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Understanding the use of cryptocurrency (digital money) in real estate transactions - by Michael Packman and Brian Sidman

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It's hard to go many places these days without running into a conversation that includes cryptocurrency or the blockchain. Cryptocurrency, more notably Bitcoin, exceeded all expectations back in December 2017. At its peak, one bitcoin was worth more than \$19,000. The crypto marketplace became quite popular as everyone on both sides of the fence of the crypto conversation wondered when the bubble would burst. Today, the price of one bitcoin is back down to under \$7,000. One interesting fact that has led me to write this article is that throughout all of this volatility, the use of cryptocurrency for purchasing real estate has become a reality.

If you are new to the concept of cryptocurrency, you can use dollars to purchase this type of virtual currency. Then, if you want to sell your Bitcoin, Litecoin, and Ethereum or other forms of cryptocurrency, you can do so in exchange for dollars. This is part of the reason why investors and real estate agents are open to accepting cryptocurrency as money for properties and houses. Another reason is the value and popularity of cryptocurrency. In addition to skyrocketing values, cryptocurrency and its associated blockchain technology have reached the public stock exchange.

In September 2017, the first house to be bought using cryptocurrency was a custom home complete with a gourmet kitchen and landscaping near downtown Austin, Texas. Kuper Sotheby's International Realty, a Texas-based brokerage firm, sealed the deal for a single-family home purchase. According to a press release, the broker associate Sheryl Lowe said, "In all of my 33 years of closing transactions, I honestly couldn't have expected something so unique to go so smoothly. In a matter of 10 minutes, the Bitcoin was changed to U.S. dollars and the deal was done!" Since then many more real estate ventures have been closed with the financial capital of cryptocurrency. For example, in March 2018 a \$4.495 million home in the Village of Hewlett Harbor, N.Y. was purchased using Bitcoin. The six-bedroom Colonial bought by Bitcoin was a first-time experience for listing agent Zach Elliott representing Nest Seekers International. Elliott adds that while this is a new concept in the real estate market, he believes it is a growing trend that has a strong appeal among buyers. Elliott said, "There are people that make a lot of money through cryptocurrency, whether trading or holding. They want to convert these imaginary digital assets into something they can own that will appreciate. Real estate is perfect for that."

Yet there are concerns about using cryptocurrency for making million-dollar real estate purchases. To begin with, this is a non-regulated form of currency with no insurance on its value. As a result, when you are dealing with escrow where money is held as a deposit for weeks if not months before a property is closed on, there are risks. Consider how much Bitcoin, which is just one of the thousands of types of cryptocurrency, has risen and fallen in value over the last six months. There is no way to predict how much a bitcoin will be worth in the next six months, and there is no basis of value, i.e. gold, to help stabilize this value. It's a gamble, to say the least.

According to Forbes, one way to handle escrow, in particular, is by converting cryptocurrency to cash before putting it into an escrow account. This eliminates the risk entirely. However, if you do want to sell a house in exchange for the cryptocurrency, you will want to focus on protecting the investment.

You will need to fully understand how to protect yourself if you are receiving cryptocurrency for the

purchase. This involves finding a title company that understands blockchain technology and can handle the logistics and legalities. Another method of protecting the purchase is to draw up an agreement that the buyer will provide a cash payment for any amount not covered by the cryptocurrency. This way if the value of the cryptocurrency drops dramatically while the purchase is in escrow, you aren't going to lose out in the sale. Ultimately, if you want to use cryptocurrency to buy or sell a property, it's probably a good idea to set up a team that will help you. From choosing real estate agents with experience in cryptocurrency to finding an escrow officer willing to accept the digital money—these people can make a difference in how well the sale goes. So far, the transactions have been residential, but it's probably just a matter of time before we see some commercial transactions in cryptocurrency as well. It will be interesting to see if any major sales in New York City this year will be included in the first to be done. Once a major asset here is done in cryptocurrency, my guess is many more will follow.

Footnote: Some information for this article was taken from blocktostock.io

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