

Digital Assets & Blockchain



Industry Research Report

Real-World Asset Tokenization: Signal, Noise, and the Assets That Actually Belong On-Chain | TapCap Consulting LLC | February 2026

What Is RWA Tokenization — And Why Is Everyone Talking About It?

Real-world asset (RWA) tokenization converts ownership of a physical or financial asset — a Treasury bill, commercial property, private credit instrument, or commodity — into a digital token on a blockchain. The token becomes the enforceable claim. The blockchain becomes the ledger. The smart contract becomes the transfer agent, compliance engine, and distribution mechanism all at once. Oracles — third-party data feeds like Chainlink — provide real-time price and reserve verification between the off-chain asset and its on-chain representation. SPV legal wrappers or regulated fund structures provide the legal enforceability that makes it all hold together.

The mechanics follow a consistent pattern: an issuer identifies an asset, structures the ownership vehicle, engages a tokenization platform to mint tokens, and deploys those tokens to a blockchain where investors can hold, trade, or use them as collateral. Smart contracts automate dividend distribution, enforce transfer restrictions, and execute redemptions without a back-office team processing paperwork at T+2.

The market reached \$24 billion in mid-2025, up 380% in three years. Standard Chartered projects \$30 trillion by 2034; McKinsey's more conservative estimate lands around \$2 trillion by 2030. These are no longer pilot numbers. BlackRock's BUIDL fund hit \$2.9 billion AUM. Franklin Templeton's BENJI holds \$800 million. Apollo tokenized private credit through ACRED. Siemens issued a €300M bond on-chain with two-hour settlement. JPMorgan's Kinexys processes billions in tokenized repo collateral daily. Production systems. Institutional capital. Real scale.

Key Takeaway: Tokenization works when the friction of traditional ownership — settlement delays, geographic barriers, intermediary costs, illiquidity premiums — is high enough to justify the implementation cost. Get that calculus wrong and you have created more complexity, not less.

Which Chains Are Being Used — And Why the Choice Matters

Not all blockchains are built for the same purpose, and institutional RWA issuers are learning this through hard experience. The chain selection decision carries meaningful consequences for liquidity depth, regulatory posture, investor access, and operational complexity.

Ethereum dominates with roughly 65% of tokenized RWA market share, offering the deepest DeFi infrastructure, broadest institutional familiarity, and strongest composability. Layer-2s — Arbitrum, Base, Optimism — reduce gas costs dramatically while inheriting Ethereum's security, making them increasingly attractive for high-frequency or lower-value RWA applications. BlackRock chose Ethereum for BUIDL for precisely these reasons: maximum liquidity surface and DeFi composability.

Franklin Templeton chose Stellar for BENJI given its built-in compliance primitives and fast, low-cost settlement architecture. Solana attracts consumer-facing projects with its high throughput and low fees, but its history of network outages remains a legitimate concern for institutional issuers who cannot afford downtime during market stress.

The more consequential debate is public vs. permissioned. Public chains offer composability — a tokenized Treasury on Ethereum can be posted as DeFi collateral, borrowed against, or traded on a DEX. This is where the genuine liquidity benefit lives. Permissioned chains like JPMorgan's Kinexys or HSBC's Orion offer privacy and governance control at the cost of interoperability. Tokens stay on the ledger they were issued on — a more efficient version of the existing system, not a redesign of it. Most serious institutional issuers in 2026 are pursuing hybrid architectures: compliant issuance on permissioned rails with bridges to public chain liquidity via protocols like LayerZero and Axelar. The cross-chain infrastructure is maturing but fragmentation remains a real operational challenge.

Regulatory Considerations

The U.S. President's Working Group confirmed in 2025 that the legal treatment of a tokenized asset is determined by what the asset is, not by the fact that it has been tokenized. A tokenized money market fund is a security. A tokenized share of commercial real estate structured through an LLC is almost certainly a security. Attempting to classify these instruments as utility tokens to avoid registration is not a regulatory strategy — it is a liability.

The reversal of SAB 121 now permits banks to custody tokenized securities at scale, removing one of the most significant structural barriers to institutional participation. Stablecoin legislation advancing in Congress provides the settlement layer with clearer legal footing. The SEC has withdrawn several enforcement actions that had created legal ambiguity. In Europe, MiCA is in force and provides the most comprehensive framework currently available. Singapore's MAS and Hong Kong's SFC offer regulated tokenization pathways. Cross-border issuers must reconcile meaningfully different frameworks — what qualifies under Reg D in the U.S. may not satisfy MiCA prospectus requirements in the EU.

TapCap View: The regulatory landscape is complex, jurisdiction-specific, and evolving faster than most institutions can track internally. These questions require specialists who live at this intersection daily. The cost of getting it wrong is considerably higher than the cost of getting proper guidance upfront.

Liquidity, Exposure, and Secondary Trading — Reality vs. the Pitch Deck

Fractionalization lowers the investment floor materially. A \$50M commercial property requiring a \$500K minimum check becomes accessible at \$1,000 per token, expanding the investor universe immediately. Assets previously limited to institutions — private credit, infrastructure debt, hedge fund shares — can be made available to a broader qualified investor base. 24/7 global access removes temporal and geographic barriers: a Singapore investor can trade a tokenized U.S. Treasury at 3 a.m. EST without waiting for New York market open.

Collateral utility is the underappreciated multiplier. Tokenized Treasuries can be posted as margin in DeFi protocols, used in repo transactions, and transferred instantly between counterparties without settlement delay. JPMorgan built Kinexys precisely to capture this efficiency. BlackRock has been explicit: the appeal of BUIDL is near-instant settlement and the ability to use fund shares as on-chain collateral — capabilities a traditional money market fund cannot provide.

Secondary market reality is more complicated. Academic analysis of RealT's real estate tokens found ownership changed hands roughly once per year — not the liquid market the pitch decks advertise. Whitelisting requirements and jurisdictional restrictions structurally constrain the eligible buyer pool. DEX-listed tokens showed ~25% higher turnover, but secondary trading remained thin in absolute terms. Regulated ATS venues — tZERO, INX.one — operate under SEC oversight. Switzerland's SDX provides institutional custody under Swiss law. DEXs offer composability but create compliance friction for securities-classified tokens. Transfer restrictions enforced via ERC-3643 are correct compliance architecture but further limit the tradeable population.

On-chain trading delivers real benefits: automated settlement, programmable compliance, transparent ownership records, and 24/7 availability. It also introduces smart contract risk — RWA protocol exploits reached \$14.6M in H1 2025, more than double the full-year 2024 figure — plus oracle manipulation risk and unresolved legal questions when on-chain records and off-chain title diverge.

The Hard Truth: Tokenization builds the infrastructure for liquidity. It does not create liquidity. Without active market-making, broad distribution, and genuine investor demand for the underlying asset, a tokenized instrument is a more efficiently administered illiquid asset. The technology is necessary but not sufficient.

Not Everything Belongs On-Chain

The tokenization industry has developed a tendency to propose blockchain as the solution before confirming what the problem actually is. A meaningful portion of current tokenization activity creates more operational complexity than it resolves.

Tokenized U.S. Treasuries lead the market by volume — and are ironically one of the weaker standalone use cases. Treasuries already settle efficiently in the most liquid market on earth. The genuine value-add is on-chain composability as collateral in DeFi protocols. Strip that away and you have a more expensive wrapper for an already-functional asset. Fine art presents a fundamental mismatch: no real-time price

discovery, no fractional physical redemption, and deeply subjective value. Maecenas tokenized a multi-million dollar Andy Warhol painting in 2018. Secondary markets never materialized. The ART token went to zero.

Single-family residential real estate faces the same structural problem. Individual properties lack the pooling and management infrastructure that tokenization requires to deliver on its promises. The backend process problem is underappreciated across the board: for private credit, real estate loans, and structured products, the work of origination, due diligence, legal documentation, and ongoing administration remains entirely off-chain. Tokenization adds a technical layer without eliminating the human processes beneath it. The blockchain does not fix bad asset management — it just makes those failures more visible.

TapCap View: The question is not whether an asset can be tokenized — almost anything can. The question is whether tokenization solves a real friction significant enough to justify the legal, technical, and operational cost of implementation. For a surprising number of assets currently being tokenized, the honest answer is no.

What Success Looks Like — And What Failure Looks Like

The Cases That Worked

BlackRock BUIDL solved a genuine institutional problem: earn yield on short-duration safe assets while maintaining real-time on-chain collateral utility. It attracted \$500M faster than any ETF in history — growing to \$2.9 billion AUM — by combining BlackRock's institutional credibility, Securitize's KYC/AML infrastructure, and DeFi's genuine demand for a safe yield-bearing collateral option. The liquidity came from the ecosystem, not from a traditional secondary market. Distribution was a function of the product filling a real gap, not of aggressive marketing.

Franklin Templeton's BENJI succeeded through a century of regulatory credibility, a purpose-built chain with compliance primitives designed for exactly this use case, and patience — AUM built over years through existing institutional relationships, not liquidity mining or token incentives. Siemens' €300M corporate bond delivered two-hour settlement, eliminated clearing agents, reduced issuance costs, and worked cleanly because the investor base was pre-identified institutional buyers. No public market was required. The efficiency gain was unambiguous and measurable.

The Case That Didn't

RealT tokenized individual Detroit rental homes for global fractional investors. The pitch was compelling: democratized access to real estate yield, borderless investment, blockchain-enforced ownership. In July 2025, Detroit filed suit against RealT and its affiliated LLCs — 1,000+ blight violations, \$3.1M in unpaid property taxes, 100+ vacant homes, tenants unable to reach a landlord. The failure had nothing to do with blockchain. It was a property management operation that used token issuance to scale capital faster than its operational capacity could support. Fractionalizing a property into tokens does not change the fact that someone still needs to collect rent, maintain the HVAC, and pay the taxes. When the token issuance

outpaced the infrastructure, hundreds of global investors were left holding tokens in properties neither they nor the issuer could manage. The parallel to mortgage securitization is intentional: when you separate capital raising from asset management, incentive alignment breaks down. Tokenization did not cause that failure — but it gave the failure global scale at speed.

The Future: Who Should Tokenize, Who Shouldn't, and What Comes Next

Strong candidates share a clear profile: genuine secondary market demand with high traditional friction; existing compliance infrastructure extensible to on-chain operations; and clear benefit from 24/7 settlement, global distribution, or DeFi collateral utility. Best fits in 2026 are institutional money market and bond funds seeking composability, private credit managers with standardized cash flows, pooled real asset funds where fractionalization makes sense at the fund level rather than the asset level, and corporate treasuries targeting more efficient bond issuance and collateral management.

Poor candidates: assets with no secondary demand or standardized valuation; single-asset residential real estate without robust pooled management infrastructure; collectibles and fine art; and any project where the primary purpose of tokenization appears to be capital raising rather than operational efficiency. That last category deserves extra scrutiny.

The central constraint on market credibility remains the gap between issuance volume and secondary trading activity. Regulated ATS development, improved DEX integration for permissioned tokens, and cross-chain interoperability will determine whether RWA tokenization achieves genuine liquidity or remains a more efficient form of private placement. Stablecoin legislation — if enacted — accelerates adoption by clarifying the settlement layer. AI-driven compliance tools will reduce investor onboarding friction over the next 12 to 18 months. Platform competition among Securitize, Ondo, Centrifuge, and the major banks building proprietary infrastructure will drive down issuance costs for new entrants. The infrastructure is maturing rapidly. What is not guaranteed is that every institution rushing to tokenize in the next 24 months will have done the foundational work to make it succeed.

The Bottom Line

Tokenization is a structural shift in how financial assets are issued, distributed, and traded — not a trend. But trends attract noise, and this one has attracted considerable amounts of it. The difference between a tokenization project that builds durable institutional value and one that ends up in a Detroit courtroom is not the technology. It is the quality of the underlying asset, the robustness of the legal structure, the depth of the distribution strategy, and the discipline to ask whether tokenization actually solves a problem worth solving.

The institutions that will win in this market are not the ones that tokenize the most assets. They are the ones that tokenize the right assets — with the right legal architecture, on the right chains, for investors who are genuinely better served by on-chain ownership than by the instruments they already have. That distinction is harder to make than it sounds, and the market will sort those who made it carefully from those who did not.

Where TapCap Fits. The questions that matter most here are not technology questions — they are financial and strategic ones: which assets are worth tokenizing, which chains suit a given issuer, and where the real risks are hiding beneath the pitch deck. These decisions benefit from perspective that sits at the intersection of traditional capital markets experience and working knowledge of how these systems actually operate — still genuinely rare. TapCap follows this market closely. If you are a decision-maker trying to cut through the noise, we are worth talking to.

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