

Is cryptocurrency part of the future of real estate transactions? It's not so much a question of "if" as it is "how and when,"

01/09/2017

Spanish Tit-Bits



Bitcoin's Future in Real Estate

Brokers will need to understand Bitcoin and blockchain technology in order to answer questions from both clients and agents.-

As-Bitcoin-and blockchain technology become more prevalent, the real estate industry is speculating about whether it will be-adopted as a mainstream form of payment to purchase homes.

Despite its presence in the world of finance, Bitcoin and blockchain technology are still shrouded in mystery.-

Back in October 2013, Phillip Preuss, a home owner in Long Island, N.Y., made headlines when he advertised that he would-accept Bitcoin offers for his \$800,000 Southhampton home. He was-quoted in the press-as saying that the tactic might help his-property appeal to international and younger buyers.

An early adopter of Bitcoin currency, Preuss found that few in the real estate industry knew what it was. Simply put, Bitcoin is a-form of digital money (called cryptocurrency). The blockchain is a "public ledger of all Bitcoin transactions

that have ever been-executed,” according to Investopedia. The blockchain is continually growing as transactions and information are added to the ledger.

The currency innovation continues to rock the financial world as it grows in popularity. There are no shiny coins you can put in your hand. There are only digital balances of public and private “keys.” These keys are a string of numbers and letters linked through a mathematical encryption algorithm. This is the secret to Bitcoin’s security and relative anonymity. The public key is like a bank account number and the private key is like an ATM pin.

Individuals and companies have Bitcoin “wallets” to store keys they purchase from online exchanges. There are a limited number of Bitcoin ATMs, where you get a key printout. Like cash, if you lose that piece of paper, you’ve lost your Bitcoin.

To date, there are more than 2.5 million items you can use Bitcoin to buy – including real estate. Bitcoin sites like BitPremier, which sells luxury items, continue to crop up. If a real estate agent, seller, or financial institution is willing to take Bitcoin, there’s really no stopping it. Real estate agents, brokerages, appraisers, title companies, and more are stepping up to the Bitcoin plate, hoping they’ll score more business by accepting this currency.

(By the way, grammar nerds say Bitcoin with a capital “B” is the proper name for the currency and also used to describe the concept. A lowercase “bitcoin” refers to actual currency spent: “That car cost me two hundred bitcoin.”)

Who’s Behind The Curtain?

The head-scratching part about Bitcoin is who’s in charge of regulating it and what it’s actually worth.

Bitcoin has no central command. It was allegedly based on a white paper by Satoshi Nakamoto, which is probably a pseudonym for a group of people. Historians say developers first went to work on it on SourceForge, a community collaboration website, and the first transaction took place between “Satoshi” and friend Hal Finney on Jan. 12, 2009.

There are many companies that make it useable to consumers. Bitcoin’s peer-to-peer monetary exchange uses computers all over the world working together to process transactions. Bitcoin’s site says to “think of it like email. Anyone can use it, but there isn’t a single company that’s in charge of it.” This allows Bitcoin to move freely throughout the world.

Bitcoin’s worth is a bit more puzzling. There is a maximum cap of 21 million bitcoin in the world. Since the supply is fixed, the value goes up and down. Bitcoin developers said in 2011 that one bitcoin was worth less than one U.S. dollar, but in 2015, demand for it drove the value of one bitcoin up to hundreds of dollars. Currently, one bitcoin is worth about \$600, according to CoinDesk.

Back in 2013, Preuss’s \$800,000 four-bedroom, two-bath, 1,754-square-foot house cost the equivalent of 1,445 bitcoin. Today, at that same dollar amount, you’d need about 1,333 bitcoin to purchase his house.

Acceptance Is One Thing, Reputation Is Another

Bitcoin faces the same obstacles as credit cards did when they were first introduced. People had a hard time wrapping their brains around the idea of credit cards. Individual retailers used to offer in-store credit for its customers. But in 1950, Frank X. McNamara, Ralph Schneider, and Matty Simmons introduced Diners Club International, where one little

piece of plastic could extend credit at any restaurant, retailer, or service that would accept it.

And that was the key: getting people to understand and accept it. Bitcoin is more complicated than credit, so getting companies and consumers to understand and accept its use is the challenge. Overstock.com was the first major retailer to accept Bitcoin payments. As those transactions went smoothly, more companies followed. Amazon held off accepting Bitcoin, stating its consumers have not asked for it, but some say it's planning to create its own cryptocurrency.

The Future Benefits of Blockchain Technology

Is cryptocurrency part of the future of real estate transactions? It's not so much a question of "if" as it is "how and when," although the medium (Bitcoin vs another cryptocurrency) has yet to be determined.

As long as forms of cryptocurrency are accepted, homes will undoubtedly be purchased this way. Do home owners have anything to fear? As long as they use a licensed agent, a reputable lender, and title company, these transactions shouldn't hamper the sale.

While Bitcoin is still viewed as a somewhat speculative currency, blockchain technology is here to stay. As an instantly verifiable and secure public record, information can be quickly and easily accessed. This may be the most exciting part for the real estate industry.

In time, you'll need to understand Bitcoin and blockchain technology in order to say you're an expert in real estate. You might not have to deal with this kind of transaction now, but being able to speak intelligently on the subject will certainly help your reputation and prepare you for the future.

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