

Looking at the future: *metaverse*

Did you know that you already can invest and promote land that exists only in the digital world? Concepts that seemed far-flung and futuristic until a few years ago are now a reality.

The metaverse is a new kind of reality, 100% digital, where its users may interact in a virtual world, be it with games, events in real-time, such as concerts or meetings, or even shopping trips. The idea here is to replicate all activities we may carry out in the real world and amplify them into a digital, fully immersive world.

Regarding the real estate industry in the metaverse, the connection is clear: once you have to own land plots in this digital world for any kind of activity, a huge world of opportunities arises. The real estate industry in the metaverse is what allows the users to effectively have a space to connect virtually. One cannot ignore that, despite recent, this is an outstanding exponentially growing market, and the eventual risks cannot be ignored.

In December 2017 Decentraland, one of the major players in the metaverse, auctioned land plots in their platform for approximately 20 dollars. In 2021 those same plots sold for 6,000 dollars. But what is more dramatic is the fact that in 2022 the prices per plot reached approximately 15,000 dollars. This increase is justified in several aspects, the popularity increase largely due to the Meta, former Facebook, announcement informing its users that it intends to encourage metaverse growth.

Additionally, an increasing number of users are joining this new strand, naturally giving rise to competition and value creation. Individual users might be interested in acquiring a specific plot for their game, content designers can monetize their property by selling admission tickets, brands can start advertising their products through promotional displays or launch events, as Samsung and Adidas did.

For real estate investors there are here highly profitable opportunities. Just like the real world, real estate in the metaverse can be promoted or leased. Current predictions claim

that **the real estate industry in the metaverse shall have an annual growth rate of 31.2% between 2022 and 2028.**

Despite the optimistic statistics and predictions, one must keep realistic and understand that the metaverse can be highly profitable, but it is not without comparable big risks. It is a new industry and, therefore, it still lacks stability and regulation. If eventually a metaverse platform is permanently offline, the investors loose all their assets and plots.

The quantification of a plot's value where its scarcity is, effectively, artificial is also an issue. However, this last problem has been bypassed by adapting the virtual world against the real world. In the real world, a plot is evaluated by its size, location and real usability. In turn, as the users shall never inhabit or visit the digital plot in the metaverse, its usability eventually depreciates. Land bought in the metaverse are intended to be promoted or leased to third parties, thus prioritising the size and location of the plots, wherein companies as PwC already purchased several digital plots, expecting that in the future most population shall use the metaverse in the daily life.

At the heart of the most popular platforms, Sandbox, Decentraland, Cryptovoxels, and Somnium, the values are already reaching very high levels. However, one of the metaverse's pros, as it is a whole new world to explore, is the amount of options both for investors with lots of capital and for small investors. These can, for instance, purchase plots near the more developed districts of the popular platforms, and develop these plots until the prices in that area start growing too, as one would expect due to the competition that comes with the increase of users and companies. For instance, Sandbox grew approximately 15.000% in 2021. Also last year, real estate sales in these four platforms reached globally 501 million dollars, and this value is expected to double in the current year. The real estate industry in the metaverse looks quite thrilling, despite it is yet accompanied by large and unpredictable risks. However it is beginning to be an area strong enough to grow and with great potential.