



Bocconi Students Fintech Society

PropTech Overview

www.bsfintechsociety.com

WHAT IS PROPTech?



PropTech is the application of technology to the real estate industry. It describes the digital transformation of the way information is shared, transactions performed, and management done.



SMART REAL ESTATE

SHARED ECONOMY

REAL ESTATE FINTECH

CONTECH

Facilitates the **operation and management of real estate assets**, with the scope of reducing operating costs and improve lease holder experience. Great importance is given to Smart Buildings, assets that can both implement and use efficiently digital platforms

Implementation of the idea that spaces and capital goods are better if shared. Its core is the **conversion of real estate assets into short-term services**, in order to reduce cash flow rigidity and improve capitalisation rates whenever the appraisal of properties increases

The linking piece between PropTech and FinTech. Companies of this group operate both as a manager of real estate assets and a **facilitator of transactions.** They answer to the specific needs of both consumers and suppliers of the real estate market

Enterprises whose main role is to allow for **more efficient construction methods** and provide support in designing buildings or infrastructure.

It is important to underline that **a company of the second category can potentially be FinTech**: an example of this is AirBnb, that provides a hospitality platform responsible for allowing landlords to more easily monetize their properties. In other terms, if it makes transactions easier a company can be considered FinTech.

Another category, called **LegalTech**, has started to appear in the last few years as the results of **blockchain implementation in stipulating contracts.**

with reference to [Oxford Report on PropTech 3.0 \(2017\)](#), [Oxford Report on PropTech 2020 \(2020\)](#)

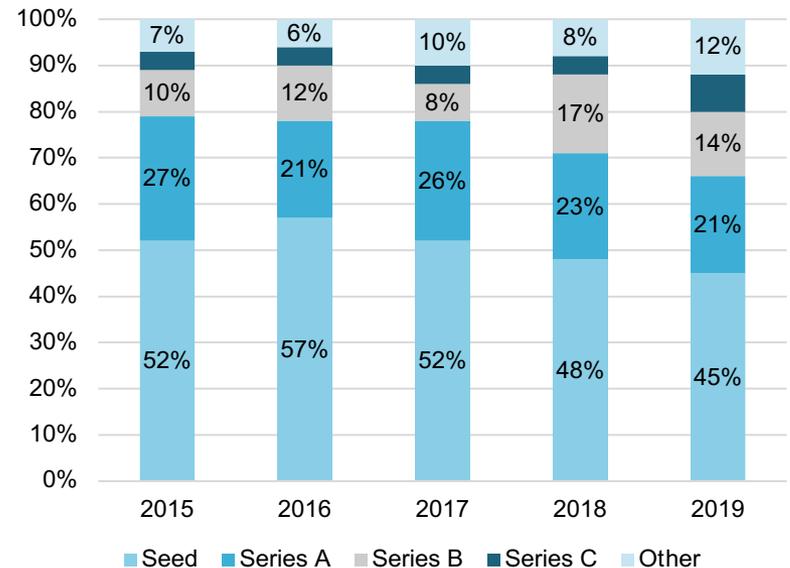
PROPOSITION, FUNDING OF PROPTech



A classic PropTech proposition involves: a diverse, widely distributed and heterogeneous source of supply; no dominant, efficient mechanism for bringing demand and supply together; potential gains on all sides; scalability. Most of PropTech companies require minimal financial resources to start operations.

Total Funding for US PropTech companies **has increased exponentially** from 2005 until the present day, with series A and B financing being the highest contributions in absolute terms to the US market. According to a 2020 CB Insights report around 45% of international funding in **2019** was still categorized as seed or “angel”, while **less than 34% of firms reached Series B or above round. In terms of investors, US has over 1911** of them. EU holds the two succeeding positions in the market. India and China, both Asian giant economies of the BRICS, follow.

Real Estate Funding by deal stage



with reference to [Oxford Report on PropTech 3.0 \(2017\)](#), [Oxford Report on PropTech 2020 \(2020\)](#), [CB Insights 2020 Report \(2020\)](#),

MARKET STRUCTURE OF PROPTECH



With the first company being founded in 1976, the PropTech industry has been steadily increasing over time. Company global outreach has now spread to over 64 countries, with the US being the most dominant presence in the industry.



Geographically PropTech enterprises cluster around **big Asian cities, US, and Western Europe** (mainly UK). A notable fact is that California is currently the heart of the US PropTech industry due to their high concentration of PropTech companies and therefore investments. California contains more than double of the amount of investors in comparison to its secondary, New York.

with reference to [Oxford Report on PropTech 3.0 \(2017\)](#), [Oxford Report on PropTech 2020 \(2020\)](#), [CB Insights 2020 Report \(2020\)](#),

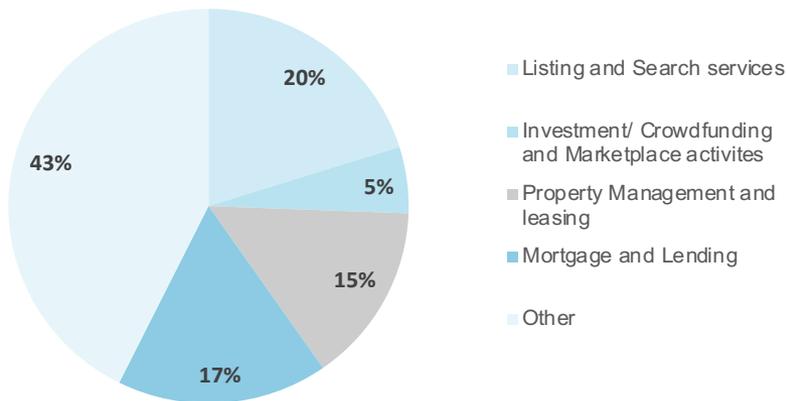
MARKET STRUCTURE OF PROPTECH



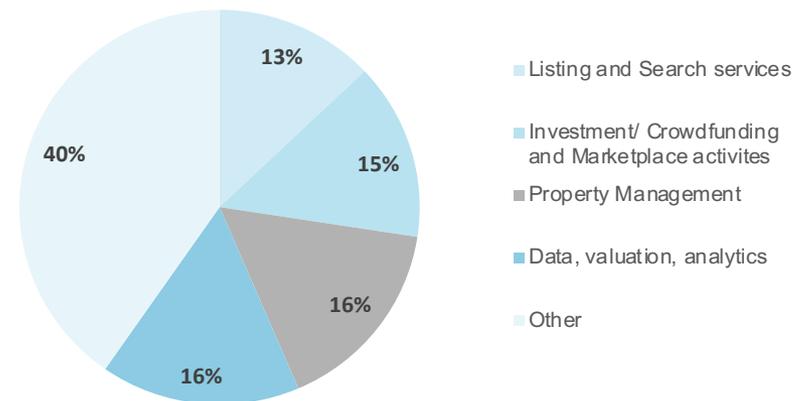
A number of PropTech firms operate in the Residential Real Estate Market, significantly more than in the Commercial Market. Some differences in the functions these enterprises perform in either market can be found.

A phenomenon of the last few years is the interest of “incumbent” real estate firms (Hines, Cushman are the most notable) in PropTech. **Structure wise**, based on a 2018 CB Insights briefing **20%** of the enterprises operating in the Residential Real Estate Tech Market (way larger than the Commercial one) **provided Listing and search services**, around **17%** **operate Tech-enabled mortgages services** (both as Mortgage Tech and Mortgage Lending companies) and **15% Property Management and Leasing activities**.

Residential Real Estate Tech Market (2018)



Commercial Real Estate Tech Market (2018)



with reference to [Oxford Report on PropTech 3.0 \(2017\)](#), [Oxford Report on PropTech 2020 \(2020\)](#), [CB Insights 2020 Report \(2020\)](#),

LISTING AND SEARCH SERVICES



The listing and search services sector of PropTech can be divided in multiple subdivisions, that relate to the rental, the buying and selling experience, the definition of a mortgage, and to fractional ownership.



RENTAL

The proptech software **market** is **growing** at a rapid pace nowadays and lots of companies emerge daily. Despite the fact that is a new sector, there are already lots of technology **market leaders** that provide **cutting-edge** and **advanced technology** solutions to the real estate market around the world letting people **rent** apartments and buildings **through websites** facing **virtual brokers** and **AI**.



Zumper was founded in 2012 in San Francisco and **Zillow** was founded in 2004 in Seattle. Both of them enable users to reserve available apartments, houses and condos, and to apply for rentals without competition, receiving feedback in 24 hours.



In the Italian ecosystem we have **Dovevivo**, that acts on the market buying houses, renovating them and then renting rooms to students.

LISTING AND SEARCH SERVICES



BUYING AND SELLING

Buying and selling is far quicker and easier with proptech and such **transactions** can now be done **entirely online**. Many companies act in this market to **improve the customer experience** delivering easier access on apps, website and a facilitated connection with brokers. The **iBuyer** then takes the **responsibility** of the **marketing, administration** and execution of the **sale**.



HOMEDAY

McMakler



CASAVO

In the European environment there's a huge density of companies in **Berlin**, like **Homeday** (600% in 5 years) and **McMakler** (875% in 5 years); the first acts as a link between homeowners and buyers without the use of brokers, the second one handles both private and commercial real estate.

Two similar companies are present in Italy and in the United States: **OpenDoor**, founded in 2014 in San Francisco, and **Casavo**. After buying houses, both companies prepare them for sale by repairing necessary facilities. At this stage, the companies act as an iBuyer and offer buyers the properties they are listing.

OTHER SERVICES: MORTGAGES, INSURANCES



Digital-only mortgage lenders like LendInvest, Molo Finance, and Propportunity offer mortgages in a matter of days instead of months by using automation. They are also effective at closing deals faster with fewer manual processes along the way. The industry is also going toward to creating mortgage-backed stable coins.

MORTGAGES

Distributed Ledger Technology (DLT) is applied to the management of public records, particularly for government-held land registry data. Such information has typically been susceptible to errors due to the manual input process as well as being subject to tampering by unscrupulous individuals with access to them. With this type of **new solution**, these **safety problems are part of the past**.



INSURANCES

Another service provided is that of **house insurances**, falling then into the **InsurTech** category. Platforms like **Obie** are offering customer-friendly solutions that are becoming more and more popular year after year.



OTHER SERVICES: FRACTIONAL OWNERSHIP

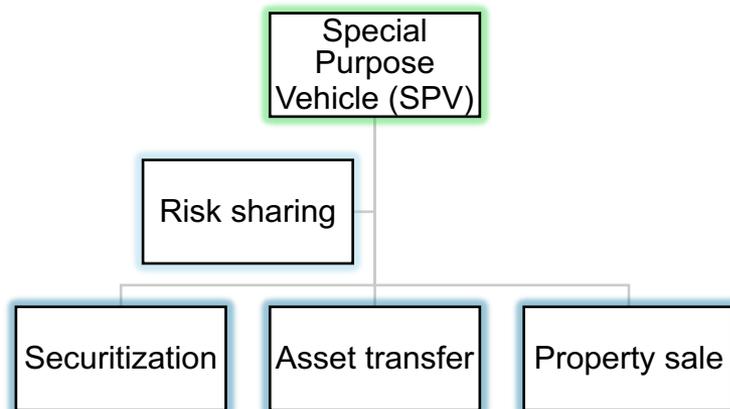


Fractional ownership is the situation in which a number of investors, join forces and invest together in real estate so that all of them can benefit from a share of the income or the appreciation of value that the asset generates.

HOW IS THIS POSSIBLE?

For each property a **Special Purpose Vehicle (SPV)** is created. An SPV is a company created for a specific purpose with its own assets and liabilities. Properties are owned by newly formed SPVs and the **customers are shareholders or partners of the SPV**. Fractional investment is possible **starting from \$10 in USA**.

Fraction, born in 2018 raised over 390 million Canadian Dollars with the idea of allowing fractional ownership of investment properties, making things as easy as possible for new people trying to invest in real estate.



fractional

WHY IS PROPTech THE FUTURE OF REAL ESTATE?



Proptech currently represents a long-term trend due to major demographic changes. But what is investing in real estate like today?

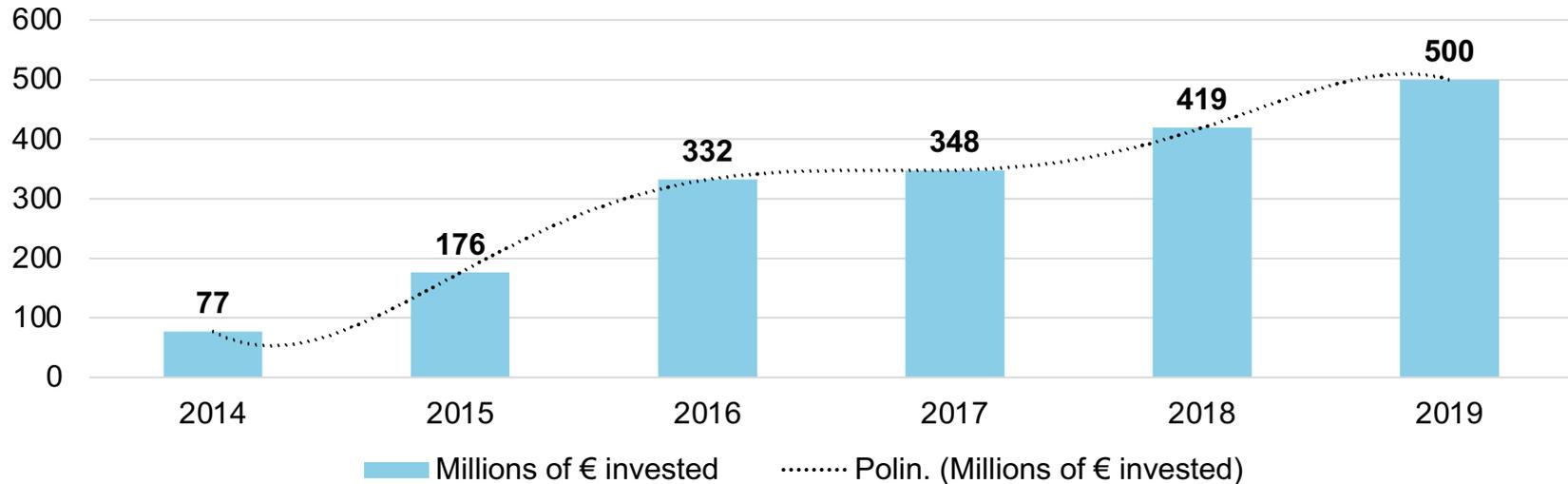
Drivers	Ways to invest in RE	Macro-Economic Analysis	Local Analysis
High inflation	Private deals & investing	Growing overall dealing till 2019	Deep focus on smart construction management
Low interest rates	RE investment trust funds	Major shutdown due to the pandemic outbreak	Investment focused on sustainable and smart
Growing of new urbanized areas demographic evolution	Crowdfunding & tokenization	75% of the population still lives in unurbanized areas	Urban areas both in extraurban smart cities and evolving countries

with reference to The Wall Street Journal, Crunchbase, Pricehubble, ExplodingTopics, Medium.

WHY IS PROPTech THE FUTURE OF REAL ESTATE?



PropTech trends in Europe



During 2021, Venture Capital fundraising for PropTech reached all time highs **in the US**, hitting a record of **9.5 billion dollars raised through mid-November** (in 2020 the US fundraising had fell for about 11% of the 2019 levels, reaching 8.1 billion dollars).

This is another sign of the incredible growth that this sector is experiencing, showing off how we are really seeing **the future of the Real Estate market**.

with reference to The Wall Street Journal, Crunchbase, Pricehubble, ExplodingTopics, Medium.

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