



# Proptech: Innovation in Real Estate Finance

This article is an extract of the CH Alliance yearly publication

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This article is an extract of the CH Alliance yearly publication on Innovation for Financial Services. This 2019 edition includes several articles on the “Tokenization” of the economy, expressed by the Initial Coin Offering (ICO) wave, which is now becoming a semi-regulated activity in major financial centers - the first step to global recognition. The remaining articles provide insights on hot topics for several Financial Services sub industries: AI for Wealth Management, chatbots in B2C Banking, autonomous vehicles and catastrophe bonds in Insurance, hot Fintech for Real Estate finance management and data visualization in CIB.

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# Proptech: Innovation in Real Estate Finance

Innovation is sweeping the real estate industry in the form of blockchain solutions, new loan and mortgage platforms and is offering solutions to market participants from investors, financiers, borrowers to property managers.

Much like fintech has transformed the financial sector, proptech, sometimes called CREtech (for commercial real estate), is the technological initiative transforming the way investors and developers think about and use property as an asset class.

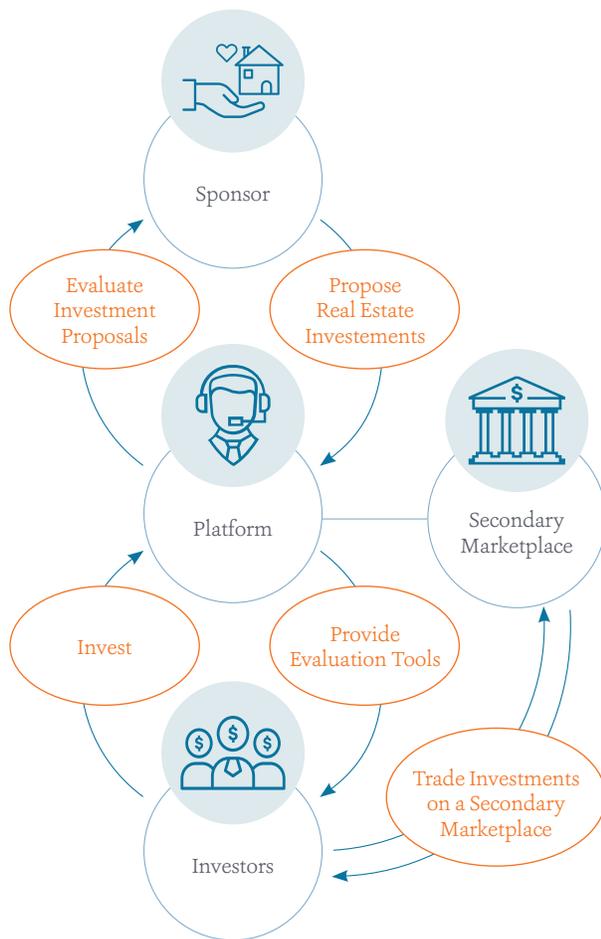
The CH Alliance team has decided to focus on major real estate trends directly linked to financial services:

- Real estate crowd financing, including crypto-based
- More traditional mortgage, lending, leasing
- Focus on the usage of data as a key pricing component in the real estate industry

## INVESTMENT/CROWD AND ICO REAL ESTATE FINANCING

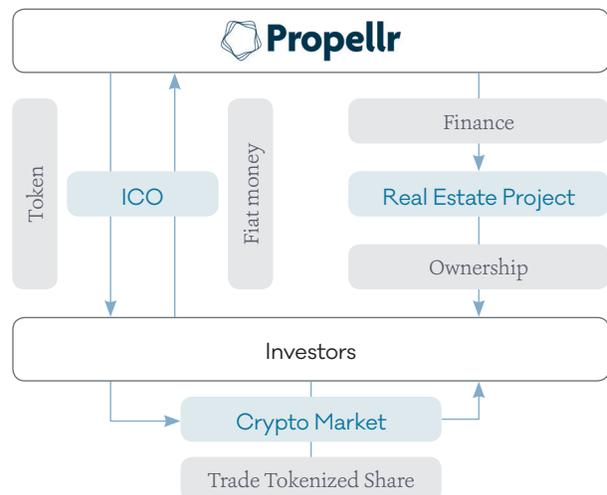
Since its creation in the 1990s and its popularization with the rise of the Internet in the 2000s, crowdfunding has become more diversified and specialized to better meet the expectations of investors. Therefore, in the 2010s we saw the emergence of financing platforms such as Brickvest, which connects investors to real estate investment opportunities.

### Real Estate Crowdfunding



These platforms differ from the current players (real estate investment trusts and private equity real estate) by offering investors analysis, monitoring and prediction tools that will allow uninitiated individual investors to quickly understand the opportunities and types and risks associated with this investment option. Moreover, these platforms select investment opportunities and sponsors based on numerical points such as years of experience, average past returns, market risk, etc., leaving little to chance. “Cadre” offers a second market place where, like a mutual fund, it can resell its investments, while simultaneously creating liquidity in the real estate market.

Thanks to blockchain technology, a new method of financing real estate projects emerged. In 2018, to overcome traditional restrictive financing methods, Propellr raised 30 million USD through an ICO to finance a real estate project in Manhattan. The token created specifically for the investment had its value indexed to the property value. Investors who bought the token will be able to receive interest up to the amount of their participation or resell their shares (tokens) on the market, transforming an “illiquid” real estate investment into a tradable one.



## MORTGAGE AND LENDING

Loan and mortgage platforms propose an alternative to crowdfunding and ICOs. These new equity lending platforms offer a new investment opportunity by connecting lenders and borrowers while offering a complementary or alternative solution to banks for funding applicants. These platforms—such as Lendinvest—allow both individuals and large institutions to benefit from loans for their renovation, purchase, construction or investment projects.

A new wave of players is trying to innovate in this sector by offering new services in addition to standard crowdlending. CrediFi was born with the purpose of bringing transparency to the real estate market by connecting its users' data (borrowers and lenders) to the public information of financial institutions to present the most transparent offer possible to its clients.

### CrediFi process



## PROPERTY MANAGEMENT AND LEASING

With the rise in demand for housing and property prices in the largest cities, there has been a real demand for management solutions for property owners. Some companies have therefore specialized in the creation of specific management tools to address rental and asset management issues in the field of commercial real estate:

- Through its software RealAccess, RDM offers scenario creation and visualization using floor plan tools, stacks diagrams, etc., based on the user's centralized data.
- ClickNotices improves management of delinquent rent with a customizable, transparent and automated solution.
- With its platform for rental and asset management in commercial real estate, VTS centralizes the data portfolio, simplifies pipeline management, strengthens tenant relationships and enhances team collaboration.
- Nestio focuses on the marketing aspect, by offering a management solution focused on client communication.

## FOCUS ON DATA, VALUATION AND ANALYTICS

With globalization, the rise of the Internet and the banalization of communication channels, one of the issues at the heart of business development is that of data management which is becoming increasingly costly and time-consuming. In addition to traditional devices, each sector has developed specific tools to address this issue and the real estate world is no exception with the emergence of proptech. DealPath, which offers data management adapted to the real estate world is one example. These companies focus on:

- Reduction of processing time or costs (by eliminating manual entries, for example)
- Standardization of inputs and outputs to increase the efficiency of analysis and communication
- A total customization of the program, facilitating its implementation within a pre-existing IT system
- Decision support by offering intuitive analysis

## Sample players of the PropTech Industry

Player	Sector	Description	Creation	Country
 PURPLE BRICKS	Investment/ Crowd Financing	<b>PurpleBricks</b> is a real estate agent that offers clients a more transparent and convenient way to buy, sell, or let. Open 24/7, PurpleBricks combines local property experts, cutting-edge technology and a central support team.	2012	UK
 CS CROWDSTREET	Investment/ Crowd Financing	<b>CrowdStreet</b> is a provider of online commercial real estate investment offerings, technology and services in the U.S. The innovative platform is providing direct access to a broad range of institutional quality assets.	2013	USA
<b>CADRE</b>	Investment/ Crowd Financing	<b>Cadre</b> is an online marketplace that connects investors and operators of real estate. It enables investments and transactions, and provides a sophisticated technology product for managing processes for its investors.	2014	USA
 lendinvest	Mortgage and Lending	<b>Lendinvest</b> is U.K.'s leading online platform for property finance and investing. It uses technology to provide borrowers with short-term bridging finance, development finance and Buy-to-Let mortgages.	2008	UK
 CREDIFI	Mortgage and Lending	<b>CrédiFi</b> diversifies portfolios by bringing transparency to the real estate market and introducing a new source of financing in commercial real estate.	2014	USA
 loandolphin <small>your friend in a sea of sharks</small>	Mortgage and Lending	<b>LoanDolphin</b> is a loan bidding marketplace where banks and brokers compete to win your home loan.	2015	Australia
 ClickNotices	Property Management and Leasing	<b>ClickNotices</b> is the leading Software-as-a-Service (SaaS) provider of delinquency management services to the multifamily property industry.	2010	USA
 RDM	Property Management and Leasing	<b>Real Data Management</b> is specialized in building measurement services, as-built floor plans and area analysis of existing real estate in accordance with all standards of measurement.	2011	USA
 Allthings	Property Management and Leasing	<b>Allthings</b> is the leading Software-as-a-Service (SaaS) provider of delinquency management services to the multifamily property industry.	2013	Switzerland
 VR LISTING	Data, Valuation and Analytics	<b>VR Listing</b> is a full service real estate marketing company with a focus on immersive technologies. They provide cutting-edge, turnkey solutions packaged for real estate.	2012	Canada
 dp DEALPATH	Data, Valuation and Analytics	<b>DealPath</b> is a real estate cloud-based deal management platform. Investment and development teams leverage DealPath as their command centre for smart pipeline tracking, powerful deal analytics, and workflow.	2014	USA
 Foyr	Data, Valuation and Analytics	<b>Foyr</b> is an Indian online automated interior designer. Their mission is to solve real life problems through technology, innovation and design. They're a varied lot of thinkers and doers, continually rethinking what's possible.	2014	India
 Propellr	Real Estate Tokenization	<b>Propellr</b> empowers firms to structure and raise capital for transactions through its fully integrated broker-dealer. The platform also provides eligible investors with a blockchain-based distributed ledger.	2013	USA
 FLUIDITY	Real Estate Tokenization	<b>Fluidity</b> brings leading industry expertise to help incorporate AirSwap and blockchain technology into traditional capital market transactions with regulated financial institutions.	2017	USA

