

BLOCKCHAIN TECHNOLOGY & PAKISTAN'S REAL ESTATE MARKET



While the Blockchain technology was formed to enable the first ever cryptocurrency, it has expanded its usefulness to areas much beyond the crypto world. One sector where Pakistan can and must utilize the benefits of Blockchain technology is the real estate market. It is important to mention at this point that this by no means proposes the use of crypto currency in real estate market, and therefore, it is essential to begin by understanding what Blockchain technology really is.

Blockchain technology is a digital system of information recording and storing by a third party making it unable to be modified thus preventing against hacking or cheating the system. One may call it as a digital ledger that stores transactions and other relevant details across the entire network of computer systems on the Blockchain. This data security enables Blockchain technology to be a legitimate, reliable and trustworthy technology for various industries requiring high level of cybersecurity and that include significant financial transactions. In summation, Blockchain technology allows information to be digitally recorded and distributed but not edited.

Pakistan's real estate industry is marred with multiple significant issues. One major issue on the transaction side of the real estate market is the information asymmetry. Lack

What Is a Blockchain?

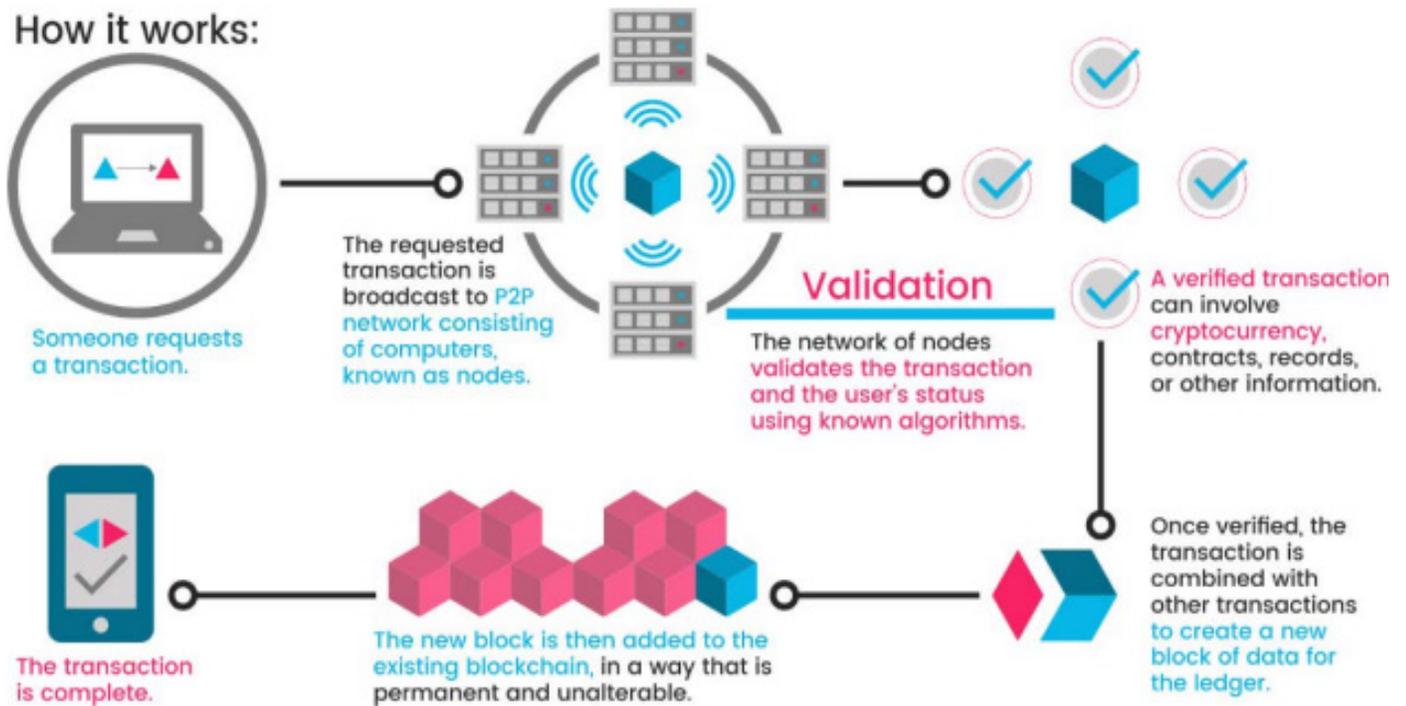
"A blockchain is a distributed database that is shared among the nodes of a computer network. As a database, a blockchain stores information electronically in digital format. Blockchains are best known for their crucial role in cryptocurrency systems, such as Bitcoin, for maintaining a secure and decentralized record of transactions. The innovation with a blockchain is that it guarantees the fidelity and security of a record of data and generates trust without the need for a trusted third party."

Source: Investopedia, <https://www.investopedia.com/terms/b/blockchain.asp>

of knowledge about presence of sellers, potential buyers, the correct market price form the basis of this information asymmetry. Moreover, no online database or any other mechanism is present to verify the information or credibility of the other party involved. This has then enhanced the role of real estate agents in the market, allowing them to evolve into price setters as well through market manipulation with support of investors. On the contrary, use of Blockchain technology will go a long way in resolving these issues. Digital storing and availability of information will mean

the issue of information asymmetry will to a large extent be resolved. It will enable buyers to view available properties and relevant information round the clock and also add credibility to the data available. The trust deficit will naturally be removed. Moreover, buyers and sellers will both be able to see the transaction prices of similar properties in the present and past market conditions thus be able to not only analyze the price trends but also have real time knowledge of the current trading price of property. This will take back the price setting powers from any party and instead have the prices be led by the market forces of demand and supply. Blockchain will surely help remove massive inefficiencies of the real estate market. While some might assume based on the above information that this could mean the role of real estate agents could be eliminated, but that is not the case. Instead, it will help the agents in better performing their responsibilities as defined in the Islamabad Real Estate Agents and Motor Vehicles Dealers (Regulation of Business) Rules 1984 and now in the Real Estate Regulatory Authority Act. Introduction of Blockchain technology will remove the additional burden on the real estate agents of verifying information, ensuring credibility of buyer and seller as well as ensuring protection against fraudulent transaction by any side and complete transaction. These all that are not the responsibilities of the agents but due to market inefficiencies have to be taken up by them will not be needed once Blockchain technology is introduced. Given the nature of the transactions through blockchain technology¹, the transactions between buyers and sellers can be made more secure (See below).

How it works:



¹ Blockchain and Suitability for Government Applications (2018), Analytics Exchange Program