

Volume II in DealIndex Alternative Finance Series: Digital Real Estate Investing Demystified

“We are delighted to be able to contribute to this report, which offers a relevant and comprehensive assessment of the global property crowdfunding industry and its impact on traditional forms of property investment, for the very first time.” *Anthony Rushworth, Founder & CEO, Homegrown*

Real estate investing is considered to be one of the earliest forms of investment. Yet, it was not only until a few decades ago that direct investing in the market, or via expensive and hard-to-access investment funds, was the only way for investors to partake in this sector. Access to information and the large amount of capital often required constituted two formidable barriers to entry for investors interested in investing in traditional real estate.

In the pre-crowdfunding era, investing in private real estate was all about who you knew. Under the Securities Act of 1933, private securities investments (including securities of real estate companies) could not be marketed publicly. This meant that access to private deals was restricted to investors who were able to seek them out through connections in their personal network. Once an investor was lucky enough to be able to locate a private investment, he/she would then have to provide the necessary funding. For real estate, this could easily run into the six-figure range. These high buy-in requirements and the ban against publicly soliciting for these investments effectively shut the average investor out of a large segment of the real estate market. For real estate companies, this meant that their access to capital was restricted to who they knew thus rendering capital very inefficient.

With the emergence of technology-driven crowdfunding platforms though, it is now possible for sponsors/developers to present their investment projects online, thereby enabling access to these projects to a wider number of potential investors all across the globe – literally within seconds (i.e. at the click of the mouse). Diversification, transparency, higher returns – there are a multitude of reasons as to why crowdfunding for real estate presents an attractive new business model, allowing the average investor to allocate a portion of their wealth to an important asset class. Though still in its infancy, real estate crowdfunding is rapidly reshaping the way people find and invest in properties. This shift has brought benefits not only for investors but also for real estate companies and for the real estate market as a whole.

To give you a general indication as to the market size and potential, Massolution estimated the size of the global real estate crowdfunding market in 2015 to amount to \$2.6 billion. As for the number of platforms in this space, Crowd Valley estimates that there are roughly 230 real estate crowdfunding platforms worldwide to date.

As you can see, RECF has quickly become one of the fastest growing segments of online

investing. On the back of this trend, in an attempt to shed more light on this fast-growing sector, the DealIndex team has been diligently conducting research and interviewing our partners to issue Volume II of our *Alternative Finance Demystified* series, this time focusing on the digital real estate investment ecosystem.

In this report, we take a deep dive into the various parts of the sector, how RECF works, the different models, the leading businesses, as well as the advantages that real estate crowdfunding offers and an outlook as to the future trends. We have also furnished our report with several case studies and unique insights shared by 11 leading digital real estate investment players worldwide.

To give you a gentle teaser as to what can be expected in the report, in conducting our research, we discovered the following key themes that underpin the RECF space:

1. Increased transparency and access to real estate investments; individual investors get access to otherwise closed off high value real estate assets, providing increased diversification with a lower capital commitment.
2. More direct ownership, cutting out the middle man. Sponsors and developers are able to access capital – both equity and debt – from a diversified base of investors through real estate crowdfunding.
3. Technology, speed, and data have come together to reduce the inefficiencies in searching and accessing real estate investment opportunities.
4. Diversity and collaboration between players that exist in the RECF landscape, especially in the US; including sponsors, developers, REITs, new players, and private real estate investment funds.
5. Evolution of real estate crowdfunding in the US with different models encompassing equity, mezzanine capital and debt investments as well as lead generation.
6. Real estate has become a significant part of marketplace lending.
7. Investors are getting comfortable with investing in real estate online and across borders.

Already, RECF has demonstrated its potential to democratise investment options in real estate. For those who are interested to learn more about this evolving sector that is rapidly democratising access to what was traditionally an opaque and hard-to-access asset class, **feel free to download a copy of our *Digital Real Estate Investment Demystified* report by clicking [here](#).**

We hope you find the report informative and an interesting read. We would also like to extend our grateful acknowledgement and sincere thanks to all our partners who have contributed to this report. Without your contributions, the report would not have reached its present form.

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