The Block-chain Leap of the Balkan‘s

Tokenization of Real World Assets has gained significant traction in the blockchain scene in recent years. Major companies are issuing bonds on the blockchain, security token platforms allow investors to participate in the success of startups, and real estate can now be fractionalized in the form of digital security tokens based on blockchain and purchased by international investors. Here’s a look at a small Mediterranean country where the startup T-Blocks aims to enable a leapfrogging moment through tokenization.

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Eni Shtini (left) and Henri Ndreca (right) in Tirana, Albanias capitol.

Albania is a small country with just over 2.4 million inhabitants. It shares the coastline with Italy, Greece and Croatia, but unlike these three, it hasn't had a chance to develop under the European Union's umbrella. If Albania has been heard of at all, it's typically known for its beautiful beaches and affordable prices, though stereotypes frequently come into play.

A MISUNDERSTOOD COUNTRY

Albania is often labeled economically weak and rife with crime, but this former communist country has made significant progress in recent years. Since 2000, its GDP has tripled, and there have been substantial investments in modern infrastructure. According to the United Nations Office on Drugs and Crime, Albania is safer than many European countries and has made notable strides in combating corruption. The population is young, well-educated, and multilingual, making Albania an attractive destination for tourism and investments. "While the banking system is well-regulated and safe, the financial infrastructure, like stock exchanges and the technologies they use, is significantly underdeveloped," says Henri Ndreca, who co-founded T-Blocks with Eni Shtini in 2022 to address this issue.

THE BLOCKCHAIN SCENE IN ALBANIA

The two Albanian founders met as experts on the country's largest national TV show back in 2022. They were invited to discuss blockchain technology and the rise of the new asset classes related to the technology. Ndreca and Shtini quickly realized they were among the few in Albania who truly understood the technology. "I believe less than one percent of the population has a real grasp of blockchain," Shtini explains and adds that "most of the focus is on trading and getting rich quickly." After some reflection, he could only name six blockchain startups from Albania.

Shtini and Ndreca not only aim to improve blockchain education in their country with their podcast, but they also want to create a regional blockchain startup, brainstorming various ideas over several months. During this time, a request from their network arrives. "A contact was building a five-star luxury hotel, and asked me: 'Eni, how he can raise capital through the blockchain.' That was the moment we decided to found T-Blocks in London with a mission of connecting asset owners and global capital through tokenization."

TOKENIZATION – BRINGING NEW ASSET CLASSES TO THE BLOCKCHAIN

Hold on, why London for a company aiming to advance tokenization in Albania? To understand why, you must first grasp what tokenization is. The concept is straightforward: A physical asset, like a piece of art, is represented by a set number of tokens on the blockchain. So, the advantage it gives is that if this piece of art costs 10,000 euros and is represented by 1,000 tokens, investors can invest as little as 10 euros without having to buy the entire thing.
What tokenization does, is it makes new asset classes accessible to the masses. The challenge lies in linking the asset to the token. While a token can be quickly created on the blockchain, a regulated company is needed to establish the connection with the right legal setup. This brings us back to T-Blocks.

While there are many new construction projects in Albania, the limited capital severly limits growth.

“Developed markets may be slow to fully embrace DLT due to their entrenched systems and high liquidity. In contrast, emerging markets like Albania and the Balkans offer a unique opportunity to leapfrog into the future.” — Eni Shtini

REAL ESTATE AND ESG ASSETS AS THE STARTING POINT

In theory, any asset could be tokenized. But in a country with little blockchain presence and knowledge, it’s essential to start with a focused asset class. “We decided to focus on real estate and ESG assets (investments in companies or funds that prioritize Environmental, Social, and Governance, hence ESG, criteria),” explains Shtini. And narrows it down, saying “we are starting with large real estate projects where tokenization can solve a significant pain point.” In Albania, capital for such projects is severely limited. “The only way for developers to obtain liquidity is through Albanian banks, which have limited capital to lend,” says Shtini. To address this challenge, developers often sell most of the planned projects at heavily discounted prices in advance. Henri Ndreca and Eni Shtini aim to change this. "The current system hinders economic growth! That’s why, with the help of a former Governor of the Central Bank of Albania, Ardian Fullani, we held discussions with 14 of the biggest developers in the country. Ardian Fullani was also one of our first supporters, which was a strong signal of validation for us in an environment where bankers are often seen as ‘enemies’.”

T-BLOCKS – THE IDEAL SETUP FOR TOKENIZATION

The biggest challenge in these discussions is evidently that the construction industry is not very innovative. That’s not surprising, because there are no successful examples of tokenization in Albania and the Balkan Region yet. The solution for Shtini and Ndreca lies in the setup of the T-Blocks marketplace itself. “Real estate developers don’t notice the blockchain at all,” Ndreca says with a grin. “Instead, for each project available for investment on our platform, a Special Purpose Vehicle (SPV) is created in Luxembourg," he adds. This might initially sound dubious, but Luxembourg, with its security token regulation, is one of the best jurisdictions for asset tokenization worldwide. "This benefits our clients, as we found that an investment setup in the Balkan Region is usually not acceptable to investors," says Shtini. These investors invest in the SPV and receive tokens in return, while the money is traditionally channeled to the construction projects through banks and fintechs. Tokens can also be traded on regulated marketplaces. However, as Henri Ndreca explains, this is not the primary focus for T-Blocks: "The initial capital raise is most important, and we don't believe there will be a truly liquid market for security tokens in the next couple of years." Initially, the startup focuses on professional investors, which lowers regulatory requirements. Additionally, for the project to be tokenized it must have a minimum value of three million euros, with only a small part being tokenized. "Of course, we cannot tokenize entire projects at the beginning, so we advise developers to finance the rest through their usual strategies and encourage them to explore various ways of raising capital via traditional channels as well," Ndreca says.

POSITIVE PROSPECTS

The future looks promising for the two founders. They have tokenization projects worth over 235 million euros in the pipeline. And liquidity seems to be secured. "In numerous discussions, we found that many wealthy individuals are keen to invest in the Balkan countries but haven't been able to do so yet. Albanian and Balkan diaspora living abroad are particularly interesting to us at this stage because we offer a fully digital and EU compliant investment infrastructure," says Eni Shtini. This sets the stage for the grand vision, with no real competitors in the Balkan states: "We're actually trying to reinvent Albania's capital markets through the power of blockchain technology. We truly believe that Real World Assets in the US or Europe will take a long time to be brought onto the blockchain because there is already an established traditional system with high liquidity. This stands in stark contrast to Albania, where we believe we can leapfrog ahead within the next few years and use real estate as an entry point to tokenize even more assets."