

MID-YEAR 2020

# GLOBAL PROPTECH CONFIDENCE INDEX

 GLOBAL PROPTECH  
CONFIDENCE **INDEX**

Presented by:  METAPROP |  REBNY<sup>®</sup>  RICS  
REAL ESTATE BOARD OF NEW YORK

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# EXECUTIVE SUMMARY

Dear PropTech Community,

Welcome to the ninth edition of **MetaProp's Global PropTech Confidence Index**.

Over the past six months, the PropTech ecosystem's strong tailwinds suddenly turned into gale-force headwinds thanks to a combination of the COVID-19 health crisis and the stress it placed on the world's supply chain, a broad real estate market downturn, and a severe global economic slowdown. Some have coined it...."The Great Disruption" with longer term views around PropTech adoption and acceleration stronger than ever.

According to our most recent survey covering the first half of 2020, the **Investor Confidence Index is 5.9**, a 33% percent drop from one year ago. Investor challenges included decrease in deal flow, extreme market volatility, and political uncertainty. Similarly, the **Startup Confidence Index is 4.7**, down 35% over the last six months. The global downturn negatively impacted founders' expectations of their ability to raise new capital, to grow sales, and to be acquired, go public or have a major liquidity event over the next three years.

Nevertheless, **there is cause for optimism**. Investors agree that **COVID-19 is accelerating the adoption of PropTech** within the real estate industry and expectations of **PropTech M&A activity remain strong**. In fact, over the past six months, our team has supported many of MetaProp's real estate industry partners with PropTech innovation audits, innovation strategy and initiative development, market scans, demos, pilots, and tech deployment to begin addressing the unprecedented "back-to-work" challenges.

We are still early in the real estate industry's technology adoption evolution. I'm confident that these unusual and trying times will lead to even more new technologies, new investment successes, and new business models for our industry. However, only time will tell!

Please help share the data with other interested stakeholders in the PropTech community.

Sincerely,



**Aaron Block**

Co-Founder & Managing Partner

## Our Partners

Thanks to our Global PropTech Confidence Index partners, the Royal Institution of Chartered Surveyors (RICS) and the Real Estate Board of New York (REBNY), who have aided us in producing this unique survey. The survey provides the global community with the most up-to-date and accurate information regarding the PropTech startup ecosystem.

# MID-YEAR 2020 INVESTOR & STARTUP CONFIDENCE

**Amid the COVID-19 pandemic, Investor and Startup Confidence hit four year lows but there are encouraging signs of a rebound ahead.**

The *Investor Confidence Index*<sup>(1)</sup> is

**5.9 out of 10.** While expectations around M&A activity remain strong, decreasing deal flow, extreme market volatility, and a momentous presidential election brings added uncertainty to the space. Although these factors have pulled confidence down to four-year lows, investors agree that COVID-19 is accelerating the adoption of PropTech within the real estate industry, setting the stage for brighter days ahead.

The *Startup Confidence Index* is

**4.7 out of 10,** falling from a 7.2 just six months ago. The global pandemic has negatively impacted founders' expectations to raise capital, as well as scaled back sales growth targets across most of the industry. In addition, the failed WeWork IPO has tempered expectations for startup acquisitions, IPO's and major liquidity events over the next three years.

(1) The Confidence Index has a range of zero to ten. An Index above five indicates that respondents are confident in the market; more responded positively than negatively to the survey questions.

MID-YEAR 2016 - MID-YEAR 2020

## Startup Founder & Investor Confidence Index



# MID-YEAR 2020 HIGHLIGHTS

## INVESTORS

- 63%** of investors expect to see more acquisitions over the next 12 months compared to the previous 12 months, up from 53% at Year-End 2019
- 33%** of investors expect to make more PropTech investments over the next 12 months compared to the previous 12 months, down from 64% one year ago
- 46%** of investors expect to see more pitches from PropTech startups over the next year compared to the previous year, down from 64% at Mid-Year 2019

**89%**  
of investors believe that COVID-19 is accelerating the adoption of PropTech in the real estate industry

## STARTUPS

**56%** of startups expect it to be harder to raise venture capital over the next 12 months compared to the previous 12 months, up from 19% at Year-End 2019

- 84%** of startup founders believe that COVID-19 is accelerating the adoption of PropTech in the real estate industry
- 50%** of startups expect at least two-thirds of their team to continue working from home over the next 12 months
- 21%** of startups expect their space to be less competitive over the next 12 months, up significantly from 5% at Year-End 2019



# INVESTOR SENTIMENT QUOTES

We asked PropTech investors one critical question:

**What are the changes you expect to see in your PropTech investment strategy, deal flow, portfolio growth, and potential exits, as well as overall investment volume over the next 12 months?**

## HERE'S WHAT THEY HAD TO SAY:

“**Tech that was once seen as a convenience** in a pre-COVID world (e.g., keyless entry, mobile communication systems, space usage) **will become mission-critical in the post-COVID world.**”

“**Lower valuations as risk profiles adjust** following declining revenues in traditional real estate sectors, particularly retail and office.”

“**Increase in data availability** due to COVID. There will be more information collected which if used effectively can drive better post-COVID insights.”

“Fewer new startups. More bankruptcies but **long term, COVID proves good for PropTech.** Adoption will be a necessity.”

“Expect to see **more real estate owners** using tech to monitor and monetize their spaces.”

“**Larger checks will go to a fewer number of good companies,** as look-alikes either start to consolidate or investors (and customers) start to coalesce behind certain perceived market leaders. In 12+ months, once a new normal has set in, we will be able to better tell which of the startups that benefited from COVID are here to stay and which ones were a fad that will go away.”

## INVESTOR INSIGHT

**Merritt Hummer**, Partner at Bain Capital Ventures

### *1. What is the biggest change you expect to see in the PropTech space over the next 12 months?*

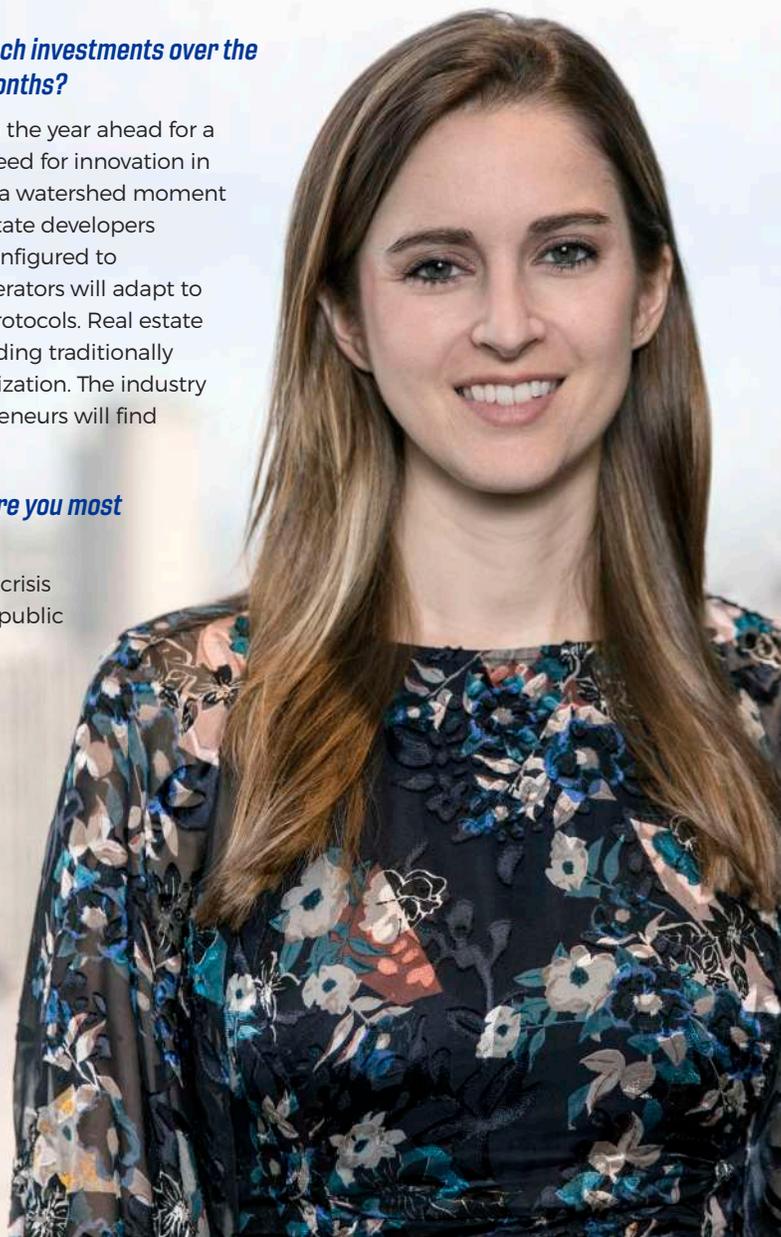
This is a very interesting moment for the PropTech sector. I would argue that no industry has been more dramatically impacted by COVID-19 than real estate. This is a historic event that will change how we build and experience all kinds of physical space: retail stores, hotels, offices, restaurants, even our homes. In this environment, how should we adapt our understanding of what PropTech represents? As offices move online, should we consider remote collaboration tools to be offices of the future? As conferences shift from in-person gatherings to digital networking events, should we think of virtual meeting apps as tomorrow's venues? How will the scope of what PropTech encompasses change as space becomes virtual? As these examples illustrate, the line between physical and virtual worlds is increasingly blurry. The only real estate some of us are experiencing these days is the inside of our homes. The biggest question for the PropTech community to answer is a philosophical one: how will PropTech evolve along with property itself?

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

I expect to make more PropTech investments in the year ahead for a simple reason: there has never been a greater need for innovation in real estate than right now. We are experiencing a watershed moment for the industry across the supply chain. Real estate developers will reimagine how building space should be configured to accommodate social distancing. Real estate operators will adapt to needs like contactless entry and new hygiene protocols. Real estate transactions will move increasingly online, including traditionally offline elements like property touring and notarization. The industry is experiencing an overhaul and shrewd entrepreneurs will find ways to exploit that.

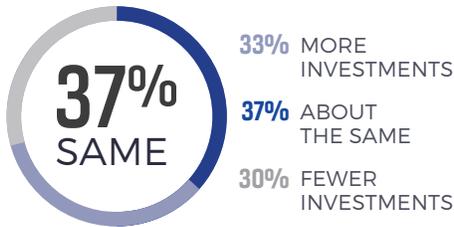
### *3. Which area of innovation within PropTech are you most interested in?*

The shortage of affordable housing has reached crisis proportions with wide acknowledgment across public and private sectors that it is one of the most pressing issues facing our cities. In 2020, we will see exciting innovation, increased funding and accelerated adoption of solutions to address this issue, including creative financing approaches, lower cost housing design and manufacturing platforms, and more efficient real estate transaction management technology. We are proud investors in Side, a next generation brokerage platform that is helping to dramatically drive down the cost of real estate transactions through its technology platform.

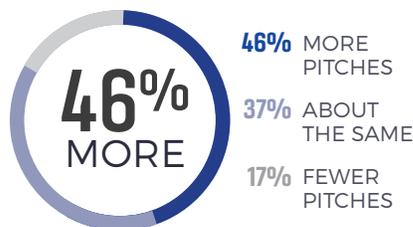


# INVESTORS: FULL FINDINGS

The volume of PropTech investments investors plan to make over the next 12 months:



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



What investors think will happen with PropTech startups in terms of M&A over the next year:



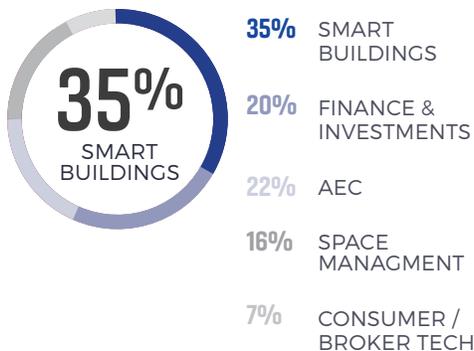
The effect COVID-19 will have on the adoption of PropTech in the real estate industry:

**89%**  
ACCELERATE ADOPTION OF TECH

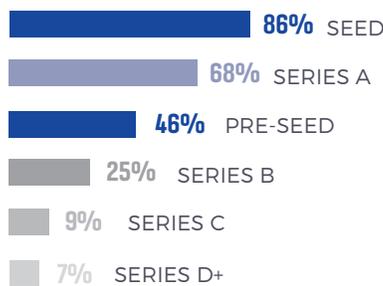
**2%**  
NO CHANGE

**9%**  
DECELERATE ADOPTION OF TECH

Areas of PropTech Innovation that investors are most interested in:

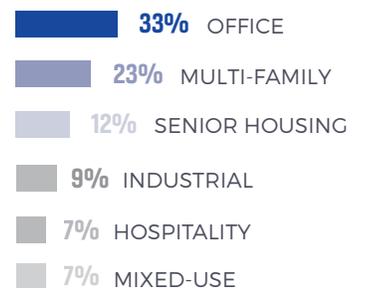


The stage investors plan to make investments in PropTech over the next 12 months:



\*Note: investors could choose more than one answer.

The asset types that investors are most interested in seeing innovation in:



\*Note: 9% of investors chose either single family or retail.

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

**13%**  
ABOVE EXPECTATIONS

**46%**  
MEETING EXPECTATIONS

**28%**  
BELOW EXPECTATIONS

\*Note: 13% of investor respondents did not invest in PropTech startups over the last 12 months.

# STARTUP SENTIMENT QUOTES

We asked PropTech startups one critical question:

**What is the biggest change you expect to see in the PropTech space over the next 12 months?**

## HERE'S WHAT THEY HAD TO SAY:

“ The biggest change will be the **pending shifts in retail and office resulting from COVID** and shift to work-from-home. I imagine a **huge uptick in the available supply of commercial space**, especially from tenants who remain locked into leases they won't be using fully. ”

“ **Funding will likely tilt in the favor of established early-stage companies.**

Later stage will be much more sensitive to how their business and model was impacted by COVID. ”

“ I anticipate **real estate companies will accelerate the breadth of what they do online.** While many companies are already doing a lot of their business online, there will be a broader push to do things like leasing or procurement without human interaction. ”

“ You are starting to see some tech companies going into traditional brokerage. Knock is now starting to broker deals. The Redfin alliance with Re/max is another such example. Zillow is slowly and quietly obtaining more licenses around the country. **The large incumbents in the brokerage industry will see the value of acquiring and/or merging with tech companies** to cement their own future viability. ”

“ Adoption of PropTech will steadily increase across asset classes as **owners/operators will be forced to use technology due to COVID.** Property owners will look to do the same volume of business with fewer people thus accelerating a need for smarter technology. Sales will not stop just because there are fewer in-person meetings and this could be a chance to highlight technologies that automate processes. ”

# STARTUP SPOTLIGHTS

## Dan Ryan,

CEO and Co-Founder at VergeSense

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

Coming into 2020 the PropTech market was rapidly growing as 2019 saw record investment within the category. However, like nearly every industry, COVID-19 has disrupted the market. We'll likely continue to see a short-term pullback in PropTech as real estate executives singularly focus on getting people back into buildings again safely. However, for PropTech companies offering

some of the currently needed solutions for capacity management, social distancing, touchless entry, and contact tracing, I anticipate that things will stay busy with sales and hiring over the next few months. Customers need to give occupants confidence that buildings are safe, offering healthy air, and cleaned — and PropTech will continue providing that assurance.



Like the rest of the world, I'm hoping a return to normalcy isn't much further than 3-6 months away. If that rings true, I think we'll see an impressive long-term rebound in the broader PropTech market, especially those focused on CRE's office segment. Working from home has proven successful at scale, and a lot of companies are going to move towards a rotating cast of in-office workers, with each employee coming into the office 2-3 days a week. That means a significant shift to more agile, dynamic, and smart workspaces that can cater to collaboration. If employees want to work at a desk alone, they're going to stay home, and if they're looking to work with teammates jointly, they'll come into the office. The evolution in workspaces needed to accommodate this change won't be small, and PropTech will be relied on to give landlords the real-time data they need to both inform the shift and maximize utilization of the new office.

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

It's going to continue to be a rapidly evolving market as everyone tries to find their footing within the new normal we arrive at. Therefore customer demands are likely to keep fluctuating, and the challenge for PropTech startups will be the agile iteration needed to meet these demands. Fortunately, being a startup can be beneficial in situations like these where products and business models need to be evolved in nearly real-time. We're certainly better positioned than legacy companies that are more wedded to existing strategies and longstanding product offerings.

## Tyler Scriven,

CEO and Co-Founder at Saltbox

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

In the midst of Covid-19, the real estate sector at-large is experiencing what is arguably its most dramatic disruption since the WWII era when large numbers of U.S. factories were either built or retooled and, in the years following the War, sprawling suburbs emerged across the outskirts of our major cities. Much like that time, today we again find our circumstances forcing us to urgently and deeply re-envision the utility of our real estate footprint. Among some asset classes, this sense of urgency in the need for change has brought great anxiety and uncertainty, whereas in others it has ushered in a new era of opportunity.

Nowhere is the urgency to innovate and expand greater than within the industrial market. Driven largely by the rapid growth of e-commerce, there is now more demand for light-industrial space and logistics enabling technologies in the U.S. than ever before, and yet our capacity to meet that demand is painfully limited. While much has been said about the demand coming from the very top of the market by Amazon and the like, I believe that there is an equally important and still unmet need amongst millions of smaller businesses in the U.S. whose success depends upon finding appropriately designed physical workspace solutions and logistics enablement. With that being said, I expect the upcoming 12 months to bring a significant amount of attention to PropTech companies that are delivering such solutions in this space.



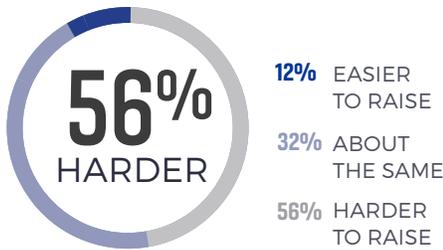
### **2. What is the biggest challenge that PropTech Startups will face over the next 12 months?**

Like many industries, the biggest challenge that we face is simply the great uncertainty of the future. This uncertainty, or volatility, manifests itself in many different ways—challenges in fundraising, long-term planning, and the like. But those obvious things aside, one of the most pernicious challenges, particularly for PropTech leaders, is the emotional and psychological drain of having to operate through such extreme uncertainty.

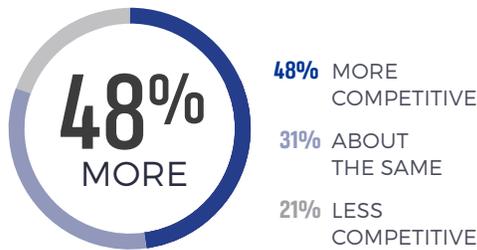
Given the inherently long lifecycles of the real estate world, we face an even greater burden in this regard as the impact of our decisions today will often not be observed for many months or even years into the future. In order to cope with this reality, it is critical that we prioritize self-care and open and honest dialogue amongst our teams and counter-parties in order to ensure that we all share in appropriate expectations and are prepared to work together in order to successfully navigate the untold but seemingly certain challenges which lay ahead.

# STARTUP FOUNDERS: FULL FINDINGS

The level of difficulty startups are expecting around raising venture capital over the next 12 months:



The level of competition startups expect to see over the next 12 months:



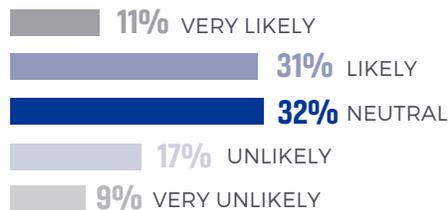
Percentage of your team that will continue to work from home over the next 12 months?



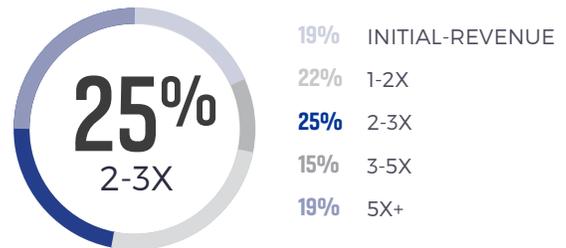
Number of full time employees that startups plan to hire over the next 12 months:



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



Sales growth target startups expect to hit over the next 12 months:



Markets (by asset type) being targeted for commercial deployment:\*\*

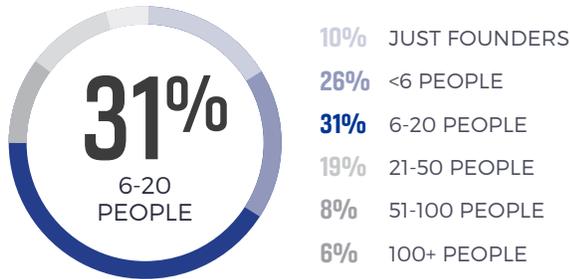


\*\*Note: Startup Founders could choose more than one answer.

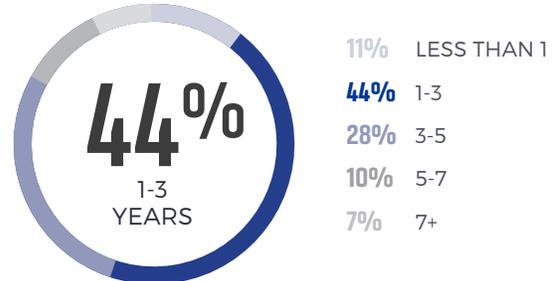
# RESPONDENT PROFILES

## STARTUP SAMPLE DEMOGRAPHICS

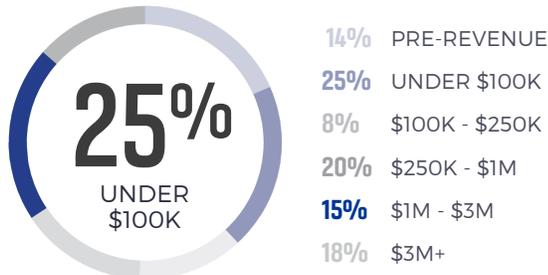
**HEADCOUNT:** How many people does your company employ today?



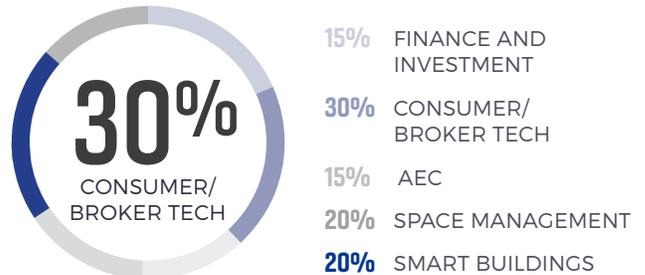
**YEARS OPERATING:** How many years has your company been operating?



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



**SECTOR:** Which of these sectors best describes your company?



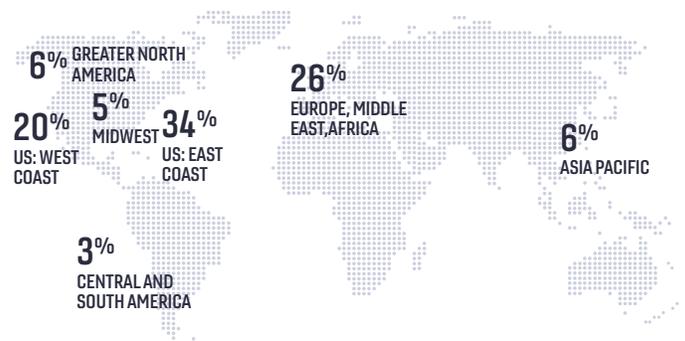
**GENDER:** Is your CEO male or female?

» 88% MALE » 12% FEMALE

**RACE:** Which of the following best represents your race or ethnicity?

- 64% WHITE OR EURO-AMERICAN
- 9% I'D RATHER NOT ANSWER
- 7% LATINO OR HISPANIC AMERICAN
- 5% SOUTH ASIAN OR INDIAN AMERICAN
- 5% OTHER
- 4% AFRICAN AMERICAN
- 4% EAST ASIAN OR ASIAN AMERICAN
- 2% MIDDLE EASTERN OR ARAB AMERICAN

**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 questions

**An Index below 5** ⤵  
**indicates that respondents are not confident in the market;** more responded negative than positive to the survey questions

**An Index of 5** =  
**indicates that the positive and negative responses were equal**



# 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 120+ technology companies across the real estate value chain. The firm manages multiple investment funds for both financial and strategic real estate investors representing a pilot- and test-ready sandbox of 15+ 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 MIPIM PropTech NYC, and publications Global PropTech Confidence Index and PropTech 101.



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](http://www.rics.org).



# ACKNOWLEDGEMENTS

## PARTNERS



RICS

## REPORT CONTRIBUTORS

Zachary Aarons  
Aaron Block  
Iurij Cussianovich  
Toby Milstein  
Jeff Mullican  
Evan Petitt  
Zak Schwarzman  
Maureen Waters  
Albert Zhu

### MEDIA INQUIRIES

Contact Jesse Kent  
of Derring-Do  
[jesse@derringdo.com](mailto:jesse@derringdo.com)

## CONTACT DETAILS

For more information on PropTech  
or to discuss any aspect of this thought  
leadership report, please contact:

MetaProp  
214 West 39th Street, #705  
New York, NY 10018

[www.metaprop.vc](http://www.metaprop.vc)  
[info@metaprop.vc](mailto:info@metaprop.vc)

