ULI UK YL360 Roundtable Series

ULI UK Young Leaders 'YL360' is a roundtable series facilitated by a group of our Young Leaders committee members William Polisano, Caoimhe Loftus, Theodora Beckett and Pauline Niesseron. This series of focused discussions is designed to peel back the layers on some of the industry's most important, but often overlooked, topics.

For each event, a handful of 'expert contributors' and Young Leader members come together around a table for a 90 minute deep dive into specific subjects. Summarising the discussion and outlining some of the most important points raised, a short infoburst is then developed and published to the wider ULI network.

Roundtable Two - The Metaverse: Virtual Land, Real Opportunity

Background

The ULI UK Young Leaders were back again for a second instalment of their YL360 Roundtable Series, this time to discuss all things Metaverse and Web3. Taking place on a Thursday evening at PLP Architecture's offices in the City of London, participants debated everything from virtual casinos and art galleries to digital land sales and the role of the architects in the future of the metaverse.

The Attendees

Around the table were five industry specialists, invited to attend based on their leading work in the Metaverse sphere within their own sectors, along with seven Young Leaders with an interest and/or background in the topic. A special thank you to all of our contributors for supporting a such a broad ranging, interesting conversation:

Hamish Dupree – Wiredscore	Vanessa Hale - BNP Paribas	Joel Coren – VerseProp
Doguscan Aladag - PLP Architecture	Nandi Nobell - CRTKL	Abhinav Chaudhary - PLP Architecture
Yohance Harper – Quadrant	Ellie Rigg – Stanhope	Michael Polisano – PLP Architecture
Anni Li – Recent Graduate	Mariam Hussain - British Land	

The roundtable was chaired by UK Young Leaders Committee Member William Polisano.

The Context

Whether you believe in the future of the metaverse or not, it's growing fast. As of Q2 2022, there is an estimated $120 billion already invested in building out metaverse technology and infrastructure, with the sector forecasted to be worth $1.5 trillion+ by 2030. Big names - from JP Morgan and Sotheby's to Nike and Gucci - are already involved, with others following suit almost daily; retailers are launching new products in the metaverse, opening flagship stores, holding Thanksgiving Day Parades, exhibitions and other events. Students are accessing education, couples are getting married and people are socialising in the metaverse. Put simply, the metaverse is now big business, and it looks set to get bigger.

But what exactly is the metaverse?

In the very simplest of terms, the metaverse is the internet but in 3D, where opportunities for social, intellectual and commercial connection are made possible within virtual 'worlds'. For now, entering the metaverse is a little like entering a Sims game, but as it matures and the technology develops, so too will the opportunities to create a truly immersive experience (for the most part with an avatar representing your presence). There are hundreds of these 'worlds' now in existence, which range from gaming experiences like Roblox, to more commercialised blockchain-enabled metaverses such as Sandbox and Decentraland. Within these more 'transactional' worlds, where the digital often mirrors the real, your avatar can hang out at a bar, meet friends at a casino, play virtual sports, attend conferences and parties and visit your favourite retailer's flagship stores. In short, you can do most things that you might want to do in the real world - shop, work, learn, play and socialise.

THE MAIN DISCUSSION

What do we mean by 'Web3'?

We kicked off with a discussion around the definition of 'Web3' - a term which is increasingly thrown around to encompass everything crypto, metaverse and blockchain-related - but one that is rarely defined. Unsurprisingly everyone around the table had a different answer, depending on their area of interest and expertise. Joel Coren, Founder of virtual land marketplace and advisory VerseProp, talked about Web3 as defining what the internet will be over the next ten years. He noted that whilst the principles which comprise it (decentralisation, the metaverse, blockchain technology etc.) certainly require more technological development, the foundational elements are there. Hamish Dupree of WiredScore agreed, quoting Chris Dixon: Web1 was read only, Web2 was read and write and Web 3 is write and own. There was broad agreement from all contributors around this principle: Web3 is, at its core, about digital ownership of assets, and the ability to prove this ownership on the blockchain.

Opportunities & Challenges

Vanessa Hale (BNP Paribas) discussed some of the limitations that exist in mainstreaming the use of the metaverse, with concerns around cryptocurrencies more specifically (which are used to make in-world purchases in many metaverses) from an institutional perspective and specifically from a real estate perspective. She noted the real estate industry has not always been known for being hugely innovative, and for Web3 technology to be de-risked to an acceptable level for mainstream capital, there needs to be early adopters. Joel agreed with this, and talked about the need for greater governmental buy-in - noting, however, that without a universal legal framework, it would be hard to navigate the sector. Abhinav agreed, arguing that some degree of top down regulation was vital to build a sense of safety and security, particularly for doing business. Without this, it was like operating in the 'Wild West'.

Hamish noted the need for balance in this: we need a certain level of regulation but not as much as the real world where bureaucracy increases the cost of doing business and there is a concentration of power (at odds somewhat with the principles of decentralisation which helped kickstart the Web3 movement). William Polisano talked about how this is already happening, referencing Middle Eastern governments which are already looking at ways in which blockchain technology and the metaverse can support their participation in the global economy, and Portugal, where the first land transaction recorded on the blockchain was made earlier this year.

Whilst the unknowns in the sector are still vast and represent a significant risk, it was agreed that if the industry can successfully leverage the technology, significant efficiencies can be achieved across the development and investment spheres, in construction processes, the debt markets, contract administration, documentation of ownership/investment and much more. Joel Coren noted that the obvious 'real world' opportunity provided to the industry by Web3 is that of blockchain itself. By recording transactions on this digital ledger, and eliminating the potential for human error in the completion of paperwork, the transaction process becomes almost impossible to compromise, with the industry set to benefit from cost and time savings coupled with a huge reduction in commercial risk. Going a step further, the potential for fractionalisation, and by extension democratisation of ownership, is greatly enhanced by blockchain technology. Hundreds (even thousands) of people are able to buy a stake in a single asset through the tokenisation of its ownership, and gain exposure to a segment of the industry (for example city-centre office buildings) that they would otherwise struggle to access.

Application of the Metaverse for Real Estate Professionals

Will Polisano noted the opportunity that exists for the industry to drive innovation and test new ideas in the metaverse before bringing those new innovations to life in the real world. Similarly, Doguscan of PLP Architecture spoke about the opportunities that exist on a professional level for architects and designers: as the metaverse (and its use) expands, so will the demand for a new type of creative skillset. A new type of design skillset will be needed to service the expansion of the metaverse, creating an entirely new group of highly trained professionals. Building on this, Ellie Rigg (Stanhope) queried whether in coming years we might therefore see a divergence in architectural professions, with participants agreeing that we may see professional certification programmes (similar to RICS or RIBA) arising around Web3 more broadly.

Mariam (British Land) initiated a debate about planning in the metaverse: do the two worlds connect or will different rules apply? Will designers have free reign to build without having to abide by the laws of physics and engineering, or will we see the same bureaucratic processes that often hinder development in the real world creep into the digital landscape as well? These questions are of course impossible to answer, especially as each metaverse currently has its own parameters of 'construction'.

Hamish Dupree noted that much of this digital / real world connection is, in fact, already in place. On FIFA or Fortnite, for example, people game virtually but spend real money, and this trend will only increase as younger generations who have grown up with this these gaming experiences move the technology forward. Hamish also stated that we must accept the uncertainty: nobody knew the ultimate potential of the desktop computer in the 1980s, or how its use would evolve, and the same goes for the Metaverse today.

Conclusion

It was clear from the diversity of opinions, and the wide-ranging conversation which on many occasions threw up more questions than answers, that the world of Web3 remains very much in its infancy. All participants agreed that Blockchain technology has the potential to transform our industry; indeed, we may end up in a place ten years from now where many of our automated processes rely on this technology without our knowledge (in much the same way that many of us would struggle to explain how the technology behind our smart phones works). The Metaverse - as an inherent part of this brave new technological world - will equally continue to expand and evolve, and it is up to the real estate community to determine if, and how, we can use it to our advantage.

Thank you to our host and event sponsor PLP/ARCHITECTURE