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Prospectus on Tokenisation of Real-World Assets

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Introduction

Tokenizing shopping malls stands for a groundbreaking evolution in real estate investment strategies, with Nexus Mall Koramangala as a prime example. As global commercial real estate investment surges to unprecedented levels, traditional barriers to real estate investment, such as high capital requirements and lengthy transaction processes, are being revolutionized by innovative solutions like tokenization. Real Estate Investment Trusts (REITs) have highlighted exceptional performance, outperforming major asset classes. The demand for increased access and liquidity in real estate investments is intensifying, propelling the transformation of the real estate investment landscape. Leveraging blockchain technology and tokenization, shopping malls like Nexus Mall Koramangala can now offer fractional ownership, operational efficiency, reduced settlement times, data transparency, and enhanced liquidity to investors. This digital transformation promises a more inclusive and efficient investment environment for stakeholders in the real estate sector. (Kong Singapore, 2020)

Deal Structure

Tokenization in the commercial real estate market is a transformative approach that offers fractional ownership, increased liquidity, transparency, and efficiency in transactions. The research by the MIT Digital Currency Initiative Working Group explores the application of security tokenization to commercial real estate assets, highlighting its potential impact on securities issuance, trading, and the representation of physical assets. Tokenization addresses challenges like illiquidity and limited accessibility for smaller investors, enabling diversification of portfolios with smaller investments. Projections suggest that tokenization will revolutionize how investments are made in commercial real estate, unlocking opportunities for a broader range of investors to engage with this lucrative market. By leveraging blockchain technology, tokenization can streamline processes, improve liquidity, and introduce innovative ways to interact with real estate assets, reshaping the traditional investment model in the commercial real estate sector. (Sunita Sikri and Wadhwa, 2015)

Property Description

The choice of Nexus Mall Koramangala as a property for tokenization presents a significant opportunity within the real estate sector. Nexus Mall Koramangala, a prominent commercial property, offers a prime location and strong footfall, making it an attractive asset for tokenization. By tokenizing Nexus Mall Koramangala, investors can gain access to fractional ownership of this high-traffic commercial space, enabling them to take part in the potential growth and income generated by the property. (Nexusmalls.com, 2024)

Tokenizing Nexus Mall Koramangala can enhance accessibility and liquidity in the real estate market, allowing investors to diversify their portfolios and benefit from the steady income streams associated with commercial properties. The tokenization of Nexus Mall Koramangala aligns with the trend of leveraging blockchain technology to unlock value in real estate assets, providing

investors with a new avenue to engage with this lucrative market. This initiative can revolutionize the traditional real estate investment model by offering a more efficient and transparent way for investors to take part in the commercial real estate sector. The retail carpet area of the mall is 72000 m² and the valuation of the property is 150 million USD. Furthermore, the rental yield of the property is 120 USD per m².

Benefits of Tokenization

Tokenization of real estate commercial properties offers several key benefits. Firstly, it enables fractional ownership, allowing investors to access assets with lower capital requirements and increased liquidity. Operational efficiency is enhanced through smart contracts automating compliance checks and dividend distribution. Transactions settle faster, providing quicker access to returns. Blockchain technology ensures data transparency, making transactions secure and trackable. This flexibility in investment allows for diversified portfolios and faster transfer of interests. Additionally, tokenization facilitates secondary trading, enabling secure share transfers between investors. Overall, these benefits streamline real estate investment processes, increase accessibility to quality assets, and enhance operational efficiency in the management of commercial properties.

Financial Model

The financial model of Nexus Token involves the issuance of 150,000 tokens with an initial valuation of \$150 million USD. Here are the key parameters based on the information provided:

- **Total Supply:** Nexus Token has a total supply of 150,000 tokens.
- **Minimum Investment Amount:** The minimum investment amount for Nexus Token is 0.001 NXS or equivalent to 1 USD.
- **Expected Return:** Investors can anticipate an expected return of 15% annually on their investments in Nexus Token. This return aligns with the inflation and rental yield rise in Indian metro cities' commercial property rentals annually.

This financial model offers investors the opportunity to participate in fractional ownership of real estate commercial properties through tokenization, with a structured approach that includes a defined total supply, minimum investment threshold, and an expected annual return that reflects market trends in Indian metro cities' commercial property rentals.

Digitization/ Technical Realization

Real Estate tokenization with Real World Assets

Real Estate tokenization with Real World Assets involves converting physical real estate assets into digital tokens on a blockchain, enabling fractional ownership and increased liquidity. This innovative approach allows investors to own a portion of high-value properties without large capital investments, enhancing market accessibility and efficiency. Tokenization leverages

blockchain technology to represent real estate assets as tradable digital tokens, facilitating easier transfer of ownership and providing benefits like transparency and reduced transaction costs.

Tokenization of real estate assets addresses the issue of illiquidity in the real estate market by creating Security Tokens backed by real-world assets. These tokens, representing fractional ownership of properties, can be traded on secondary exchanges, allowing retail investors to participate in the real estate market. Smart Contracts play a crucial role in ensuring efficient token transfers and fair distribution of earnings among investors. Overall, Real Estate tokenization with Real World Assets revolutionizes the real estate industry by democratizing investment opportunities, enhancing liquidity, and simplifying property transactions through blockchain technology. (Baum, A. 2020)

NXS ERC-20 Token with a tracker

An ERC-20 Token known as “NEXUS” token with a ticker symbol “NXS” was created as a digital asset using Ethereum blockchain which can be looked up on the Sepolia Testnet explorer. There is a total of 150,000 NXS tokens in total, which were distributed during the smart contract creation. As we can see in the Figure below, during recent transaction these have been distributed to ten separate addresses. Where each of them has some notional value of NXS token with them.

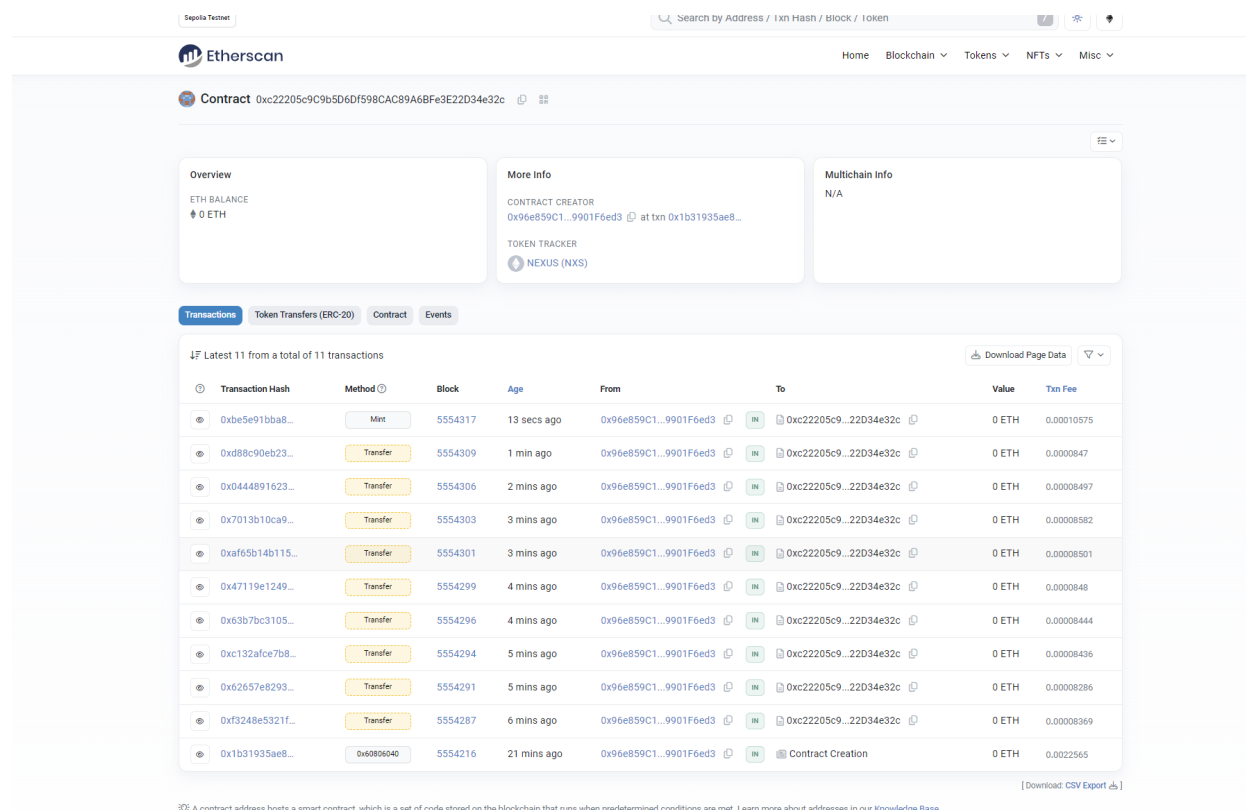


Figure 1. The Smart Contract address and Transactions

The main reason for the use of NEXUS token is to facilitate retail users to be able to participate in the commercial retail real estate market using fractional ownership, which had a noticeably big barrier in the traditional market where the minimum investment needed to enter this space was extremely high. This strategy decreases the barriers for the retail investors to enter this market giving them furthermore options for investment diversifications.

Using the ERC-20 as the token standard, the hex code in the Figure below shows the data that has been recorded on chain in the Ethereum blockchain. For NXS token the input text has the hex data which when decoded reveals the data required such as the name of the property, address of the property, total retail floor space, total rental value on date, date.

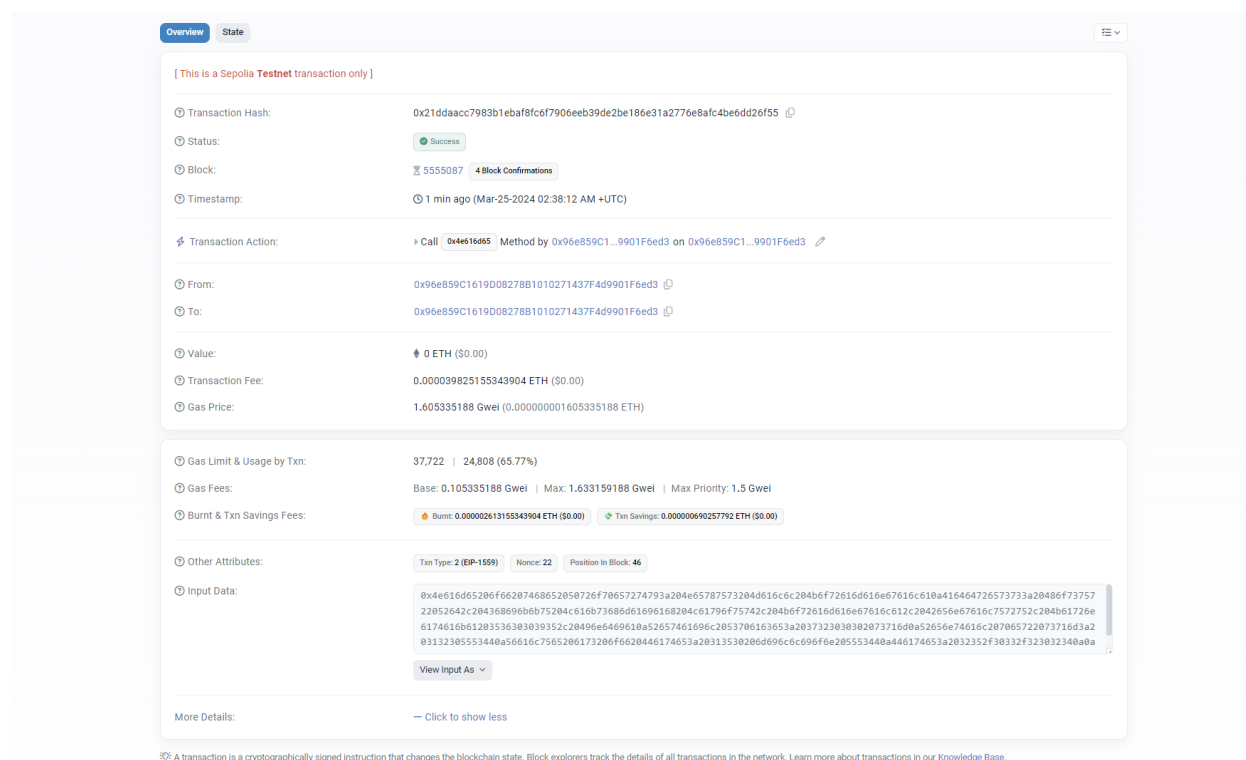


Figure 2. Data On chain Transaction Hash and the hexcode.

Tokenomics

Tokenomics refers to the study of the design and implementation of tokens within blockchain ecosystems. It involves understanding the economic implications of tokens and their role in various digital platforms. Tokenomics focuses on how tokens are created, distributed, and utilized to incentivize specific behaviors or transactions within decentralized networks. This concept plays a crucial role in shaping the dynamics of blockchain-based systems by defining the value and utility of tokens.

The field of tokenomics has evolved significantly, with researchers developing frameworks to classify and analyze diverse types of tokens based on their characteristics and functions. These frameworks aim to provide a comprehensive understanding of the diverse nature of tokens in blockchain ecosystems. By studying tokenomics, experts can design effective token models that align incentives, promote network participation, and ensure the sustainability of decentralized platforms.

Primary Distribution Plan

The primary distribution strategy for a blockchain utility token typically involves an Initial Coin Offering (ICO) or Token Generation Event (TGE). During this process, the tokens are sold to investors in exchange for cryptocurrency or fiat currency. Additionally, a portion of the tokens may be reserved for the development team, advisors, and early backers. The distribution strategy aims to create a diverse and engaged community of token holders while raising funds for the project's development.

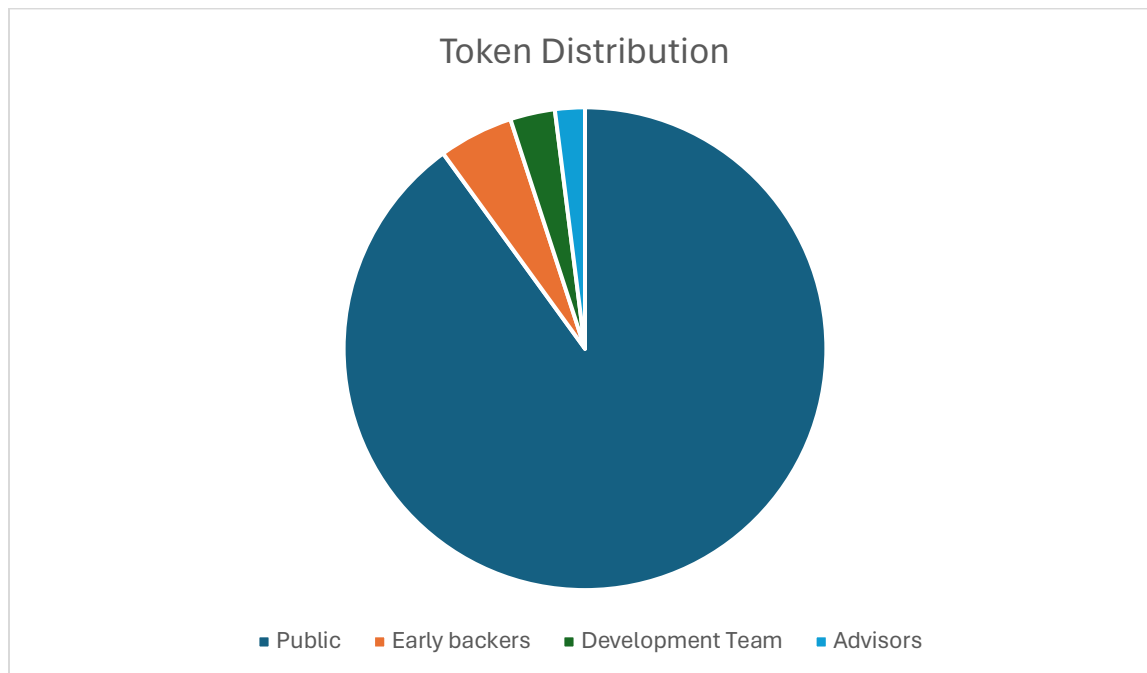


Figure 3. Token Distribution of NXS Token

The pie chart above illustrates the distribution of tokens at the Initial Coin Offering (ICO), where we have reserved 5% of the tokens for the early investors in the project and 3% for the developers and 2% for the advisors.

Public or Retail Investors (90%): Retail investors participate in Initial Coin Offerings (ICOs) by purchasing tokens directly from the project conducting the ICO. They typically do this by sending cryptocurrency (like Bitcoin or Ethereum) to the ICO's wallet address in exchange for the project's tokens. Retail investors are an essential part of ICOs as they contribute to the token sale and can

potentially benefit from the token's value appreciation over time. Retail investors hold the major chunk of the tokens after the ICO.

Development team (3%): The distribution of tokens to the development team is a widespread practice. The team typically receives a portion of the tokens as part of their compensation for working on the project. This distribution is aimed at aligning team interests with the project's success. Additionally, insider retention, which includes team members and advisors, has been identified as a factor contributing positively to ICO funding success and post-ICO activity. The distribution to the development team is crucial for incentivizing their efforts and ensuring their commitment to the project's long-term success

Advisors (2%): The distribution of tokens to advisors is a common practice. Advisors are typically allocated tokens as part of their compensation for providing guidance and expertise to the project. This distribution aims to incentivize advisors to contribute their knowledge and networks to the success of the ICO. Additionally, research indicates that advisors play a significant role in ICO fundraising success and post-ICO activity. The involvement of advisors in ICOs can enhance credibility, provide strategic direction, and open doors to valuable connections within the blockchain and cryptocurrency space.

Early Investors (5%): The distribution of tokens to early investors in an Initial Coin Offering (ICO) varies but is a crucial aspect of the fundraising process. Early investors typically participate in ICOs by purchasing tokens at a discounted price compared to later stages of the ICO. Research indicates that some contributors often invest in more than one campaign, with serial investors contributing earlier.

Post-Tokenisation Plan

The post-tokenization plan refers to the strategy and actions that a project implements after the completion of its token sale or Initial Coin Offering (ICO). This plan typically involves activities such as listing the token on cryptocurrency exchanges, engaging with the community of token holders, developing the project according to the roadmap outlined in the whitepaper, and ensuring transparency and communication with investors. Additionally, projects may focus on building partnerships, expanding their user base, and enhancing the utility and value of the token within their ecosystem. The post-tokenization phase is crucial for maintaining investor confidence, driving adoption, and achieving the project's long-term goals.

The plan for Nexus Token post tokenisation will be as follows:

1. **Listing on Cryptocurrency Exchanges:** Getting the NEXUS token listed on major cryptocurrency exchanges to increase liquidity and accessibility for investors.
2. **Community Engagement:** Engaging with the community of NEXUS token holders through social media, forums, and events to foster a strong and supportive ecosystem.

3. **Development Roadmap Execution:** Continuing to develop the project according to the roadmap outlined in the whitepaper, implementing new features, and enhancing existing functionalities.
4. **Partnerships and Collaborations:** Building partnerships with other projects, businesses, or platforms to expand the token's use cases and reach a broader audience.
5. **Enhancing Token Utility:** Working on initiatives to increase the utility of the NEXUS token within the project's ecosystem, such as integrating it into decentralized applications (dApps) or decentralized finance (DeFi) platforms.
6. **Transparency and Communication:** Maintaining transparency with investors by providing regular updates, financial reports, and communication channels for feedback and inquiries.

Coding

Use of Sepolia TestNet

The Sepolia testnet is utilized by projects for testing and development purposes before deploying their solutions on the mainnet. Testnets like Sepolia provide a sandbox environment where developers can experiment, identify bugs, and ensure the functionality and security of their smart contracts and decentralized applications (dApps) without risking real assets or transactions on the live blockchain network. By using testnets like Sepolia, projects can validate their code, test new features, and simulate real-world scenarios in a controlled environment before going live on the main blockchain network.

Key Information on Chain

The Information given below can be found on chain at the transaction hash 0x21ddaacc7983b1ebaf8fc6f7906eeb39de2be186e31a2776e8afc4be6dd26f55

Name of the Property: Nexus Mall Koramangala

Address: Hosur Rd, Chikku Lakshmaiah Layout, Koramangala, Bengaluru, Karnataka 560095, India

Retail Space: 72000 sqm

Rental per sqm: 120USD

Value as of Date: 150 million USD

Date: 25/03/2024

Smart Contract Address

0xc22205c9C9b5D6Df598CAC89A6BFc3E22D34e32c

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Appendix



Figure. Nexus Mall Koramangala