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Metaverse or betterverse?

10 TRENDS FOR 2023

The concept of the metaverse, a term first used in the 1990s¹, has risen to prominence in popular and business culture since Facebook rebranded as Meta in 2021. But scepticism around the stability of cryptocurrencies or whether we will end up living out our lives in an OASIS-style virtual universe, popularised in the sci-fi film Ready Player One², risks missing the far more immediate, real-world opportunities arising from immersive technology.

Many of these opportunities have direct implications for real estate, from the most micro level of building design and management to the representations of schemes, neighbourhoods and cities. As data analysis becomes ever more integral to our understanding of the built environment, increasing technological sophistication in the way we interact with that data underpins almost every aspect of real estate. At its heart, this is what the metaverse is all about.

Metaverse 101

In its simplest form, the metaverse is a virtual environment that connects real people to immersive, virtual spaces. It is linked, but not contingent upon the emergence of Web 3.0, a largely undefined set of concepts around the next evolutionary step of the World Wide Web which foresee a more decentralized information environment with enhanced use of blockchain technology and virtual experiences.³ As the world becomes ever-more data dependent, technology companies and entrepreneurs are seeking ways to enhance our ability to access, utilise and increasingly experience data, rather than simply interacting with it in a bilateral manner.

Tech giants like Microsoft, Unity and Epic are developing technology to support the world of “extended reality” (XR). This encompasses the “virtual reality” (VR) worlds of fully immersive environments as well as “augmented reality” (AR)⁴ experiences which allow real-time interaction with a combination of real and virtual elements.

Much of the media attention on the metaverse fixates on the development of all-encompassing immersive worlds, drawing on the success of games such as Fortnite and Roblox. However, these lie at the extreme end of a spectrum of ways in which we will increasingly interact more intimately with data – and each other – in our personal and professional lives. A focus on less extreme augmented reality applications highlights how, in many ways, the metaverse is already with us, or very soon will be.

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Augment rather than replace

From a real estate perspective, smartphone maps show real time location in the context of 2D and 3D information in ways we now take for granted to help us navigate the built environment. Other apps such as [Street Peek](#)⁵ illustrate how building pricing and specification data can be overlaid in real time onto a streetscape viewed through a smartphone camera. Such apps are the forebears of the next generation of AR software, the applications for which are almost limitless. The lives of their users – and those of their fellow pedestrians – will be immeasurably enhanced when easy-to-wear headsets or other “heads up devices” (HUDs) displaying real world data become more widely available. However, laptops can get you there now.

Augmented and virtual reality are also starting to impact our workplaces. In the post-pandemic world of hybrid work, the metaverse is accelerating the development of virtual environments which enable interaction and collaboration between team members. Accenture’s [Nth floor virtual workspace](#),⁶ created in 2019, was intensively utilised during the pandemic for team working and events. It now forms a key part of their training and onboarding process, with all new hires working in the metaverse on their first day. AY believes that the Metaverse will combine real world operations with marketing and the gamification of business and our personal lives. Research by PwC⁷ found that people trained using VR were almost four times more confident in implementing what they had learned, with superior retention, than with traditional training methods. As such interactions become more commonplace, this will accelerate the adoption of virtual working – particularly when virtual environments look and feel similar to their real-world counterparts.

Digital twinning

To help people feel comfortable in their virtual workspaces, AY is starting to create “digital twins” of cities, development sites and buildings to promote workplace strategies, occupancy, and operations. From a real estate perspective, as we have discussed elsewhere⁸, digital twins use live data derived from a real “smart” building – or a group of buildings or related third party data sources - to create a digital replica which can be used for monitoring or predictive modelling.⁹ Unlike conventional “static” 3D building plans, it is an integrated computer model which duplicates the linkages between the building’s various components and systems.

Digital twins support the simulation of complex scenarios across the full lifecycle of a building.¹⁰ They are already proving particularly helpful in managing construction costs, emissions and energy efficiency.¹¹ The global growth in revenues, in real estate and beyond, is being particularly driven by the drive for predictive maintenance.¹²

The concept has already been extended beyond individual buildings into modelling of entire cities, for example in [Las Vegas](#)¹³ and [Shanghai](#)¹⁴ or – in the case of [Singapore](#)¹⁵ – an entire country. These models can be used for a wide range of urban planning purposes, including transport and infrastructure management, development planning and sustainability policymaking.

It is a small step from such modelling to incorporate XR, and particularly VR, technology to allow users to experience virtual replicas of the city in an immersive way. Whether for urban management purposes or to provide virtual tours of cities and buildings for occupiers and investors, the real estate applications of such technology are clear. The technology may have come from immersive gaming, but the future is as much real world as fantasy.

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An immersive future

Despite the practical application of these “mirror worlds”, much of the interest in the metaverse has been stimulated by the emergence of fictional worlds within which individuals and companies can interact with each other. The environments may be a playground for many – but just as in the “real” world there is big money to be made (and lost) ... including in virtual real estate markets.

One of the most developed commercial applications of XR is in retail, where companies have invested heavily in developing technology to support their online and physical presence in delivering “experience” to customers. In addition to the AR applications highlighted above, many retailers are building VR showrooms within which customers can explore, “try on” or customise their products – and then make purchases.

Whilst such shops and showrooms can exist on the internet on a standalone basis, many see gamers and metaverse world users as early adopters and a key target market. To access those users, businesses need to establish a presence in at least one of the emerging metaverse worlds¹⁶. Which means they need real estate.

A major potential limitation on the growth and adoption of the metaverse is that there are currently multiple unconnected “worlds” in existence, with little or no commonality in their platform or, importantly, the cryptocurrency that is needed to interact commercially within them. At present there are four main worlds within which land and buildings are traded and operated from:

Decentraland

Decentraland is regarded as the first and one of the leading metaverse crypto projects. Parcels of 16m (52') x 16m virtual space (known as LAND) can be traded using the MANA virtual currency. One of the most popular and active worlds, one investor spent \$3.2 million buying 166 parcels (around 6,000 sq ft) in the “Fashion District”, hoping to attract some of the major fashion companies such as Nike and Gucci that have active plans for a metaverse presence. (Avison Young is the leasing agent for Everyrealm’s MetaMall, also located in Decentraland’s Fashion District).¹⁷

Cryptovoxels

A world containing “Origin City”, where parcels of land can be bought by users and “developed” using the Ether cryptocurrency (which is based on the Ethereum blockchain).

The Sandbox

A user-friendly world that allows participants to easily build and change their “assets”. One land sale totalled \$4.3m, the current metaverse record, including 100 islands which were each re-sold for \$15,000 and have since re-traded at up to \$100,000.

Somnium Space

A relatively new entrant that is growing rapidly, with parallel 2D and 3D versions and an emphasis on community engagement rather than profit.

There are legitimate reasons to be sceptical about exactly what the commercial future of “virtual real estate” may be. The fact that values in the metaverse are integrally tied to the value of bitcoin or their respective cryptocurrencies is a further potential concern, particularly given the recent bankruptcy of FTX (previously one of the world’s largest and well-respected crypto exchanges). At the same time, the commercial opportunities are real. Online gaming environment Fortnite recently held a concert that was attended by 45 million people and grossed over USD\$20 million, whilst Gucci has sold a virtual bag in the metaverse for more than the price of the physical bag in the real world!¹⁸

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A predecessor in London

For those questioning why any company would want to establish itself in a virtual world, it's interesting to consider one of the metaverse's "real world" predecessors. In the 1990s, the City of London commissioned a 1:500 3D scale model of London to help people understand the city better. It has become a centrepiece for promoting London at home and abroad, and is widely used by public and private sector organisations in marketing and decision-making – including discussion with potential occupiers and investors in real estate.

Every year, the model is updated – with architects and building owners paying large amounts to have the block representing "their" property replaced with detailed scale models of their actual building. Why? Who will see it? That's impossible to predict – but having a virtual representation of their real-world presence is seen as being hugely valuable. As digital twin cities become more commonplace - embedded in models you don't just look at but interact with - which retailer or building owner is not likely to want to control their own asset in the metaverse?

Would you like to discuss this trend?

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¹ The word was invented by Neal Stephenson in his 1992 novel "Snow Crash"

² <https://www.warnerbros.co.uk/movies/ready-player-one>

³ Fenwick, Mark and Jurcys, Paulius, The Contested Meaning of Web3 and Why it Matters for (IP) Lawyers (January 27, 2022). Available at SSRN: <https://ssrn.com/abstract=4017790>

⁴ Augmented reality (AR) is largely synonymous with "Mixed Reality" (MR) and the two terms are often used interchangeably

⁵ <https://www.realtor.com/homemade/streak-peek-and-sign-snap-use-augmented-reality-and-image-recognition-to-find-your-home/>

⁶ <https://www.accenture.com/us-en/about/going-beyond-extended-reality>

⁷ <https://www.talespin.com/vr-soft-skills-training-study>

⁸ ACES Spring Terrier 2022 available at <https://aces.org.uk/library/>

⁹ Deloitte, <https://www2.deloitte.com/lu/en/pages/real-estate/articles/digital-twins-in-real-estate.html>

¹⁰ Deloitte, <https://www2.deloitte.com/lu/en/pages/real-estate/articles/digital-twins-in-real-estate.html>

¹¹ ACES Spring Terrier 2022 available at <https://aces.org.uk/library/>

¹² Vantage Market Research – Digital Twin Market Global Industry Assessment & Forecast <https://www.vantagemarketresearch.com/industry-report/digital-twin-market-1810>

¹³ <https://cities-today.com/las-vegas-digital-twin-will-be-wired-into-the-city/>

¹⁴ <https://www.unrealengine.com/en-US/spotlights/51world-creates-digital-twin-of-the-entire-city-of-shanghai>

¹⁵ <https://www.tomorrowstoday.com/2022/09/12/singapores-digital-twin-of-entire-country/#:~:text=In%20February%202022%2C%20Bentley%20Systems,in%20response%20to%20new%20data.>

¹⁶ Samsung has opened its first metaverse store, Samsung 837X, which is an immersive world and digital twin modelled after its flagship New York City store. It allows users access to a digital experience connecting technology with art, music, fashion and sustainability, and to explore Samsung's technologies <https://www.samsung.com/us/explore/metaverse-837x/>

¹⁷ <https://www.parcl.co/blog/metaverse-projects-five-highly-profitable-digital-real-estate-sales>

¹⁸ <https://www.dazeddigital.com/fashion/article/52929/1/a-virtual-gucci-bag-has-sold-for-more-than-the-irl-bag-roblox>