

Will property firms thrive in the metaverse?

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CBRE, Harper Dennis Hobbs and Firethorn Trust are among the early movers



CBRE has opened an office in Decentraland. It will be running virtual seminars from Q3 2022

“Case punched for the Swiss banking sector, feeling a wave of exhilaration as cyberspace shivered, blurred, gelled. The Eastern Seaboard Fission Authority was gone, replaced by the cool geometric intricacy of Zurich commercial banking...”

Neuromancer, William Gibson’s 1984 novel which popularised the word ‘cyberspace’, makes travelling through a network of all the world’s computers sound unthinkably cool.

However, a trip to CBRE’s office in a far corner of Decentraland, the online metaverse, isn’t quite as thrilling. The clinical 500 sq ft cuboid does have something of a ‘cool geometric intricacy’, as well as a rudimentary lobby and seminar room – but that’s about it.

Thanks to an enterprising graduate named Anthony Atkinson, who purchased the plot for £8,000, CBRE has become the first of the big property agents to open an outpost in the metaverse. At this point it is little more than a flashy flag

planted in the lunar soil of the digital property market.

But the popularity of metaverses such as Decentraland, The Sandbox and Cryptovoxels swells every day, with plots of land now fetching over \$2m. How far away are we from a future where CBRE and others advise clients on virtual office and retail purchases?

“We’ve got clients, more in the commercial than in the retail space, asking us about acquiring land sites [in the metaverse],” says Mike Gedye, head of technology sector vertical in CBRE’s EMEA advisory business. “We’ve got brokers asking about listing buildings in the space. But it’s very early days.”

At the moment, real estate companies and retail brands are primarily using metaverses as a marketing exercise. But depending on how the virtual property ecosystem evolves, they could become ways to build entirely new communities of customers secondary to the real world.

The big question now is whether traditional property companies will be able to assemble the expertise to master the metaverse – or if others will beat them to it.

What is the metaverse?

Vishal Shah, vice president of metaverse at Meta (previously Facebook), says the metaverse is not a replacement of physical experiences. Rather, it takes the digital experiences we have and makes them better.

“If you look at it as a Venn diagram with physical and digital,” says Mike Gedye, “and there’s this overlap,” the metaverse is “the enhancement of that overlap.”

Users in metaverse worlds can walk around as avatars and buy land, play games and meet friends. A JP Morgan report about the metaverse predicted that “the virtual real estate market could start seeing services much like in the physical world, including credit, mortgages and rental agreements.”

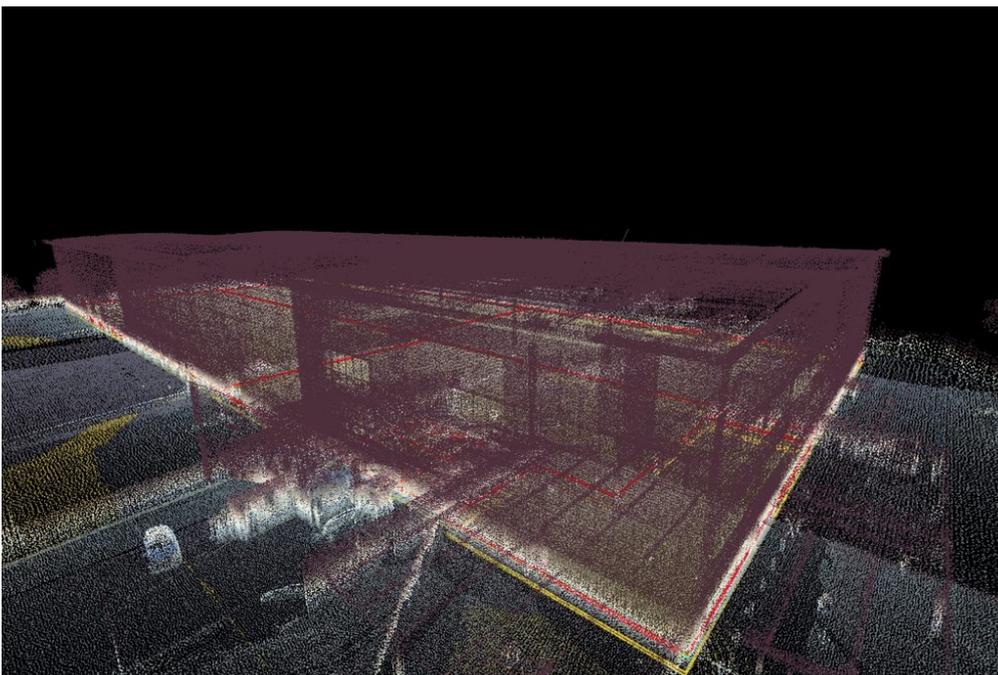
There’s also a distinction to be made between the ‘open’ metaverse – blockchain-based, decentralised worlds such as Decentraland and Cryptovoxels – and the ‘closed’ environments being created by Facebook/Meta, or video games such as Fortnite, where the entire ecosystem is at the mercy of a sole owner.

NFTs me, baby

The new wave of metaverses is powered by crypto technology, which establishes proprietary rights in cyberspace. With their built-in record of ownership, non-fungible-tokens (NFTs) can be used to sell property, artwork and skins for avatars.

Each metaverse has a limited supply of 'land'. In The Sandbox it's 166,464 'parcels', and in Decentraland it is just over 90,000. Each parcel is linked to an NFT and is therefore unique. As a result, the ownership of each metaverse is decentralised: it is owned by everyone who owns its NFTs or its in-world currency. "A big difference with these new blockchain universes [is] you really do own the land that you have," says Ben Nolan, founder of Cryptovoxels.

NFTs can be applied to real-world property too. Firethorn Trust has just bought digital blueprints of 12 of its logistics assets as NFTs from Stak, a digital surveying company. According to Stak, these are the world's first NFTs of digitised commercial real estate.



Firethorn has bought digital blueprints of 12 of its real-world logistics assets as NFTs

In future, NFT blueprints could become an important part of real-world commercial property sales. There is already discussion in the residential market about how digital blueprints could be integrated into compliance documents and added to the records of a property.

James D Marshall, founder of Stak's parent company Pupil, claims that buying a real-world property using an NFT "could prevent fraud, increase accuracy and

save significant time and stress when buying and selling real estate.”

Last month, the developer of Hampton Hall, a £29m real-life new-build manor in Surrey, announced it would give the buyer first refusal on an NFT containing the copyrighted blueprint and virtual version of the house.



Visualisation of Hampton Hall, which will be sold with a virtual blueprint

The future of retail?

With the lines between physical and digital real estate beginning to blur, Harper Dennis Hobbs spotted an opportunity. Last month, the retail agency launched a consultancy to help landlords and retailers venturing into the metaverse. “The metaverse is a unique opportunity for retailers,” says James Ebel, CEO of Harper Dennis Hobbs, “because it’s not one singular platform or innovation, it will be an expansive universe – similar to the opportunities presented by smart devices and social media.”

While it is difficult to quantify the number of retailers in the metaverse, “several household names have marketed themselves or publicly stated intent to invest,” says Ebel. Gap has launched an NFT collection, Forever 21 has opened a digital store, and retailers like Walmart have plans to join. The first ever Metaverse fashion week took place in Decentraland over the weekend, featuring Prada, Dolce and Gabbana and Adidas.

Dolce & Gabbana's store at Metaverse Fashion Week in Decentraland

Digital stores create some exciting opportunities for brands. While a physical shop normally has a three-year fit-out, you could redesign your shop every day in the metaverse. 'Virtual try-ons' could reduce returns on online sales.

But does all this translate into the market for virtual real estate? Ultimately, what drives the value of a plot of virtual land is "experiences, content, and access to something you can't recreate physically or something which is uniquely available in this one place," says Mike Gedye. He cites a concert performed by the rapper Travis Scott in the Fortnite video game when the pandemic cancelled his Coachella set.

"If those people arrived at an entry point portal and had to walk from that portal to the arena, you create the ultimate high street, with 20m people walking down it rather than 10,000." That's when your parcel of digital land will have serious value.

"Think about Wembley Way in a sporting context. If you could get millions of avatars travelling down that for an e-sports event, suddenly your access to consumers is massive."

The question now is, who should be investing in these valuable parcels of land – real estate companies, or advertising agencies?

Shaking up business: VR, AR and proptech

CBRE's presence in Decentraland may not be much to write home about yet, but it is far more deeply invested in real estate business tools with a metaverse

element. Although it's "not as sexy as retail," Gedye says, these technologies may prove more useful.

It owns a company called Floored, which builds on gaming engine platforms to create virtual building walkthroughs from two-dimensional floor plans. CBRE has also been using Microsoft's HoloLens smart glasses, which enable onsite engineers to get popup data in their field of vision as they fix a piece of equipment in the real world.

HoloLens is an example of augmented reality (AR), where you use a phone or smart glasses to overlay data and content onto the real world – a different application of the metaverse to the completely virtual reality (VR) worlds such as Decentraland.

Metaverse jargon

Virtual reality (VR): Technology that immerses yourself in a virtual world. Popular worlds of this sort include Decentraland, The Sandbox and Cryptovoxels. They can be accessed by wearing a headset that tracks your head movements

Augmented reality (AR): Overlaying computer-generated images onto a real-world setting, normally through 'smart' spectacles or a phone or tablet camera

Non-fungible token (NFT): NFTs hold pieces of data such as artwork, music or virtual houses with unique codes that provide proof of ownership. This ownership is secured on blockchain, the same protocol that authenticates bitcoin. NFTs are bought and sold on digital marketplaces such as OpenSea

"The future of AR for work is going to be incredible," says Ollie Tyler, a freelance AR and VR specialist. "Imagine if you could go into a building and instantly be able to see, like x-ray vision, through the walls and where all the electrics are or all the pipes are going. Being able to see estimated valuations based on machine learning models of what actual spaces look like. Being able to virtually outfit a space with furniture, and being able to instantly flick through multiple different variations of what the room could look like."



Microsoft's HoloLens uses AR technology in the workplace

Faisal Butt, CEO of proptech venture capital firm Pi Labs, is enthusiastic about both AR and VR elements of the metaverse. Pi Labs has just backed a company called Moonhub which uses VR to train workers remotely, as well as an AR platform called Dent Reality, which overlays hyper-local directions onto your field of vision to help you navigate the aisles of a supermarket, for example.

Metaverse case study – Cryptovoxels

Cryptovoxels is one of the four biggest virtual property markets. Parcels of land are stored in the blockchain and sold on the secondary market OpenSea. The number of parcels is carefully capped to ensure they keep their value.

The metaverse has carved out a niche for visitors by focusing on artists and art galleries, such as the Museum of Crypto Art, which has regularly rotating exhibitions.

“Our goal is not to make the most money,” says Ben Nolan, founder of Cryptovoxels. “Our goal is to have the most highly developed world, the most interesting one to explore.”

The metaverse only makes sense as a big city, he says, since the neighbourhood is what you pay for. “I just suspect that if we opened up suburbs and created 10,000 identical parcels on our drylands they probably will sell, which would be great for the bottom line, but I don't know if the people in that suburbs will have a good time, and there's no guarantee that you'll land next to

your friends.”

To keep the metaverse’s community feel, Nolan says Cryptovoxels requires more curation and moderation as it grows. “New islands will have infrastructure, and public spaces, some kind of foundational event [or] some kind of national building,” he adds.

The Museum of Crypto Art in Cryptovoxels

Digital estate agents

Parcel is a taste of the competition traditional property companies might face if they start advising transactions in the metaverse. The company was founded last summer to aggregate virtual real estate listings on Decentraland, The Sandbox, Cryptovoxels and Somnium Space. It then evolved to provide more detail on listings, such as maps, price estimates, and information about the neighbourhood, almost like a digital estate agent. (As if to formalise the comparison, Parcel is exploring partnership opportunities with virtual listings on physical real estate listing websites.)

Yet the developers hope to go even further. “Right now people are just buying land, says Noah Gaynor, co-founder of Parcel. “The goal eventually is to build an experience on it, then hopefully to earn passive income. But it’s not so easy yet to find those builders and architects.”

So Gaynor and his team hope to create “the largest creator directory in the metaverse with all of the builders, architects, interior designers, landscapers – you name it” to assist the burgeoning labour market between landowners who

need things built and creators who are looking for work.

In his vision of the maturing virtual real estate economy, you might still appoint an agent for a high-value transaction, but if marketplaces such as Parcel are built well enough “you won’t need that many agents. They should basically be doing their work for you, and giving you recommendations, and making personalised guidance for you.”

The first thing anyone looking to get into virtual real estate should do is study what makes virtual land valuable, says Gaynor. Happily for traditional property experts, an academic paper from the Netherlands discovered it was “pretty much the same as the real world right now”: areas near roads, water, landmarks, city centres, and high traffic areas are all worth more.

Then there is status, or positioning yourself next to celebrities. “In The Sandbox, someone paid half a million dollars for the parcel next to Snoop Dogg’s palace, because it’s a status symbol,” says Gaynor.



The plot next to Snoop Dogg’s virtual mansion in The Sandbox sold for half a million dollars

Finally, there is the promise of events and experiences taking place near your parcel. “Maybe it’s well positioned for a certain type of experience to cater to users of a certain type of experience – that’s going to become more and more important over time,” adds Gaynor.

What are Gaynor’s tips for real-world property experts looking to get into the metaverse? “This space is very quickly evolving. The projects we’re talking about today may not all be the ones we’re talking about a year from now. So

they definitely have to stay up with it.”

“Also, understand the community around [a place] and what gets them charged up, and excited, and why brands are going to one world versus another.”

Haven't we been here before?

James Cook, director of research, Americas at JLL, has been researching the way companies navigate the internet for 20 years. It was back in 2003 when the office head of the brokerage firm he was working at asked him to investigate an online world called Second Life, where companies were opening virtual offices.

“The conclusion I came to was nobody was making money brokering land deals or property deals in Second Life,” says Cook. “What people were doing is opening up offices that were more of like a marketing play.”

“At the time I was like, “Well, I think this is a lot of work and I don't think it's really going to benefit us much.” That was the conclusion I came to approaching 20 years ago now. Flash forward to today and it is a shockingly similar story.”

Having seen Second Life's rise and decline, Cook is well-placed to advise the property world on the metaverse's opportunities – and its pitfalls.

“Let's say you're JLL, you're a broker, or you own real estate – the metaverse for now is really going to be more about marketing yourself and your services, and showing that you're cutting edge by being involved,” says Cook. “As far as I can tell, there's not money to be made there the way there is in the real world. It is really about marketing.”



Second Life was developed by Linden Lab in 2003

Some things are different to when Second Life launched nearly 20 years ago: internet connections are faster, computers are more powerful and NFTs allow for uniqueness and scarcity, one of the key components of making money in retail.

But unlike 20 years ago, there are now multiple competing metaverses – and who knows if or when the current fad falls out of fashion and goes the way of Second Life?

“On planet Earth, they’re not making any more land...but they keep building new virtual worlds,” adds Cook. “It’s infinite. That’s why my advice to real estate companies is let’s make sure we keep our focus on the physical world.”

Cook is much more enthusiastic about AR and its applications for retail: letting you try on watches or seeing what a piece of furniture looks like in your house. But what he is really excited about isn’t really the metaverse at all – it’s livestream shopping, where a ‘personal’ shopper broadcasts their walk around a shopping centre and viewers have the chance to buy what they show. It has “totally blown up in Asia and it’s really catching on in the US as well.”