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Dear PropTech Community,

We’re excited to share the ninth edition of MetaProp’s Global PropTech Confidence Index.

This past year was exciting and, at the same time, disappointing for a handful PropTech interests around the world. The big headline was, of course, WeWork’s “DiePO” and the fallout impacting some of the asset-heavy startups in our space. Many investors see this as a healthy normalization/rationalization and our team continues to witness strong tailwinds for the sector and, especially, the right types of real estate technology companies. According to MetaProp Co-Founder and General Partner Zach Aarons, “This year proved that if you have a scalable software business you will be batting away capital at really healthy multiples but if you have an asset-intensive PropTech business you are going to need to be more realistic and measured with how you capitalize it going forward. The era of valuing a pure-play SaaS/marketplace and a tech-enabled real estate company the same way with the same multiples is over.”

This is an interesting time to dive into the quantitative results and qualitative insights from this edition of the Global PropTech Confidence Index in order to help inform your own perspective! As you will see, both investors and startups remain quite bullish on the real estate technology space. According to our most recent survey, the Investor Confidence Index is 8.0, falling from an all-time high of 8.8 at mid-year 2019 but still up from 7.7 a year ago. At the same time, the Startup Confidence Index is 7.2, holding relatively steady from 7.3 at mid-year 2019. Encouragingly, 34% of Startup respondents had $1+ million in total annual revenues in 2019, up from 24% a year ago.

Enjoy the survey results and 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.
Investor Confidence takes a step back, remains optimistic, Startup Confidence holds steady.

The Investor Confidence Index (1) is 8.0 out of 10, falling from an all-time high of 8.8 at Mid-Year 2019 but still up from 7.7 a year ago. Investor confidence continues to ride high behind robust deal flow, increasing M&A expectations and strong portfolio performance. The fallout from the failed WeWork IPO, as well as moving into an election year brings some uncertainty to the space which may explain the drop from 6 months ago.

The Startup Confidence Index is 7.2 out of 10, decreasing minimally from a 7.3 at Mid-Year 2019 and remaining steady over the last couple of years. As the space begins to mature, we’re seeing PropTech startups hire more employees and hit elevated yearly revenue numbers. With startups continuing to flood into the market, consolidation will remain high. An increasing sentiment in ability to raise capital is met with concerns of bloated valuations from around the space.

(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.
YEAR-END 2019 HIGHLIGHTS

80% of Investor respondents expect to see either more acquisitions or about the same number of acquisitions in 2020 compared to 2019.

81% of Startups expect it to be either easier to raise venture capital or about the same in 2020 compared to 2019, up from 45% at Year-End 2017.

16% of the Startup respondents are founded by females, an all-time high and double the number at Year-End 2016.

42% of Startups said it is either likely or very likely that their company would either be acquired, go public or have a major liquidity event in the next 3 years. This number is up from 28% in Mid-Year 2018.

45% of Investors plan to make more investments in 2020 compared to 2019, down from an all-time high of 64% six months ago.

34% of Startup respondents had $1+ million in total annual revenues in 2019, up from 24% a year ago.

42% of Startups are targeting mixed-use assets for commercial deployment, a major increase from 23% at Year-End 2017.

86% of Investors said that PropTech companies in their portfolio are currently performing above expectations or meeting expectations in terms of customer growth.
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 in 2020?

HERE’S WHAT THEY HAD TO SAY:

“"The valuations relative to scale are becoming disproportionately bigger fueled by strategic dollars. The impacts of WeWork are reverberating through the asset class. Expect to see a tougher fundraising environment from institutional VCs.”

“More serial entrepreneurs going into the PropTech and finding new game-changing ideas for the industry.”

“Potential economic events that would slow down growth or signal a recession would accelerate opportunities for companies with cost-savings solutions like energy management and smart building.”

“More technologists and technical founders. The next wave of PropTech will have deeper technology and focus on areas such as edge computing, sustainability, and construction.”

“PropTech is a mainstream storyline now. Owners asking when not if.”

“More companies will begin to fail due to investors becoming more conservative regarding capital deployment due to both (i) a shift toward focusing on companies that can reach profitability earlier in its life cycle and (ii) election year presenting unknowns for what the macroeconomic picture looks like in 2021 and beyond.”
INVESTOR INSIGHT
Patricia Nakache, General Partner at Trinity Ventures

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

I expect the aftershocks from the failed WeWork IPO in late 2019 to dramatically shape innovation and investment in the PropTech space in 2020. The pace of innovation and investment in PropTech will continue to be robust, but entrepreneurs and investors will focus more sharply on the “Tech” in PropTech, looking for disruptive models leveraging differentiated technology. For those startups that have innovative business models but more limited technology leverage, I expect later stage valuations to moderate. When guiding emerging companies, investors will balance the pursuit of growth with positive unit economics and a clear path to profitability.

Do you expect to make more or less PropTech investments in 2020 compared to 2019?

As we enter 2020, we continue to be extremely bullish on the PropTech space. We see the number of talented entrepreneurs in the space growing, including experienced PropTech veterans who have had successful exits embarking on their second venture. And we also see traditional players in the real estate space, both in residential and commercial, increasingly eager to adopt new technology.

Which is the hottest area of innovation within PropTech that 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.

In the commercial real estate realm, we are excited about the rapid emergence of online leasing which is a core initiative for our portfolio companies VTS and Nestio. With better and more current data for searchers, and a much more efficient transaction process, it’s a win-win for lessors and lessees.
INVESTORS: FULL FINDINGS

Investors expect to make the following number of PropTech Investments in 2020:

- 45% MORE INVESTMENTS
- 40% ABOUT THE SAME
- 15% FEWER INVESTMENTS

What investors expect to see in PropTech deal flow in 2020:

- 58% MORE PITCHES
- 40% ABOUT THE SAME
- 2% FEWER PITCHES

How investors think the M&A market for PropTech startups will change in 2020:

- 53% MORE ACQUISITIONS
- 27% ABOUT THE SAME
- 20% FEWER ACQUISITIONS

Areas of PropTech Innovation that investors are most interested in:

- 30% SMART BUILDINGS
- 27% FINANCE & INVESTMENTS
- 18% AEC
- 15% SPACE MANAGEMENT
- 10% CONSUMER / BROKER TECH

The stage investors plan to make investments in PropTech in 2020:

- 33% PRE-SEED
- 65% SEED
- 73% SERIES A
- 33% SERIES B
- 8% SERIES C
- 3% SERIES D+

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

- 28% ABOVE EXPECTATIONS
- 58% MEETING EXPECTATIONS
- 5% BELOW EXPECTATIONS

*Note: investors could choose more than one answer.

*Note: 9% of investor respondents did not invest in PropTech startups in 2019.
STARTUP SENTIMENT QUOTES

We asked PropTech startups one critical question: 
*What is the biggest change you expect to see in the PropTech space in 2020?*

"WeWork's collapse leads to a focus on profitability over growth and more due diligence around fundraising."

"Too much noise in the space. Tens of thousands of PropTech startups all competing for time, resources and capital all at once."

"If Buyers continue to rise and continue to gain market share, the number of agents will shrink as well as their commission income. Therefore, all those companies to feed at the trough of agents are likely to have a difficult time."

"Substantial consolidation of companies providing similar services striving to be the go to partner. Similar to what we saw with VTS and Hightower or Procore and Honest Buildings."

STARTUP SPOTLIGHT

Raffi Holzer, CEO at Avvir

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

In the construction space, I see reality capture, or scanning, becoming an indispensable tool for teams in the coming year. As far as laser scanners go, their upfront cost and operating cost have decreased significantly over the last decade. More teams are investing in scanners and appreciating that capturing onsite conditions down to the centimeter or even millimeter does wonders for teams in avoiding litigations, in tracking project progress, and understanding what went wrong on site before you run into major rework.

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

One thing that’s always been challenging is the fact that there are many companies involved in the creation of a building. Some of these companies are launching huge initiatives to bring on new technologies, but a different stakeholder on the same project might be less receptive. In the end, all these companies, meaning their employees, work and plan together on a job, so it’s important to keep in mind all kinds of potential end users: the super who’s on his 30th project, the 22-year-old project engineer, it’s tough to get everyone to incorporate emerging tech into their everyday lives, but it is possible to design for it.
STARTUP CEOs: FULL FINDINGS

How Startups are expecting to raise venture capital in 2020:

- 58% SAME
- 23% EASIER TO RAISE
- 58% ABOUT THE SAME
- 19% HARDER TO RAISE

Are startups expecting their space to be more or less competitive in 2020:

- 71% MORE
- 23% EASIER TO RAISE
- 58% ABOUT THE SAME
- 19% HARDER TO RAISE
- 24% ABOUT THE SAME
- 5% LESS COMPETITIVE

Number of full time employees that startups plan to hire in 2020:

- 0 2%
- 1-5 47%
- 6-20 34%
- 21-50 7%
- 50+ 10%

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

- 9% VERY UNLIKELY
- 17% UNLIKELY
- 32% NEUTRAL
- 31% LIKELY
- 11% VERY LIKELY

Sales growth target for 2020, compared to 2019:

- 18% INITIAL-REVENUE
- 14% 1-2X
- 21% 2-3X
- 21% 3-5X
- 28% 5X+

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

- Residential 66%
- Commercial 67%
- Leisure 35%
- Mixed-Use 42%
- Other (Industrial, Storage, Parking, etc.) 40%

**Note: Startup CEOs could choose more than one answer.**
RESPONDENT PROFILES

INVESTOR SAMPLE DEMOGRAPHICS

Investors made an average of 4.8 investments per respondent. 45% of our dataset made at least 3 PropTech investments over the past year.

STARTUP SAMPLE DEMOGRAPHICS

HEADCOUNT

How many people does your company employ today?

- 41% 6-20 PEOPLE
- 16% JUST FOUNDERS
- 18% <6 PEOPLE
- 41% 6-20 PEOPLE
- 10% 21-50 PEOPLE
- 10% 51-100 PEOPLE
- 5% 100+ PEOPLE

YEARS OPERATING

How many years has your company been operating?

- 44% 1-3 YEARS
- 11% LESS THAN 1
- 44% 1-3
- 28% 3-5
- 10% 5-7
- 7% 7+

ANNUAL REVENUE TO DATE

What is your total revenue over the past 12 months?

- 21% $1M - $3M
- 17% PRE-REVENUE
- 21% UNDER $100K
- 12% $100K - $250K
- 16% $250K - $1M
- 21% $1M - $3M
- 13% $3M+

HEADQUARTERS LOCATION

Where is your company headquarters?

- 13% US: MIDWEST, SOUTH, & CANADA
- 16% US: WEST COAST
- 41% US: EAST COAST
- 21% EUROPE, MIDDLE EAST, AFRICA
- 2% CENTRAL OR SOUTH AMERICA
- 7% ASIA PACIFIC
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 100+ 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.

REBNY

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.

RICS

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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