



ULI Chicago's Front Stoop Series
“The Evolution of Crowdfunding: Convergence of Technology & Retail Capital”

A Conversation With:

Jonathan Glick, *Founder & Managing Principal*, Incubation Capital Partners
Ryan Munoz, *Director of Real Estate Acquisitions*, Cadre
Darren Powderly, *Co-Founder*, CrowdStreet, Inc.
Tracy Treger, *Principal*, Syndicated Equities

On June 10th, ULI Chicago members convened virtually for the Front Stoop Series to discuss “The Evolution of Crowdfunding: Convergence of Technology & Retail Capital.” The conversation was held between Tracy Treger, *Principal*, Syndicated Equities; Darren Powderly, *Co-Founder*, CrowdStreet; and Ryan Munoz, *Director of Real Estate Acquisitions*, Cadre; and was moderated by Jonathan Glick, *Founder & Managing Director*, Incubation Capital Partners. Highlights from the conversation are presented below:

Impact of the JOBS Act

The JOBS Act (passed in 2012) eased securities regulations and encouraged the private funding of US small businesses, allowing private startups and small businesses to use crowdfunding platforms and publicly raise investment capital. However, the maximum raise was limited to \$1 million, which made it too small to be used widely for real estate transactions. The JOBS Act was expanded in 2015-2016, which raised the cap to \$20+ million and presented the real estate industry with potential.

Evolution of Technology Over the Past 10

In addition, the easing of restrictions, all three panelists agreed that the evolution of technology over the past 10 years also encouraged growth in this space. Companies such as GoFundMe and Kickstarter allowed retail investors to become comfortable with private investments in much the same way that eTrade and Charles Schwab made public investing accessible to the masses.

Mr. Powderly explained that his goal was to identify a better way for individuals to invest in the real estate space, much like Charles Schwab and eTrade did but with real estate. After the JOBS act there was no reason they couldn't, so the race began, leading to several large companies offering real estate crowdfunding platforms.

How Deals are Identified / Accessed

After discussing the history of the real estate crowdfunding space, the panelists were asked to discuss how their firms identify and access deals. Their answers varied based on the structures they used to invest – Cadre's capital is mostly discretionary, and they do 10-15 deals per year, leading their sourcing to mirror more traditional private equity firms, while CrowdStreet relies on firms approaching them and acts more as a “match maker” between investors and sponsors than as an investor itself. Syndicated Equities lies somewhere between the two – investors choose where they would like to put their funds and Syndicated invests alongside in each and every transaction.

Differences from Traditional Institutional Sources

One of the topics that participants focused on most during the Q&A portion of the event was how retail investors from this space differ from more traditional transactions. Mr. Powderly emphasized CrowdStreet's focus on transparency and providing investors with more reporting and data than they would typically have access to in a traditional private equity investment, while Cadre and Syndicated emphasized their dedication to investing alongside their investors. All three believe that by combining large volumes of individuals they are able to generate lower fees and therefore higher returns for their investors than traditional investments. In addition, it was noted that retail investors tend to be less chunky and more steady than institutional investors, using the example of COVID and how investors continued to put out money while institutions took a long pause.

Next 5 Years

The event closed with a discussion on how the space will look in five years. All three panelists believe that this space will continue to grow, with real estate investing becoming as ubiquitous as investing on online brokerage platforms such as eTrade, Charles Schwab, and Fidelity.

Summary written by Megan Clower, Senior Associate, Pearlmark.