

The Next Hot Housing Market Is Out of This World. It's in the Metaverse.

Despite the implosion of FTX and projections of a cryptocurrency winter, the metaverse real estate market is expected to grow by \$5.37 billion by 2026.

Feb. 19, 2023





MetaverseThe Row

In March, Gabe Sierra, a contractor whose family has been in the construction business for more than 30 years, will take offers for his latest creation: an 11,000-square-foot mansion with seven bedrooms and a pool in Pinecrest, Miami.

To sweeten the deal, he's throwing in the exact same house and a King Kong-size, bright green gorilla that scales downtown skyscrapers and stalks the streets of South Florida.

The twin home is in the metaverse — a catchall phrase for the growing

conglomerate of immersive digital worlds where avatars work, play and purchase goods. Pixelated parcels of land are being bought, sold and built upon in a market [now worth \\$1.4 billion](#), making the metaverse a new frontier for real estate builders and investors.

Mr. Sierra, an avid gamer who uses a purple gorilla as one of his own avatars, paid \$10,000 for a digital parcel in an online world called the Sandbox, and then partnered with [Voxel Architects](#), an architecture firm specializing in virtual 3-D properties, to build the digital home to pair with the real thing. It all hits the auction block in March, and he's hoping for a sale price of around \$10 million.

"It's a project that blends the line between physical and digital to the furthest extent that I could on a residential home," Mr. Sierra said of the house, called [Meta Residence One](#). "It pairs a real-world build and expands on it in the digital space. As these technologies get more immersive, it's going to make a lot more sense."

Much like real-world real estate, where pricing fluctuates according to the principle of supply and demand, metaverse real estate also operates on a fixed scale. The internet itself may be boundless, but most virtual gaming universes have already been sliced and diced into a set number of parcels, meaning as the number of buyers increases, prices go up as well.

The Row is a futuristic collection of digital homes marked by melting, Salvador Dali-esque angles and dreamlike floating spheres. The Row

Financial transactions in the metaverse are handled in cryptocurrency and powered by the blockchain — a digitally distributed public ledger that eliminates the need for a third party like a bank. Despite the [implosion of FTX](#) and [projections of a crypto winter](#), the metaverse real estate market is expected to [grow by \\$5.37 billion](#) by 2026.

In the Sandbox, one of the most popular metaverse worlds and where Mr. Sierra made his \$10,000 purchase, much of the virtual land rush has been at the hands of global corporations like Adidas, Atari and Warner Music Group, who have bought spaces to create entertainment, sell goods, launch virtual headquarters and host immersive gatherings for employees and fans.

Last year, the total value of land in The Sandbox, which is sold via a [nonfungible token, or NFT](#), was estimated to be \$167 million. And while land purchased directly from the Sandbox goes for about \$400 a parcel, there's an active secondary market where prices can be many times that. Proximity

to land owned by celebrities and big-name brands drives up prices, too: After Snoop Dogg purchased parcels in the Sandbox and christened them "Snoopverse," [one buyer paid \\$450,000](#) just to become his neighbor.

For sale in Miami: An 11,000-square-foot mansion with seven bedrooms and a pool that comes with its digital twin, shown above: the same home, just in the metaverse. [Metaresidence](#)

"Land is becoming the infrastructure of the metaverse," said Sebastien Borget, the Sandbox's co-founder. "In this ecosystem, there are actors that are developing and offering services for people to find the right land, buy the right land and understand the value of that land."

The metaverse has been around since 2003, when Second Life, a three-dimensional virtual world platform, came onto the scene. But virtual real estate didn't truly take off until late 2021, when Mark Zuckerberg [announced that the social media platform formerly known as Facebook would now be called Meta](#), placing a hyper-public bet on the future of the next digital frontier.

Since then, land sales in the metaverse have climbed into the seven figures, including a virtual estate purchased for \$2.4 million in November 2021 in [Decentraland](#) and another for \$1.65 million in [Otherside](#) in May 2022.

And now, in addition to billboards and burger joints for avatars, homes are being constructed on these parcels of land. They don't offer shelter or a place to sleep. But they do offer our increasingly online selves a place to gather — and show off.

"Buying a piece of real estate for a residential purpose in the metaverse is a kind of prestige," said Kristi Waterworth, a journalist and contributing analyst for [The Motley Fool](#) who writes regularly on metaverse real estate.

Everyrealm, a metaverse technology and infrastructure company, partnered with artists, including Misha Khan and Daniel Arsham, to create the homes in the Row. The Row

It's also a chance to bend the rules of physics. [Everyrealm](#), a metaverse technology and infrastructure company, partnered with artists including Misha Khan and Daniel Arsham to create [the Row](#), a futuristic collection of digital homes marked by melting, Salvador Dali-esque angles and dreamlike floating spheres. The homes premiered at Art Basel in an immersive exhibit and are not yet for sale, but Janine Yorio, Everyrealm's chief executive, says she anticipates each will sell for about \$75,000.

Buyers will receive a certificate of authenticity as well as 3-D models of their home, and then be able to place it on a plot of land in the online gaming world of their choice.

"We called upon a bunch of cultural references, one of which was the idea of a Sears home, when back at the turn of the century you could buy plans for a home and then build it anywhere from New York City to Des Moines," Ms. Yorio said.

Some online worlds present a digital map of the earth, allowing buyers to purchase places or coordinates that hold sentimental or historic value. T.J. Brisbois, 37, a real estate investor in Detroit, owns about a dozen land parcels in Motor City, but not on Earth — in the Detroit of [Upland](#), a gaming portal mapped to the real world. He buys them, marks them up and resells them. He estimates he's made a 10 percent return on his money since he started in 2022.

His purchases, he said, are just an extension of his business in the real world.

"I didn't really get it until I got into it, and I was willing to put in a few real-world dollars," Mr. Brisbois said. "It's important for people that are in real

estate, because there's real opportunity here."

"Buying a piece of real estate for a residential purpose in the metaverse is a kind of prestige," said one investment journalist. [The Row](#)

Buyers concerned about real estate taxes on virtual real estate can breathe easy, said Mike O'Brien, who heads up the Web3 and Digital Assets team at Ernst & Young. Though tax law on virtual real estate is evolving, "we have yet to see property taxes on real estate that would be issued by a government," he said, adding that indirect taxes such as consumer taxes, sales tax and gain considerations do often apply.

Mr. O'Brien is the owner of digital real estate — in Superworld, another digital world mapped over earth. He recently purchased the parcel of New York City land that is home to the bar where he met his wife.

Brick and mortar home builders are also tapping into the metaverse for opportunities to reach new customers. In January, [KB Home](#), one of the largest homebuilders in the United States, cut the ribbon on a community in Decentraland, where potential buyers can enter, explore and toy with customization options on three of their model homes.

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Buyers can swap out everything from countertop materials to overall architectural style. The move, said Amit Desai, KB Home's chief marketing officer, is a natural outgrowth of the virtual walk-through options that have increased since 2020.

"Even before the pandemic, we were on this path of providing enhanced digital tools, but the pandemic accelerated the need for us to really allow prospective home buyers to search for a home from the comfort of their

current homes," Mr. Desai said. "The metaverse is just a nice extension of that."