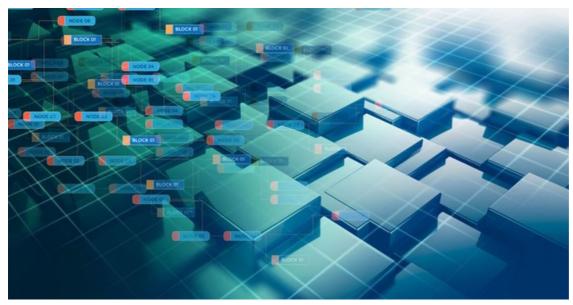
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Blockchain and property transactions: a more secure, transparent, efficient future?

With blockchain technology likely to impact most industries in the world today, Paul Stevens, CEO of Just Property, and Sean Martin, a blockchain entrepreneur with ArkTree and SophiaTX, take a look at the possible implications for the property industry.



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Even though the likes of Bitcoin have been around since 2009, it is only over the past couple of years that we've started to see more widespread understanding of the potential of blockchain technology. The true value that Satoshi Nakamoto gave the world was not Bitcoin, it was to popularise the technology on which the cryptocurrency relied.

"To put it simply, blockchain is a decentralised online ledger that has the potential to simplify the exchange of digital assets, including title of property," says Stevens.

"Cryptocurrency is simply one application and use of blockchain technology – there are quite literally (at least) thousands," adds Martin.

As Sally Davies wrote in the *Financial Times*: "Blockchain is to Bitcoin, what the internet is to email - big electronic system, on top of which you can build applications. Currency is just one."

Digital ledger

The blockchain is often described as a digital ledger. Each transparent and secure transaction is represented as a block linking to the transactions that went before and come after. The blocks can also contain information regarding the transaction, including contracts, recorded conversations, records etc. Each is utterly unique.

"Blockchain is a decentralised, cryptographically secure, immutable infrastructure (there is no central server that is vulnerable to cyber threat), which is able to record the movement of digitally scarce assets (including cryptocurrencies) across their value chain," explains Martin.

Scarce items are those that cannot be simply duplicated, such as a property, a qualification, a diamond, a pack of mangos, says Martin. "Before the blockchain came about, digital assets were not scarce, you could send a photo to someone online and the moment you did, it duplicated. It was no longer unique or, put differently, no longer digitally scarce. This digital scarcity makes blockchain invaluable to commercial application online."

Growth in number of new currencies

Stevens notes that due to last year's hype around cryptocurrencies, there was considerable growth in the number of new currencies being created. This hype saw a bull run on cryptos towards the end of 2017. New wealth was created for those who invested in (and timeously got out of) the likes of more established cryptos like Bitcoin, Ethereum, Litecoin and Dash; at the same time huge returns have been made in newly launched ICOs (Initial Coin Offerings).

As with all cyclical markets, this led to the recent downward cycle that has sent cryptos into decline since early this year, where we have seen Bitcoin coming off its high of close to \$20,000 at the end of last year, and simmer between \$12,000 and \$6,000 where it is now.

Blockchain technology here to stay

But Bitcoin's burst bubble does not signal blockchain's demise, it does not even signal the death of cryptocurrencies. "There is a lot of scepticism around cryptocurrencies, specifically due to the recent fall off in price, and I do feel that many will not be around for long," says Stevens. "But blockchain technology is here to stay and is likely to positively disrupt many industries over the long term. Cryptos will be part of our financial landscape too and will continue to gain acceptance."

Martin agrees. "The adoption of this technology is already being embraced by many industries across the world including in South Africa, where the Reserve Bank is working actively on formalising the use of cryptocurrency. If this clarity is provided within the next year, adoption will likely accelerate."



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A property perspective

"With our wide network of property franchises across the country, I'm naturally interested in the technological potential for our clients and our company," says Stevens. "From a property perspective, transactions have taken place in various parts of the world where sellers have accepted Bitcoin as a form of payment for their properties, and I do believe that we will start to see more of these transactions in future as crypto merges itself in various markets.

"In addition, blockchain technology is starting to be used in places like Australia for the property transfer process. I cannot see this happening very soon in South Africa but it would really improve the cumbersome and costly process that we have

currently in place."

When it comes to property, Martin explains, there are several blockchain applications that could come together and accommodate a property-title transfer solution, one where there is no need to be physically present since your digital identity is as unique and scarce as your physical ID/self.

"In essence, it is possible to think of a solution whereby a digital ID in combination with the power of digital scarcity (of the asset, of the conveyancer's credentials, of the deeds office official's authorisation etc.) is used to ensure a more streamlined provenance and asset transfer process. It would likely be more cost effective and more efficient, duplication would be eliminated and verification of title automated."

More cost effective, efficient, secure

Martin adds that it is possible that a certain cryptocurrency becomes the required "token" to enable or effect the exchange and transfer of title. "This could serve two purposes: payment as well as record of the altered state of the ledger. By enabling the service on the blockchain, the same effect will be achieved (property title is transferred), probably with certain benefits: it would be more cost effective, more efficient, more secure, less vulnerable to fraud, would offer more privacy etc. These benefits over the conventional approach will drive adoption of cryptocurrencies and the use of blockchain applications in commerce," Martin predicts.

Stevens adds, "The adoption of blockchain technology will facilitate cross-border investing and the possibility for building a property portfolio to those who never dreamed they could have access to the rental income and capital gains offered by the industry. I foresee investment vehicles allowing investors to purchase a share of a property based on what they can afford. It is very exciting for our industry."

Restructuring professional services

While some worry that blockchain will remove the need for intermediaries, Stevens and Martin believe that professional services will instead be restructured: "Jobs might well change but won't necessarily be eliminated – at least not in the way that most assume," Martin assures.

We're not talking artificial intelligence here. "The concept of smart contracts (the automatic execution of a rule or outcome based on certain preconditions being met) is essential to asset transfers – the maintenance of the logic behind this will be something that is likely to be on-going and perpetual and hence, will always require professional services."

Blockchain has the ability to take many complex, costly transactions and simplify them. The property industry is just one of many that are likely to benefit from this technology in the future.

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