CROWDFUNDING: A GAME CHANGER?

REFI held a seminar on Wednesday, February 25 at The Lambs Club. Will Silverman, executive managing director of the capital transactions group at Savills Studley, Dan Miller, co-founder and president of crowdfunding platform Fundrise, and Kenneth Sicklick, a lawyer at Goulston & Storrs sat on the panel, which was moderated by *REFI*'s Samantha Rowan.

Institutional investors eye crowdfunding opportunities

The rapidly expanding crowdfunding market is seeing increased interest from the institutional investment community, according to panelists at a seminar sponsored by *REFI* last week.

The panel, held at the Lambs Club in New York, included Will Silverman, executive managing director of the capital transactions group at Savills Studley, Dan Miller, co-founder and president of crowdfunding platform Fundrise, and Kenneth Sicklick, a lawyer at Goulston & Storrs.

The shift is apparent to Miller, who has seen Fundrise expand rapidly since he co-founded the firm with his brother Ben Miller in 2010. The firm's initial transaction, completed about a year after its inception, raised \$325,000 from 175 individual investors. It is now the only national crowdfunding platform and its transactions contain an additional twist. "We commit financing assuming that the crowd will bring nothing in, and then the crowd slowly buys it out day by day," Miller explained. "We are the ones taking on the risk."

Fundrise is moving toward a model through which it can provide bridge equity, Miller noted. "Does everyone realize what a game changer this is?" Silverman asked. "[Bridge equity is] a really important development in this world and to me, it is a complete transformation in terms of who has access to what types of transactions."

Crowdfunding for real estate works best in overlooked parts of the financing industry with smaller transactions of \$30m or less, Miller explained. In New York, he cited emerging areas

"I'M SEEING CLIENTS TEST-RUNNING IT IN OTHER MARKETS, BUT THEY'RE STILL A LITTLE HESITANT ABOUT DOING IT IN CORE MARKETS LIKE NEW YORK" WILL SILVERMAN "CLASSIC CROWDFUNDING IS THE ABILITY TO GET TO A LOT OF PEOPLE, BUT YOU DON'T REALLY KNOW IF THE DEAL WILL GO THROUGH. BASICALLY, YOU POST 30 DEALS AND HOPE THEY GET SOLD. WITH THIS MODEL, YOU TAKE SOMEBODY WHO WANTS TO SELL AND GET THE DEAL SOLD BEFORE THEY EVEN START" KENNETH SICKLICK

of Brooklyn and Queens such as Bushwick and Flushing. Large transactions in the CBD will be the last to be a part of crowdfunding. "I'm seeing clients test-running it in other markets, but they're still a little hesitant about doing it in core markets like New York," Silverman said. "It's difficult to try to be successful with it here. However, with technology, it is a thousand times easier today than in the past. I think the pathway to expansion is very obvious and very exciting."

Miller, whose real estate chops include experience in development, emphasized that the company compiles a full underwriting package on every deal that is later uploaded to its website. "With crowdfunding, you're able to pick your investment," Miller explained. "If you go to Fundrise.com, you can see the properties that you would be able to invest in if you choose to do so. With public non-traded REITS, you're investing in a company and relying on them to do the rest. If things go south, those are the times you would be kicking yourself and saying, 'I shouldn't have done that."



The discussion was peppered with questions from the audience, which was seeking to gain better insight into how crowdfunding works. "The difference between what I see on Fundrise versus on other crowdfunding sites is that the deal is basically sold," Sicklick explained. "Classic crowdfunding is the ability to get to a lot of people, but you don't really know if the deal will go through. Basically, you post 30 deals and hope they get sold. With this model, you take somebody who wants to sell and get the deal sold before they even start."

Points raised included legal and regulatory concerns, what happens if an investor wants early liquidity and what will happen when a down market comes. "We have the right to take over the deal and recap it, and it can go out to existing investors or new ones," Miller said. "We'll step in and take care of the transaction if it defaults."

Investor understanding of risk was also a key question. "People worry that nobody has sophistication as an investor and that people are throwing money into lots of dumb transactions," Miller added. "That's not what we've seen. People are pretty savvy, and they do their own checks by calling local brokers in the area. We've seen a lot of sophistication from investors who know the real estate industry, understand it, and do their due diligence."

Crowdfunding will begin to reshape the industry as more investors warm up to the idea, Miller explained. "You'll see a shift in the financial landscape of where crowdfunding is going," he said. "It'll have an impact on the broader economy, bring money to small businesses in overlooked markets and create jobs." Still, the market is in its early days. "I think it's a little bit telling that the Securities and Exchange *Continued* Commission has not produced a final ruling on crowdfunding," Sicklick said. "I think that the SEC is scared for the average investor, and how that all will play out—I don't know. I think it remains to be seen."

"PEOPLE ARE PRETTY SAVVY, AND THEY DO THEIR OWN CHECKS BY CALLING LOCAL BROKERS IN THE AREA. WE'VE SEEN A LOT OF SOPHISTICATION FROM INVESTORS WHO KNOW THE REAL ESTATE INDUSTRY, UNDERSTAND IT, AND DO THEIR DUE DILIGENCE" DAN MILLER



PEOPLE MOVES



KUAFU BRINGS ON MULLER AS CIO Kuafu Properties has

named Stephen Muller as its chief investment officer,

the company announced. Muller will focus on significant new acquisition opportunities and developing strategic partnerships for Kuafu, a New York City-based, full-service development and investment management platform bridging Chinese capital with prominent US real estate projects. He joins from **The Greenwich Group International**.

CBRE AUGMENTS SENIOR HOUSING

CBRE Group has strengthened its national senior housing investment sales practice in the Americas with the appointment of **Lisa Widmier** and **Deborah Street**, the company announced. The duo join the firm from **VantAge Pointe Capital Management**, a company that Widmier founded in 2008 to provide senior housing investment sales and advisory services.

Widmier will join forces with **Matthew Whitlock** and **Aron Will** to provide investment sales and debt and structured finance services.



EVO ADDS ROSENBERG, SCHMIER

EVO Real Estate Group, a member of NAI Global, has brought on Robert Rosenberg and Alyson Schmier as senior real estate advisors. Rosenberg will focus on due diligence for investments and on commercial

brokerage while Schmier will work with clients to create custom-tailored real estate solutions for owners and developers across Manhattan. Rosenberg's past experience includes work at **Marlboro Group International** while Schmier was most recently a VP at **Transwestern**.

BECCARO TO HEAD SILICON VALLEY



Transwestern has named Edward Del Beccaro to take over its Silicon Valley operations, the company announced. Del Beccaro leads

the firm's East Bay office, where he oversees a team of 30 brokers and support staff. As managing director, he will be responsible for recruitment and enhancement of the firm's services in San Jose and Silicon Valley. Del Beccaro has more than 36 years of real estate experience in the San Francisco Bay area, with background at a development company and at **Colliers Parrish International**.

CBRE BRINGS ON LESHOWITZ

CBRE Group has brought on **Adam Leshowitz**, a 19-year brokerage professional in Manhattan office leasing, as a senior VP, the company announced. Leshowitz will be based in the firm's downtown Manhattan office. He spent the past 15 years at **Newmark Grubb Knight Frank** and has completed hundreds of transactions totaling more than four million square feet.

TRANSWESTERN NAMES DEL UNITED REALTY EXPANDS DISTRIBUTION WITH REED, FREDERICK

United Realty Trust has tapped Steven Reed as Western US divisional head of sales and Edward Frederick as assistant v.p. of sales., the company announced. Prior to his new role, Reed was in charge of United's sales west of the Mississippi River, and also worked as product manager for ARC Realty Finance Trust. Frederik worked as a business development specialist for TD Ameritrade.