

YEAR-END 2020



GLOBAL PROPTech CONFIDENCE INDEX



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CONFIDENCE INDEX

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Executive Summary

Dear PropTech Community,

Without question, 2020 was a challenging year. A global health crisis, economies on lock-down, political turmoil and real estate market uncertainty were major themes in our lives. That said, the second half of 2020 showed how resilient markets, institutions, and individuals can be. COVID-19 vaccines began shipping, the stock market reached new highs, and the US political clouds began to clear.

And in our corner of the world, the PropTech sector continued its rapid growth and maturation, with a flurry of record-setting activity and industry sentiment soaring to new heights.

The second half of 2020 saw the Global PropTech **Investor Confidence Index score 9.2 out of 10**, up from a previous high of 8.8 in the middle of 2019. To a degree that may have been difficult to imagine only a few short months ago, the COVID-19 crisis has accelerated the adoption of technology and, in tandem, investor interest has risen tremendously. This trend can be seen in our survey, with 94% of investors believing that COVID-19 will further accelerate the adoption of PropTech in the real estate industry, up 5% from the already optimistic sentiment reported in the Mid-Year 2020 Index. Seventy-six percent of those investors expect to see more acquisitions over the next 12 months compared to the previous 12 months, up from 63% at Mid-Year 2020. In a nearly 20% jump from Mid-Year 2020, two-thirds of investors said that they expect PropTech pitches to increase this year. Perhaps of greatest import, 59% of those replying said that they expect to make more PropTech investments over the next 12 months, up from 33% at Mid-Year 2020.

The **Startup Confidence Index is 7.7 out of 10**, the highest recorded to date. After a dramatic drop of 2.5 points for the first half of 2020, startup confidence in the sector bounced back with enthusiasm. As previously mentioned, the COVID-19 crisis has created new opportunities for PropTech startups' growth and financing. Healthy investment activity gave founders increased confidence, with 39% of startups saying it will be easier to obtain venture capital funding over the next 12 months compared to the previous 12 months, up from an all-time low of 12% from Mid-Year 2020. In addition, the survey showed that founders expect to see increasingly strong M&A and SPAC activity in the sector in the coming months.

More generally, the PropTech sector continued to demonstrate strength and momentum throughout the second half of 2020. In the public markets, PropTech companies continued to outperform broader market and tech indices and welcomed notable new entrants. SPAC activity, one of the major storylines of late 2020 and early 2021 has been particularly pronounced in the PropTech space. In addition to high profile transactions involving Porch and OpenDoor, the market debuted a dozen new PropTech-focused SPACs with many more in the queue. This flurry of activity was complemented by private transactions such as the \$10 billion take-private acquisition of Realpage by ThomaBravo and Homesnap's acquisition by CoStar for \$250 million. Public and private markets are recognizing the promise of the PropTech sector and we entered a new phase in the sector's growth and maturity.

In summary, confidence in the PropTech market clearly rebounded in the second half of 2020 and survey respondents are expecting an abundance of additional opportunities in 2021. Not surprisingly, many of the free-form survey responses touched on IPOs, SPACs, and M&A activity. At the same time, we noticed an increase in respondent's mentions of ESG and climate tech's impact on the sector. These could be central themes in future editions of the Global PropTech Confidence Index.

We hope you enjoy reading more about the latest PropTech sentiments!

Sincerely,



Aaron Block
Co-Founder & Managing Partner

Year-End 2020 Investor & Startup Confidence

Investor and startup confidence rebound, setting new records

The Investor Confidence Index is

9.2 out of 10.

COVID-19 has indeed accelerated the adoption of technology and investor interest has risen tremendously in tandem. This net acceleration is coupled with the momentous performance of PropTech companies in the public markets in the second half of the year. A few notable transactions were the successful SPAC deals for Porch and Opendoor, as well as the debut of a dozen new PropTech-focused SPACs. This flurry of activity is rounded out with private transactions such as the acquisition of Realpage by ThomaBravo and Homesnap by CoStar. It is clear that both public and private markets are recognizing the promise of the PropTech sector and that we have entered a new phase in the PropTech market's growth and maturity.

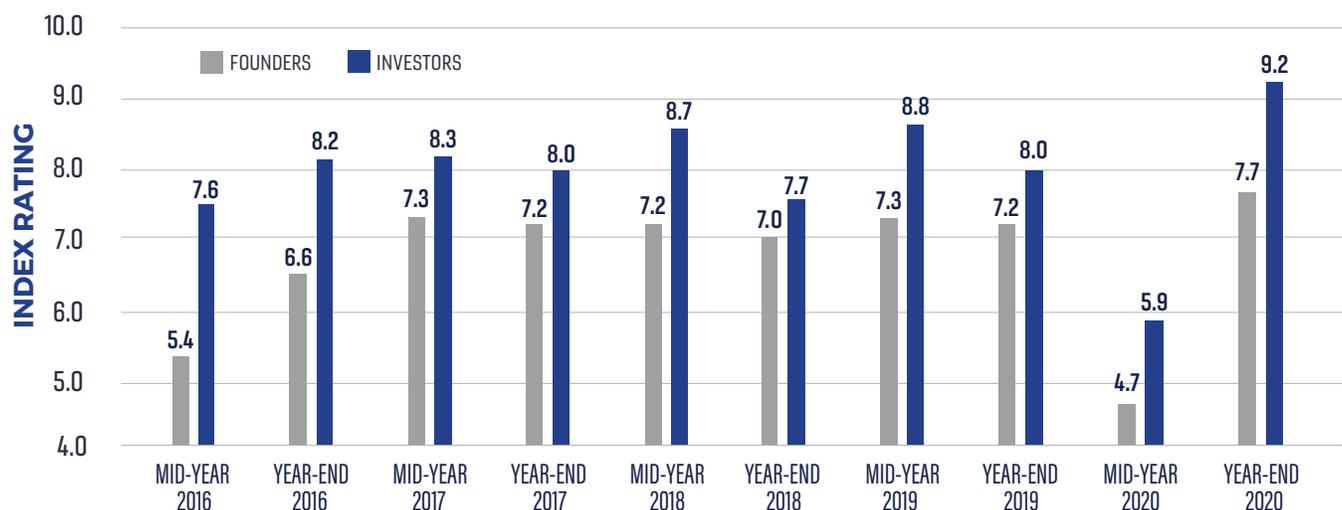
The Startup Confidence Index is

7.7 out of 10.

This is the highest level recorded to date. COVID-19 produced a dramatic drop of 2.5 points for the first half of 2020, but startup confidence in the sector has been restored with gains. The virus also accelerated the adoption of technology in Real Estate, creating new opportunities for existing PropTech companies, as well as an environment of innovation and growth. According to the survey, founders expect to continue to see strong M&A and SPAC activity in the sector. Healthy investment activity has given founders the confidence that it will be easier to raise capital during the next 12 months.

MID-YEAR 2016 - YEAR-END 2020

STARTUP FOUNDER & INVESTOR CONFIDENCE INDEX



Year-End 2020 Highlights



Investors

94% of investors believe that COVID-19 will accelerate the adoption of PropTech in the real estate industry, up 5% from Mid-Year 2020.

76% of investors expect to see more acquisitions over the next 12 months compared to the previous 12 months, up from 63% at Mid-Year 2020.



65%

of investors expect to see more pitches from PropTech startups over the next year compared to the previous year, up from 46% at Mid-Year 2020

59%

of investors expect to make more PropTech investments over the next 12 months up from 33% at Mid-Year 2020.

Year-End 2020 Highlights



Startups

39%

of startups expect it to be easier to raise venture capital over the next 12 months compared to the previous 12 months, up from an all-time low of 12% from Mid-Year 2020.

50%

of startups expect at least two-thirds of their teams to continue working from home over the next 12 months, the same amount as six months ago.



92%

of startup founders believe that COVID-19 will accelerate the adoption of PropTech in the real estate industry.

10%

of startups expect their space to be less competitive over the next 12 months, down from an all-time high of 21% at Mid-Year 2020, but still double the historic average of 5%.

Investor Sentiment Quotes

We asked PropTech investors one critical question:

What is the biggest change you expect to see in the PropTech space in the next 12 months? Please elaborate.

HERE'S WHAT THEY HAD TO SAY:



As life goes back to normal, touchless technology (light switches, door knobs, windows, etc.) and sanitation tech (e.g., HVAC, UV robots) may take off. Many will not be fully comfortable going back to the office or visiting a mall just yet, and the managers of those spaces will look for **tech to get people comfortable interacting with shared built spaces again.**

[More] real estate leaders will realize that **adopting new technologies will allow them to get ahead in the market**, addressing their most complex issues.

Additional pools of capital will begin investing in this dynamic sector. We expect to see **greater collaboration and deal sharing between like-minded VCs.**

Significant increase in interest from landlords and owners on **solutions that will facilitate a smoother return to office transition** and increased investment in ESG solutions.

Continued growth of SPAC acquisitions and broader **M&A activity further crystalizes exit opportunities.**

More owners will be receptive to **tech solutions that cut costs and offset revenue losses.**

Enhanced **focus on ESG and climate change.**

Investor Insights



Jillian Williams,
Principal, Anthemis

1. What is the biggest change you expect to see in the PropTech space in 2020?

Feel free to comment on changes to PropTech investment strategy, deal flow, portfolio growth, and potential exits, as well as the overall volume of investment into the space.

Given the activity in the real estate market and increased demand in the alternative investments space, I believe there will be significant growth in the PropTech space in 2021. 2020 lit the match and highlighted the demand and now we will see the companies and growth within the space really play out. We have also seen more PropTech and real estate related companies go public in 2020 including OpenDoor, Rocket Companies, and Loan Depot and Compass' IPO filing. These moves towards the public market can grow the appetite for more PropTech companies to emerge. I think we will see a lot of companies emerge in the space and a lot of appetite from investors to back the next version of these PropTech startups.

2. Do you expect to make more or less PropTech investments over the next 12 months compared to the previous 12 months? Why?

Likely more. I think 2020 brought a lot of uncertainty and divergence in the real estate market from city to city. I think this had ripple effects in the PropTech industry as well. COVID-19 also brought more attention to some of the challenges and inefficiencies in the property market that technology could drastically improve. We saw a flurry of traditional real estate activity in emerging cities such as Miami, Austin, and Nashville in 2020. The attention that these cities are getting means there is likely more construction and activity both on the residential and commercial side. This means great opportunities for innovation to be applied whether it is new technology to help monitor building construction or new ways to manage second homes remotely, growth in new markets means exciting opportunities for innovation in PropTech to support it.

3. Which is the hottest area of innovation within PropTech that you are most interested in?

Given market dynamics I am excited about opportunities at the intersection between consumer investing and real estate, and the mortgage and the servicing industries. These are areas where innovation has been lacking of late. On the consumer side there is clear demand as more individuals are looking at diversifying into alternatives and seeing the opportunity in investment properties. There is more demand than ever for alternative assets, including real estate. Given the high barriers to entry for real estate, many are locked out of the market despite the long term economic value creation associated with it. The demand for access is growing and this means more companies will look to offer solutions to meet such demand. On the mortgage and servicing side, this is a space that is seeing an aging demographic and lack of innovation and suffering because of it. With COVID-19 we saw how many of our interactions within the mortgage industry, such as renegotiation of mortgage payments, were stale and struggled to meet demand under stress and call for revamping.

Investor Insights



Kan Notoya,

Investor, 31 Ventures, Mitsui Fudosan's CVC arm

1. What is the biggest change you expect to see in the PropTech space in 2020?

Feel free to comment on changes to PropTech investment strategy, deal flow, portfolio growth, and potential exits, as well as the overall volume of investment into the space.

We expect to see more deal flow coming into the PropTech space due to COVID-19. All asset types, such as office, retail, residential, have shaken pre-COVID-19 values. Investment priorities will be revised in every value chain in our industry in the short term.

Regarding exit opportunities, consolidation of services might be an option. Since PropTech itself is very early as an industry, there are many players only providing a single solution. However, from an enterprise operation perspective, few companies have the capability to integrate various solutions into their operations by themselves. Integrated service offerings will be preferred especially by companies without enough internal resources to promote corporate innovations.

Overall volume of investment will maintain its growth trend. Considering the capital market trends, stakeholders in the real estate industry must appeal to their investors how their portfolio assets are adopting technologies.

2. Do you expect to make more or less PropTech investments over the next 12 months compared to the previous 12 months? Why?

We expect to maintain our investment performance. Investment from 31VENTURES, Mitsui Fudosan's CVC arm, has not slowed down in this difficult situation. We have launched our second early stage CVC fund in September 2020. We have seen some important power shifts of customer demand. Number of services and technologies are introduced towards the real estate industry; therefore, we always keep our eyes on the new concept of PropTech.

3. Which is the hottest area of innovation within PropTech that you are most interested in?

In the short term, how to adopt lifestyle shift post-COVID-19 must come first. OMO trend is unstoppable. Value of the workplace needs to be rebuilt. Your house is no longer a place just to eat and sleep. Traditional prime locations might become a nice to have option. We try to be one step ahead of customer's demand.

Other than COVID-19, 31VENTURES is following many trends. For instance, my personal theme is where FinTech meets PropTech. As a nature of the real estate business, financial aspects are the essential part of our operation. A huge amount of innovation investment has been made in the FinTech space. Ambitious FinTech players are looking for their next targets to disrupt. Our team is now deep diving into this space and seeking both investments and collaboration opportunities.

Investors: Full Findings

Investors expect to make the following number of PropTech investments in the next 12 months:

59% MORE INVESTMENTS
37% ABOUT THE SAME
4% FEWER INVESTMENTS



What investors expect to see in PropTech deal flow in the next 12 months:

65% MORE PITCHES
33% ABOUT THE SAME
2% FEWER PITCHES



How investors think the M&A market for PropTech startups will change in the next 12 months:

76% MORE ACQUISITIONS
22% ABOUT THE SAME
2% FEWER ACQUISITIONS



The effect COVID-19 will have on the adoption of PropTech in the real estate industry:



Areas of PropTech innovation that investors are most interested in:

27% AEC
25% SMART BUILDINGS
25% FINANCE AND INVESTMENT
18% SPACE MANAGEMENT
5% CONSUMER / BROKER TECH



Stage investors plan to make investments in PropTech in the next 12 months

37% PRE-SEED
77% SEED
77% SERIES A
40% SERIES B
9% SERIES C
7% SERIES D+



The asset types that investors are most interested in:

30% OFFICE
22% MIXED-USE
18% SINGLE FAMILY
16% MULTIFAMILY
9% INDUSTRIAL
5% HOSPITALITY
0% SENIOR HOUSING
0% RETAIL



How investors think PropTech companies are performing in terms of customer growth:



Startup Sentiment Quotes

We asked PropTech Investors one critical question:

What is the biggest change you expect to see in the PropTech space in the next 12 months? Please elaborate.

HERE'S WHAT THEY HAD TO SAY:



With a dramatic shift in how people use office space and an influx of federal funds into cities for transit infrastructure, small business, and climate mitigation, we'll see an equally dramatic shift in PropTech. We anticipate a **resurgence of office-as-a-service, Micromobility, curb- and transport-management software, urban planning software, and increased funding and hiring for all of the above.** We'll see M+A / consolidation / failing in other categories.

In terms of funding, **more VC's will start investing in [PropTech],** but with smaller average checks. New companies will have a much higher barrier of entry to clients.

I expect to see **increasing competition and funding in PropTech** as VCs continue to warm up to the space and become educated about its nuances.

M&A activity among older players in the industry will increase and allow the emergence of startups that are taking new approaches to old problems.

There will be more focus on **energy efficiency and net-zero buildings.**

Clients accepting that **PropTech and ESG will benefit and enable their businesses** for the future.

We expect to see the **ESG rating of assets** and the growing importance of **climate tech.**"

The acceleration of adoption will be the single largest change in the PropTech space. The market is finally realizing that the status quo is inefficient and **PropTech builds faster, better, and smarter solutions to achieve the same results at volume and speed.**

Faster **acceleration of PropTech due to COVID-19.**

Startup Insights

Jiayue (Jenny) He,
CEO and Founder at Ergeon Inc.



1. What is the biggest change you expect to see in the PropTech space in the upcoming 12 months?

As remote work (or a mixed model) becomes more the norm, there is already a migration away from expensive urban centers into suburban and rural areas. Consumers will pursue home improvements to increase home office space and storage space, which will lead to a demand / supply imbalance. In parallel, consumers seek to rent and purchase larger homes, thus continuing to drive up single family home sale prices and the continued ten-year bull run for home builders. Similar to e-commerce which exploded in 2020, there are strong tailwinds for PropTech as consumers are looking to design, shop and manage home services, home renovations, as well as home rental and purchases entirely online.

2. What is the biggest challenge that PropTech Startups will face over the next 12 months?

For PropTech startups in home service, renovation or construction spaces, the primary challenge will be how to address the multitude of supply side shortages. This includes skilled construction labor, construction materials (especially lumber, copper, etc. that have gone up more than 2x in price) and supply chain delays of finished goods, like furniture, for example. Secondly, a shortage of single family homes for sale and for rent, though this is somewhat mitigated through higher transaction prices and fees. While demand will be robust, it is hard to predict which of the areas that have been popular with inflow in the last 12 months will stay popular for the long term. For example, will Austin and Tahoe stay popular once the pandemic is over?

Mark Rojas,
CEO and Founder at Proper



1. What is the biggest change you expect to see in the PropTech space in the upcoming 12 months?

Adoption of technology will continue to accelerate for the “long tail” of the market within real estate. Smaller mom and pop real estate businesses will re-imagine how they operate and begin to leverage technology products in new and creative ways, catching up to the larger capital allocators in terms of their embrace of innovation. As technology advances and globalization continues, more real estate companies will look to the new global economy to leverage labor arbitrage opportunities within their workforce. We believe there will be a shift in desire to transition fixed costs to variable costs in order to be better insulated the next time a serious business disruption like COVID-19 occurs.

2. What is the biggest challenge that PropTech Startups will face over the next 12 months?

Although investor interest in PropTech remains at an all time high in both the public and private equity markets, few institutional investors understand the intricacies of how real estate management businesses operate. Therefore a steep learning curve remains for investors understanding how b2b software can continue to drive efficiency for customers. More venture capital funds are bringing on PropTech specialists, many of whom have direct experience operating real estate or building technology for the sector. This development coupled with the increased proliferation of PropTech focused venture funds will propel the sector forward.

Startup CEOs: Full Findings

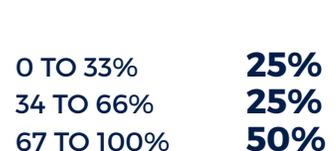
Are startups expecting their space to be more or less competitive in the next 12 months:



The effect COVID-19 will have on the adoption of PropTech in the real estate industry:



What percentage of your team will continue to work from home in the next 12 months?



HOW STARTUPS EXPECT RAISING VENTURE CAPITAL WILL BE IN THE NEXT 12 MONTHS:

EASIER TO RAISE **39%**

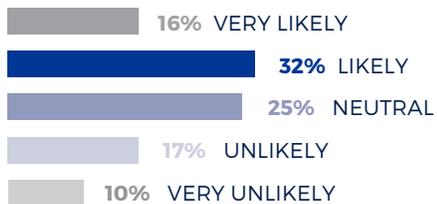
ABOUT THE SAME **45%**

HARDER TO RAISE **16%**

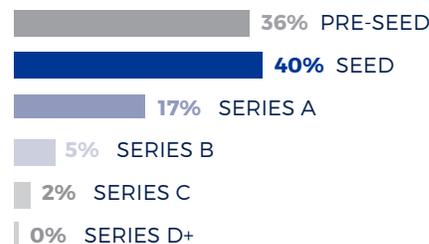
NUMBER OF FULL-TIME EMPLOYEES THAT STARTUPS PLAN TO HIRE IN THE NEXT 12 MONTHS:



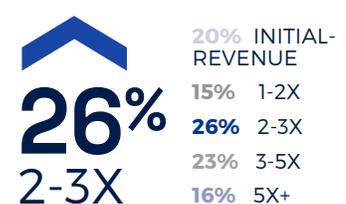
Likelihood the company will be acquired, go public or have a major liquidity event in the next three years:



What is the latest round of funding that your startup has received?



Sales growth target for the next 12 months, compared to the previous 12 months:



MARKETS (BY ASSET TYPE) BEING TARGETED FOR COMMERCIAL DEPLOYMENT:**



**Note: Startup Founders could choose more than one answer.

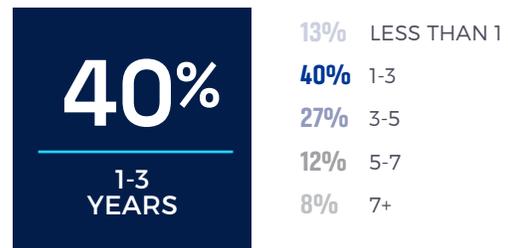
Respondent Profiles

STARTUP SAMPLE DEMOGRAPHICS

HEADCOUNT: How many people does your company employ today?



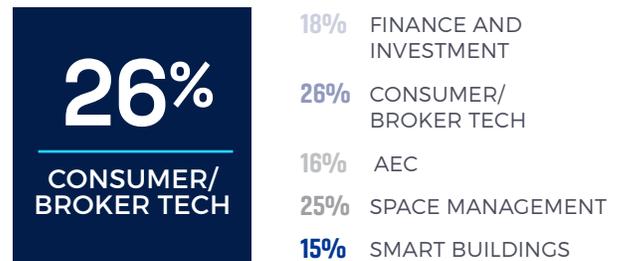
YEARS OPERATING: How many years has your company been operating?



REVENUE: What is your total revenue over the past 12 months?



SECTOR: Which of these sectors best describes your company?

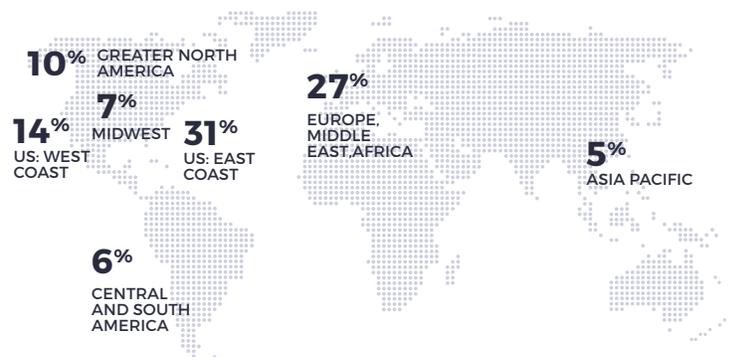


Are you male or female? **> 82% MALE > 16% FEMALE > 2% I PREFER NOT TO ANSWER**

ETHNICITY: Which of the following best represents your racial or ethnic heritage?

- 64% WHITE OR EURO-AMERICAN
- 9% LATINO OR HISPANIC AMERICAN
- 4% EAST ASIAN OR ASIAN AMERICAN
- 3% SOUTH ASIAN OR INDIAN AMERICAN
- 2% AFRICAN AMERICAN
- 2% MIDDLE EASTERN OR ARAB AMERICAN
- 7% OTHER
- 9% I'D RATHER NOT ANSWER

LOCATION: Where is your company headquartered?



Methodology



This survey was designed in collaboration with the Real Estate Board of New York (REBNY) and the Royal Institution of Chartered Surveyors (RICS) based on industry leading standards for sentiment analysis. We used a purposive sample of active investors and startups in real estate technology and post stratification to ensure quality data.

The Confidence Index is based on responses to 4 sentiment questions about future market expectations. The Index has a range of zero to ten.



An Index above 5

indicates that respondents are confident in the market; more responded positive than negative to the survey question



An Index below 5

indicates that respondents are not confident in the market; more responded negative than positive to the survey question



An Index of 5

indicates that the positive and negative responses were equal

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About Us



MetaProp is a New York-based venture capital firm focused on the real estate technology (“PropTech”) industry. Founded in 2015, MetaProp’s investment team has invested in 130+ technology companies across the real estate value chain. The firm manages multiple funds for both financial and strategic real estate investors that represent a pilot- and test-ready sandbox of 20+ billion square feet across every real estate asset type and global market. The firm’s investment activities are complemented by pioneering community leadership including the PropTech Place innovation hub, MetaProp Accelerator at Columbia University programs, global events NYC Real Estate Tech Week and Propel by MIPIM NYC, and publications Global PropTech Confidence Index and PropTech 101.



At PwC, our purpose is to build trust in society and solve important problems. PwC is a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/US.



The Real Estate Board of New York (REBNY) is the City’s leading real estate trade association. REBNY represents commercial, residential, and institutional property owners, builders, managers, investors, brokers, and salespeople; banks, financial service companies, utilities, attorneys, architects, and contractors; corporations, co-partnerships, and individuals professionally interested in New York City real estate. REBNY conducts research on various civic matters including tax policy, city planning and zoning, rental conditions, land use policy, building codes, and other city, state, and federal legislation. REBNY regularly publishes market data, policy reports, and broker surveys. In addition, REBNY provides for its members: informational, technical, and technological resources; networking and charitable service opportunities; qualifying and continuing education courses; professional education programs, seminars, and designations; career-changing awards; legal advice; and a wide range of additional member benefits.



The Royal Institution of Chartered Surveyors (RICS) promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. RICS promises the consistent delivery of standards – bringing confidence to the markets they serve. RICS’s expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources such as mining, farms, and woodland. With offices covering the major political and financial centers of the world, their market presence ensures they are ideally placed to influence policy and embed professional standards. RICS guards its reputation fiercely, clients who work with a RICS professional can have confidence in the quality and ethics of the services they receive. Learn more at www.rics.org.

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