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REAL ESTATE CROWDFUNDING:  
MARKET ANALYSIS UPDATED AT 2019

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## Abstract

The present thesis is based on the “Real Estate Crowdfunding Report 2019”, developed by Politecnico di Milano in partnership with the crowdfunding platform Walliance. The aim of this work is to analyse the state of the art of Real Estate Crowdfunding market worldwide, with a focus on the situation in the United States, where the phenomenon was born and is more developed, in Europe and, obviously, in Italy, where the market is smaller but very dynamic and rapidly growing. Particular attention was paid on the leader platforms of each country, which were analysed specifically in order to understand what the Best Practices are, the market trends and the Business Model innovations. In Italy all the operating platforms (at 30 June 2019) were considered, because of the limited number of platforms operating and due to the need to achieve a comprehensive view of the market in our country.

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## Executive Summary

### Real Estate Crowdfunding

Throughout an enabling Internet platform, Real Estate Crowdfunding allows potential investors contributing to the financing of a real estate project, usually getting back a return on the invested capital. On the one hand it allows small investors, but professional investors too, to access an asset class otherwise unavailable with 'small' investment tickets and to improve the diversification of investment portfolios. On the other hand, it allows real estate developers to diversify their sources of finance and reduce their dependence on the banking channel.

### Market Overview

Almost non-existent until 2012, at 31/12/2018 the Real Estate Crowdfunding had collected more than € 11.9 billion worldwide (of which \$ 7,4 billion in the USA and € 1.85 billion in Europe). Developing first in the United States and later in Europe and the rest of the world, from 2012 to 2018 the number of Internet platforms specialized in this area has increased from 8 to 123. There are three main types of platforms: *Equity platforms* (raising capital through the direct subscription on the web of equity securities of the property or of the real estate construction company), *Lending platforms* (lending money through internet to real estate companies in exchange of interests and repayment of capital) or *hybrid platforms* (platforms offering both types). Nowadays in the market most of the platforms (48%) are of the Lending type.

At European level, the Real Estate Crowdfunding platforms have collected in 2018 more than € 670 million. The leader of the European market is Crowdhouse, a Swiss platform launched in 2016 specializing in the equity crowdfunding, which raised a total of € 202 million (31/12 /18) on over 66 projects.

The average size of the projects proposed by the European platforms is € 554,066, while the average investment of a single investor is € 2,875. Most projects refer to residential buildings (83%) and prefer urban contexts (74%).

Regarding the US, the leader is Sharestates that between 2014 to 2018 (31/12 /18) has raised \$1.84 billion, followed by PeerStreet with \$ 1,13 billion. The average size of a project in the United States is \$ 774,214. The average maturity of a lending crowdfunding investment is 16.9 months while, as regards the equity 76.7 months.

The rest of the world is experiencing the strengthening of the Far East that with € 1,2 billion collected from 13 platforms is the third region more developed for this market after USA and Europe, and the beginning of the growth of Real Estate Crowdfunding in Latin America with € 148 million raised from 7 platforms (all born from 2017 onwards).

### The situation in Italy

The Real Estate Crowdfunding phenomenon in Italy is relatively recent compared to the rest of Europe and the world, but over the last few months has shown significant signs of growth, driving the increase of the whole crowdfunding market. By now the specialized platforms operating in Italy are 6 (of which 4 legally based and 2 foreign operators). Of these, 2 are authorized to operate as equity crowdfunding platforms under Italian law: Walliance and Concrete. The other 4 have adopted the 'lending based' model: the Spanish Housers, the Estonian Crowdestate, and the Italian Trusters and Rendimento Etico. The total capital collected by the platforms mentioned above up to the date of 06/30/2019, amount to € 22,784 million (of which 56,6% from the 'equity' platforms and the remaining portion from the 'lending' ones).

As of 30 June 2019, another 4 platforms were in the starting phase: House4Crowd (Lending), BuildAround (Equity), Re-Lender (Lending), Recrowd (Lending).

**The growth forecasts**

In Europe, there has been a slowdown in the number of new platforms and a corresponding increase in the size of existing ones, a clear sign that the market has reached the level in the number of players.

In Italy the launch of new platform, will contribute to the further growth of the market in the coming months. It is reasonable to expect more growth than in the last year, with a collection targets on an annual basis amounting to € 30 million.

As for the possible future developments of the platforms, the most significant trends seem to be: an increase in market concentration; the development of new services offered by the platforms, in particular the establishment of real estate investment funds; the increase in the number of the cross-border transactions proposed in order to further diversify the proposed investments and to reach a European dimension.



## Introduction

This thesis is based on the “The Real Estate Crowdfunding Report 2019”, developed together with the Real Estate crowdfunding platform “Walliance” and aiming at describing the significant growth that the real estate crowdfunding market shown in the last 12 months, especially in Italy (where it started with more delay than other countries). It can be said that in our country real estate transactions have made a significant and decisive contribution to the growth of the crowdfunding industry. After the first 'pioneer' platforms new players arrived, as we had suggested last year, and others are ready to become operational in the coming months.

The data described in the following pages introduce some elements of particular interest and not always obvious. For example, the platforms operating on a cross-national basis have not increased, witnessing the existence, even within the European Union, of information and regulatory barriers in the real estate market.

In Italy, one of the first 'exits' carried out in the equity crowdfunding industry took place in the real estate field, with a fair yield for investors. It is interesting to observe, then, that 100% of the proposed operations has so far reached the collection target, confirming the interest of investors in the Real Estate Crowdfunding, whose objectives are 'easy to understand' and concern an asset class, towards which Italian savers have always shown a certain familiarity and predisposition.

Spaces for further market growth in the future are significant, both in terms of size and in terms of diversification of models. Up to date, the type of transactions observed is standardized: despite some differences between the Equity and Lending platforms, the capital raised is used as a complementary lever in the financing budget, almost always in the residential sector. In the future it is likely that we will see more diverse models, also intended to finance infrastructures, industrial areas and energy efficiency operations, and perhaps social and cooperative housing projects.

# 1. Real Estate Crowdfunding

## 1.1 Definitions and models

Crowdfunding can be defined as the collection of money through the Internet aimed at the realization of projects of different types. A key element is the presence of an enabling platform that is able not only to present the opportunity and to put investors and proposers in contact, but also to finalize the operation. In exchange of money, proposers can offer a simple greeting (donation-based model) or a non-monetary reward (reward-based) like a product or the access to a service.

Crowdfunding is on the one hand a source of capital, on the other a form of use of money, but it is also an opportunity to involve the Internet 'crowd' in the development of a project, collecting valuable feedback and suggestions with respect to the activities to play, according to the idea of 'crowdsourcing'.

In the most advanced versions, the money is collected to finance a real investment, which is associated with a monetary return (crowdinvesting). When the financial resources collected are aimed at financing a real estate project, it is called Real Estate Crowdfunding (RECF). There are two main types of RECF, depending on the financial product offered:

1. *Real Estate Equity Crowdfunding*: the investment is realized through the subscription of shares of ownership of a vehicle (SPV) that participates in the financing of the project or directly implements the operation itself;
2. *Lending Real Estate Crowdfunding*: the investment consists in financing a loan request by the company that carries out the real estate operation, with a contract that describes the repayment methods and the return on capital through the recognition of an interest rate.

*The direct investment in shares owned by the property is very rare* in the RECF, both for regulatory limits, for tax penalties, and for reasons of organizational opportunity.

A common element in the RECF is the presence of a **risk linked to the investment**, in addition to the entrepreneurial risk of the project, due to several reasons:

- the high information asymmetry that characterizes the operation;
- the risk of opportunistic behaviour on the financed party side;
- the illiquidity of the investment;
- the limited role of the supervisory bodies (in Italy CONSOB and the Bank of Italy) that exercise control over the investment process that is less relevant than what happens in the traditional areas of solicitation of collective savings and banking activities, with less capital requirements consistent (or null) for platform managers.

Despite these risks, in the recent years the RECF has continued to experience a significant growth and is becoming increasingly used and appreciated. Investment in real estate is usually a type of asset class not accessible to many, due to the high initial barriers in terms of minimum investment and required skills. Thanks to the RECF this limit is cut down, with the opportunity to invest small amounts of money in more projects.

From this point of view, it can be said that the RECF has made real estate investment more 'democratic', 'participated' and 'accessible'.

## 1.2 Comparison with other innovative Real Estate financing models

The market offers different possibilities to those who decide to invest in the real estate sector. The most conventional and known method is the direct one, where an investor buys directly a property. This methodology has some disadvantages: the admission price that makes the investment prohibitive for a large number of investors, the management of the property (i.e. maintenance, possible leasing to third parties, payment of operating expenses), the difficulties in diversification, the low liquidity, administrative compliance (taxes, bureaucratic practices).

Over time, the traditional method has been joined by other possibilities that allow savers to invest in the sector, overcoming the limits listed above: the main ones are the Real Estate Crowdfunding, which will be analysed in the following paragraph, and collective investment funds (generally 'closed'), which take on different characteristics from country to country, depending on the local regulation. One of the most widespread types of fund in the world are the REITs (Real Estate Investments Trust). These are companies listed on the stock exchange that manage real estate investments. Being listed, they give a certain liquidity to the investment and manage to lower the entry threshold for investors. Including different types of properties coming not only from the domestic market but also from foreign ones, these funds are able to achieve high diversification: within their investment portfolios you can find shopping malls, apartments, offices, hotels etc... However, the decision-making role of the saver in the choice of asset allocation is negligible. This type of investment was born in the United States, where it had great success.

The **main benefits of REITs** are therefore:

- accessibility and liquidity, given that the shares (or fund units) are listed on the exchange;
- property diversification;
- minimum accessible investment threshold;
- administrative and operational requirements for the management company;
- active management by experienced professionals;

As regards the **Real Estate Crowdfunding**, as shown in the Table, **the main additional advantages brought to the investor are:**

- particularly low minimum investment threshold;
- opportunity to examine investment opportunities *ex ante*, to choose their own portfolio and maintain a direct relationship with the proponents of the project, through the investment platforms;
- elimination of the intermediary / manager and direct control over the portfolio;

*Table 1 - Investment in Real Estate: comparison between direct investment, REIT / funds and crowdfunding*

	Direct Investment	REIT / Funds	Real Estate Crowdfunding
Minimum Investment	High	Low	Very low
Liquidity	Low	High	Depending on regulation and the platform
Transparency	Yes	Yes, ex post	Yes
Control over the investment	Yes	No	Yes
Diversification	No	Yes	Yes
Transaction costs	High	On behalf of the Fund	On behalf of the vehicle

### 1.3 Legal framework in Italy

The expression *real estate equity crowdfunding* refers to the pre-established destination of the capital raised through an equity crowdfunding platform. Between 2012 and 2018 there was an evolution of the legislation that facilitated the development of the domestic market for equity crowdfunding real estate.

Indeed, the original regulation limited the possibility of raising risk capital through online portals to innovative start-ups only. Even when, between 2015 and 2016, the number of companies allowed to raise online capital was expanded, in order to include innovative SMEs as well, the law continued to restrict the access to only “innovative” companies. As a result, given the obvious difficulties in providing real estate to innovativeness, the possibilities that a real estate project could raise capital using an online portal were quite limited.

Then, in December 2016, *the 2017 Budget Law* established that all small and medium-sized enterprises could access the possibility of raising capital through online portals; the changes to requirements regarding the equity crowdfunding contained in the TUF and in the related Consob Regulation came into force in January 2018.

Due to this change in the regulatory framework, all those companies that meet at least two of the following three requirements can now raise capital through online portals:

- average number of employees below 250;
- total balance sheet not exceeding € 43 million;
- annual net sales not exceeding € 50 million;

An important consequence deriving from the extension to all SMEs of the possibility of carrying out equity crowdfunding campaigns is that today almost any company can raise capital through online portals: following the abovementioned new legislation there are the conditions for not only the operating company that carries out the project can proceed with the collection, but also having a *vehicle* company (SPV) responsible for the collection, which then provides, in various ways, the capital raised to the company appointed to develop the business project. The most recent practice would seem to suggest that this second option goes very well with the needs of companies active in the real estate sector, which usually, in order to participate in an equity crowdfunding campaign, establish a corporate vehicle with collection functions that allocate the capital raised to the financing of the company that develops the real estate project.

More generally, it can be stated that the real estate equity crowdfunding companies active in the real estate sector now have a financing channel available (alternative to the banking channel) which is particularly advantageous.

At the same time the managers of the portals have the possibility of obtaining interesting returns. *Compared to the "general" portals the ones specialized in real estate can count on a constant quality deal flow and, consequently, to face the management costs relying on important commissions and therefore with appreciable profit expectations.*

Investors also seem to approve the use of capital raising through online portals for the financing of real estate projects: in addition to having the opportunity to invest low amount of capital per project and to diversify their investment portfolio, investors seem particularly attracted by the awareness that, net of the variety of schemes with which they will proceed, there is the probability that it takes place relatively early to an *exit* from their investment (i.e. in the most common case, once the project is developed and the buildings are sold), which may result also particularly rewarding.

Therefore, there are all the ingredients so that soon the volumes of capital raised through portals of real estate equity crowdfunding can grow.

## 2. The market landscape

### 2.1 Methodological introduction

To carry out the research, 123 platforms were analysed worldwide. The methodology used to select the platforms to be analysed shows differences depending on the geographical area considered, in detail:

- **Italy:** all the platforms operating in the country that had published at least one project up to 06/30/2019 have been taken into account;
- **Europe:** were considered platforms which had raised at least €1 million and had presented at least 1 new project in 2018;
- **USA:** were considered platforms which had raised at least \$1 million and had presented at least 1 new project in 2018;
- **World:** all the platforms that had presented at least 1 new project in 2018 were considered.

Platforms offering loans to private individuals using a property as collateral, or platforms dedicated to P2P property lending, were not considered. Only the platforms that offer the possibility of investing in projects where a Real Estate property is the asset concerned are the subject of the investigation.

The sample of projects proposed by the platforms is segmented as follows:

- **Italy:** 24 pro projects were surveyed from 4 Italian platforms, in addition to 33 projects proposed by 2 European platforms that also operate in Italy;
- **Europe:** 2471 projects proposed by 20 platforms;
- **USA:** 9.607 projects proposed by 15 platforms;

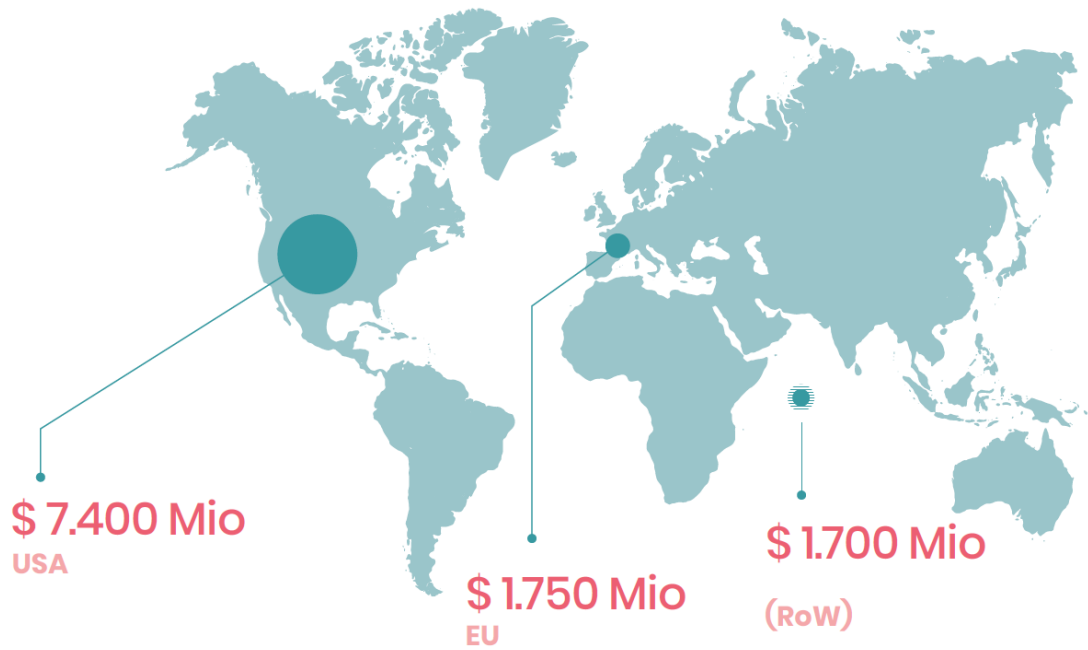
In this chapter, it is analysed and examined the situation of the Real Estate Crowdfunding market (RECF) in the world: the main types of platforms present are defined, examining the business models that characterize them and the main trends. Once the investment models have been identified, a comprehensive analysis of the major market players will be provided, classifying the platforms and analysing the projects in order to understand their performance in the different geographical areas. In addition, it will be provided an example of real successful cases that may represent the best Practices for operators.

In the world of Real Estate Crowdfunding, in which a real estate project aims to raise capital through numerous contributions from the Internet, the free circulation of information is a cornerstone, although unfortunately not always observed properly. The data, on which this analysis is based, are those made available by the various platforms on their web sites up to the first quarter of 2019 (03/31/2019).

### 2.2 Size and composition of the market

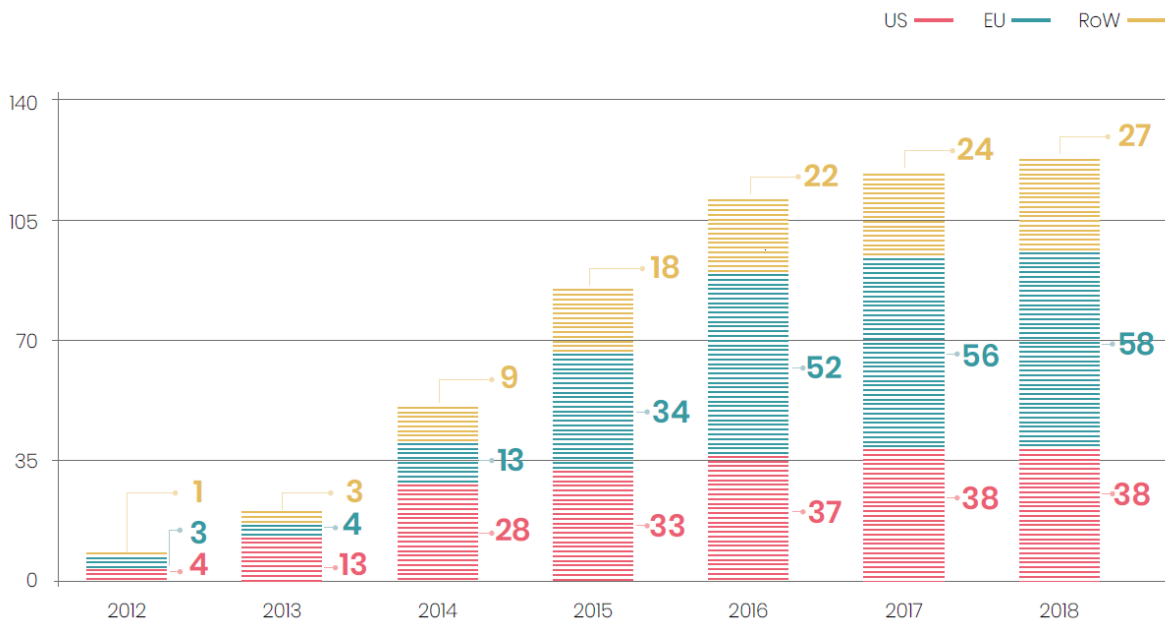
The Real Estate Crowdfunding market is still in a phase of strong growth: the data available shows that the Real Estate Crowdfunding platforms have collected worldwide an amount which exceeds €11.9 billion. The United States confirm their leadership in the sector and managed to raise \$7.4 billion in the last 7 years. As for mainland Europe, the funds raised amount to around € 1,75 billion. Despite this misalignment, Europe, especially in recent years, has shown excellent signs of growth. The rest of the world has significant differences depending on the geographical area considered; in particular, the Far East shows a strong dynamism with platforms already active for several years and important collected volumes, on the contrary in Latin America, where the phenomenon has developed only recently, the volumes collected are still limited (€148 million).

Figure 1 - Distribution of capital raised by RECF platforms



Year by year, with the increasing use of crowdfunding as a source of alternative financing and the application of the latter in the real estate world, the number of platforms ready to serve this type of service has also increased. In Figure 2 we can see the growth in the number of platforms active in the real estate sector, identified using the criteria set in the methodological paragraph. The total is 123 portals.

Figure 2 - Amount of RECF platforms worldwide, divided in US, Europe and ROW



In Europe there are 58 active platforms, while in the United States there are 38. The largest number of European platforms, despite the small volumes, is due to a 'home bias' phenomenon. Indeed, real estate investment, at least for now, is strongly linked to the country of origin of the platform, resulting in the creation of different players in the sector for each European country.

Among the European countries, the undisputed leaders are Germany and the United Kingdom, which are in a situation of near parity with € 393 million and € 391 million respectively cumulatively collected until the end of 2018, followed by Switzerland and France with € 241 million and € 197 million respectively. Interesting is the performance of Estonia, a country with less than 2 million inhabitants, but capable of being home to platforms that have raised funds of as much as € 135 million.

As already seen previously, in USA the RECF has earlier earlier than the rest of the World; from the graph we can see how the majority of platforms US are born in between 2013 and 2014 (63% of the total market players) while in Europe growth was sensitive in the period 2015/2016 (67% of the total). As regard the rest of the world, it is necessary to make distinctions depending on the geographical area considered, particularly, three geographical areas having different characteristics can be identified:

- Asia-Pacific: it has the largest number of platforms (13), here the RECF has developed between 2014-2015 (53% of the platforms was born between these years) and the capital collected are significant and in line with values and Europeans with € 1.2 billion raised;
- Middle East: in this geographical area there are only 2 platforms, but large with € 1.86 billion collected;
- South America: it is the geographical area where the RECF is younger (70% of the platforms born since 2017) and with the lowest collected volumes (€ 148 million).



## 2.3 Business Models

There are different business models adopted by RECF platforms; they can be classified depending on the type of investment offered, the fee applied, the type of relationship between investors and real estate projects and the investment liquidity.

### **Equity vs. lending**

The first important variable to catalogue the platforms is the type of investment proposed. The world of RECF offers two main types of investment: Equity and Lending. An investment in Equity consists of the direct subscription on the web of equity securities of a corporate vehicle. Investments in Lending, on the other hand, offer the possibility of lending capital that will finance the development of projects in the real estate sector in exchange of interest and of the repayment of the committed capital after a predetermined period.

Investing in Equity corresponds to becoming co-owner of a real estate asset or of a company that finances a real estate project. In this type of investment the return is given by the capital gain realized thanks to the disposal of the property (a value that can also decrease according to the specific risk) and / or by periodic dividends, associated for example with the gains generated by the rental of the property. In the case of debt, the investor receives a periodic interest rate defined at the beginning of the contract and his returns will not be compromised by the price of the property, but only by the ability of the financed company to repay the contracted debt; for these reasons the risk is usually lower and, as will be shown below, even the expected returns are more limited. Some platforms offer a hybrid solution, which has some typical features of both debt and equity, such as mezzanine debt. This type of investment, mainly used by German platforms, although it is considered debt, it is an intermediate solution between venture capital and debt. Indeed, the investor's return is linked to the profits of the project, a typical feature of equity, but in the event of default, the investor has priority in the return of the capital with respect to the shareholders. Another interesting feature of this form of financing is that mezzanine debt can be considered as equity for the purpose of calculating the capital required in a real estate project. This implies that as the amount of mezzanine debt increase, the need of equity capital decreases, allowing real estate companies to increase the bankability of projects. In other words, by reducing the financial leverage, mezzanine capital increases the ratio between capital and project value and allows real estate companies to obtain better interest rates from the lending banks.

### **Direct investment vs. SPV**

Depending on the business model adopted by the platforms, the bond between investor and property can change. For example, an investor who decides to invest in an equity crowdfunding project in the real Estate world can become co-owner of a company that controls the property (indirect bond) or co-owner of the property (direct bond).

The most used form to finance a project is the indirect one, where a special purpose vehicle is created having the aim to control or construction of the building; this company is called SPV (Special Purpose Vehicle). In the case of equity investments, investors will become owners of shares owned by the SPV that will manage the property. These companies can also be used in the case of debt investments: in the latter situation the SPV becomes the creditor company of the real estate company that develops the project, which will return the loaned capital plus the interest to the SPV which will then distribute them in proportion to the ownership shares that investors have purchased. Obviously, all these types of transactions are governed by shareholders' agreements. For equity investments, the platforms that do not use the vehicle companies offer the possibility of becoming directly co-owners of the property that will be registered in the land register under the name of all investors. When it comes to debt, for platforms that do not use an SPV one of the main forms of financing is the issue of debt securities (bonds) by the promoter company that will manage the real estate project which can be purchased by individual investors.

## Fee

The main and most common source of income for a RECF platform is the application of collection commissions. The fees may be charged either to the real estate companies in charge of the project or (less frequently) to the investors. As we have seen, there is a wide variety of platforms operating in the real estate sector and each of these adopts different policies in terms of commissions. Despite this, when going to analyse each individual platform, it is easy to identify common standards that occur on almost all platforms.

The commissions applied by the platforms can be classified into:

### - Fees on the partner:

The platforms that adopt this policy, generally the one dedicated to Lending, do not charge commissions to investors but only to project developers. Usually, this type of commission, depending on the platform and the size of the project, is between 2% and 10% of the capital raised, and is charged only if the capital collection operation is successful.

### - Fees on the investors

This commission policy is more complex and is adopted by the Equity Crowdfunding platforms which charge these fees for the management of the property owned by the crowd. In general, each of these platforms bases its return on three main types of revenue that focus on investors:

- Brokerage commission: i.e. a commission received on the total funds raised, which can vary between 1% and 5%, and is applied once the target sum of the project has been reached.
- Management commission: in most Equity Crowdfunding cases, the platform is responsible, in addition to the intermediation between the seller and the crowd, for the management of the property. This commission therefore serves to remunerate this additional service. The rate is often variable and based on the profitability of the investment and is around 1% to 7% of the capital raised, depending on the platform considered. Some of these platforms (such as Property Partners) apply a single commission for both brokerage and property management.
- Success Fee: if the project has a return higher than the target one set in the business plan (target return, or hurdle rate), a commission can be applied on the capital gain exceeding the target (carried interest). Usually the percentage applied is considerable (around 20%).

- *Fees - Internal Market*: some platforms, as we shall see, offer the possibility to sell in their website the shares of real estate properties acquired through the platform itself; also in this case a commission is charged (for example, Property Partner charges 2% for each investor transaction).

## Secondary market

As mentioned, in addition to the possibility of investing in new real estate projects, some platforms offer investors the opportunity to sell their share in a secondary market offered by the platform itself. This type of offer makes it possible to increase the level of liquidity of the investment, giving the possibility to the crowd to sell or buy the securities obtained through the platform. This type of offer is currently affirming among the European platforms, while among those located in the USA it is currently not widespread.

The pricing and sales process is simple: the user who wants to sell the security defines the price, which is published on a dedicated page on the platform website, waiting for an interested user; the platform publishes up-to-date information on the valuation of the property, helping investors to evaluate the price.

Examples of this service implementation are Property Partners and Housers, two of the main platforms of the European scene.

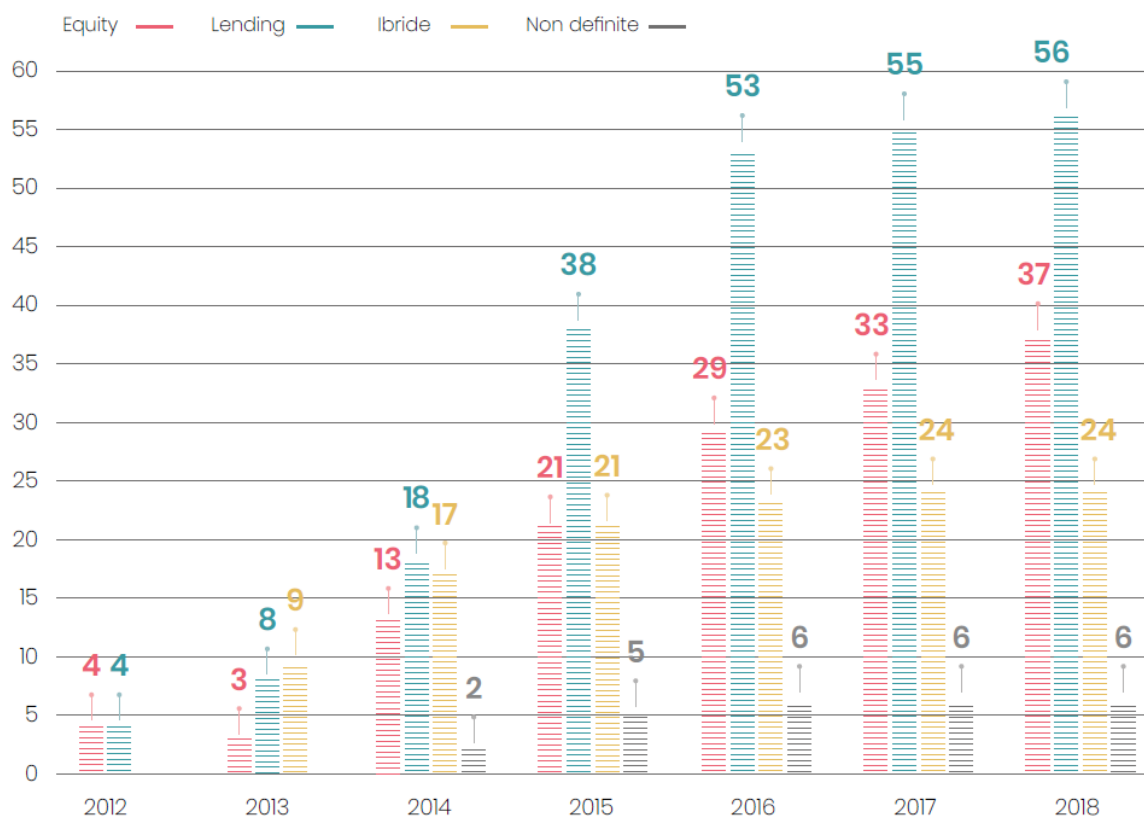
### **Automatic Investments**

Among the platforms that have a large portfolio of projects available, it is often possible to find the so-called "automatic investment" function. In this case it is the platform itself that makes the investments on behalf of the investor, who merely provides the capital that will be "spread" on a variable number of investments; for some platforms it is possible to set certain parameters on the investments that the platform can make (for example the maximum investment per project, the maximum risk level, etc.). This tool often allows to lower the minimum investment threshold per project and to delegate to the platform the choice of investments and the diversification of the user portfolio. In most cases the option does not involve additional commissions, but on the contrary it has been observed for some platforms (for example Reality Mogul) a slightly lower fixed commission than those that would be paid for by choosing the investments individually.

## 2.4 Investment type

Now that we have understood the various business models and the types of platforms on the market, we try to understand the trends and analyse their growth and localization. Depending on the type of project undertaken, it is possible to classify the platforms into Equity Crowdfunding, Lending Crowdfunding and 'hybrid'. The latter are those platforms that offer both types of investments. As can be seen from Figure 3, the most common type of platform in the RECF world is that specialized in debt. Especially in the last three years, the number of these platforms has undergone a strong growth, rising from 18 to 56 platforms between 2014-2018. This growth trend is also evident if we expand our analysis outside of Real Estate and look at the whole crowdinvesting platforms. The Equity platforms have risen to 37 while the 'hybrids' are stable at 24. It is important to underline that some of the main platforms, including Housers, The House Crowd and Tessin, have decided to specialize in a single area after being platforms hybrid.

Figure 3 - RECF platforms growth worldwide, divided by investment type



## 2.5 RECF platforms active in Europe

In this chapter we will look at the individual platforms on the market, analysing the main projects and indicators. Furthermore, some special cases will be considered.

As regards the analysis of supply in Europe, it was considered the main 20 platforms, selecting the leaders in their respective countries and at the same time trying to provide an overall exhaustive representation of the situation in the different European countries (however, following the methodology previously described it was not considered platforms with capital raised below one million euros).

Table 2 - The main RECF platforms in Europe. Data update to 12/31/2018

Platform	Country	Year	Type	Capital Raised	Funded Projecs	Equity	Lending	Currency
Crowdhouse	Svizzera	2016	Equity	€ 202.897.000	66	X		CHF 50.000
Exporo	Germania	2014	Lending	€ 201.474.634	141		X	€ 500
Property Partner	UK	2014	Equity	€ 150.650.000	117	X		£ 1.000
Tessin	Svezia	2015	Lending	€ 123.584.000	114		X	SEK 50.000
The House Crowd	UK	2012	Equity/ Lending	€ 113.519.800	360	X	X	£ 1.000
EstateGuru	Estonia	2014	Lending	€ 94.450.000	625		X	€ 50
WiSEED	Francia	2011	Lending	€ 84.923.000	220		X	n.d.
Housers	Spagna	2015	Lending	€ 77.894.000	192		X	€ 50
Zinsland	Germania	2015	Lending	€ 49.220.000	65		X	€ 500
Anaxago Immobilier	Francia	2014	Lending	€ 43.823.000	90		X	€ 1.000
CrowdEstate	Estonia	2015	Lending	€ 40.440.500	102		X	€ 100
SwissLending	Svizzera	2015	Lending	€ 38.417.000	23		X	CHF 100.000
Homunity	Francia	2016	Lending	€ 37.721.000	91		X	€ 1.000
Zinsbaustein	Germania	2016	Lending	€ 34.050.000	27		X	€ 500
Fundimmo	Francia	2016	Lending	€ 29.663.000	65		X	€ 1.000
Bergfürst	Germania	2014	Lending	€ 27.373.000	38		X	€ 10
Dagobertinvest	Austria	2016	Lending	€ 24.137.000	68			€ 250
Walliance	Italia	2017	Equity	€ 8.669.600	8	X		€ 500
Privalore	Spagna	2015	Equity	€ 4.422.500	23	X		€ 1.000
Bulkestate	Lettonia	2016	Lending	€ 3.767.365	36		X	€ 50

Observing the data presented in Table 2 is visible that the most important platforms in terms of volumes are CrowdHouse, Exporo and Property Partner, with respectively € 203, € 201 and € 150 million. Respect to the previous year we notice that Crowdhouse has exceeded Exporo, while Property Partner has risen to the third place, which was previously occupied by the Swedish platform Tessin.

Interestingly, the first eight platforms volumes were born in if eight different countries: it seems that the growth of the platform was homogeneous between the various countries, partly because of the barriers that often discourage platforms to expand their activities in other countries, passing from a national to a European scale.

The platform that has funded the most projects is EstateGuru (Lending platform), with 625 financed projects, Estonian leader in the sector.

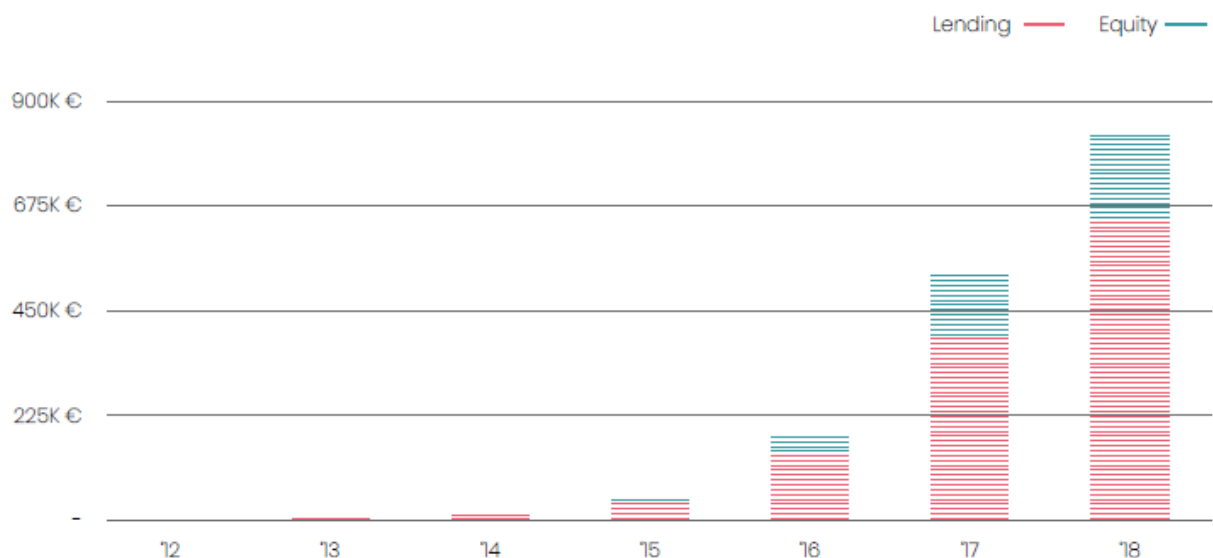
At a European level, the propensity towards Lending platforms is predominant: out of 20 leading platforms analysed, 15 belong to this sector, 4 to Equity and 1 hybrid: it should be noted that compared to the previous year, the number of hybrid platforms has decreased as some of these platforms have changed business models, thus becoming pure Lending platforms (although they still have some active equity projects in the past record).

The minimum investment can vary from project to project, even though most of the platforms propose amount of less than € 1000, even reaching € 10 for the platform Bergfürst . The portals that do not respect this limit are:

- the two Swiss platforms (Crowdhouse and SwissLending) which require minimum amounts of excellent size, around € 100.000;
- the Swedish Tessin platform, which normally offers as a minimum investment a ticket of 50,000 Swedish crowns (about € 4,775), although in many cases it reaches 30,000 or 10,000 crowns, therefore close to the recurring thresholds for other European platforms.

The Figure 4 shows the strong push that the Real Estate Crowdfunding is receiving in Europe in the last year thanks to the 20 leading platforms. From 2016 to 2018, in just three years, it can be seen a 375% increase in the capital raised. After what can be defined as the initial phase characterized by exponential growth typical of a market in its infancy, we now witness a more linear and limited growth: between 2017 and 2018 the growth is equal to +58%.

Figure 4 - Cumulated funds growth (equity & lending) of the main European platforms



### Active platforms by type of fees

We can see from Table 3 that, as far as debt platforms are concerned, the fees are mainly concentrated on proposing companies, i.e. those that require a loan to finance real estate projects. This approach has its own logic since the platforms play a role of intermediary between the proposing company and the lenders, while the subsequent management is somewhat limited. On the other hand, the approach of the Equity platforms is different. By managing the subsequent corporate relationship with the proposing company, they also tend to apply management fees. For platforms that provide a secondary market service to allow the titles exchange, it is usual to charge fees on the sale (of the three platforms that have this option, they all apply these fees).

Table 3 - Commission strategies implemented by the main European RECF platforms

Platform	Fee on the partners	Deal Fee	Management Fee	Success Fee	Market Fee
Crowdhouse		X	X		
Exporo	X				
Property Partner	X	X			
Tessin	X				
The House Crowd					
EstateGuru	X	X			
WISEED	X	X			
Housers	X	X	X		X
Zinsland	X				
Anaxago Immobilier	X	X			
CrowdEstate	X			X	X
SwissLending	X				
Homunity	X				
Zinsbaustein	X				
Fundimmo	X				
Bergfürst	X				
Dagobertinvest	X				
Walliance	X				
Privalore		X	X		
Bulkestate	X				

Let's now analyse a real case to better understand how the commissions are applied. The platform considered is Crowdestate, an Estonian Lending platform. The typical investment proposed by this platform is subject to two types of fees:

- A 4% fee on the sponsor, i.e. the real estate company that proposes its own project. This cost is used to compensate the due diligence phase and the commissions and fees related to the establishment and maintenance of the SPV that will collect capital from investors and will relate with the sponsor. Furthermore, this commission serves to deal with any legal fees too;
- A success fee which falls on the investor and equal to 20% of the excess profit above the hurdle rate (i.e. the minimum estimated return for the investor). In general, the hurdle rate is equal to 8% of the invested capital;
- In the event the sponsor wishes to refinance the loan, and in the case Crowdestate agrees, the platform asks the sponsor an additional 1% of the amount that the company wants to refinance.

### Cross-border transactions

Although European platforms are usually focused on real estate operations located in the country of origin, the phenomenon of cross-border transactions involve almost half of the platforms analysed (9 out of 20, see Table 4), although with strong differences between them:

- The German platforms (Bergfürst, Exporo and Zinsland) have financed projects in Austria, a region with the same language and probably with regulations not too different from Germany; only Bergfürst has developed real estate transactions in another European country (Spain with 4 projects);
- The French Wiseed platform has funded 7 projects on the island of La Reunion (French overseas territory). This is the only French platform to have carried out operations outside national borders;
- In Swiss, Swisslending is the only platform analysed to have made more operations cross-border than projects funded at home (14 of 23). However, it should be noted that this platform had started by proposing only projects outside the Swiss borders;
- The Spanish Housers and the Estonian Estateguru and Crowdestate routinely perform operations outside its borders. In particular, Estateguru imposes itself as the most "international" platform having financed operations in Finland, Latvia, Lithuania and Spain and having developed a partnership with the Japanese CrowdReality platform with which it collaborated on 3 projects in Estonia (this is the first case detected of cross-platform collaboration).

Table 4 - Cross-border operations proposed by European platforms

Platform	Total projects	cross-border projects	Austria	Bulgaria	Finland	France	Italy	La Reunion	Latvia	Lithuania	Luxenburg	Portugla	Spain	USA
Bergfürst	38	8	4										4	
Bulkestate	36	2		2										
CrowdEstate	102	16			1		4		11					
EstateGuru	625	169			2				96	70			1	
Exporo	141	1	1											
Housers	192	25					16					9		
SwissLending	23	14				9					5			
WiSEED	213	7						7						
Zinsland	65	3	3											
Walliance	8	1												1



## KPI and performance indicators

### SUCCESS / INSUCCESS RATE

As “failure” it is considered a project that after being presented on the platform has not received enough funds to be completed. In these cases, the investors will be returned the capital provided. During the research, through the sites of the various platforms, it was not found data on projects that were not successful, with the sole exception of CrowdEstate: it was first proposed project (out of 102 total) which did not reach the minimum capital necessary to start and the capital raised was then returned to the investors. In some cases, it is possible to see projects which, while not reaching the desired target, are financed equally with the capital that has been obtained. Compared to the general crowdinvesting, the RECF therefore confirms itself as a capital raising technique characterized by a very high probability of success, above all thanks to the wide offer of available capital.

### AVERAGE VALUE OF SUCCESSFULLY CLOSED PROJECTS AND CORRELATION BETWEEN THE TYPE OF PROJECT AND AVERAGE FINANCING VALUE

From the sample of projects analysed, consisting of a total of 2.471 projects, an average size per project of € 554.066 is noted.

By breaking down the data by Equity and Lending platforms or by single platforms, important evidences emerge:

- The Equity projects seem to reach a value of collecting much higher than those in lending with an average of € 832.250 compared to € 479.499 ; however, not considering the projects of the Crowdhouse platform, we arrive at rather similar project averages: € 512.085 for the Equity and - as mentioned- € 479.499 for the Lending; indeed, Crowdhouse is the platform that on average offers larger projects in terms of capital raised (about € 3 million), while on the other hand the Latvian Bulkestate Lending platform is the one that offers smaller projects (€ 104.649). This is also related to the fact that this platform funds the renovation of small houses and that the costs of real estate in Latvia is considerably lower than those of Western European countries;
- Usually, we note that the German and Swiss platforms offer projects with a higher average value than the platforms of other countries.

*Table 5 - Statistical data on the campaigns of the main RECF platforms in Europe. (Data in brackets excluding the Crowdhouse platform)*

	Total	Equity	Lending
AVG project size	€ 554.066 (€ 485.539)	€ 832.250 (€ 512.085)	€ 479.499
Number of projects	2471 (2406)	511 (446)	1960

Table 6 - Statistical data on the campaigns of the main RECF platforms in Europe.

Platform	AVG project size	Total Projects	Lending AVG size	Lending total projects	Equity AVG size	Equity total projects
Crowdhouse	€ 3.074.197	66	€ 2.090.651	1	€ 3.029.861	65
Exporo	€ 1.428.898	141	€ 1.428.898	141	-	-
Property Partner	€ 1.099.573	117	-	-	€ 1.099.573	117
Tessin	€ 1.084.070	114	€ 1.083.903	87	€ 1.073.797	27
The House Crowd	€ 315.333	360	€ 512.794	169	€ 140.616	191
EstateGuru	€ 151.120	625	€ 151.121	625	-	-
WISEED	€ 386.014	220	€ 387.263	218	€ 250.000	2
Housers	€ 405.698	192	€ 438.950	134	€ 328.872	58
Zinsland	€ 757.231	65	€ 757.231	65	-	-
Anaxago Immobilier	€ 486.922	90	€ 486.470	90	-	-
CrowdEstate	€ 396.475	102	€ 363.620	82	€ 561.143	20
SwissLending	€ 1.670.304	23	€ 1.670.304	23	-	-
Homunity	€ 414.516	91	€ 414.516	91	-	-
Zinsbaustein	€ 1.261.111	27	€ 1.261.111	27	-	-
Fundimmo	€ 456.354	65	€ 456.354	65	-	-
Bergfürst	€ 720.342	38	€ 720.342	38	-	-
Dagobertinvest	€ 354.956	68	€ 349.808	68	-	-
Walliance	€ 1.083.700	8	-	-	€ 1.083.700	8
Privalore	€ 192.283	23	-	-	€ 192.283	23
Bulkestate	€ 104.649	36	€ 104.649	36	-	-

#### NUMBER OF LENDERS FOR A SINGLE PROJECT AND AVERAGE INVESTMENT VALUE

Not all platforms declare the number of investors per project; among the analysed European platforms 15 have made this type of data available. Consistent with the average size of the investment, Table 7 shows that Switzerland is the nation with the highest average investment (on average € 11.000): this is a higher figure than in other European countries where in general average investment fluctuates between € 500 and € 3.000. This data also depends on the average number of investors per project: in Switzerland there is an average of 29 investors, while in Germany it reaches 506; these differences obviously impact on the average amount of investments described in Table 8 (it should also be noted that Switzerland has very high minimum investment thresholds which consequently limit the number of possible investors).

Table 8 - Average number of investors on the main RECF platforms in Europe.

Country	Number of platforms	Investors average	Equity	Lending
Austria	1	€ 1.570	-	€ 1.570
Estonia	2	€ 449	€ 1134	€ 429
Francia	3	€ 2141	€ 6.944	€ 2136
Germania	3	€ 2.500	-	€ 2.500
Italia	2	€ 5.216	€ 5.364	€ 2.839
Lettonia	1	€ 678	-	€ 678
Spagna	2	€ 1.046	€ 4.627	€ 748
Svezia	1	€ 8.288	€ 9.667	€ 7.936
Svizzera	1	€ 116.305	€ 116.744	€ 87.110

Table 7 - AVG investment value of the main RECF platforms in Europe

Country	Number of platforms	Investors average	Equity	Lending
Austria	1	229	-	229
Estonia	2	409	444	412
Francia	3	189	36	189
Germania	3	506	-	506
Italia	2	160	204	28
Lettonia	1	154	-	154
Spagna	2	486	203	551
Svezia	1	132	111	138
Svizzera	1	29	29	24

### Number of projects funded and not completed or with delays

The analysis of the projects that, after the crowdfunding campaign, ended with the loss of the investment proved to be particularly difficult as many platforms do not provide information on the project's status. However, the figure was available for all French platforms as a law that came into force in 2018 obliges the platforms that collect capital online to publish detailed statistics that also show the number of failed projects. In general, it was possible to obtain this type of information for 11 platforms. It can be seen from Table 9 that most platforms do not present failures or present very low values. The only notable exception is represented by The House Crowd with as many as 76 projects in default: for this platform it must be specified that a project is placed in a default state when it exceeds the fixed deadline for repayment of the capital for more than 6 months (applying the same logic also many other platforms would have such high default values). It should also be pointed out that when a project comes into default, this does not automatically imply the loss of capital for investors: the insolvency procedures that are opened can lead to the recovery of the capital contributed and also of the interest due (for example the The House Crowd platform reports that in no case the default was the loss of the capital invested by the crowd).

Table 9 - Default rates on some RECF platforms in Europe.

Country	Type	Defaulted Projects
Tessin	Lending	5
The House Crowd	Equity/ Lending	76
EstateGuru	Lending	15
WISEED	Lending	10
HOUSERS	Lending	0
Zinsland	Lending	1
CrowdEstate	Lending	1
Homunity	Lending	0
Fundimmo	Lending	0
Walliance	Equity	0
Privalore	Equity	0

In Table 10 it is possible to observe the details relating to the projects still active, but which present delays.

Table 10 - Projects delayed in the repayment of capital, in the main RECF platforms in Europe, from the date of 12/31/2018.

Platform	Type	Funded projects	Late projects	AVG delay (in months)	Returned projects	Late project	AVG delay (in months)
Crowdhouse	Equity	66	n.d.	n.d.	0	n.d.	n.d.
Exporo	Lending	81	7	22	60	n.d.	n.d.
Property Partner	Equity	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Tessin	Lending	73	4	2	41	n.d.	n.d.
The House Crowd	Equity/ Lending	146	n.d.	n.d.	214	n.d.	n.d.
EstateGuru	Lending	375	24	n.d.	250	n.d.	n.d.
WISEED	Lending	120	6	21	100	36	5
Housers	Lending	146	12	8	46	4	11
Zinsland	Lending	38	n.d.	n.d.	n.d.	n.d.	n.d.
Anaxago Immobilier	Lending	65	30	16	25	16	7
CrowdEstate	Lending	62	2	2	40	4	3
SwissLending	Lending	15	n.d.	n.d.	8	n.d.	n.d.
Homunity	Lending	73	0	0	18	2	9
Zinsbaustein	Lending	19	n.d.	n.d.	8	n.d.	n.d.
Fundimmo	Lending	38	0	0	27	0	0
Bergfürst	Lending	28	n.d.	n.d.	10	n.d.	n.d.
Dagobertinvest	Lending	49	n.d.	n.d.	19	1	1
Walliance	Equity	6	0	n.d.	2	0	n.d.
Privalore	Equity	14	11	7	9	6	3
Bulkestate	Lending	24	n.d.	n.d.	12	n.d.	n.d.

As regards the investment time horizon, the platforms offer different solutions, which can range from a few months to even 9/10 years. It is observed in Table 11 as the Equity projects tend to have longer durations compared to Lending projects, with 28.1 and 19.0 months median duration respectively. It should be noted that the Crowdhouse platform has much higher durations than the average (around 6/7 years).

Table 11 - Average duration (in months) of projects proposed by the main RECF platforms in Europe

Platform	Maturity Lending Project	Lending Projects	Maturity Equity Project	Equity Projects
Crowdhouse	108	1	74,2	65
Exporo	19,3	141	-	-
Property Partner	-	-	n.d.	117
Tessin	17,9	87	26,8	24
The House Crowd	10,3	169	33,9	191
EstateGuru	14,7	625	-	-
WISEED	18,4	218	12,0	2
Housers	51,75	130	-	-
Zinsland	20	61	-	-
Anaxago Immo- bilier	19,9	88	-	-
CrowdEstate	15,4	82	26,3	19
SwissLending	20,3	23	-	-
Homunity	17,2	44	-	-
Zinsbaustein	20,8	27	-	-
Fundimmo	16,4	65	-	-
Bergfürst	29,5	36	-	-
Dagobertinvest	18,9	69	-	-
Walliance	-	-	20,1	8
Privalore	-	-	n.d.	23
Bulkestate	14,4	5	-	-

### Performance indicators for funded projects

From Table 12 it is possible to see that usually the European platforms offer returns on the investment varying indicatively between 4% and 14%. By *target* return it is meant the objective return declared at the beginning of the campaign, while for *actual* return (*real*) it is indicated the return that the investment has been able to generate for investors at the end of the investment period. Most of the platforms do not show large differences between the target and the real return; in detail, the platforms that instead present significant differences are (usually for technical reasons):

- Property Partner: in the objective return only the cash flows deriving from the rent are considered and not the capital gain on the property;

- Estate Guru and Crowdstate: these two platforms provide a range of return and not a fixed value; given the methodology used, the minimum return value has been considered as Target Return, however the actual returns are the within the proposed intervals;
- Housers: this platform does not consider the returns arising from capital gains due to the selling of the property, but only one generated by rents: in many cases the properties are sold before the fixed term, going to realize capital gains that do not constitute the assumptions made in the initial business plan.

Equity platforms usually show *target* lower than Lending ones; the reason is that in some platforms only the annual return from rental income is considered, and not the gain from the sale of the property at the end of the investment period. Looking at the Lending platforms we note that the returns are generally between 8% and 10%. The German platforms are in this case an exception, with slightly lower returns offered.

Table 12 - Target and actual returns on the main RECF platforms in Europe

Platform	Type	Funded projects	Target return of funded projects	Returned projects	Target return	Actual return
Crowdhouse	Equity	66	6,27%	0	-	-
Exporo	Lending	81	5,43%	60	5,43%	5,47%
Property Partner	Equity	-	3,79%	-	-	7,20%
Tessin	Lending	73	10,58%	41	10,76%	10,80%
The House Crowd	Equity/ Lending	146	8,96%	214	9,08%	9,22%
EstateGuru	Lending	375	10,73%	250	10,61%	12,09%
WISEED	Lending	120	10,02%	100	10,20%	9,98%
Housers	Lending	146	6,83%	46	5,38%	10,11%
Zinsland	Lending	38	6,46%	27	6,70%	6,68%
Anaxago Immobilier	Lending	65	9,84%	25	9,68%	9,70%
CrowdEstate	Lending	62	14,32%	40	13,99%	18,38%
SwissLending	Lending	15	7,89%	8	8,38%	8,38%
Homunity	Lending	73	9,47%	18	9,29%	9,14%
Zinsbaustein	Lending	19	5,25%	8	5,25%	5,25%
Fundimmo	Lending	38	9,28%	27	9,11%	9,29%
Bergfürst	Lending	28	6,37%	10	6,30%	6,30%
Dagobertinvest	Lending	49	6,58%	19	6,61%	5,76%
Walliance	Equity	6	11,35%	2	13,27%	13,30%
Privalore	Equity	14	14,03%	9	16,63%	16,60%
Bulkestate	Lending	24	14,27%	12	14,52%	14,52%

### Analysis of the project typologies

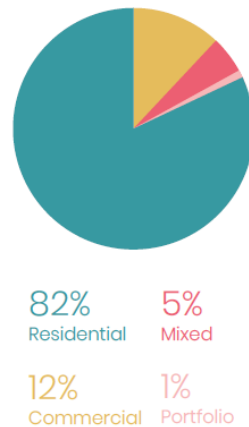
During the analysis of the projects, in addition to the types identified so far, additional variables have been analysed that can help us classify projects and identify market trends. The first variable taken into account is the *type of property* which can belong, depending on the project, into four categories:

1. *Residential*, if the objective of the campaign concerns residential properties;
2. *Commercial*, for commercial properties (for instance: shops, supermarkets, restaurants ...);

3. *Mixed*, if the real estate project involves the construction of both previous types (for instance the construction of a building in which there are apartments, but also a restaurant).
4. *Portfolio*, if the objective of the campaign is to raise funds to finance the construction / renovation of a series of properties, generally located in different countries and / or geographical areas (for instance portfolio consisting of a residential property in Paris, two supermarkets in Germany and a resort in Italy)

As can be seen from Figure 5, most projects funded through the RECF concern the residential sector (83%).

Figure 5 - Buildings typology founded by European platforms



The presence of investments in commercial real estate is higher for Lending platforms (see Figures 6-7); regarding the Equity, investments in commercial real estate are concentrated in small buildings such as shops or restaurants, which are rented and managed like what is done with a residential home.

Figure 6 - Equity

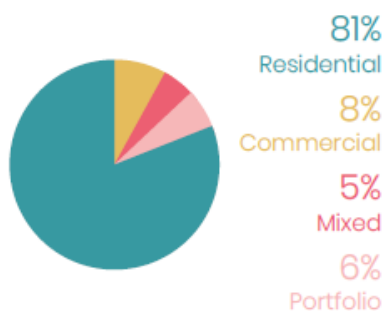
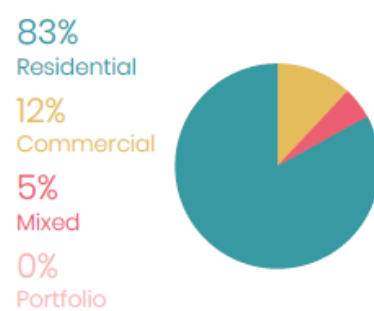


Figure 7 - Lending

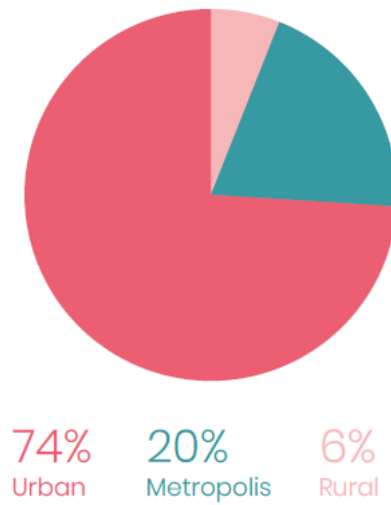


It should be noted in Figure 7 how the Equity platforms are, in Europe, the only ones that have proposed projects of the Portfolio type (6% of the total).

In addition to the typology, it was also decided to analyse the location of the financed property. We decided to identify 3 possible cases:

- *Metropolis*, if the building is in a city with more than 1.5 million inhabitants;
- *Urban*, if the building is in a city with less than 1.5 million inhabitants, but still in an urban context;
- *Rural*, for buildings located in non-urban contexts (for instance mountain chalets, country houses...).

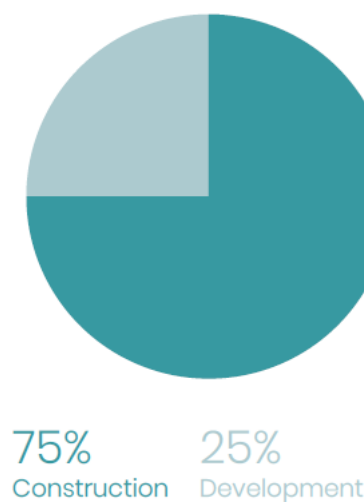
Figure 8 - Real Estate location of European campaigns



It can be noticed that 74% of investments (see Figure 8) is aimed at financing buildings that are located in an urban context, but not in a metropolis where are instead located 20% of the projects realized. Finally, in the rural setting there are about 6% of the investments. All this is consistent with what motivates investors to finance projects in the 'neighbours' places, where the investor knows the market better.

A final variable that can help to understand the offer of RECF investments concerns the type of intervention that the building needs. Indeed, the most campaigns proposed are about the construction of a building or an extraordinary renovation (buying a house, renovating the interior, reselling or renting the house at an increased price). In this case, from Figure 9 we see that the vast majority of projects are aimed at construction (75%) rather than at the restructuring (25%) of the buildings involved.

Figure 9 - Operation type (Construction or Development) of European campaigns





## 2.6 RECF platforms active in the United States

The following pages will present the analysis of the US platforms. Among the 35 platforms identified, the 14 which have been taken into account, are the ones with higher capital raised and those judged most relevant and / or having the most innovative business models, also considering the number of projects funded and the available data. Indeed, as regards the analysis of individual projects, it has not always been easy to obtain information from the platforms; for this reason, the study was limited to those platforms that shared information on individual projects. The data in Table 13 shows the RECF platforms in the United States considered. The volumes are higher than the European platforms ones, with \$ 7.4 billion collected by only 14 platforms. The leader by capital raised is Sharestates, although the platform with the largest number of projects funded is instead Peer Street with 2.907 operations from 2014 up to date and second for collected volumes. To reach these important volumes, the platform focused on medium-small crowdfunding campaigns, with an average project collection of \$ 417.311.

Table 13 - The main RECF platforms in the United States.

Platform	Starting Year	Capital raised	Projects	Equity	Lending	Minimum investment
1031 Crowdfunding	2014	\$ 1300.000.000	n.d.	X		\$ 25.000
Cadre	2014	\$ 519.000.000	20	X		\$ 50.000
Cardone Capital	2014	\$ 353.988.000	16	X		n.d.
CrowdStreet	2013	\$ 348.654.000	255	X	X	\$ 10.000
CrowdTrustDeed	2014	\$ 87.500.000	219	X	X	\$ 20.000
EquityMultiple	2015	\$ 76.863.000	69	X	X	\$ 5.000
Fund That Flip	2014	\$ 238.508.442	809		X	\$ 5.000
Patch of Land	2012	\$ 725.000.000	1571		X	\$ 5.000
PeerStreet	2014	\$ 1213.122.202	2907		X	\$ 1.000
Prodigy Network	2013	\$ 486.500.000	7	X		\$10.000
Realty Mogul	2012	\$ 400.000.000	300	X	X	\$ 1.000
RealtyShares	2013	\$ 870.000.000	1166	X	X	\$ 1.000
Sharestates	2014	\$ 1839.929.505	2001		X	\$ 1.000
YieldStreet	2015	\$ 212.065.000	45		X	\$ 5.000
Zeus CrowdFunding	2016	\$ 45.996.250	186		X	\$ 5.000

Regarding the platform type, a difference with the European counterparts is the distribution of business models: while in Europe the majority is focused on the Lending business model (75%), in USA a more balanced situation is observed with 34% of platforms dedicated to the Equity, 46% to Lending and 20% hybrid.

In table 13 is clear how the minimum investment for American platforms is higher than the European one; indeed, none of the platforms analysed gives its investors the opportunity to invest less than \$ 1.000 in a single project (with a median of \$ 5.000).

Table 14a - The strategies of the main US RECF platforms with respect to the fees.

Platform	Fee on the partner	Intermediation fee	Management fee	Market fee
1031 Crowdfunding		X	X	
Cadre		X	X	X
Cardone Capital		X	X	
CrowdStreet	X	X	X	
CrowdTrustDeed		X		X
EquityMultiple	X	X	X	
FUND THAT FLIP	X			
Patch of Land			X	
PeerStreet		X		
Prodigy Network	X	X	X	
Realty Mogul		X	X	
RealityShares	X			
Sharestates	X			
YieldStreet			X	
Zeus CrowdFunding	X			

As for the commissions applied to the sponsors (see Table 14), in the United States, compared to the European situation, there is a wider variability: the percentages are between 0.25% and 5%. As example, let's take EquityMultiple, a hybrid platform that has raised over \$ 76.8 million since 2015. This platform focuses mainly on equity projects but has offered over time the possibility of investing in debt (17% of projects). Like most hybrid platforms, it has different forms of fees. The property management commissions are settled between 0.5 and 1% of the invested capital to be paid annually, while the brokerage commissions reach 10% of the profit obtained from the sale of the property and are due only in the event positive outcome from the sale. In the debt projects, on the other hand, the fees are paid by the partner and are equal to 1% of the entire sum collected on the web.

Table 15 - Basic statistics on the main US RECF platforms.

Platform	AVG equity projects	AVG lending projects	AVG hybrid projects
Cadre	\$ 25.950.000	-	--
Cardone Capital	\$ 22.124.250	-	-
CrowdStreet	\$ 1.367.271	-	-
CrowdTrustDeed	-	\$ 399.543	-
EQUITYMULTIPLE	\$ 1.014.000	\$ 1.068.000	-
Fund That Flip	-	\$ 294.819	-
Patch of Land	-	\$ 461.489	-
PeerStreet	-	\$ 417.311	-
Prodigy Network	\$ 69.500.000	-	-
RealityMogul	-	-	\$ 1.333.000
RealityShares	-	-	\$ 746.141
Sharestates	-	\$ 919.505	-
YieldStreet	-	\$ 4.712.556	-
Zeus Crowdfunding	-	\$ 247.292	-

The average size of the projects (see Table 15) changes a lot depending on the platforms considered, going from a minimum of \$ 247.292 for Zeus Crowdfunding up to the figure of \$ 69.5 million for the Prodigy Network platform (a platform with a business model different from the usual one, which will be analysed in detail in the following section).

However, it can be noted that the Equity platforms generally tend to offer a more limited number of projects, but with a much larger size (667 projects with an average size of \$ 3.266.229) compared to the Lending platforms that seem to implement a capital collection approach based on promoting several offers (8.904 projects with an average size of \$ 587.615).

As for the analysis of failed projects, only two Lending platforms provided data about: Sharestates and ZeusCrowdfunding. For both platforms it is noted that the value of projects that went into default is limited compared to the total number of projects financed (2.25% and 3.23% respectively). Furthermore, as with European platforms, the failure of a project does not necessarily imply the investor's loss of capital as the credit recovery actions must be activated and completed.

Table 16 - Some US RECF platforms: default rates

Platform	Defaulted projects	Default rate
Sharestates	45	2,25%
Zeus Crowdfunding	6	3,23%

As regard the duration of the projects, Table 17 shows another major difference compared to European platforms; indeed, the durations are much wider in USA than in Europe with:

- 79,0 months (28 in Europe) for Equity projects
- 21,7 months (19 in Europe) for Lending projects

*Table 17 - Average duration (in months) of projects proposed by the main RECF platforms in the USA.*

Platform	Equity projects AVG maturity	Lending projects AVG maturity
1031 Crowdfunding	102,0	-
Cadre	100,8	-
CARDONE CAPITAL	120,0	-
CrowdStreet	-	65,0
CrowdTrustDeed	-	28,7
EquityMultiple	-	33,6
Fund That Flip	-	9,5
Patch of Land	-	12,1
PeerStreet	-	14,6
Prodigy Network	50,9	-
RealityShares	21,4	12,2
Sharestates	-	12,3
YieldStreet	-	14,0
Zeus Crowdfunding	-	15,2

As regards the yields objective, Table 18 shows that the US platforms offer on average Equity projects having returns slightly higher than Lending projects with, respectively, 12,25% against the 9,35% (values obtained considering only the platforms with non-hybrid models, considering instead the contribution of the hybrid platforms are reached the following values: 12.45% and 10.50% respectively for Equity and Lending).

Moreover, all Lending platforms offer returns between 8% and 1%, in line with the European situation. Considering the Equity platforms, like what happens in Europe, it is more difficult to compare the returns offered, as some (ex. EquityMultiple) consider the revenue from the resale in the returns, while others (ex. 1031 Crowdfunding) do not consider it and the return simply shows the annual revenues from rents and use of the building. The American platforms do not publish actual returns as European platform do: it was therefore not possible to compare the results with those expected.

*Table 18 - Declared average return on the projects proposed by the main RECF platforms in the USA.*

Platform	Type	Equity target return	Lending target return
1031 Crowdfunding	Equity	5,10%	-
Cadre	Equity	12,76%	-
Cardone Capital	Equity	15,00%	-
CrowdStreet	Ibrida	15,32%	15,32%
CrowdTrustDeed	Lending	10,00%	9,90%
EQUITYMULTIPLE	Ibrida	-	15,22%
Fund That Flip	Lending	-	9,47%
Patch of Land	Lending	-	10,56%
PeerStreet	Lending	-	8,17%
Prodigy Network	Equity	14,00%	-
Realty Mogul	Ibrida	15,00%	-
RealtyShares	Lending	-	10%
Sharestates	Lending	-	10,15%
YieldStreet	Lending	-	9,00%
Zeus CrowdFunding	Lending	-	7,58%

Regarding the project typology, it has been possible to access the data for only 3 platforms, two Lending and one Equity (Table 19). A first point of attention/differentiation is the relevant role of the investments of type "*portfolio*", proposed in the United States even by Lending platforms. The possibility granted by many platforms to make this type of investment is probably due to the greater number of published projects compared to their European counterparts.

Table 19 – Real Estate typology in some RECF campaigns in the USA

Platform	Type	Residential	Commercial	Mixed	Portfolio
CrowdStreet	Equity	89	94	8	28
Sharestates	Lending	1417	130	216	96
Patch of Land	Lending	1408	163	0	0

## 2.7 Success stories (leaders and special cases)

### **Cadre (USA)**

Cadre began as a traditional RECF platform, specializing in projects of large dimensions: the order of magnitude of investment is several tens of millions of dollars and the minimum investment required to the customer is \$ 50.000, while it is \$ 250.000 if the user decides to invest in a portfolio of at least 10 real estate projects.

Among the proposed investments, 2 concern projects in the «Opportunity Zones» (O-Zone). The O-Zones are disadvantaged areas in need of redevelopment projects (they are identified and updated by the US government on an annual basis). They benefit from a regulation that allows a strong tax reduction on profits from urban redevelopment projects in these areas:

- Reduction by 75% of the tax on profits for the capital invested in projects with a duration of more than 7 years;
- Reduction by 100% of the tax on profits for investment in major projects lasting longer than 10 years;

### **Sharestates (USA)**

Founded in February 2015, Sharestates is an US debt specialist platform that offers investments with an annual interest rate between 8% to 12%. It allows a good diversification in geographical terms by proposing projects in 30 different states. The platform has funded more than 2.000 projects at the end of the first quarter of 2019. Each project is carefully evaluated through a matrix of 34 criteria. Sharestates, unlike many US platforms, offers foreign investors the opportunity to invest; for the latter, however, the minimum investment is \$ 10.000 (for US citizens it is \$ 5.000).

### **Reality Mogul (USA)**

Born in 2012 and with more than \$ 400 million capital raised, this platform highlights some of the changes that the sector is facing. In particular, Reality Mogul allows two main types of investments: the classical one where the investor selects one or more individual projects where to invest or the possibility of investing in REITs (real estate funds) internal to the platform. In the latter case the investor will not be able to know on which specific properties his money will be invested, but the capital will be managed by a team of professionals in the sector (moreover, unlike REITs present on the market, whose shares can be purchased or sold, the funds of this platform do not have a secondary market). Commissions, if taken together (inscription fee plus management fee), are slightly lower for those who opt for the REIT option.

### **WiSeed (France)**

WiSeed is a leading crowdfunding platform operation in France, founded in 2008, which offers opportunities in the equity and debt sector. It differs from the other examples given in that it not only offers investments in the Real Estate sector (an area that makes up about half of the projects funded by the platform), but also in other different fields. WiSeed classifies its investment opportunities in: investments in the environment (funding of green energy projects), investments in the real estate sector, investments in health (funding related to medical research, technologies and drug development), investments in digital or in food field (possibility of investing in innovative food and agri-food projects).

### **Crowdhouse (Switzerland)**

Crowdhouse is a Swiss platform based in Zurich who has experienced an exponential growth in the past two years. Founded only in 2015, today it is the first European platform for capital raised. Crowdhouse offers investments in long-term Equity projects (minimum 5 years), with

a target return of around 6/7% per year. The average volumes on which it operates are much higher than the European average: the platform, indeed, financed only 66 projects, but with an average collected capital of CHF 3.07 million per project. Crowdhouse is one of the very few platforms that offers the possibility of becoming directly the owner of the property and not of a vehicle company that manages it. The crowd funders will indeed be registered in the land registry as co-owners of the property. The investment will always be partially financed also with a loan financed by a bank, which will amount to 45-60% of the value of the property. To date, the platform has more than 60 employees. In 2016 it won the Swiss Fintech award in the Newcomer category.

### **Prodigy Network (USA)**

This American platform has a total of only 7 investments funded from 2013 up to date; however, due to the relevant size of the projects (\$ 69.5 million on average), it has raised \$ 486.5 million, becoming one of the leading platforms the industry. The main peculiarity is that the proposed projects are all located in New York: this is different what has been seen for all the other RECF platforms that usually propose projects located in a number of different geographical areas. Indeed, one of the main advantageous features of this market is the diversification of the investment portfolio that can be obtained. On the contrary, Prodigy Network offers an extreme focus on a market niche: investments in large commercial real estate in the New York city area (mostly in Manhattan where there are 5 of the 7 proposed projects). A further peculiarity is the long duration of the projects, of about 10 years.

### **Property Partner (UK)**

Founded in 2014, Property Partners is the first platform by capital raised in the UK. The platform offers the possibility of investing in shares of an SPV which owns the property and which is totally controlled by Property Partner. This system is compliant to an English law that does not allow more than four individuals to be registered in the "UK land registry deed". The platform usually offers the option of investing in residential properties that generate an annual interest rate that varies between 2% and 7%.

In addition to having the ability to finance new projects, Property Partner manages a secondary market, offering the possibility of reselling or buying the real estate shares directly on the platform. Even this platform gives the possibility to adhere to a form of automatic investment: the investor can set the risk profile and what type of real estate investing; he/she grants the capital to Property Partner and the platform will select the investments that correspond to the indications provided. At the moment three investment "plans" are available:

- Income Plan: stable and predetermined cash flows through rental income;
- Growth Plan: higher potential profit linked to the increase in value of the property over time;
- Balanced Plan: a plan halfway between the two previous ones.

### **Proximea (France)**

This platform is not part of the platforms analysed by projects as it does not meet the capital requirements. However, it has some interesting peculiarities: it is the only platform in the world to be owned and managed by a bank (the "Banque Populaire du Grand Ouest"), which offers the same amount of investment to the Internet crowd as it finances and has therefore been evaluated according to the selection processes of the bank itself. The proposed projects are located in the North-Western region of France, consistent with the focus of this small local bank. Alongside the real estate projects, it also proposes loans to start-ups and infrastructures for renewable energy.



## 2.8 RECF platforms active in the rest of the world

By expanding the analysis to the platforms in the rest of the world, we identified 27 relevant active platforms, located in 3 main geographical macro-areas: Asia and Pacific (APAC), the Middle East and South America (see Table 20). For the 6 Chinese platforms identified, the latest available data date back to 2017, with 2.000 projects proposed and an amount of capital raised of € 400 million. As you can see from the table the situation in South America is more backward than other regions, but this is due to the younger age of the Real Estate Crowdfunding phenomenon in this area where the market is born only since 2017.

Table 20 - The main RECF platforms in the rest of the world

Platform	Country	Starting Year	Type	Projects	Capital Raised	Minimum investment
InvestaCrowd	Singapore	2015	Hybrid	20	€ 75.928.230	n.d.
CoAssets	Singapore	2013	Lending	n.d.	n.d.	n.d.
EthisCrowd	Singapore	2015	Lending	26	n.d.	\$ 500
Estate Baron	Australia	2014	Hybrid	11	€ 68.203.800	AUD 1.000
CrowdfundUP	Australia	2015	Hybrid	27	€ 11.976.300	AUD 1.000
VentureCrowd	Australia	2013	Hybrid	3	€ 2.059.470	n.d.
DomaCom	Australia	2015	Equity	61	€ 25.515.000	AUD 2.500
BrickX	Australia	2016	Equity	19	€ 12.411.000	AUD 50
PropertyShares	Australia	2016	Lending	27	€ 62.785.800	AUD 10.000
Crowd Realty	Giappone	2014	Hybrid	14	€ 55.156.000	n.d.
OwnersBook (Loadstar Capital KK.)	Giappone	2014	Lending		€ 429.040.000	¥ 10.000
SmartOwner	India	2015	Equity	17	n.d.	n.d.
Duocaitou (多彩投)	Cina	2015	n.d.	n.d.	n.d.	n.d.
Crowd Funding House (众筹房)	Cina	2014	n.d.	n.d.	n.d.	n.d.
Rongnuo.net (融诺网)	Cina	2015	n.d.	n.d.	n.d.	n.d.
Yimihaodi (一米好地)	Cina	2014	n.d.	n.d.	n.d.	n.d.
Ezc360 (E资产)	Cina	2016	n.d.	n.d.	n.d.	n.d.
Touchouwang.net (投筹网)	Cina	2015	n.d.	n.d.	n.d.	n.d.
Humanas Capital	Argentina	2018	Equity	4	€ 406.300	\$ 500
Grupo Konstruir	Argentina	2016	Equity	6	€ 22.590.450	n.d.
Lares	Cile	2018	Equity	3	€ 193.800	n.d.
Besafe	Cile	2017	Equity	11	€ 3.825.000	\$ 100
Briq.mx	Messico	2015	Lending	96	n.d.	\$ 5.000
M2Crowd	Messico	2017	Equity	54	€ 114.351.000	\$ 5.000
Expansive	Messico	2018	Equity	n.d.	n.d.	\$ 5.000
DuRise	Emirati Arabi Uniti	2014	Equity	n.d.	€ 735.944.000	\$ 1.000
Hagshama	Israele	2010	Hybrid	125	€ 1122.336.000	ILS 100.000

## 3. The Italian approach

### 3.1 Market Overview

Focusing our attention on crowdfunding (Lending and Equity models) according to the data reported by the “4th Italian Crowdfunding Report” produced by Politecnico di Milano, the Italian lending crowdfunding portals overall collected until 06/30/2019 € 435,6 million, of which € 206,7 million in the last 12 months.

Regarding the Equity Crowdfunding, as of 06/30/2019, the Italian portals authorized by Consob were 34 (of which 32 registered in the general section and 2 enrolled in the 'special' section), while the campaigns of collection assessed were 261. The capital collected from 2014 to 06/30/2019 for equity crowdfunding was € 82,3 million, of which € 49 million in the last 12 months. The contribution given by the RECF for the growth of the industry in 2018 and the first six months of 2019 was decisive.

As regards other forms of crowdfunding (i.e. Donation and Reward), the last report of 2018 produced by *Starteed* reported a cumulative collection value of € 52 million, conveyed by 50 platforms.

The phenomenon of crowdfunding in the real estate sector in Italy is much younger than in the rest of Europe. Among the platforms operating in our country we must distinguish between those borne in Italy and the foreign ones that have created Italian "branches".

- Italian platforms:
  - Walliance: Equity platform and the first to operate in the sector in Italy, until June 30th has funded 10 projects, one of which in the United States (the only platform to have carried out a project in a different continent from the one where it is based). It raised € 11.1 million and already has two exited (i.e. repaid) projects.
  - Concrete: Equity platform, has proposed 2 projects located in Milan, collecting a total of € 1.75 million until June 30th. Compared to other Italian platforms, it offers investments of medium / long duration (around 3-4 years).
  - Trusters: Lending platform born in December 2018 in partnership with the RE/MAX company. It proposes real estate projects currently located in the Milan area, with a very short duration (9 months on average) and reduced average target funding (€ 50.000). Up to date it has financed 7 projects with € 485.650 collected.
  - Rendimento Etico: Lending platform born in April 2019. It has financed 4 projects collecting € 489,000. It proposes a Business Model based on the purchase of properties used as guarantee for non-performing loans before the property is sold through a judicial auction.
- Foreign platforms operating also in Italy:
  - Housers: Spanish Lending platform, has been operating in Italy since 2017. It has financed 25 projects in Italy for a value of € 6,28 million. Among the platforms that operate in our country it is the only one that offers a secondary market for the sale of securities.
  - Crowdestate: Estonia Lending platform, the first Italian project was proposed in August 2018. Up to date has offered only projects located in the Milan area, by financing 8 and raising a total of € 2.6 million.

Up to 30 June 2019, another 5 platforms were in the starting phase: *House4Crowd* (Lending), *BuildAround* (Equity), *Re-Lender* (Lending), *Recrowd* (Lending). The interest on this market proved also by the fact that in 2019 even other generalist platforms have started to offer, sporadically, projects related to real estate business.

### 3.2 The Numbers of the Market

As can be seen from Figure 10, the Italian born platforms collected in the first half of 2019 over €13.879 million, of which € 5.577 million collected in 2019.

At the same time, considering all the projects originated in Italy and financed both on the Italian portals and on the foreign portals mentioned above, it can be seen from *Figure 11* how in our country 56 projects have been developed for a total collection of € 22.449 million, divided between Equity (€ 12.57 million) and Lending (€ 9.879 million).

Figure 10 - Capital raised by Italian platforms: 2017 VS 2018

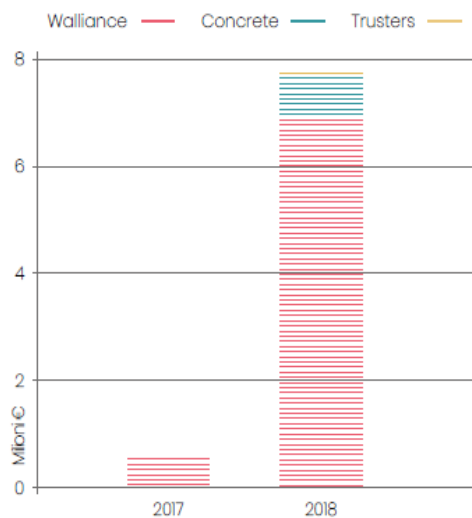
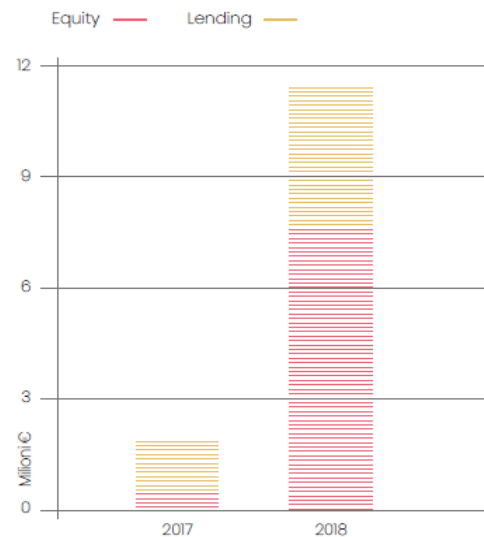


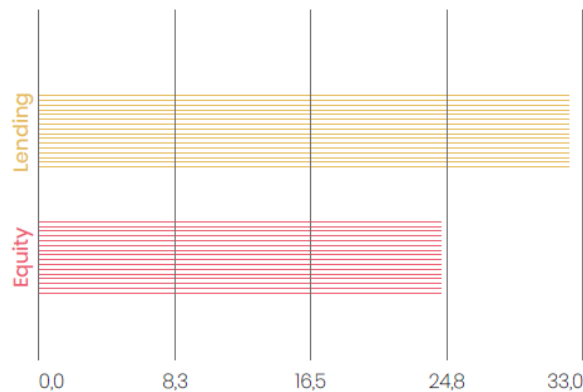
Figure 11 - Capital raised to finance projects located in Italy: 2017 VS 2018



Switching the focus on the project duration, it can be seen from *Figure 12* how the Lending platforms propose projects of considerably longer duration than the Equity platforms, even if some clarifications have to be made in this regard: the reason why the Lending projects have durations so long is that the Housers platform, which has the greatest weight in determining the average, inserts long durations that are often considerably shorter in reality. This happens because the buildings are usually sold before their expiration, if their value exceeds a set threshold.

Regarding the project average size, the *Figure 13* shows that Equity ones are considerably larger than Lending's. Also in this case the low value of Lending projects is due to the fact that the Trusters platform proposes projects that are currently very small.

*Figure 12 - AVG maturity of Italian RECF projects (value in months)*



*Figure 13 - AVG capital raised by Italian projects, divided by investment type*

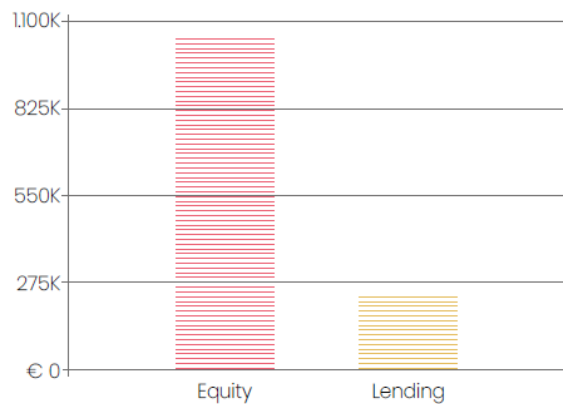
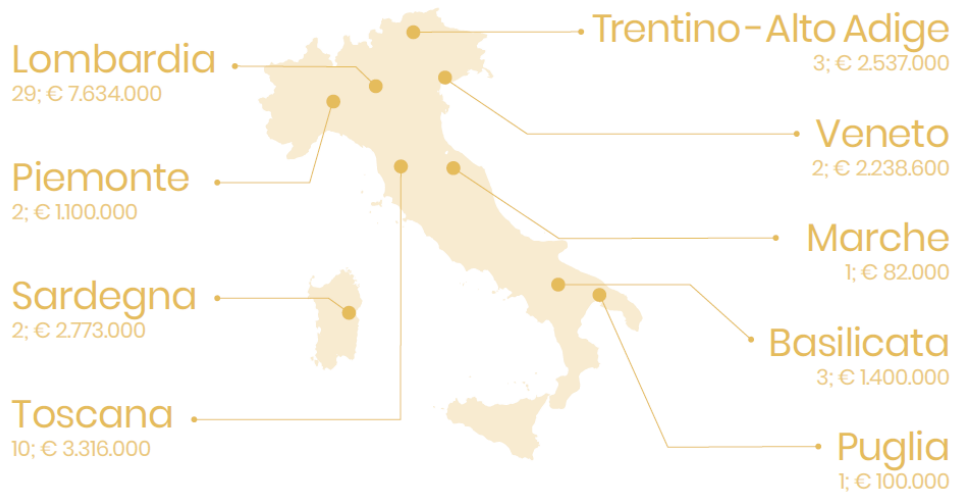


Figure 14 describes the regional distribution of all the investments collected so far. Notably, Lombardy has attracted the vast majority of investments, with € 7.2 million raised from 26 projects; the second place is occupied by Tuscany and then there are other regions of the North. In the South and in Islands there are 6 projects for a total amount of about € 4.3 million collected.

Figure 14 - Distribution of funded RECF projects in Italy (for each Region are shown the number of projects and the capital raised)



Here each the platforms operating in Italy is described.

### 3.3 Walliance

Walliance is the first Italian Equity crowdfunding platform specializing in the real estate market. Born in September 2017 founded by Bertoldi Group (a holding family active for years in the sector large retail and real estate) which develops management, advisory and investment.

From its foundation to 30 June 2019, Walliance has raised € 11.1 million on 10 different campaigns, giving investors the opportunity to participate in projects with a minimum amount starting from € 500.

The business model adopted by the platform allows investors, once registered on the site, to choose between three types of projects:

1. Investments in Italy;
2. Investments abroad;
3. Direct investments;

The difference between the investment typologies is the presence or absence of a vehicle company and the way it is used. Indeed, the models 1 and 2 required for the collection to be made by an SPV (usually a newly-established Srl), where the users of the platform invest; this SPV is governed by a co-investment agreement between the latter and the company that physically develops the transaction, and will therefore be entitled to receive a percentage of the profit deriving from the real estate transaction. The difference between Italian projects and foreign projects lies in the ownership of the holdings: in the case of projects developed in the Italian territory, the special purpose vehicle will be owned by the company that develops the project, while for projects developed abroad, the SPV itself will hold a participation in the company that actually develops the initiative.

The third case concerns those projects that collect capital in order to acquire resources for the development of one or more initiatives over time. In this case, the participation acquired by the crowd will be directed in the company that will have to develop the provisions of the business

plan. The methodology of investing in SPV brings benefits, including the presence of a majority co-investor, a lower fluctuation of the target return provided during the collection campaign and projects of shorter duration (20.5 months against 28,12 of the European average ECF).

So far, the Internet crowd has reacted very positively to the Walliance proposals: in every proposed project, the target was exceeded with an average oversubscription rate of 29.1%.

The profitability of the projects is described by an average ROI (Return on Investment) of 11.31%, where ROI indicates the profitability of a given investment as the proportion between the net economic result and the net invested capital.

Walliance was one of the first Italian platforms to see an exit for investors, with the completion of the first project launched, the one of *Mak Capital* in Trento, which generated an annualized ROI of 16.77%. The second exit was that of *Baia Blu Capital*, promoter of a project in Jesolo described in the next lines.

## Use Cases

### ***Jesolo Lido, Baia Blu***

One of the first Walliance projects, funded in May 2018 and collecting € 760.600 from 89 investors. This is the first of the two projects to be exited: the target return has been confirmed, achieving an ROI of 12.24%. The Baia Blu project consisted in the development of a residential village made of 35 residential units on two floors at a short distance from the beaches of Jesolo, a renowned seaside resort in Veneto. The operation was resolved in a short time: after just 5 months from the campaign, the project ended with the return of the proceeds to the investors.

### ***Sardinia, Smeralda Village***

The last in order of time of the projects proposed by Walliance involves the purchase, renovation and subsequent renting of 4 properties located within the Smeralda Village in Porto Rotondo, Sardinia. The 30-month transaction aims at achieving an annualized ROI of 11.13% and raised over € 1.3 million. Investors could participate in the investment starting from a subscription of € 1.000. The proposing company, 3MG Srl has been operating for several years in the sector and aims at restructuring the buildings, generating cash flows through short rents and then sell them through the innovative system of *fractional ownership*: a system through which different third parties buy shares of an asset (usually of significant value).

## 3.4 Housers

Housers is a Spanish platform launched in 2015, which focuses its attention on the development of properties in the main European cities. It began as a hybrid platform, but in May 2017 it decides to specialize in the Lending sector. After a first phase of consolidation in Spain, where it established itself as a market leader, the Italian branch was launched in April 2017 and in Portugal in the August of the same year. With a total of 109 thousand registered users, in June 2019 the platform funded 214 projects for a total of over € 87 million. The business model of Housers focuses on projects of quite limited size (€ 405.000 against € 792.000 of the European average), with a strong predominance of residential investment in European cities such as Madrid, Barcelona, Milan and Lisbon. Housers offers three types of investments:

1. *Savings*: this category includes long-term loans investments (from 5 to 10 years) on real estate projects with returns based on rents and on the sale of the property;
2. *Investment*: investments in participatory loans of 12-24 months, based on the restructuring or construction of properties to be sold;
3. *Fixed rate*: investments in medium-term loans (12-36 months) granted to real estate development companies for new buildings with a monthly yield;

Housers also offers the possibility of selling the securities of investors in a dedicated space on the platform, a real secondary market called CCD (Direct Communication Channel) and available for all investments of the "Savings" and "Fixed Rate" types published from march 23 2018.

## **Use Cases**

### ***Brozzi, Florence***

It is the last project financed by Housers in Italy and is located in Florence. The goal of the operation given by *CD Real Estate Company Srl* is to buy a commercial space of 340 square meters and restructure it, creating 4 apartments. The investors (358) lent the company € 160.000, with the aim of obtaining a 9% return in 12 months. The type of transaction is part of the so-called " Fixed Rate" Housers model: investors will not have to wait the end of the project to see their interests paid, but the sponsor will start paying them since the first month.

### ***The lighthouse, Bari***

The only project of Real Estate Crowdfunding in Puglia is to grant a loan of € 100.000 to the *Loseto Group* in order to buy and renovate three apartments located in central Bari, close to the historic city lighthouse from which the project takes its name. The project, belonging to the "Fixed Rate" typology, has a duration of 1 year and the forecasted return is 9%. The opportunity was subscribed by 257 investors and was financed in just 2 days in April 2019.

### 3.5 Concrete

Italian equity crowdfunding platform, it obtained the authorization to operate by CONSOB in January 2018; however, the first published project dates back to last December and the second to March 2019 collecting a total of € 1.75 million. The proposed projects are focused for now in Milan, but Concrete aims to propose others located in other Italian and European cities. The average duration is slightly higher than the sector average (39 months) and for each project a brokerage fee is proposed ranging between 1% and 4% which falls on the investor. The platform does not present significant peculiarities compared to the usual equity crowdfunding platforms, except for the possibility for investors to sell the shares of property purchased during the fundraising phase. However, this operation takes place without the presence of a secondary market, but individual investors have to find third parties to sell their shares to.

#### Use Cases

##### ***Torre Milano, Milan***

The first project proposed by Concrete involves the construction in Milan of a skyscraper of 86 meters in the prestigious residential neighbourhood of Maggiolina. The construction of the building is promoted by "*Impresa Rusconi Carlo*", a real estate development company with a solid track record and active since 1907. The project has reached the maximum threshold for raising capital (€ 750.000) in just 10 days, a result remarkable considering the high minimum investment required of € 10.000. A peculiarity of the investment is the possibility for the participants to request an early exit after 12 and 18 months, obtaining in these cases a ROI of 11.8% and 16.8% respectively. Instead, waiting for the natural expiry of the project, expected in 48 months, a target ROI of 44.4% would be obtained, with an IRR of 9.6%. It should be noted that the capital raised through crowdfunding, although higher than the average of the equity projects, represents only 1.66% of the capital required for the operation, which is equal to € 45.25 million. Furthermore, this building is the first skyscraper funded in Europe.

### 3.6 Trusters

The first Lending platform entirely Italian, it is operative since December 2018, the month in which it published and financed the first of its 8 projects. Trusters subscribed a partnership with the RE/MAX company, world leader in real estate brokerage. To date, the focus of the platform is to offer short-term loans from 6 months to 1 year, having small size (a few tens of thousands of Euros) and located in Milan area. The reason for this positioning is given by the high dynamism of the real estate sector in Milan, differently from the rest of the country, and by the goal to allow investors not to immobilize their capital for long timespan. Trusters is the Italian platform with the lowest minimum investment threshold (only € 100). On 30 June 2019 the platform has collected € 485.650.

#### Use Cases

##### ***Loft Bocconi, Milan***

The first project proposed by Trusters concerns the renovation of a loft located close to the Bocconi University. The proposing company (*Prime Trading 1 Srl*) is 50% owned by the founders of the same platform who therefore share the risk of the transaction. The project raised € 50.000 in funding equal to 100% of the funds sought and was financed by 18 lenders. The target return is 6% over 9 months (corresponding to 8% on an annual basis). The commissions to which the investor is subject are void, while a rate will be applied to the borrower proportional to the capital raised.



### 3.7 Crowdestate

Crowdfunding platform is active since 2014 in Estonia and currently counts more than 30.000 registered users. This platform does not only operate in the real estate market, but also proposes investments in start-ups and in companies operating in different industries, even if the greater weight of the real estate investments is evident compared to the other types proposed. As far as investments in the Real Estate sector alone are concerned, Crowdestate began as a hybrid platform, but over time the only investments left were the Lending ones (all Italian projects are included in this category). Crowdestate has been proposing projects in Italy from August 2018, when it was proposed and financed the first project of the 8 made until today. Among the platforms operating in Italy it is the only one to propose an automated form of investment: the user, having set parameters such as the maximum amount to invest per project and other characteristics that must satisfy the investments, gives the desired capital to the management of the platform, which divides it into different projects following the settings requested by the user. Crowdestate, like Housers, provides a secondary market for the exchange of credits.

#### Use Cases

##### ***Via Carlo Esterle 23-25-29, Milan***

First project proposed by Crowdestate located in Italy, it consists in the transformation of different commercial spaces into apartments for residential use. The sponsor, the real estate development company "3R srl", will use the capital raised to complete the renovation works. The nominal interest rate is equal to 11% per year and will be paid either through the sale of the apartments themselves, or through a refinancing of the project or from a combination of these two solutions. In the event of the sponsor's default, the loan is secured by a mortgage comprising 4 of the 11 apartments involved. The value of the loan is 75% of the value of the property, a Loan to Value level aligned with that of mortgages of similar characteristics. The project, proposed on August 5, was funded in less than 10 days by 371 investors, both Italian and foreign.

### 3.8 Rendimento Etico

Italian Lending platform whose first project was proposed and financed in April 2019. To date the platform financed 4 project and raised € 489.000: the growth rate is very high, considering that all these numbers were achieved in only 2 months. The minimum ticket to participate in an investment opportunity is € 500, but some projects require € 1.000. The crowdfunding platform can have access to a wide set of Real Estate operation to propose to investors, since it belongs to the group *Credito Italia* a company specialized in dealing with non-performing loans having a Real Estate property as collateral: from this point of view the Rendimento Etico platform can be seen as a way to expand the business of the mother company.

#### Use Cases

##### ***Conero Azzurro, Vercelli***

First project proposed by Rendimento Etico consist in the acquisition, renovation and subsequent selling of an apartment located in Numana, a famous touristic location on the Adriatic Sea. The operation was approved only after *ROI srl* (a company hold by Credito Italia) got a deal with the 3 creditors of the household: in exchange of € 60.000 the house was sold to Rendimento Etico which from then on began the development operation. The opportunity was financed by 36 investors who were interested in the short duration of the project (12 months) and by the high expected return (10,81% on a yearly basis).

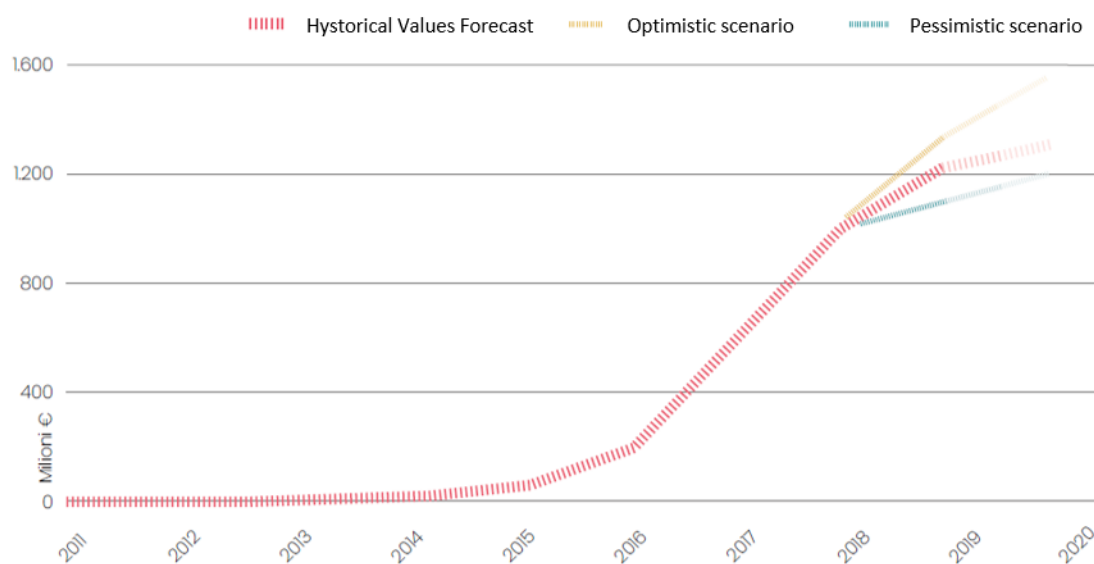
## 4. Growth prospects

### 4.1 Market forecasts

Real Estate Crowdfunding is an innovation in the way of investing in the 'brick' sector. In the recent years this solution was welcomed by the market which has judged interesting the opportunities offered by the platforms. First in the United States, then in Europe and now also in Italy the platforms are growing both in number and in terms of capital raised.

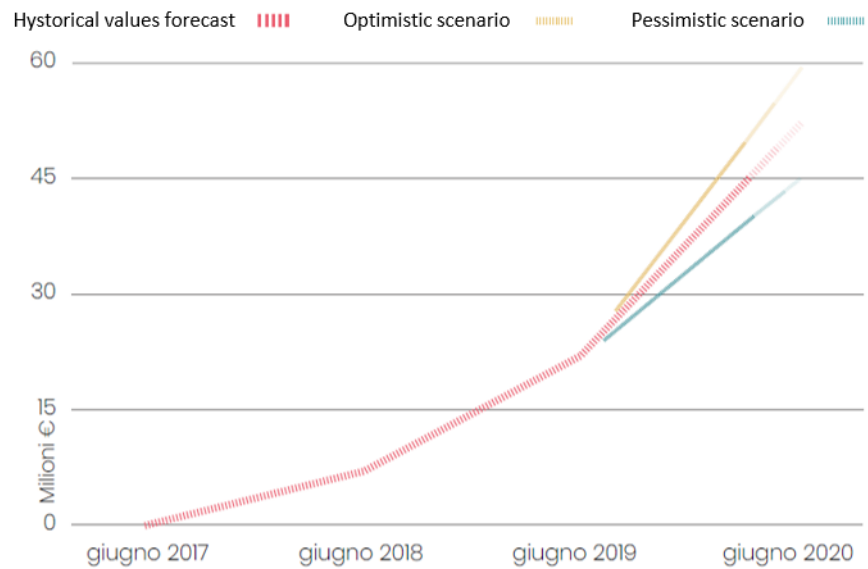
The growth prospects of the market are good in all the geographical areas analysed, first of all in the United States where the phenomenon appears rooted and known. As regards Europe, analysing the data related to the capital raised by the main platforms considered, the estimation is of a rapid pace growth in the short term. As shown in *Figure 15*, a likely target in the coming months for the market leaders may be the achievement of the cumulative collection of € 1.3 billion. The general economic context, the results of the Brexit as well as the expectations on the policy choices that the new European Commission and the new Parliament will take are all going to have a more or less positive influence on the market.

*Figure 15 - Forecast of future funds collection of the main European platforms*



In Italy it is expected the RECF market to experience a more sustained growth than in the past, thanks to the spreading of players on the market: a realistic goal for the next 12 months is to raise € 3 million to exceed the cumulative threshold of € 50 million. Even in this case the macroeconomic scenario and mostly the evolution of the uncertain political situation may or may not support growth.

Figure 16 - Forecast of the funds collection used for projects located in Italy



## 4.2 Market trends

At the end of this analysis it is possible to identify four main trends that are affecting the Real Estate Crowdfunding sector: (1) the market concentration, (2) the creation of funds within the platforms, (3) the development of the cross-border operations and (4) the advent of Prop-Tech.

### 1. Market Concentration

Looking at the data, we can see that in countries where Real Estate Crowdfunding has been active for some years (i.e. the USA and almost all European countries), the growth in the number of platforms is stopping, while there is a good growth in platforms already operative both in terms of projects and of capital raised. This is probably because users prefer to invest in reality that frequently propose new projects and that may show a proven track record. This phenomenon, already visible in the USA, in Holland, Germany and the United Kingdom will make it difficult, even if not impossible, for new players to enter the sector by climbing the current rankings. As for Europe, it will also be interesting to see if the leading platforms in the individual countries will try to expand across the continent aiming at becoming European leaders or whether they will remain confined within national borders.

### 2. Creation of internal funds for the platforms

Several platforms, especially in the United States, after having reached a significant number of projects, have begun to offer users different ways to invest not only in single real estate projects, but in project portfolios. The ways in which this happens are different:

- The Automatic Investment: the user provides the platform the money which will be allocated to different projects from the platform itself. Usually, the user knows on which projects his money was invested only ex post;
- Investment Portfolios: the platform offers "investment portfolios" allowing the user to invest on more properties, usually geographically distributed and of different types (residential, commercial, industrial, etc..). Depending on the platforms, it is possible to have detailed information on the individual projects forming the portfolio or not;
- Real Estate Investment Funds: in this case, the platform offers the user to give their money to investment funds managed by the platform itself. An example is Reality Mogul which proposes, further to the classic single investments, also the possibility of subscribing to REITs managed by the platform. Obviously, in this case it is no longer possible to speak of crowdfunding platforms, as the possibility for the user to analyse and finance a real estate project is totally lacking, but falls into a more traditional investment method.

### 3. Cross-border Operation

To date, real estate investments managed through crowdfunding have been characterized by a strictly local approach. Most platforms are born from the experience of its founders in the real estate sector of the country they belong. This feature is also due to the fact that one of the critical aspects of real estate investments is the need to know deeply the laws and the characteristics of the market, which are different from country to country and even between the different cities. But, in recent years, the number of cross-border operations is increasing: this trend is also driven by the desire of investors to be able to expand the boundaries of their investments to further diversifying them reaching a global scale.

#### 4. The Prop-tech Opportunity

The term Prop-tech is used to identify the innovations that allow the creation of digital solutions having a specific focus on the real estate. The innovations that the Prop-tech may made to the real estate crowdfunding industry are numerous and can be classified into different areas:

- The IoT that allows, for example, to visit buildings in a complete virtual way, either from a monitor or through virtual reality;
- Property Management that improves the management of the property going to provide innovative tools supporting the activity of real estate agents;
- The use of Big Data to identify new ways of creating value (for instance, the Italian start-up Casavo which performs instant valuations of real estate properties);
- The use of Blockchain to speed up processes related to administrative procedures.

## List of Real Estate Crowdfunding platforms active worldwide analysed for the study

Rendity Lending, *Austria - 2015 - <https://rendity.com/>*

Dagobertinvest Lending, *Austria - 2016 -*

Reval Lending, *Austria - 2016 - <https://reval.co.at/>*

CrowdEstate Lending, *Estonia - 2015 -*

EstateGuru Lending, *Estonia - 2014 -*

WiSEED Lending, *France - 2011 -*

Anaxago Immobilier Lending, *France - 2014 -*

Proximea Equity / Lending, *France - 2015 -*

Raizers Equity / Lending, *France - 2015 -*

Lymo.fr Lending, *France - 2015 -*

Koregraf Lending, *France - 2015 -*

Wexximmo Lending, *France - 2015 -*

Immovesting Equity / Lending, *France - 2016 -*

Fundimmo Lending, *France - 2016 -*

Homunity Lending, *France - 2016 -*

Upstone Lending, *France - 2016 -*

monego Lending, *France - 2016 -*

find & fund Lending, *France - 2016 -*

Immocratie Lending, *France - 2017 -*

lendopolis Lending, *France - 2017 -*

Baltis Capital Equity, *France - 2015 -*

Exporo Lending, *Germany - 2014 -*

Bergfürst Lending, *Germany - 2014 -*

ZINSLAND Lending, *Germany - 2015 -*

Home Rocket Lending, *Germany - 2015 -*

Immofunding Lending, *Germany - 2015 -*

Renditefokus Lending, *Germany - 2015*

Zinbaustein Lending, *Germany - 2016*

iFunded Lending, *Germany - 2016*

ReaCapital Lending, *Germany - 2016*

Engel & Volkers Capital Lending, *Germany - 2017*

Trusters Lending, *Italy - 2018*

Concrete Equity, *Italy - 2018*

Walliance Equity, *Italy , other - 2017*

BulkEstate Lending, *Latvia - 2016*

Bouwandeel Lending, *Netherlands - 2016*

Brickfund Equity, *Netherlands - 2016*

ZIB investments crowdfunding Lending, *Netherlands - 2015*

Crowdrealstate Lending, *Netherlands - 2015*

Vastgoedinvesteeren Equity / Lending, *Netherlands - 2017*

Privalore Equity, *Spain - 2015*

Housers Equity / Lending, *Spain - 2015*

Alfabricks Equity, *Spain - 2016*

Inveslar Equity / Lending, *Spain - 2016*

Tessin Equity / Lending, *Sweden - 2015*

SwissLending Lending, *Switzerland - 2015*

Crowdhouse Equity, *Switzerland - 2016*

Crowdli Equity, *Switzerland - 2017*

TheHouseCrowd Equity / Lending, *UK - 2012*

PropertyMoose Equity / Lending, *UK - 2013*

Property Partner Equity, *UK - 2014*

CrowdLords Equity, *UK - 2014*

Propnology Equity, *UK - 2014*

Crowd2let Equity, *UK - 2014*

propertycrowd.com Equity / Lending, *UK - 2014*

Transcendent Equity, *UK - 2015*



CrowdProperty Lending, *UK - 2015*

Humanas Capital Equity, *Argentina - 2018*

Gropo Konstruir Equity, *Argentina - 2016*

Venture Crowd Equity, *Australia - 2013*

Estate Baron Equity / Lending, *Australia - 2014*

CrowdFundUp Equity, *Australia - 2015*

DomaCom Equity / Lending, *Australia - 2015*

Brickx Equity, *Australia - 2016*

Propertyshares Lending, *Australia - 2016*

Lares Equity, *Chile - 2018*

Besafe Equity, *Chile - 2017*

DuRise Equity, *United Arab E mirates - 2014*

OwnersBook (Loadstar Capital KK)  
Lending, *Japan - 2014*

Crowd Realty Equity / Lending, *Japan - 2014*

SmartOwner Equity, *India - 2015*

Hagshama Equity / Lending, *Israel - 2010*

Crowd Funding House (Chinese: 众筹房)  
Equity, *China - 2014*

yimihaodi ( Chinese : 米好地)  
Equity, *China - 2014*

Duocaitou (Chinese: 多彩投)

Equity, *China* - 2015

rongnuo.net (Chinese: 融诺网)

Equity, *China* - 2015

touchwang.net (Chinese: 樂筹网)

Equity / Lending, *China* - 2015

Ezc360 (Chinese: 资产)

Equity / Lending, *China* - 2016

Briq.mx Lending, *Mexico* - 2015

M2Crowd Equity, *Mexico* - 2017

Expansive Equity, *Mexico* - 2018

CoAsset Lending, *Singapore* - 2013

InvestaCrowd Equity / Lending, *Singapore* - 2015

Ethis Crowd Lending, *Singapore* - 2015

Early Shares Equity / Lending, *US* - 2011

BlackHawk Investments Lending, *US* - 2011

RealityMogul Equity / Lending, *US* - 2012

Patch of Land Lending, *US* - 2012

RealCrowd Equity, *US* - 2013

Prodigy Network Equity, *US* - 2013

BlockShares Equity, *US* - 2013

Realty Shares Equity / Lending, *US* - 2013

CrowdStreet Equity / Lending, *US - 2013*

FlashFunders Equity / Lending, *US - 2013*

Groundfloor Lending, *US - 2013*

lendzoan.com Lending, *US - 2013*

loquidity.com Lending, *US - 2013*

icaprate Equity, *US - 2014*

1031 Crowdfunding Equity, *US - 2014*

Peer Realty Equity, *US - 2014*

And quityroots Equity, *US - 2014*

Holdfolio Equity, *US - 2014*

Small change Equity, *US - 2014*

Carlton Crowdfunding  
Equity / Lending, *US - 2014*

HotelInvestor Equity / Lending, *US - 2014*

Diversy Fund Equity / Lending, *US - 2014*

Income & Lending, *US - 2014*

Sharestates.com Lending, *US - 2014*

Peer Street Lending, *US - 2014*

CrowdTrustDeed Lending, *US - 2014*

FundThatFlip Lending, *US - 2014*

TripleNetZeroDebt Equity, US - 2015

FarmFundr Equity, US - 2015

SBRE Fund Equity / Lending, US - 2015

EquityMultiple Equity / Lending, US - 2015

YieldStreet Lending, US - 2015

Zeus Crowdfunding Lending, US - 2016

Instalend Lending, US - 2016

First Real Fund Equity, US - 2017

Cadre Equity, US - 2014

Cardone Capital Equity, US - 2014

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[1] The average figure is calculated excluding the Crowhouse platform, which - as specified below - provides for substantial minimum investment thresholds. The average value for the entire sample is € 9,955.

[2] Note that for some platforms, in particular for some Chinese ones, it was not possible to understand exactly the proposed model.

[3] The projects indicated in Figure 13 are joined by another 3 projects which envisaged operating on several Regions.