

PropTech

Market analysis report



Contents

✦ About Builders	1
✦ Executive summary	2
✦ Report	3- 16
- Future of living	
- Market size	
- Market segmentation	
- Market needs	
- Market timing	
- Investment activity	
- Competitive landscape	
- Key focus trends	
- Trend 1 - Tenant experience	
- Trend 2 - Buying & Selling experience	
- Trend 3 - Space usage	
- Trend 4 - Data analytics and management	
- Trend 5 - Omnichannel retail	
✦ Contact us	17



ABOUT BUILDERS

We maximise human capital by helping future founders realise their full potential.

Builders is a Rotterdam based B2B SaaS startup studio that empowers diverse and ambitious individuals to become exceptional tech entrepreneurs shaping the future of work and living.

Executive summary

Thesis

As a result of the pandemic, the way people live and work has fundamentally changed and the real estate industry needs to adapt to the new paradigm

Context

The pandemic and lockdowns fundamentally affected the way we live. Suddenly, most people working in white-collar jobs had to work from home. While the pandemic is coming to the end, some things are here to stay. The current expectation is that the majority of the workforce will keep some of their WFH privileges even once the pandemic is over. This puts significant pressure on both residential and commercial real estate industry as it has to adapt to this change. The transformation of the real estate industry will certainly introduce several challenges that could be addressed by the technology.

Market

The real estate industry represents one of the largest asset classes (\$3.6 trillion in 2020 according to Global Real Estate Market Report 2021), providing a huge market size potential. However, the sector is characteristic for slow adoption of new technologies which are often not viewed as a key business driver. In addition, over the past decades, high profitability in the sector provided only a small incentive to real estate developers and operators to innovate. This pace of change in real estate is starting to accelerate driven by trends related to remote work, sustainability, and ageing of the population.

Focus trends

The key trends that are relevant to the studio scope and that offer promising business opportunities are: tenant experience, buying & selling experience, space usage, data analytics and management, and omnichannel retail.



The pandemic had a fundamental effect on the way we live and work and real estate needs to adapt

The future of real estate was thrown into uncertainty by the pandemic, both from its direct effects on how we live as well as speeding up pre-existing trends. To understand the future, we must focus on what real estate does for people. Buildings are not constructed other than to serve people. We want shelter where we live. We need and want goods and services that are produced or delivered in buildings. We work somewhere—often inside a building—to buy those goods and services. And we get pleasure or satisfaction from certain activities that take place in buildings, ranging from shopping malls to gyms. So a look at the future of real estate is simply a look at how people will live, work, shop, and enjoy life.

The pandemic has changed the way the world operates and that has had a fundamental impact on the real estate industry. COVID-19 has ushered in a new era of disruption that, ultimately, will shape the fundamentals of the industry for years to come. There can be no doubt that COVID-19 has brought much uncertainty. But it has also solidified several ongoing trends: the digitization of work; the transformation of physical retail; and the shift towards environmental, social and governance (ESG) considerations. These trends are expected to have a critical influence on how real estate markets will fare over the coming years.

PropTech will take a critical role in the industry transition to a future where buildings are sustainable, resilient, social, liveable, and affordable. But the technology alone is not sufficient to bring significant changes to the industry. Traditional real estate players will need to shape the future of the industry through the thoughtful integration of technology with the physical space.

SHARE OF WORKFORCE THAT WORKS FROM HOME MULTIPLE DAYS PER WEEK

7%

2019



40-50%

2020 - 2021



25-30%

2022

The real estate industry represents the largest asset class in the world



¹ Statista (2021), "Value of listed real estate market worldwide in 2020"

² CBRE (2021), "Real Estate Outlook 2021"

The real estate sector can be generally segmented into residential and commercial real estate consisting of several subsegments

KEY MARKET SEGMENTS



Retail

Retailers are exploring new ways how to combine brick-and-mortar and online retail



Residential

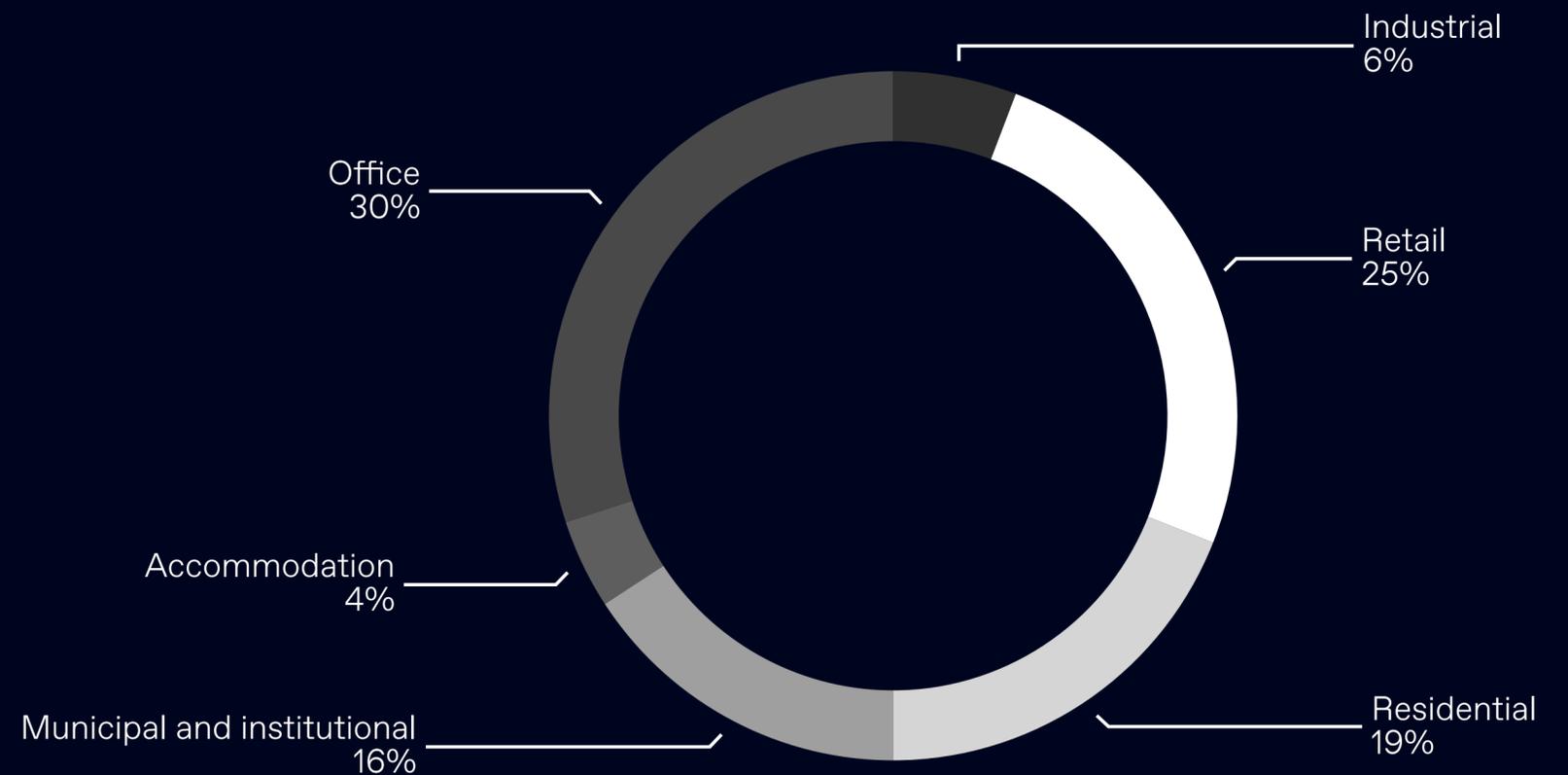
The pandemic has accelerated the pace of change in the residential real estate as customers' demands have changed



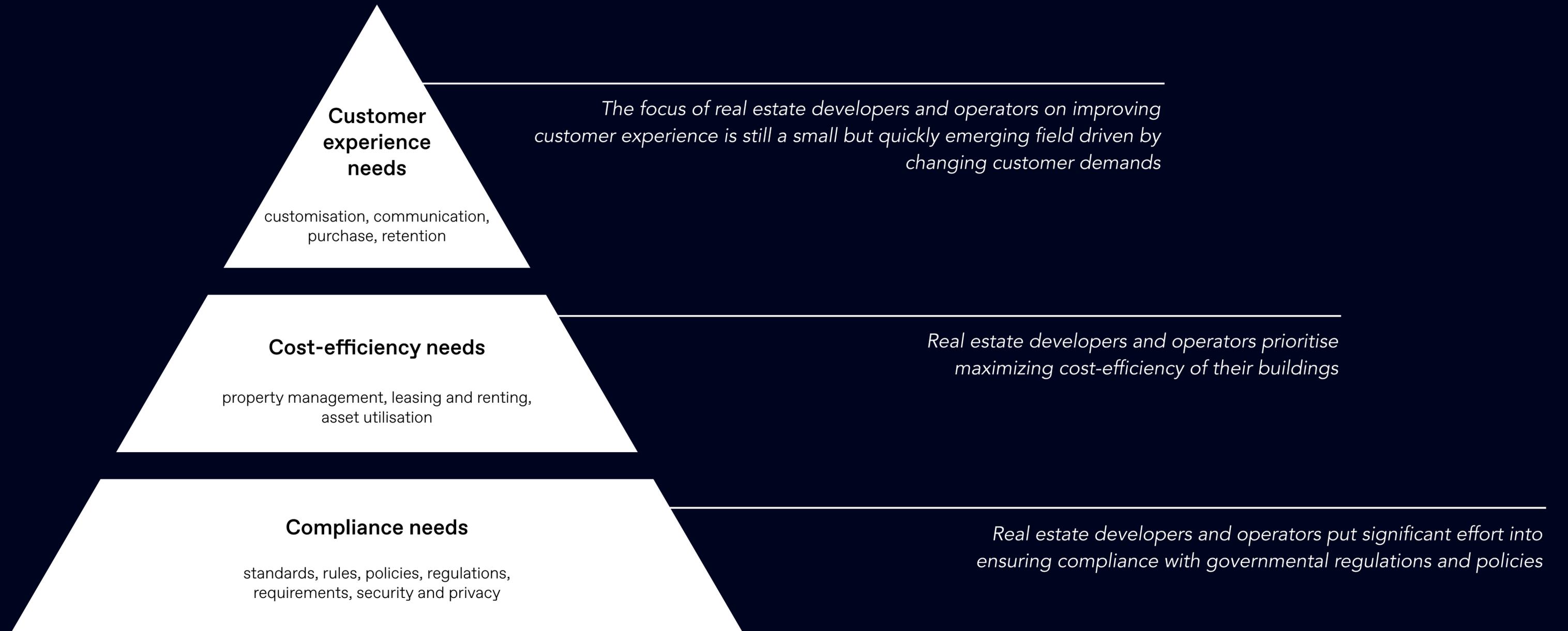
Office

Many businesses are likely to find that they can operate just as well without the overhead costs associated with owning or leasing a physical office

REAL ESTATE MARKET SEGMENTATION



The Real Estate market is heavily focused on ensuring regulatory compliance and increasing profitability



The growth in the market is primarily driven by a change in the way people live and work and digitalization of the industry

KEY REAL ESTATE CHALLENGES ADDRESSED BY PROPTech



Building management

Technology can help in reducing the amount of manual work that building management generally requires



Data management

Real estate developers and operators are increasingly looking towards ways how to utilize technology to manage and analyse data



Performance measurement

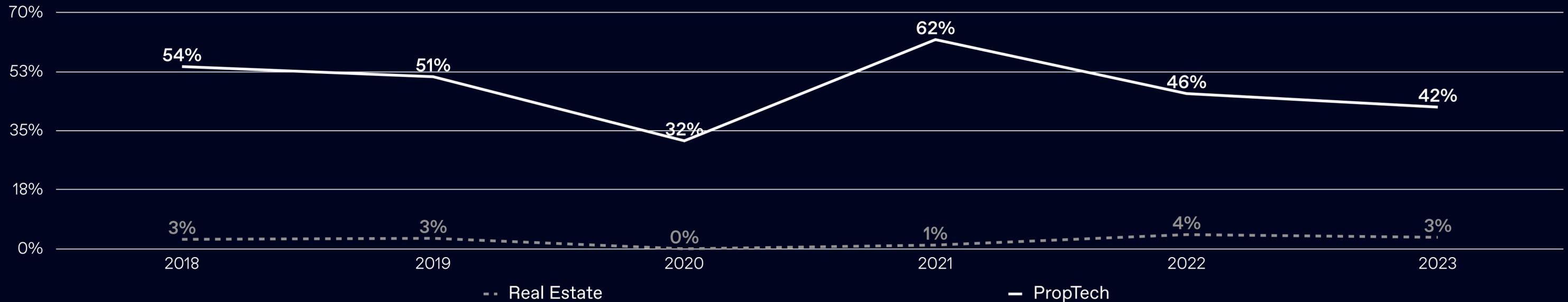
Tech could help with gaining a better understanding on how existing assets are and could be utilized



Compliance process

Real Estate is characteristic for a huge amount of regulations and policies that need to be fulfilled

REAL ESTATE AND PROPTech MARKET GROWTH¹



VCs see an opportunity in PropTech providing solutions that address the post pandemic shift in the way people live and work



Investors

94% of investors believe that Covid-19 will accelerate the adoption of PropTech while 59% expect a double digits growth in PropTech investments over the next year



Deals

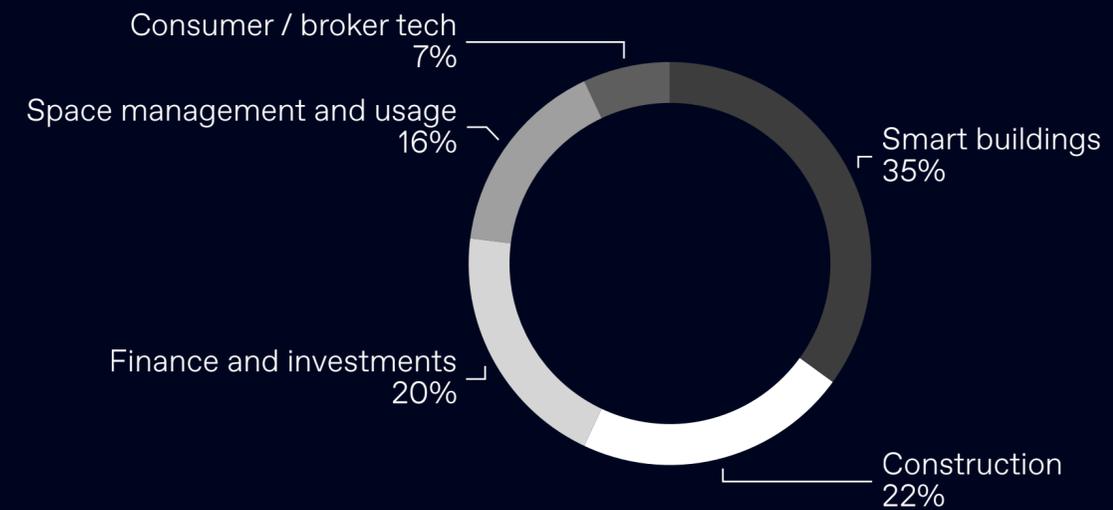
Investors are primarily interested in solutions that address the shifts caused by the pandemic especially in residential and retail real estate



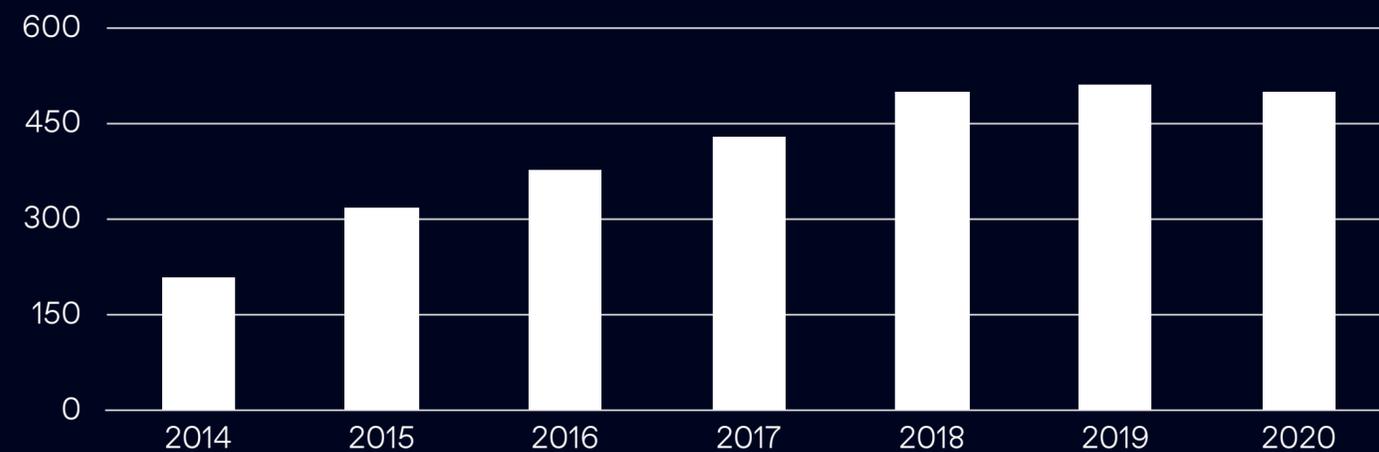
Future outlook

Investors generally expect that the market will eventually consolidate with a few category leaders coming on top

TYPES OF VC INVESTMENTS¹



NUMBER OF VC DEALS¹



¹ Raconteur (2021), "Future of PropTech"

Techcrunch (2021), "10 proptech investors see better era for residential and retail after pandemic"

Residential tech is primarily oriented around solutions related to property transactions and property management

Find a home

Listings & Marketplaces

Zillow, Redfin, trulia, Opendoor, homesnap

Rental marketplaces

Zumper, Radpad, Bungalow, PadSplit

Tech-Enabled Brokerages

Compass, Triplemint, Side, Flyhomes, Homie, Radius

Agent Tools

BoomTown, OpCity, Verse, First, Glide, Amitree, Remine, DocuSign, Real Scout, Matterport

Sell a home

iBuyers

Opendoor, Orchard, Zillow, Sundae, Knock

Manage a loan

Liquidity & Refinancing

Unison, Figure, Noah, EasyKnock

Finance a home

Digital Lenders

Better, LoanSnap, Eave, Neat, Vylla, Lower

Digital Brokers & Lender Lead Gen

Morty, Door, Sindeo, Breezeful, Habito, Trussle, Bankrate, Digs

Downpayment Assistance / Equity

Unison, Landed, Tangello, EasyKnock, UpEquity

Alternative Financing

Ribbon, Flyhomes, Orchard, Divvy, Board

Mortgage a home

Loan Application & Docs

Blend, Roostify, Maxwell, Ocrolus, RealKey, Velocify

Loan Origination & Closing

EllieMae, Blend, Tavant, Firstclose, Snapdocs

Close a property

Property Data & Appraisal

HouseCanary, CoreLogic, Estated

Title & Escrow

Spruce, Qualia, Notarize, Fabrica

Home & Rental Insurance

Hippo, Lemonade, Kin, Matic, Rhino, Jetty

Transaction Management

Glide, DocuSign, Preclose

Manage a property

Maintenance & Improvement

HouseCanary, CoreLogic, Estated

Rental Management

HouseCanary, CoreLogic, Estated

Maintenance & Improvement

HouseCanary, CoreLogic, Estated

Maintenance & Improvement

HouseCanary, CoreLogic, Estated

Commercial tech is increasingly focusing on asset utilization within emerging categories related to tenant experience

Find a property

Listings & Brokerages

Crexi, LoopNet, CoStar, roofstock, HelloOffice, Spacelist

Broker CRM & Marketing

Buildout, VTS, Reonomy, Chime, Digsy

Viewing & Imagery

Matterport, Hover, GeoCV, REscan

Build a property

Planning & Coordination

PlanGrid, Rhumbix, Source, Ingenious, Fieldwire

Construction

Katerra, Blokable, Prescient, Connect Homes

Construction financing

Built, Rabbet, Briq, Bild, Land Gorilla

Evaluate & Finance

Property Data & Appraisal

Cherre, Compstak, Bowery, LoftyAI

Transaction underwriting

Argus, Spacequant, Prael, AtlasX

Debt financing

PeerStreet, LendingHome, Lev, Fineo, District

Equity financing

Cadre, Skyline, Fundrise, Republic, Landa

Transaction management

Juniper Square, Dealpath, Dealius

Manage a property

Leasing & Asset management

Knock, Aptly, CoStar, Funnel, livly, MeetElise, Doorkee

Property management

SlightPlan, Breezeway, Realpage, Proper, Buildium

Building automation & IoT

Iotas, SmartRent, Openpath, Enlighted

Amenities & Tenant Management

Envoy, Realpage, Hello Alfred, Spaceflow

Asset Utilization

Co-working & Office space

wework, Knotel, Spaces, Breather, Room, Industrious

Co-living & Home sharing

AirBnB, Sonder, Lyric, Bungalow, Common, Quarters

Event Space

Convane, Storefront, Bizly

Retail & Industrial utilization

Stord, FlowSpace, ShipBob, Uppercase, Storefront

Five promising trends within real estate tech were identified that fit the studio scope and offer relevant business opportunities



Tenant experience

Both commercial and residential real estate is quickly becoming user experience business and properties need to be designed and operated with this in mind



Buying & Selling experience

The process of buying or selling a property is too complex, expensive, and time consuming



Space usage

New forms of work and living arrangements in the post-COVID world will require flexible use of office and housing space



Data analytics and management

Real-time data gathering from a multitude of sources means better asset utilization and property cost-efficiency. Whether for property management, leasing, customer service and retention, all areas of real estate will be affected



Omnichannel retail

Retailers are increasingly exploring the ways to combine online and bricks-and-mortar options to create exceptional customer experience

Customers' demands and expectations for places they work and live in are rapidly evolving beyond only providing a physical space



Pain point

- Changing customer demands towards more social and flexible living and more flexible office life



Why now

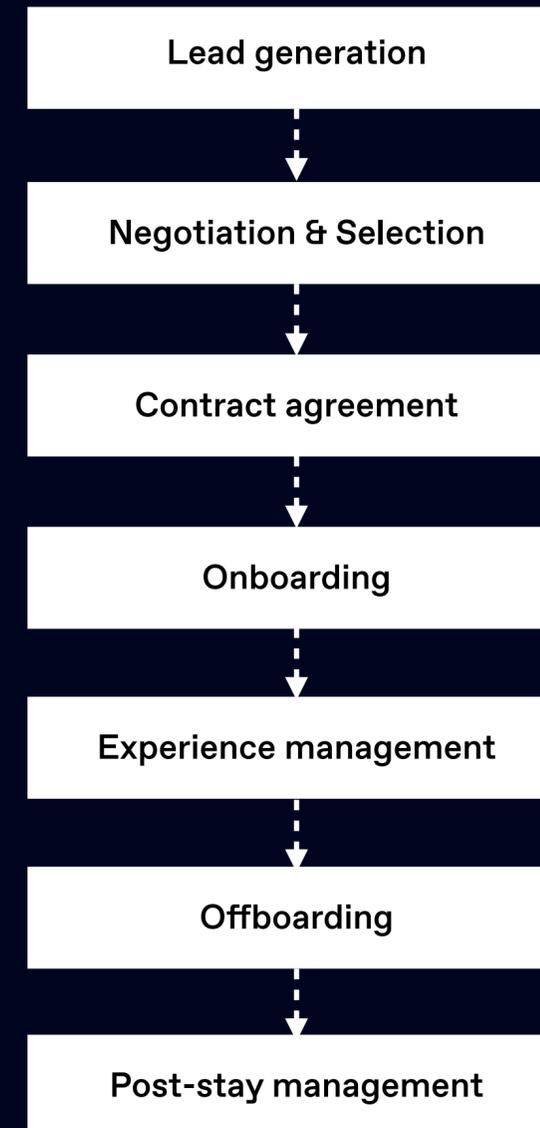
- The pandemic suddenly changed the way people live and work and the real estate industry is still behind with adapting to this change



Notable companies

- **Spaceflow** - \$2.4m raised in Seed, tenant experience app that connects buildings with their occupiers
- **HqO** - \$60m raised in Series C, end-to-end experience for commercial real estate
- **MonBuilding** - App for the improvement of communications, fostering the creation of a community, and enabling all occupants to have access to all the available services

Real Estate customer journey



The process of buying and selling a property is overly complex, expensive, and time consuming



Pain point

- The buying and selling process takes more than 90 days
- A lot of value is captured by intermediaries
- Expenses often exceed 10% of property value



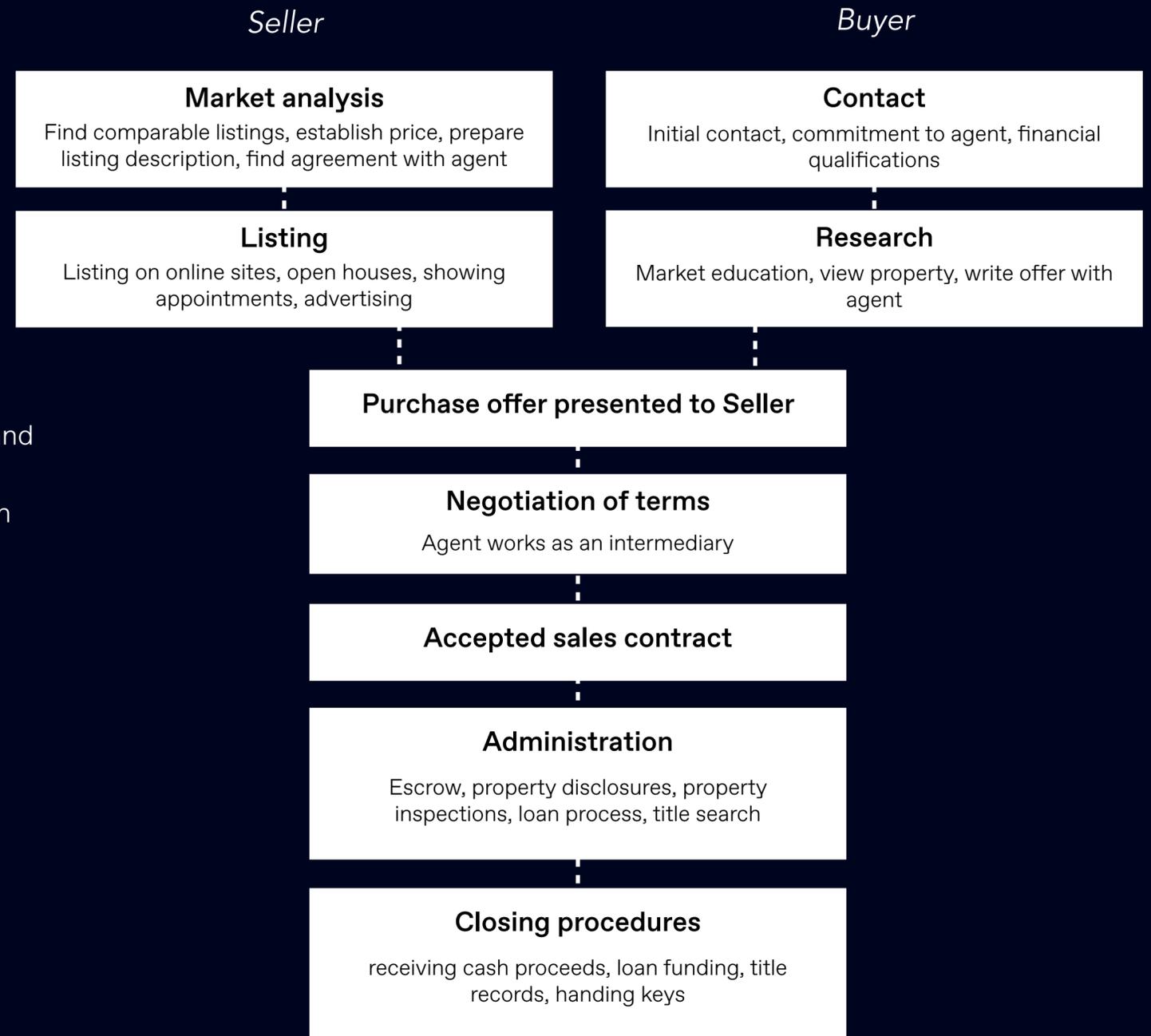
Why now

- Digitalization of the industry provides new opportunities for tech to streamline and improve buying & selling experience
- Increase in movement of people caused by the pandemic puts more pressure on improving buying and selling experience



Notable companies

- **Opendoor** - \$1.9bn raised in several funding rounds, online home-selling service that aims to streamline the sales process down to a few days by presenting home sellers with an instant, all-cash offer for their property
- **Ribbon** - \$550m raised in Series A and Series B, enabling home buyers to bid with cash backing, earn discounts, guarantee a move-in date, and secure financing before or after the closing
- **Spruce** - \$60m raised in Series C, title insurance assessment and issuance to reduce the time needed to close a real estate deal



Changing customer demands and higher focus on flexibility requires real estate developers and operators to improve efficiency of their space usage



Pain point

- The process of renting and moving into a new property is too inefficient
- Real estate developers and operators often end up with underutilized assets

30-40%

of office space is not occupied on a typical work day



Why now

- The spread in working from home puts pressure on providing more flexible housing and offices

5%

of rental apartments are empty

Notable companies



- **Common** - raised \$113m over 4 funding rounds, community-driven residential company that brings community, convenience, and flexibility to housing
- **LiquidSpace** - raised \$34.5m makes it easy to discover, transact, and manage office space on flexible terms and puts the commercial real estate buyer in control
- **Basking** - AI & WiFi-based workplace occupancy analytics solution for enterprise companies, enabling real-time attendance monitoring, safety compliance and portfolio optimization insights

25%

of warehouse space is not used

The potential for utilizing data analytics in real estate is huge while many use cases are still unexplored



Pain point

- Manual process of collecting and analysing data is costly and time inefficient
- Data protection policies present additional burden on real estate operators

36%

of real estate operators and developers consider Predictive analytics and Big data as a number one technology they plan to further invest in



Why now

- Digitalization of the industry brings up new opportunities to utilize generated data and identify actionable insights

Big Data benefits in real estate

- Risks reduction
- Improved customers' engagement
- Accurate appraisals
- AI-enabled decision-making process
- Enhanced marketing strategy
- Data-driven insurance

Notable companies



- **Reonomy** - raised \$127m over 7 funding rounds, providing individuals and companies with access to property intelligence
- **Skyline AI** - artificial intelligence investment manager for commercial real estate
- **Enodo Score** - evaluates whether upgrades and improvements to an apartment or house would be rewarded with commensurate rises in property values

Transformation of traditional retail will impose certain requirements on the real estate industry



Pain point

- Finding ways how to combine brick-and-mortar with online retail to create excellent customer experience



Why now

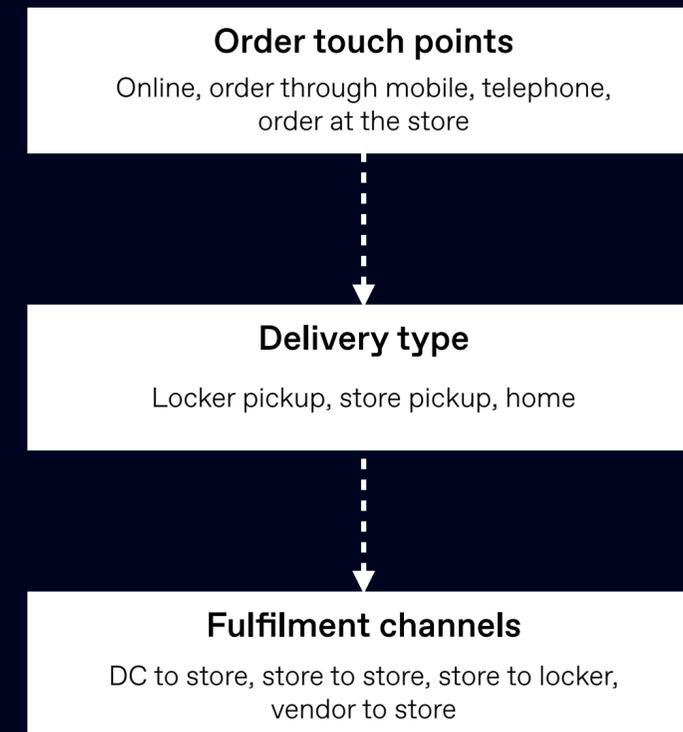
- The pandemic accelerated transformation of the retail industry while real estate is still slowly adapting



Notable companies

- **Saltbox** - co-warehousing for retail
- **Shopi** - , seamlessly integrating the physical store with digital experiences
- **Brandbox** - offering digitally native brands a programmatic approach to open, operate and scale stores as a complement to e-commerce

Omnichannel process





Let's define the next wave of tech entrepreneurship

Michael van Lier, Founder & MD
michael@builders.studio

+Builders

Medium — LinkedIn — Instagram — @builders.studio