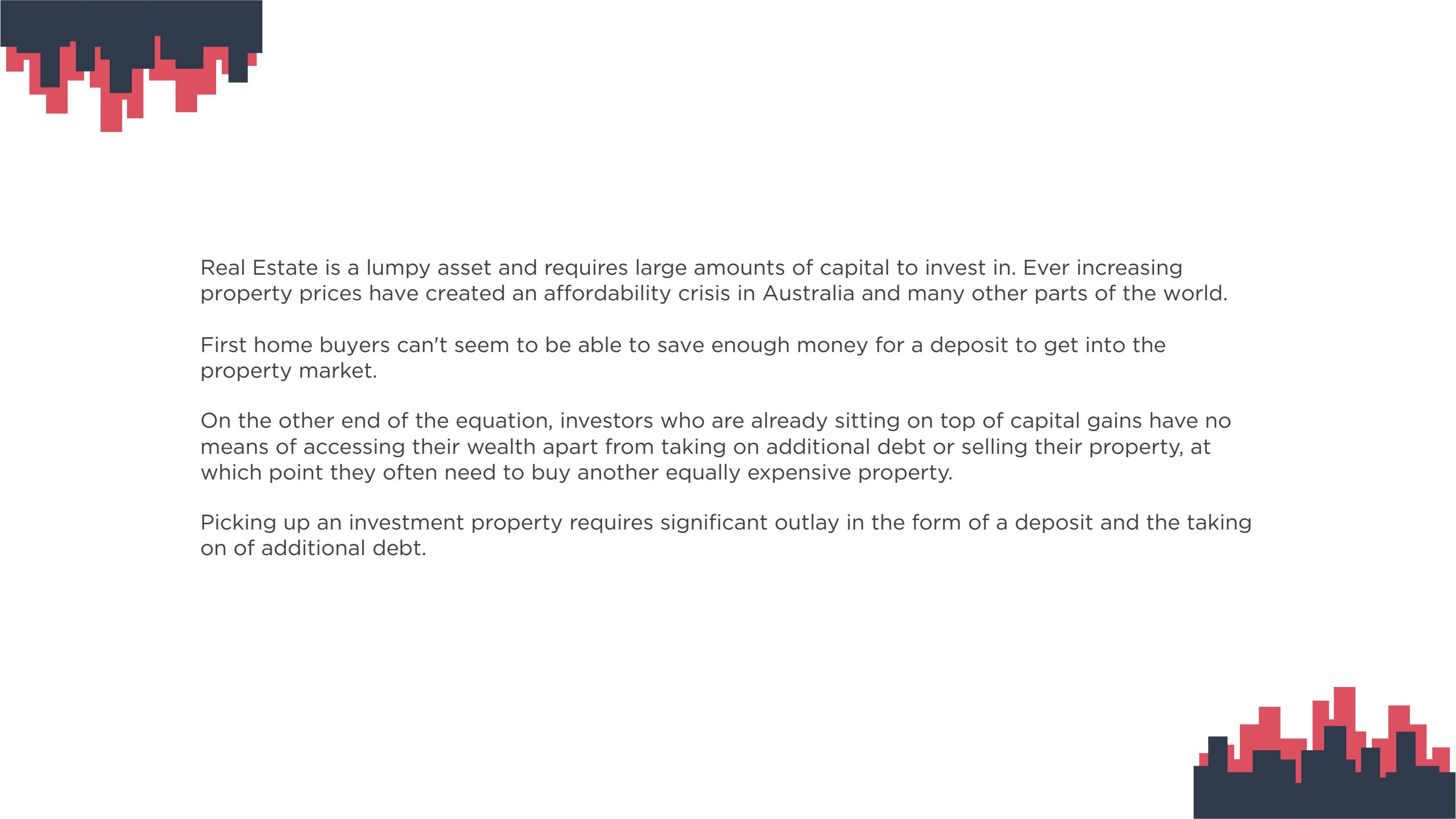


# KONKRETE

Solving The Global Housing Affordability Crisis

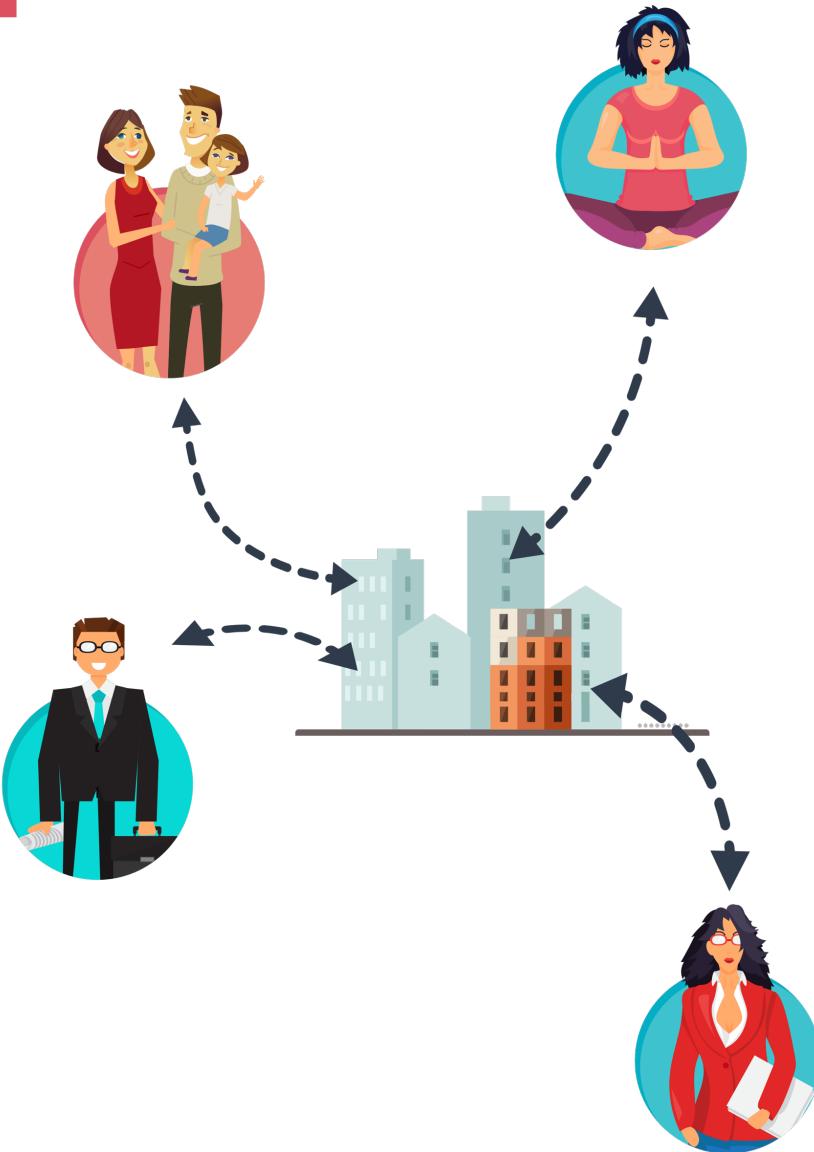


Real Estate is a lumpy asset and requires large amounts of capital to invest in. Ever increasing property prices have created an affordability crisis in Australia and many other parts of the world.

First home buyers can't seem to be able to save enough money for a deposit to get into the property market.

On the other end of the equation, investors who are already sitting on top of capital gains have no means of accessing their wealth apart from taking on additional debt or selling their property, at which point they often need to buy another equally expensive property.

Picking up an investment property requires significant outlay in the form of a deposit and the taking on of additional debt.



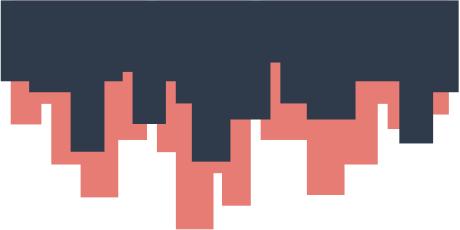
# SOLUTION

We propose a *marketplace* for those seeking to crowdfund their home deposit and everyday investors who want to invest in property with accessible amounts.

This marketplace will also allow property owners to release equity from their existing properties.

To realise this vision, we will be leveraging the power of Blockchain to enable this fractional property marketplace.





# COMPETITION

But wait, aren't there existing fractional property platforms in Australia and worldwide?

Yes, there are, but none of them solve the real underlying problems in the market in an effective way.

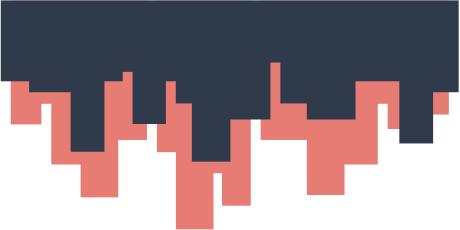
As an example, competitors in the market do not allow you to present your own property for crowdfunding and only push their own portfolios.

With these platforms, you have no means to crowdfund your own deposit or release equity from your own property.

Other platforms require you to go via a financial adviser and a real estate agent for listing, which means first home buyers are still locked out of the market without being able to fund their own deposits.

Those who currently claim to allow you to crowdfund your own property are hamstrung with legal and structural issues, which we will delve into shortly.





# COMPETITION IN CRYPTO REAL ESTATE

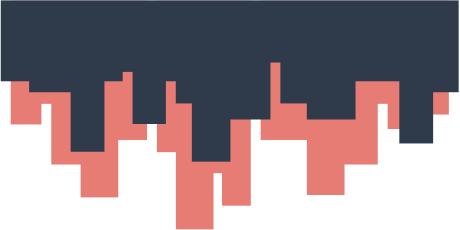
A number of players have emerged who are attempting to tokenize real estate.

Whilst this is a step in the right direction, these blockchain centric players seem to ignore compliance altogether.

Using Blockchain to record ownership of Property Fractions *does not* mean that compliance is no longer required.

We foresee most of these players will come under extreme scrutiny from the regulators in the coming months, and it won't be pretty.



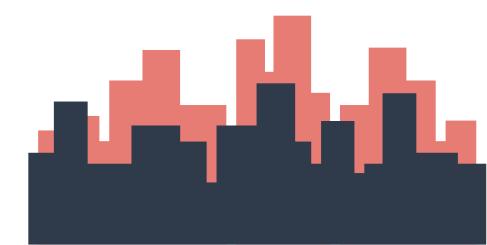


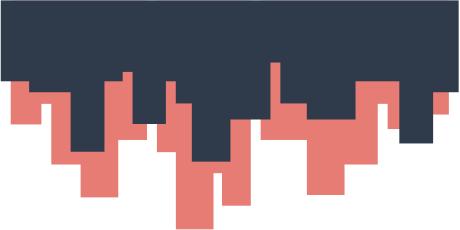
# REAL ESTATE INVESTING LANDSCAPE

Property is the only asset in the world against which a bank will lend up to 90 - 95%.

With low-interest rates globally, a deposit (and a way to service the loan) is all that's needed to get into property investing & ownership.

Take this scenario as an example:

- ❖ We purchased a property in Sydney a few years ago for **\$500K** property.
  - ❖ We came up with the **\$50K**, or **10% deposit**, and borrowed the rest (**\$450K**) from the bank.
  - ❖ Today, our property is worth **\$700K**.
  - ❖ If we sold now the bank would get its loan of **\$450K** back plus the interest which we've been paying.
  - ❖ We keep almost **\$200K** (minus interest which is quite low given the low rates).
  - ❖ On a **\$50K** investment, we've have made a **\$200K profit** or a **400% return**
- 



# THE POWER OF LEVERAGE

By leveraging cheap capital from the bank, we can see how we're able to drastically increase the rate of our return.

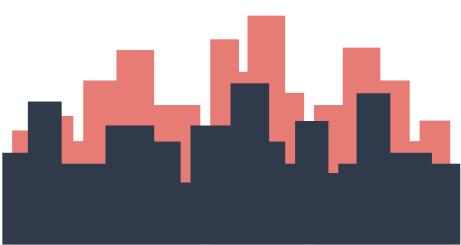
If we did not employ leverage, we would need more money to invest up front, and our returns wouldn't be as great.

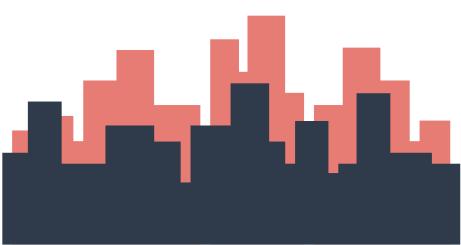
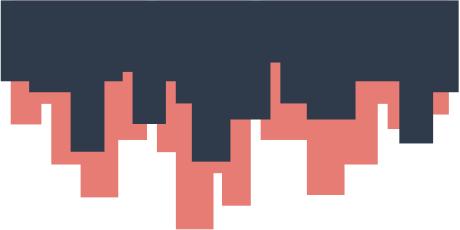
For example, instead of \$50K, we would've needed the full \$500K up front to purchase the property outright.

And whilst we would've kept the full \$200K return on that \$500K investment, it would only be a **40%** rate of return as compared to the **400%** in the leveraged example earlier.

Leverage, if employed intelligently, can be a very powerful tool for the smart property investor.

Unfortunately, all existing platforms in the fractionalized property space have either zero or limited leverage for the investor.





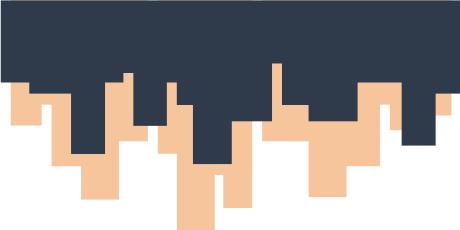
Existing platforms have set up their legal structures by owning the property in a trust. Investors buying a fraction buy a unit of the trust owning the property. Whilst this structure may seem clean and logical, it creates several problems:

For starters, anyone looking to release equity would have to first transfer title from their own name to the trust run by the platform. This leads to a stamp duty event as well as a capital gains tax on all of the profits.

Additionally, anyone looking to buy a property by crowdfunding fractions of it would find that they aren't eligible for the First Home Owners Grant (if applicable), or any stamp duty and capital gains tax exemptions as the property is in the name of a trust rather than an individual.

The biggest problem of all ,however, is the lack of meaningful **leverage** on the property investment.

This is the unavoidable flaw in the setup existing players have employed.



# CURRENT SOLUTION

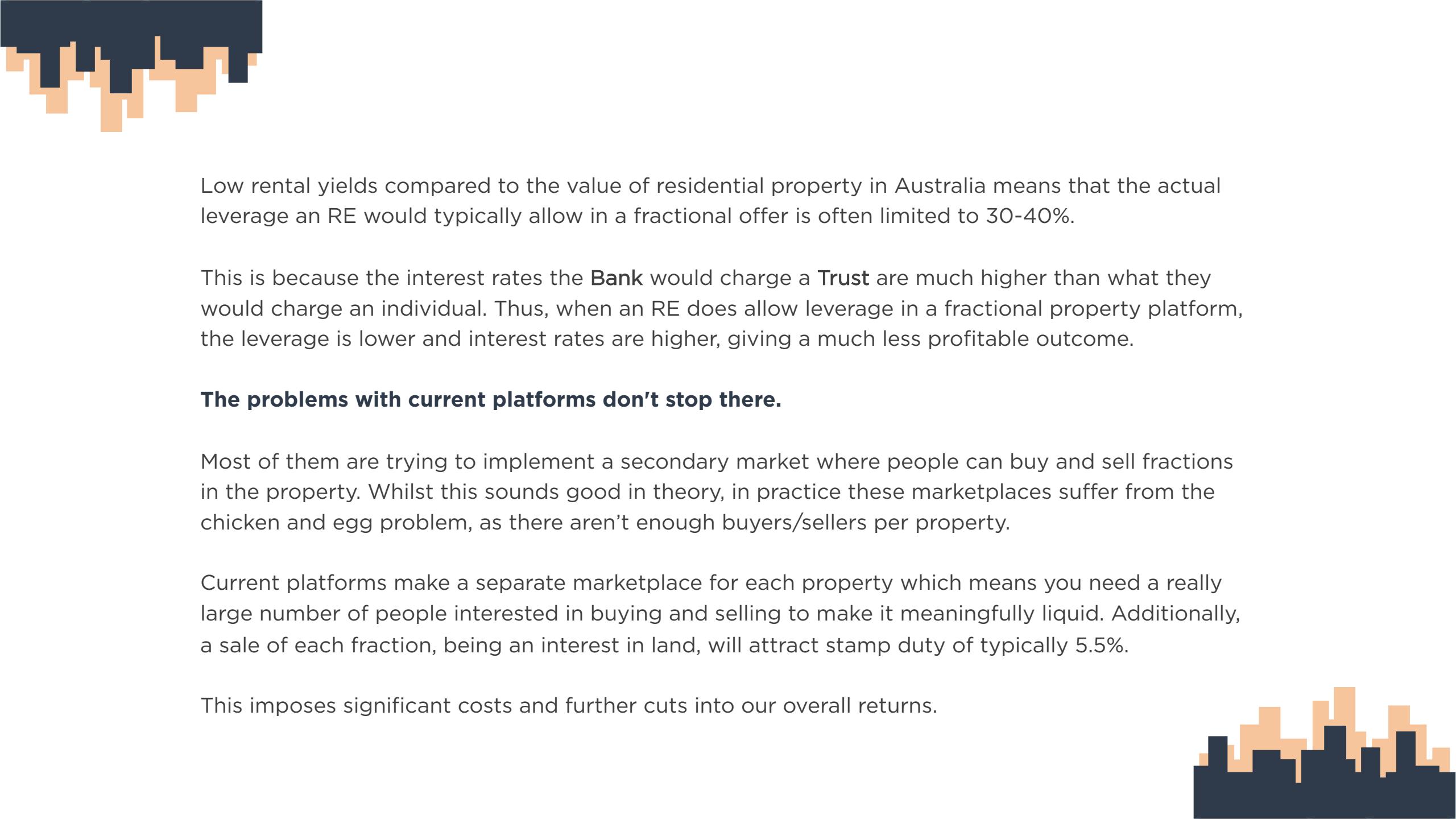
In order to allow mum and dad investors to buy fractions of the property, the platform must issue a financial offer. Issuing such an offer requires an ISSUER, who typically is a financial license holder, or Responsible Entity (RE). An RE is legally responsible for the offer that is issued. It is their neck (license) on the line, so naturally they are extremely cautious with such offers.

RE's act as the trustees (effectively controllers) of the Trust that has title to the property.

Outgoings such as council fees, maintenance, mortgages etc are their responsibility, which are then be passed on to the fractional owners. Their objective is to limit their own liabilities as much as they can.

Whilst an RE is usually happy to issue a fractional property offer for a fee, they typically do not enjoy being responsible for any debt against the property - assuming the property is rented and is generating income.





Low rental yields compared to the value of residential property in Australia means that the actual leverage an RE would typically allow in a fractional offer is often limited to 30-40%.

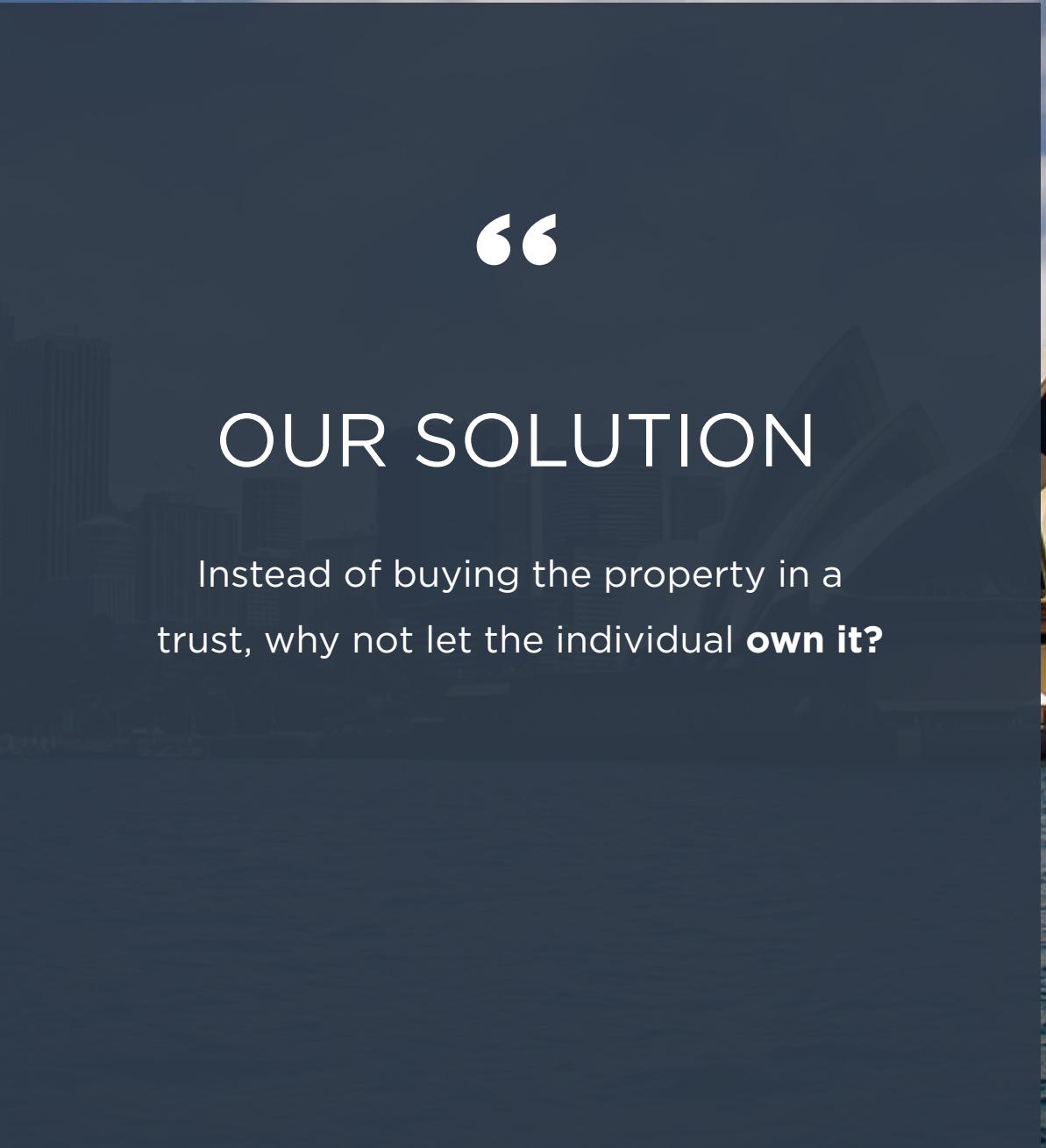
This is because the interest rates the **Bank** would charge a **Trust** are much higher than what they would charge an individual. Thus, when an RE does allow leverage in a fractional property platform, the leverage is lower and interest rates are higher, giving a much less profitable outcome.

### **The problems with current platforms don't stop there.**

Most of them are trying to implement a secondary market where people can buy and sell fractions in the property. Whilst this sounds good in theory, in practice these marketplaces suffer from the chicken and egg problem, as there aren't enough buyers/sellers per property.

Current platforms make a separate marketplace for each property which means you need a really large number of people interested in buying and selling to make it meaningfully liquid. Additionally, a sale of each fraction, being an interest in land, will attract stamp duty of typically 5.5%.

This imposes significant costs and further cuts into our overall returns.



Instead of buying the property in a  
trust, why not let the individual **own it?**



# HOW WE'RE DIFFERENT

Our solution solves all the challenges faced by existing platforms. Instead of buying the property in a trust, we will let the individual own it - let's call them the Primary.

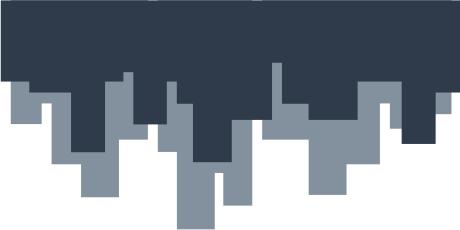
The Primary is able to borrow the maximum amount from the banks, as an individual, and get all the tax and FHOG benefits.

The Primary will be responsible for the borrowing, rather than the issuer or investors, but would still allow investors to achieve a leveraged return, without being responsible for the debt.

We will also have a liquid secondary market from day 1.

## How will we achieve this?

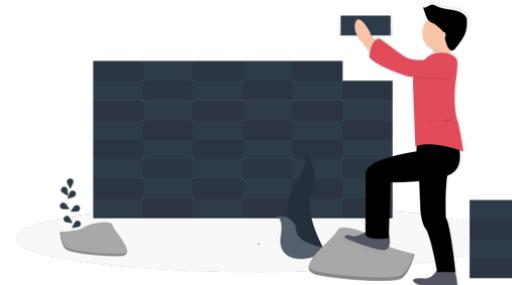




# SECRET SAUCE



**1** We make a purchase contract with the Primary that sees us give them money in return for a right to buy the property in future at today's price. We pay an option fee that is equivalent to the fraction we buy.



**2** Suppose we are buying a 10% fraction on a \$500K property today, which would be \$50K. This \$50K is crowdfunded, giving participating investors a shared ownership of the option.



**3** If the property goes up in value, the option gives us the right to buy the property at a lower price than what it is in the future. This ties the value of the option to the capital gain experienced by the property. Thus, investors co-owning the option are participating in the capital gain without actually having the property in a trust, or having exposure to the debt.





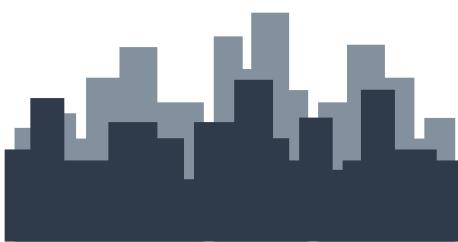
**4** The primary can buy back the option by paying a prorated price of the fraction that was paid for based upon its value at the point in future. The price is calculated in such a manner that investors get a portion of the leveraged return and not just the capital gain experienced by the fraction. This makes the potential return to investors superior to any other fractional platform currently in the market.

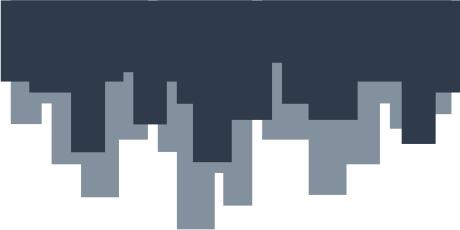


**5** We will restrict the fractionalization for any property to a maximum of 19.98%. The rest can be borrowed from a bank. If the ownership change of fractions does not exceed 20% then there is no land stamp duty on the secondary market.



**6** On liquidity, rather than having a separate secondary market for each individual property, we will have one master fraction representing a diversified mix of all underlying properties.



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  6. On liquidity, rather than having a separate secondary market for each individual property, we will have one master fraction representing a diversified mix of all underlying properties.

# BLOCKCHAIN

To achieve this vision, we will leverage blockchain and smart contracts.

Platform users can vote on which property gets fractionalized using a utility token called KONKRETE.

This utility token will hold all the building blocks of the system together and be used to drive any other decisions that are to be undertaken in a decentralized manner by the platform.

The fractions will be added to a master pool rather than being traded individually. This means there is only one secondary market for all properties rather than fragmentation across each. By putting this master fraction on the blockchain, we also leverage a much wider distribution of participants, ensuring liquidity from day 1.

This Master Fraction will act like a residential REIT and will have value based on the underlying properties. This is the Asset-backed “Master Fraction” token.

The Master Fraction token will serve as a stable coin and its supply can steadily increase based on the properties that get added on the platform.

This asset-backed token will not only help solve the housing affordability crisis, but also become an acceptable store of value, and a medium of exchange - becoming a global currency. The steadily increasing predictable supply would support a steadily expanding global economy.



# JOIN THE PROPERTY REVOLUTION

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GET IN TOUCH: [INFO@KONKRETE.IO](mailto:INFO@KONKRETE.IO)



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