

## The Metaverse Is Coming, But What Does That Mean For CRE?



At the end of October 2021, the social media giant Facebook rebranded the parent company to Meta (the social network retained its name) after announcing their plans to set up shop in the virtual realm. Founder Mark Zuckerberg has been talking about their intent to invest in metaverse tech for a few years. Although the term and concept of the metaverse long pre-dates this, it was arguably this move that pushed it into the mainstream. In a few short months, the ripple effect from that announcement has put the word “metaverse” on everyone’s lips.

### What is the Metaverse?

The metaverse is – for now – a concept. The idea is that we will develop and engage with a vast number of digital worlds that are connected, and in theory move between them seamlessly for socializing, work and entertainment – using interfaces like browsers, but also virtual reality (VR) headsets and other immersive tools.

Many companies are starting to think about how to expand their footprint into virtual spaces and the idea of virtual offices is gaining traction. Virtual real estate assets are even selling for hundreds of thousands to millions of dollars, begging the question: exactly how much will the metaverse impact real-world CRE assets?

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## The Past and Future of Virtual Assets

The idea of selling virtual space and even entire virtual buildings isn't a new one. Back in 2007, players in the virtual game world "Second Life" were doing exactly that – buying up virtual real estate and opening stores and businesses online. The difference is that back then, these "virtual assets" were clearly separate from the real world and weren't exactly fetching the hefty prices they are now. They sold for a few tens of dollars to a few hundred.

In the post-pandemic world, with the prospect of blockchain and other key technologies on the horizon, the value proposition is a very different one. Many companies are reprioritizing their physical office space needs as employees adopt a work-from-home approach. The flipside of this is that workplaces are less close-knit and cohesive, making the idea of a virtual gathering space, like an online office, more appealing.

## Virtual Retail and Real Estate

The interest in virtual space and assets is also lining up with real-world applications in other ways, with some big companies, like Nike and even Walmart, planning online product lines in the metaverse.

On the real estate front, there are already brokerages and brokers moving into virtual space, in anticipation of the continued growth of metaverse assets. Venerable entities like Sotheby's have also jumped on the bandwagon, opening a virtual version of their iconic London HQ.

While all of this activity indicates a lot of potential, it's worth bearing in mind that there's likely to be a lot of volatility too. Just like the highly speculative cryptocurrency market, sales of metaverse assets have already shown that they are largely hype-driven. And with hundreds of thousands of dollars changing virtual hands, there's a high likelihood for buyers to get burnt.

## CRE and the Metaverse

For now, the real long-term impact of the metaverse remains to be seen. Estimates of the future value of metaverse assets range from \$800 billion to trillions of dollars, but even the experts can't agree about which scenario is most likely. Similarly, there's little concrete evidence for whether this is all a passing real estate fad or something that'll be around for years to come.

From a CRE perspective, while it isn't quite time to hang up your business suit and don a pair of VR goggles, it is worth noting that big changes coming in terms of VR and AR technology in general. Technological developments in these areas are already driving new approaches to how we develop and rent out physical properties and how we do business.

It's these developments that are likely to be more deserving of our immediate attention. But, considering the big-name retailers and tech developers moving into the space, the metaverse shouldn't be entirely discounted. Perhaps just treated with kid gloves until we figure out exactly what it's going to be.