Harbor CEO says blockchain will let you easily split real estate ownership

Harbor is one of the more complicated blockchain startups out there, but it has the potential to upend the investment side of the real estate industry.

The company is working attaching digital tokens to asset-backed securities, like real estate. “Tokenizing” these assets, as the process is called, makes it easier for investors to trade them and to own percentages of real-world assets. Harbor provides the framework for these regulated assets to take advantage of blockchain technology.

Harbor CEO Josh Stein gave an extended, clear explanation of how that would work in a recent interview with Fortune magazine:

Credit: LinkedIn/Joshua Stein

“Theoretically, what assets could be tokenized?

Stein: Real estate is one. Another is fine art. We’ve talked to a few high-end art dealers with their own inventory and access to institutional inventory. What if you tokenized the work by Monet? Not many people can stroke a check for $20 million. But if you owned a fraction of a Monet, lots of people would like to stroke a check for $200,000. What if you tokenize a bunch of works by Monet and then you create a fund that owns 10% of each tokenized work? Now, I own a Monet fund or a Monet ETF.

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With the tokenization technology, you could create leveraged longs and leveraged shorts. You can go long French impressionists and short modern art. You can do the same with real estate — I tear off a 10% strip of all my Class A in Midtown and create a Midtown fund. Class A in Upper East Side, Downtown, Brooklyn, Jersey. I can go long Manhattan, I can go short Brooklyn.

Yes, there will be some gambling going on, but what's interesting is that if I'm a property developer and I just put a huge amount of capital into Manhattan, I could effectively hedge my position very cheaply and efficiently."

The idea is one of the more interesting ways blockchain startups are proposing to influence the real estate industry, adding to startups using blockchain to speed up real estate transactions.

Harbor has talked to property owners in hospitality and office space about tokenizing their assets, Stein said in this interview.

Harbor announced its plans with a $10 million Series A funding round in February and quickly raised another $28 million last month. The company is backed by Founders Fund, the venture capital fund run by controversial Facebook investor and PayPal co-founder Peter Thiel.

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