Crowdfunding Update

Richard Swart
Haas School of Business
UC Berkeley
Intro

• Background
• Intro to CF broadly
• CF for Real Estate
• JOBS Act
• Looking forward
Definition

• Crowdfunding is a method of financial intermediation, enabling efficiency in the identification, participation and funding of investment opportunities

• Accelerated Resource Mobilization
The Global Picture of Crowdfunding

- Oceanania
- Europe
- UK
- Africa
- Asia
- North America
- South America
Legislation and Regulation

- JOBS Act
  - Title I
  - Title II
  - Title III
  - Title IV
- UK
- Europe
- Asia
Markets and Models

- Commercial Industrial – 77%
- Multifamily – 15%
- Residential – 8%
- Equity – 44%
- Lending – 37%
- Hybrid – 11%
- Royalty – 7%
2014 Figures

- Approximately One Billion US infused into Real Estate through CF platforms
- Strong investor demand and exponential growth in the number of platforms
- Also seeing growth in alternative mortgage market (lendinghome, sofi)
- 156% Industry Growth from 2013-2014
Drivers

• Low yield
• Inflation hedge
• Fragmentation of RE market
• Sponsors adopting own platforms
• More efficient access to capital
• Tired of 2 and 20 LP model
• Predicted market of 250BN in 5 years
Drivers

• Syndication seeking alpha, not passive losses
• Investment channel for institutional investors – missing the crowd
• Delay in passing Title III of the JOBS has transformed CF into institutional funding
• Disruption of model of proprietary investment communities
• Intermediaries – Carlton, American Realty Capital and Merriman
Differentiators

- User Experience – Design
- Property Type
- Deal Structure
- Data and Analytics Provided
- Post Market Servicing
Legitimacy: Key Trend

- Accenture
- Deloitte
- KPMG
- EY
- BCG
Risks

• Adverse Selection (no data)
• Saturation of CFPs
• Redefinition of Accredited Investor Standard
• Title III delay OR
• Title III launch with backlash
• Response to 120 Trillion Shadow Banking Sector
Civic Crowdfunding

- Architectural and Redevelopment Projects
- CF for community engagement
- CF to gauge interest
- CF to finance development