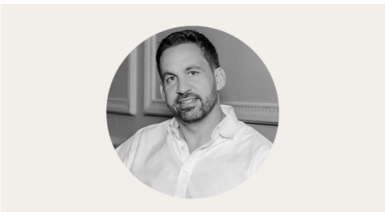
Using tech to short-circuit the real estate investment value chain

Home / News / Using tech to short-circuit the real estate investment value chain

Fintech insights PropTech

By: Josh Poyser 15 February 2024

Mark Templeman, chief information officer at ASK Partners



The investment value chain has long been cluttered with intermediaries, dampening returns for investors and fostering inefficiencies and opacity within the financial sector. However, the rapid evolution of technology, particularly in real estate finance and wealth management, presents an opportunity for transformation.

The real estate investment journey involves directing individual savings into tangible assets, mainly properties, to nurture long-term value and deliver returns. This intricate process, known as the 'value chain,' stands to significantly benefit from technological innovations as we endeavour to construct a seamlessly integrated investing platform.

Value chain

The real estate investing value chain comprises three pivotal steps: aggregation, origination and execution. Aggregation consolidates individual savings from various sources such as pensions, endowments, or investment advisors, creating pooled funds for generating returns. Origination involves investment managers procuring capital from aggregators to fund specific strategies and collaborating with on-ground operators for execution. Execution entails implementing strategies through operating partners like real estate firms.

Although intermediaries such as brokers, lawyers and banks have historically played essential roles in the real estate ecosystem, emerging technologies—particularly blockchain, digitised legal contracts, open banking and e-money infrastructure—have the potential to streamline these functions, empowering clients to maximise investments by reducing fees and enhancing efficiency.

Access is also another key point. Historically the layers have meant only large institutional transactions took place to provide the necessary funding to property entrepreneurs; effectively pooling money into large funds and then allocating out these funds into various investments.

A digital model

A digital model that effectively tokenises property assets through a decentralised model, much like other blockchain tokenised assets, can provide the end investor direct access to the underlying asset and the ability to trade it on a secondary market.

By working closely with legal experts to simplify complex documentation requirements, customised forms can be converted into standardised documents for user convenience. This simplification enhances document access and signing processes.

Integration with e-money infrastructure and open banking expedites payments and automates operational tasks, replacing the traditional, operationally intensive banking model run on legacy technology which only increases the cost for the investor.

While transparency has always been crucial, inefficiencies have historically obscured portfolio compositions and fee structures. A streamlined value chain can provide clearer visibility, offering investors comprehensive details on fees and portfolios.

Blockchain technology

The use of blockchain technologies allows companies to efficiently process transactions, and integration with open banking and e-money infrastructures eliminates operational inefficiencies. This digital transformation, combined with user-friendly access, significantly improves the overall value chain.

Innovation and integration are vital for industry disruption and challenging established entities. Investment in technology can reshape the market, replace traditional fund managers and operators, and foster evolution in property finance and private investment sectors.