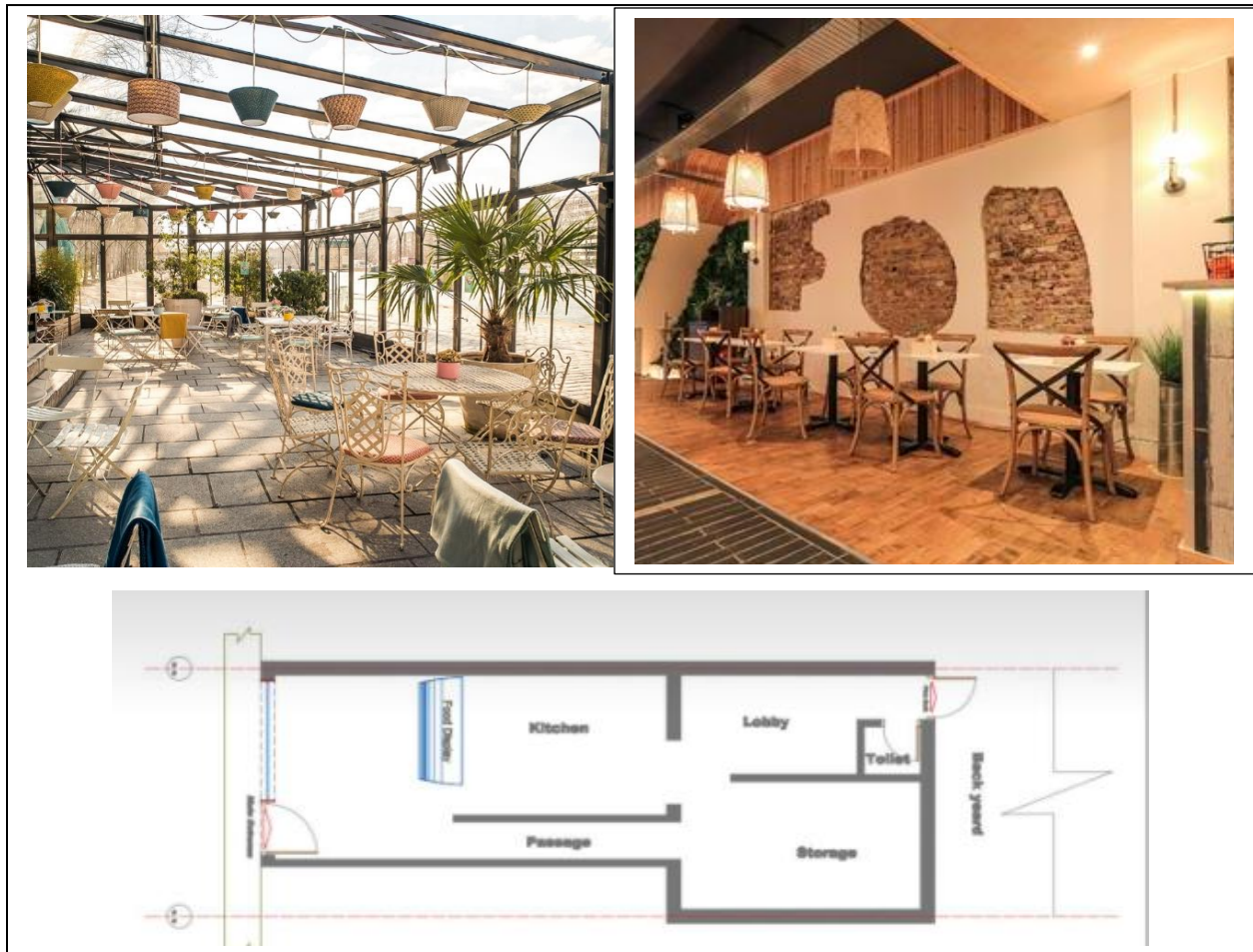


Figure 1: Pictures of Restaurant

The Restaurant consists of a vast lobby, two storages, a kitchen, a reception, a bar section, and a refreshment room (toilet). The Restaurant locates along the beach, and the residential hotels are 30 to 40 minutes away from the area. Additionally, "Pie and Thai" is the only Restaurant attached to the beach. Therefore, many people who want to spend their evenings and have candlelight dinner by the beach prefer "Pie and Thai" as there is no other restaurant nearby.

II. Benefits From Tokenization –

Fund Raising & Liquidity –

Tokenization is an excellent alternative to traditional ways of fundraising. It allows representing pieces of real estate ownership in blockchain-based tokens offered to thousands of investors worldwide. In addition, the process heavily relies on blockchain technology, allowing the purchase and sale of real estate security

tokens via standardized "smart contracts." "Pie and Thai" will get the essential advantage of smart contracts. They don't have to negotiate individually, and their terms can implement automatically. Moreover, They will get some potential global investors from the pool, giving international recognition to their Business.

Cost Efficiency –

Tokenization of the asset will remove certain intermediaries and increase processes' efficiency. For example, to open a wallet or complete other methods, any second person does not have to complete the transaction or other procedures that save a lot of money. (Real Estate Tokenization - KPMG China, n.d.)

Transparency –

Blockchain records every transaction on it, and whenever a single token undergoes a transaction, all the participants become aware of it. Therefore, investors can look at the "token's history," pricing, and other transaction details, which will give the Company a more significant advantage in raising funds. So, the investors will not have any issue with the Company's transparency.

Security –

Blockchain is a distributed ledger; no one can control it or impose their policies. Furthermore, DLT uses advanced cryptography techniques to ensure user security. So, the "Pie and Thai" will get a unique private key to access their blockchain assets, giving the Company higher security. This key is usually represented as a random string of characters (letters and numbers), making it difficult or impossible for others to guess.

Fractional Ownership –

Another benefit of Tokenization is fractionating the total assets and giving small investors entry into the real estate business. Investing in real estate is very hard for small investors, and it takes massive capital from them, but any investor can buy the Token of "Pie and Thai" and be a part of the Business.

Automation –

After Tokenization of the asset, compliance, document verification, trade, and escrow will automate with smart contracts. "Pie and Thai" can automatically pay their dividends and other cash flows with the help of advanced technology. (Real Estate Tokenization - KPMG China, n.d.)

Structured Products –

Once "Pie and Thai" tokenized their asset, they will be creating extra value, allowing for the production of other layered financial products such as a basket of assets and derivatives. As they have tokenized their underlying, coding "smart contracts" make it easier to create worldly goods for the investors.

The Economy of the Token (Tokenomics) –

Digitization –

Digitization is converting information into a digital (computer-readable) format. The outcome can be an object, a picture, a sound, a document, or a signal. In addition, Digital data has the potential to be shared and retrieved more readily. This paper will focus on the Tokenization of a real estate business, called "Pie and Thai," and will discuss the distribution of their assets.

Tokenization –

Tokenization refers to transforming an asset into a token that can be issued, exchanged, recorded, or kept on a blockchain system. To illustrate, the Company "Pie and Thai" has tokenized their whole Business and plans to sell 80% of their total Tokens privately and publicly using distributed ledger technology.

Company Name	Pie and Thai
Tracker	P&T TOKEN (PTK)
Ticker	PTK
Decimal	4
Blockchain	Ethereum

Financial Model –

The owners of the "Pie and Thai" issued 800,000 Tokens in the Blockchain network by creating their wallet in the "MetaMask." Furthermore, the Company issued Token against their entire Business, which has a property value of \$800,000, and they set their Token price 1 USDT per Token. The ticker name of the Token is "PTK," and an investor has to invest a minimum of 100 USD to be a holder of the tokens. So, a holder will buy a minimum of 100 Tokens of "PTK" at a time.

Property Value	800,000 USD
Total Offering	800,000
Price per Token	1 USDT
Minimum Investment	100 USDT
Private Sell (Pre- ICO)	40%
ICO	60%
Expected Return	10%

The Company plans to divide its Tokens into different percentages and sell them privately and publicly, plotted in a pie chart for clear visualization.

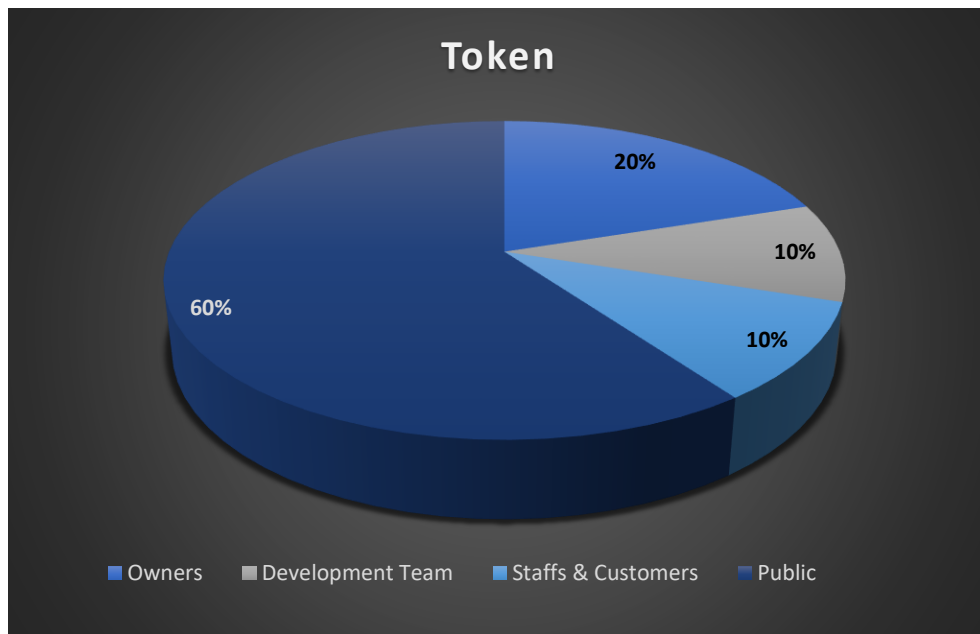


Figure 2: Pie Chart

Primary Distribution –

"Pie and Thai" are offering 800,000 Tokens and plans to divide the tokens into three parts and sell them in 2 steps; 20% of the Tokens will allocate for the Owners, and the rest of the 20% will be sold for USD privately. After that, they will issue ICO and sell their tokens for USDT in the network.

- I. 1 PTK = .6 USD (Private Sell)
- II. 1 PTK = .8 USD (Private Sell)
- III. 1 PTK = 1 USDT (ICO)

The Company is offering .6 USD/ Tokens to the Development team and .8 USD/ Token to some staff and loyal customers. The Company plans to give some discount to the development team and staffs to get better performance from them. It also has offered some Token to some of its loyal customers at a discount. The Company sets its Token prices in USD and takes fiat currency at the primary stage of selling the tokens. However, the public has to buy the ICOs with USDT. The cashflow from the Tokens is pictured below –

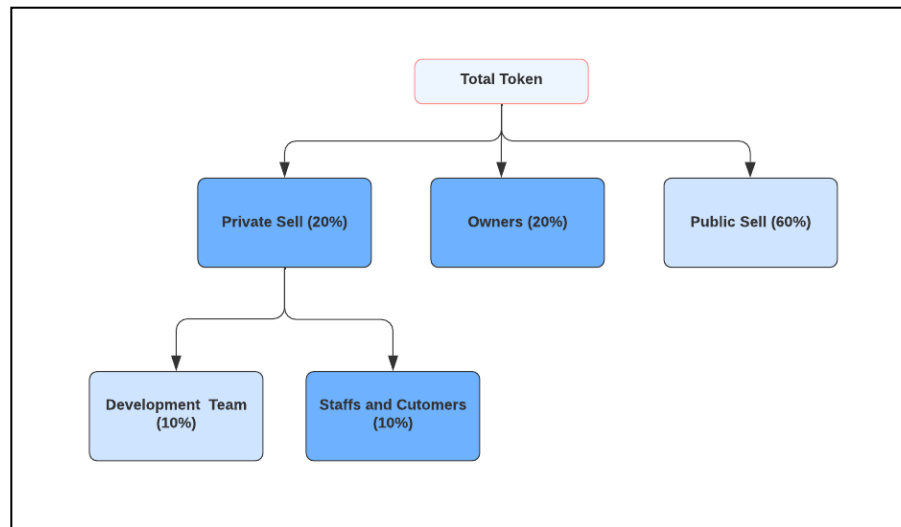


Figure 3: Cash Flow

The Company plans to distribute the Tokens among the owners, the development team, and the staff to ensure future business development. As the Business currently does not have any competitors at that location and their customer satisfaction rating is good, they expect their Token value to increase by 10% within the following year.

Post Tokenization Management –

A Company should start planning the marketing strategies and promoting the concept behind the Token before the Token is ready for sale. At this early stage, content production is the most effective method.

Therefore, the Company chooses social media and blog entries to advertise its Tokens.

So, the Company plans to go for some promotional activities to acknowledge people about the Tokens. Initially, they will advertise on Twitter, Discord, and Telegram. They also plan to post about their Token on the Restaurant's Facebook page. Thus the Company is planning to draw the attention of the potential investors of the Token. They also kept the initial investment low as they wanted to have more members in their community to keep the price of the tokens stable. They also offer some discounts to their loyal customers, eventually encouraging them to buy the Tokens and influencing others to invest in them.

According to the financial history, the Company has incurred profits and developments in the Business. This year the Business is expecting more profit because presently, the COVID19 cases have gone down, and they are expecting more customers. So, the Company is expecting to generate more profit than the

previous year, which will take the Token's price to go up. As a result, investors can expect a 10% return in the following year. The Company plans to post this news on their social media platform, which will create a demand for their Tokens.

Buying Process of Token –

To buy the Token, the investors need to buy USDT first. For that, they need to follow some steps-

1. The investors need to create the wallet in the "METAMASK."
2. Deposit Money in that,
3. Then they need to buy some USDT from an exchange,
4. Withdraw the USDT from that exchange and transfer them to their wallet.
5. Transfer the USDT to the Company's wallet address or can use the QR code.
6. Wallet Address - 0x89841074a638E8aff0c34ec41553B0Fc56757205
7. QR Code -



8. Then the Company will send their Token to the investor.

The investors can buy the Token 'PTK' from 'METAMASK' by maintaining this process.

Secondary Market –

After selling all the ICO, within six months, the Company plans to enlist the Token in a decentralized exchange, i.e., "UNISWAP"; with a higher price per Token as the Company has promised an increase in the Token price. At the same time, if it does not enlist its Token for a higher price, the ICO holders will not sell the Tokens in the market. After that, people can buy and sell the Tokens, and the prices will be volatile as it will depend on the demand and supply of Tokens.

Future Plan –

"Pie and Thai" plan to build small cottages for the visitors, who want to stay near the sea for a night, but this will require a lot of funding, which these Tokens can back. In addition to all these, the Company plans to issue one NFT per Token holder. However, there is a condition of owning at least 30% of the Tokens for almost one year.

Summary –

To raise some funds issuing shares to people and get some liquid is the best option that a Company can initiate because funds are important for businesses to expand more. At present, this method took a new look: Tokenising a real asset and get investors and some recognition of the Business. The Company "Pie and Thai" exercised the Tokenisation method to get some investors and raise some funds to execute their future development in the Business.

References

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