

# How Cryptocurrency Relates to the Real Estate Industry

10/09/2018

Spanish Tit-Bits



Until the recent explosion in the price of cryptocurrencies brought flood new investors to the marketplace, the world of Bitcoin, Litecoin and other alternative forms of payment was largely restricted to a small army of tech enthusiasts. Some of those early adopters were programmers, drawn by the potential of the blockchain. Others were attracted to the anonymity of cryptocurrency transactions, while still, others found the concept behind these unique forms of payment were a good fit for their libertarian philosophies.

No matter what the attraction, those early adopters saw something many others had missed. And while the earliest cryptocurrency transactions were small – one of the earliest uses of Bitcoin was the purchase of a pizza, other, larger, purchases soon followed.

By the time the first run-up in Bitcoin prices was complete, all kinds of consumer products, from electronics to automobiles, had been made in Bitcoin, Litecoin and other virtual forms of payment. It was only a matter of time, therefore, until the first house was bought with virtual cash instead of U.S. dollars. So what is the future of cryptocurrency, and what impact will it have on the real estate industry?

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## WHAT ARE THE MOST IMPORTANT CRYPTOCURRENCIES IN THE MODERN REAL ESTATE MARKET?

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Already several houses, including luxury properties in the United Kingdom and a million dollar home in the United States, have been purchased using cryptocurrencies, and many more houses will follow suit. Modern sellers know that they need to keep their options open, and they understand that young buyers are increasingly looking to cryptocurrency as not only a store of value but a way to diversify their holdings into real estate.

And while many types of cryptocurrency could conceivably be used for real estate purchases, long-established entries like Bitcoin and Litecoin are almost sure to lead the way. These virtual currencies have been around much longer than their newer rivals, and they have proven themselves in all kinds of market conditions. That makes Bitcoin and Litecoin good choices for real estate investors and home buyers alike.

## THE FUTURE OF CRYPTOCURRENCY FOR REAL ESTATE PURCHASES

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While the future of Bitcoin and other cryptocurrencies is still being written, there is the reason to believe that real estate transactions will continue to be conducted in this new form of payment. After putting off home buying for a number of years, many members of the millennial generation are now settling down, starting families and buying homes. Those young buyers are much more comfortable with cryptocurrencies than their parents, and that bodes well for the future of real estate transactions on the blockchain.

A lot will depend, of course, on the price stability of Bitcoin, Litecoin, and their newer rivals. Up to now, the volatility of the cryptocurrency market has kept many investors, and many real estate buyers, on the sidelines. If some expert predictions come true and the market settles down, that could open a new wave of real estate transactions fueled by cryptocurrencies.

The growing number of so-called Bitcoin millionaires also bodes well for the future of blockchain enabled real estate purchases. Those Bitcoin profits may look great on paper, but investors are smart enough to know that keeping all their eggs in one basket is generally a bad idea.

Already many of those Bitcoin millionaires are choosing real estate as a way to diversify their holdings and reduce their future risk. Some of those early Bitcoin and Litecoin adopters are using their virtual stashes to purchase their own homes, while others are branching out into rental properties and other types of real estate investments. If their experiences prove to be positive ones, it could open the floodgates for other investors, and pave the way for a new wave of real estate speculation.

## BUYING A HOUSE WITH CRYPTOCURRENCY – EXPLORING THE PROS AND CONS

With so much interest in cryptocurrency and real estate, there are sure to be lots of people-looking at buying a home this way. So what are the pros and cons of purchasing a home with cryptocurrency, and what can buyers expect when they enter this new market?

There are a number of potential advantages to buying a home with Bitcoin, Litecoin and other forms of cryptocurrency, including:

- -The chance to diversify – Buying real estate is a great way for those with cryptocurrency profits to diversify their holdings.
- -Locked in profits – For those who have held Bitcoin for some time, buying a house can be an excellent way to lock in profits.
- -More negotiating power – Cash buyers always have an edge in real estate transactions, and the fact that the cash is virtual does not change that equation.

Of course, there are some potential drawbacks to buying a home with cryptocurrency. Here are some of the roadblocks potential Bitcoin buyers might encounter.

- -Limited availability – While the number of cryptocurrency real estate transactions is on the rise, the number of sellers accepting this unique form of payment is still relatively small
- -Missing out on future appreciation – If the past is any indication, cryptocurrencies like Bitcoin and Litecoin could appreciate far faster than houses and apartment buildings. Buyers who turn their virtual coins into real estate could miss out on the future appreciation of the asset.
- -Tax implications – The laws governing cryptocurrency and blockchain transactions are quite complicated, and real estate buyers will need to be prepared for that. Buyers should seek out a CPA or tax expert with a deep understanding of the cryptocurrency market and the tax implications.

## **SELLING A HOUSE FOR CRYPTOCURRENCY – ADVANTAGES AND DRAWBACKS**

The advantages and drawbacks of selling a home for cryptocurrency are similar, but the risks are a bit different. Here are some of the potential benefits of selling real estate on the cryptocurrency market.

- -Potential for appreciation – If you sell your home for dollars, you have a pretty good idea how much the account will be worth. With cryptocurrency, however, your account could grow much faster, giving you a big boost in the future. Ed in
- -A wider audience – The more buyers interested in a piece of real estate, the better. Opening up the sale to cryptocurrency buyers could help your home sell faster and for more money.

There are some potential pitfalls to selling your home for virtual currency. Here are some drawbacks to consider.

- -A complicated tax situation – the same tax complications exist on the seller side of the ledger. If you sell your

real estate for cryptocurrency, you will need to deal with a complicated tax situation.

- -Potential losses – The cryptocurrency market has been extremely volatile, and if you sell at the wrong time, you could lock in losses or limit your profit potential.
- -The difficulties of storing your virtual cash – If you do not already have an account on one of the Bitcoin or Litecoin exchanges, you will need to create one, or make arrangements for another type of storage. This can be complicated, and if you make a mistake, you could lose access to your stash of virtual coins.

## BLOCKCHAIN TECHNOLOGY AND THE FUTURE OF REAL ESTATE

Whether you buy your next home with Bitcoin or just sit on the sidelines, one thing is already quite apparent – blockchain is changing the face of the real estate market, and those changes will only accelerate in the future. The inherent security and transparency of blockchain transactions have a transformative power, one not seen since the creation of personal property.

Blockchain transactions, for instance, have the power to transform how real estate ownership is authenticated. Once completed, a blockchain transaction is there forever, and that could simplify real estate titles and make purchases more secure.

The adoption of Bitcoin, Litecoin and other cryptocurrencies by governments should speed its acceptance in real estate transactions. This transformation is already underway, and as governments get more comfortable with blockchain technology, adoption rates could rise even further.

It is also important to note that blockchain technology is here to stay, no matter what ultimately happens to Bitcoin, Litecoin and other cryptocurrencies. While blockchain technology makes cryptocurrency transactions possible, it is larger than any one virtual coin. That bodes well for the real estate market – for buyers and sellers alike.

Original article published by [Redfin](#)