2020

RELEVATION

TRENDS BOOK

THE DIGITAL FUNDRAISING SUMMIT IN PROPTECH

01 & 02.07.2020 - From your place to the all world

< Idriss GOOSSENS

FOUNDER

[RELEVATION]

The consolidation is happening now

Crisis have always accelerated the underlying trends. During the conversations held at Relevation 2020, every one seemed to agree that the sanitary and economical crisis will accelerate, on the medium term, the inevitable digital transformation of construction & real estate and the consolidation of the proptech sector.

In the current context, it was important to gather all the stakeholders, founders, investors, real estate corporates, and to discuss the future of the sector, from a financial point of view. We had technical discussions about valuations, due diligences, innovation trends, forecasts, governance, sourcing and exit strategies, but we also touched upon our responsibility, as sector, to advance together in the right direction, to create a more sustainable future and to be aligned with the UN SDGs.

Relevation - Elevate Real Estate

Relevation is a digital fundraising summit for proptech. This digital event eases matchmakings between investors-ready founders and all types of ready-to-invest investors (BA's, Accelerators, CV's, CVC's...).

Thanks again to all the speakers who contributed to Relevation 2020, who increase the quality of the debate, raised the knowledge and innovation maturity of the sector, and ultimately ... Elevate Real Estate! Discover a glimpse of what has been said during this edition in this ebook, reviews of the content are available on the streaming platform, and you can pre-register for next year here.

Idriss Goossens
Founder of Relevation

Thanks to

pwc

Industry partners

PropTech Romania

proptech DENMARK

LuxProp Tech

PropTech For Good

PROPTECHlab

SpanishProptech

PROPTECH RUSSIA

THE FRENCH PROPTECH

propel by mipim

PROPTECH house The European Network

blackprint Booster connecting people & technology

LPEA THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

gpti German PropTech Initiative

LBAN LUXEMBOURG BUSINESS ANGEL NETWORK

Trend-watchers partners

propmodo

Place Tech.

M LA LETTRE ACTUALITÉ IMMOBILIÈRE, TRANSACTIONS & INNOVATIONS

techeu

Media partners

Table of content

NIKOLAS SAMIOS >

MANAGING PARTNER

[PROPTECH1 VENTURES]

Fireside Chat

"Effects of Covid-19 on PropTech"

Keynote speaker :
Nikolas SAMIOS (Managing Partner at PropTech 1)

Moderated by :
Idriss GOOSSENS (Organizer at Relevation)

I. G. : What are your views on the consequences and impacts of Covid-19 on Proptech ?

N. S. : First, we need to take a look at what was the PropTech universe "pre-Corona". We published a study about it earlier this year and you can download it for free on our website. You can see that we are now really into techs more than just subletting office spaces. There are pretty good developments in the numbers and in the value of fundings. So the European PropTech financing activity is steadily growing. We also took a look at the Google searches for the term "PropTech" in Europe and there were also growing. On a map, the United Kingdom is leading in the figures (number of deals, amounts, ...). Next is the German speaking market, then France, then several other European countries.

If you break that down and try to differentiate between the typical stages (Seed, Early and Late stages), PropTech is still at an early stage. If someone would give me a billion dollars to invest in PropTechs in Europe, I would honestly say that it is too early. The market is still developing.

But what is the Corona impact on that, and how is the PropTech universe currently affected ?

Well, when the PropTech wave hit Europe, we had to do a lot of methodology work out of the "crisis management" handbook. And below is how we managed the various phases of the Corona pandemic :

1. The urgent phase :

- The support of our portfolio during the crisis
- fitting forecast of the current situation and communication to the portfolio already on 10 March.
- Individual discussions with all founders within 48 hours to initiate immediate measures and collect important data.
- Communication of the initial best practices to the portfolio as of March 14, provision of the most important resources in a dedicated crisis folder, exchange of first samples; e.g. short-time work and tax deferrals.
- Further update and continuous communication, exchange, assistance, and monitoring.

In another scale, a lot of countries in Europe put in place special fundings for startups, to help them during the Corona crisis. For example, in the beginning of April, the German Federal Ministries announced they invested two billions dollars for a tailor-made support package for startups in Europe. And it was the first time such a thing happened in Germany, so it is a really good sign, and it shows that the ecosystem is relevant.

But what is the impact ?

(A) Operational challenges :
Of course, switch to home office at digital companies was unproblematic : everybody can work from their laptops. But for the customers, it was a little bit more difficult. For the most part, it is a very slow moving industry. Therefore there is a temporary standstill in B2B sales, influenced by the fact that up to now they happened mostly physically and at industry events. But it is slowly getting better.
Other operating effects vary, depending on the business model.

(B) Fundraising challenges
- Temporary standstill in the acquisition of new investors, as they focus on existing portfolios.
- Cash runway at the beginning of the crisis almost impossible to plan
- Expected market shakeout among investors worsens financing conditions for startups.

Therefore, there was a stronger headwind, but in essence, the paradigm did not really shift for startups. The "survival of the fittest" has always been the case in the industry, but it is now more true than ever. It will be more selective, but we are confident that strong and adaptable startups will survive.

2. The Midterm perspectives, aka "the New Normal" :
We believe the real estate industry will now focus on short-term innovations, short-term ability to act and cost reductions.
- Real estate climate index has fallen.
- Logistics and residential are less affected, while commercial real estate (in addition to logical candidates such as hotels and retail) is strongly affected.
- Beginning triumph of flexible work allows for less office use - less demand on the market ?
- Elimination of ⅕ office workstations, home/flex office develops from niche to mainstream (Eurocres Consulting).
- Time of always rising returns is over, the reduction of costs is the answer.

Therefore there is a changing focus of innovation and investment efforts towards a short-term ROI : encouraging the ability to act (remotely) and cost reduction.

⇒ The "good" part : Crises are generally innovation catalysts, and PropTechs "love" dynamic challenges. Specifically and currently, digitalization comes up as a "Corona winner":
- General cost pressure increases demand on CRE managers to (finally) implement cost reduction possibilities through digitalization and automation of processes.
- Forced digitalization even for traditionalists in the home office is mostly a positive experience.
- Liberation from strict day to day business enabled fundamental rethinking of corporate processes → Culture change is increasingly finding its way into real estate companies.
- Stricter regulations often only leave room for digital solutions (e.g. access restrictions at large furniture stores).
- Startups provide practically 'out of the box" suitable solutions for the new challenges, (e.g. Thing Technologies).

And with this increased digitalization, there is a potential for productivity gain.
- Here are some of the potential "Corona winners" :
- Operating systems for buildings.
- Corona crisis intensifies shortage of construction workers and skilled workers (e.g. from Eastern Europe), trend towards relocation to central/industrial production is intensified.
- No touch/No visit solutions are gaining in importance (short term), and they could establish themselves in the medium term (remote management).
- Digitalization of B2B sales processes due to the elimination of physical meetings and industry events.
- Decentralized elderly care, due to admission stops and drastic risks of infection in centralized facilities.
- Last but not least : IT basics such as the "digital file" including floor plans, invoices, property evaluations without inspection, etc., are essential to ensure the stability to work in the home office/ flex office.

History has shown high performance of venture capital funds after crises.
- If history is any guide, the best performing vintages are being raised now or soon. Investments made at the bottom of any downturn and into the early stages of recovery are generally outperformers - when entry multiples are lower, competition subsides and portfolio companies benefit from macro tailwinds (Pitchbook, "How Covid-10 is shaping up to be a major test for PE").
- "But if anything, this concern is only increasing their appetite for alternative assets" (CIO , "Investors "Double Down" on Alternatives Amid Market Turmoil").
How is Covid changing the market opportunities for Venture Capital funds ?

- Less investments activity from volatile "tourists" (corporates) to be expected due to the lack of "sustainability" of their own budgets.
- Remaining, active investors can subsequently negotiate more attractive conditions.

- Entrepreneurial & agile teams with their own experience from previous (financial) crises and dedicated resources to support the portfolio can bring real added value.

In conclusion, in the medium term, the few professional VCs on the market can potentially benefit twice over in terms of financial returns and added value created for their own investors.

I. G. : Do you think the resilience of the real estate sector depends on its ability to engage with startups more than ever?

N. S. : Yes, generally speaking, I would agree. I would be careful with the kind of strong statements that digitalization would happen in the next few years, because real estates are super tanks, they do not move quickly. But on the long term, I would totally agree with you. And the people that invest in digitalization, they will be the winners in, like, ten years down the road.

Question from the audience : what about air quality managing and reporting ?

N. S. : We see that in two dimensions. There is the way to insert something horizontally, to create a full experience, that integrates all kind of sensors, but there are also a lot of vertical solutions, that for example focus on security. Of course, there are also ways to combine both. Example : Thing Technologies. But the market right now is more focused on vertical solutions (with the health situation).

Question from the audience : Can you share your thoughts on the construction phase and the built environment?

N. S. : Generally speaking, we have a strong opinion on everything that is related to the "green technology". Now we talk a lot about Corona, but the bigger trend is about the "green element". There are two or three sectors that we are very interested in :

1) software solutions that increase productivity
2) scarcity of human resources

This is why taking offloading works from the construction sites to industries, to make modules and scales, makes even more sense nowadays. There are a lot of underlined long-term trends that would be interesting for investors. So of course, what we are interested in are not only short-term solutions but sustainable possibilities.

Question from the audience: What is underestimate in the industry, according to you ?

N. S. : I am stunned by the state of digitalization in the business. It is still very underdeveloped and we need to develop it. People can be a lot more productive with software solutions. This is quite an understated point. If you have a proper "boring filling system" : go for it.

IVAN NOKHRIN >

FOUNDER

[PROPTECH RUSSIA]

Fireside Chat

Fireside Chat with Ivan Nokhrin (Proptech Russia)

Keynote speaker :
Ivan NOKHRIN (Founder at PropTech Russia)

Moderated by :
Noémie DE CROMBRUGGHE (Head of Membership at PropTech Lab)

N. D. C. : Could you introduce yourself ?

I. V. : I live partly in Finland and partly in Russia. I am the Co-Founder of PropTech Russia and a few startups in the PropTech sphere.

N. D. C. : How are the network and market in Russia ?

I. V. : I see a lot of similarities between the network and market in Russia and other countries. Because a lot of problems and challenges are very generic.
But let's start with my presentation.

Future proof buildings : quality of life :
It is very important when we talk about technology, and what we do with innovation, in the real estate here, we have to remember why we do it. And the quality of life is the answer why we do it.
I will talk about a few concepts that we have developed with our team, working with various startups teams as well.
(1) Real estate as a Digital Asset Class :
A lot of the innovation is targeted at the digitalization of real estate. But sometimes we forget why we are doing it, what is the final goal of digitalization.
Of course, it is common knowledge already that real estate is the largest asset class in the world. And we are also the fastest growing technology vertical. So PropTech has gathered close to $70 billions already in investments, in the last decade, and they are thousands of solutions that exist today, globally, that solve real estate problems.
However, there are still a lot of things to do. And when we think about why we are in this business, we need to draw the big picture, the goal, that we are trying to reach. And this goal is the tokenization of real estate assets, because, finally, what we want to achieve is really democratization of real estate ownership through tokenization of the ownership layers. And that is not presented by the common holding structure. Property managers, asset managers, facility managers, they all operate in this operation platform that is traditional business. And by digitalizing the business and the assets

themselves, we are moving closer to the possibility to decouple these layers and, make tokenization possible.

(2) Digital first real estate : how we generate the return on innovation. Because every time when you install softwares, or you try to deploy some IoT technology on your real estate assets, you need to justify the capex that goes into the deployment or the installation. And so, we will need to get a measurable effect of the technology when it starts functioning. So this technology that propels property performances is what we called digital first real estate. And we can visualize it as something that adds the return on real estate assets as a financial investment. But this upside will be generated by technology.

(3) Global trends : local response.

Many global trends are influencing the Russian market :

- smart cities
- new mobility
- circular economy
- new energy
- automation and IoT

And we take those as business opportunities.

We believe digitalization must not be targeted at merely upgrading existing process with tech, but rather at improving user experience and quality of life of the built world dwellers.

The main innovation trends in Russia :

- flexible spaces (shared economy (coworking, coliving, etc.))
- modulable design (buildings designed for maintenance and reuse)
- material cycles (non-toxic reusable materials)
- integrated balancing (water, energy, waste systems networks)
- digital first real estate (technology platform for real estate management)
- natural wellness (longevity-driven life quality standards)
- holistic urban planning (growth-stimulated city designs)
- transaction and finances (AI for decision-making and DLT-based transactions)

What does Russian PropTech look like today ? We are still facing the same common challenges than a few years ago :

- low awareness of tech developers and customers
- in-house solutions customized development with no scalability
- market-entry obstacles for foreign solutions
- difficulty to start new development from scratch

What are the customer expectations today in Russia ?

- transparent and aligned business processes
- increased efficiency and return on innovation
- modern applications (mobile-first super apps)
- platform-based automation and integration of solutions

What we do at PropTech Russia :

- investments (VC and acceleration)
- corporate venture building for niche verticals
- competency building for market players in Russia and abroad
- international scaling for Russian startups and support for Russian market entry

Our solutions are segmented as the following :

MARKET DATA	RETAIL	OFFICE	RESIDENTIAL	CONSTRUCTION

MANAGEMENT LAYER
AGGREGATION LAYER
PLATFORM LAYER

PropTech Russia Portfolio :

- 5 companies
- 40+ solutions in stack
- 100+ startups in pipeline

PropTech Russia overall is :

- $200 millions invested in our PropTech startups since 2012
- 700+ PropTech solutions discovered in the Russian market.

Examples of solutions we work with :

- Brainsoft (CDP platform) : management of audience of visitors to shopping centers, automation of marketing and interaction with tenants
- Assetti (portfolio management) : automated system for managing and analyzing real estate portfolios, based on integration with other business solutions
- Ordin (automation of operation): mobile application and online service table for automating the management of applications for real estate tenants, operation
- Spacepass (rental automation) : platform for short-term leases and for managing flexible spaces, coworking, reservation, mobile application, etc.
- Planoplan (marketing automation) : automation of marketing of residential facilities, creation of volumetric layouts for apartments, layouts renderings, libraries with option for decoration, furniture, etc.
- Alpha Open (integration platform) : platform for an integrated monitoring and control environment based on many specialized engineering systems of various manufacturers

NADIM STUB >

MANAGING DIRECTOR

[PROPTECH DENMARK]

Fireside Chat

Fireside Chat with Nadim Stub (Proptech Denmark)

Keynote speaker :
Nadim STUB (Managing Director at PropTech Denmark)

Moderated by :
Noémie DE CROMBRUGGHE (Head of Membership at PropTech Lab)

N. D. C. : Could you introduce yourself and then talk about the Danish network ?

N. S. : I have been in the PropTech space for many years. I have started in 2013, gone through the whole PropTech startup approach, with mixed results, but that gave me a lot of insight into what it means to be on the innovation side of things. Then I have headed the Digitalization & Innovation effort at a pan-European developer, here in Denmark, focusing on coliving concepts, student housing, and coworking concepts.

What is PropTech Denmark ?

It is a non-profit association that consists of :

- the PropTech Denmark Community, which gathers organizations that want to be at the forefront of development.
- the PropTech Denmark Innovation HUB, which is dedicated to accelerating and nurturing tech-driven innovation. We focus on activities predominantly focused on our guiding principles (helping people, pinpoint exciting solutions both for startups and the industry, and drive even more collaboration).

The people at PropTech Denmark, in numbers :

- two founding partners being the two largest financial institutions in Denmark
- some founding sponsors that represent the industry at large, in different ways.
- presently 84 members, 36 of which are startups.

Why was I hired for ?
I had a very clear mandate : bring as many people as possible in a short period of time, and make sure you don't do it for free.
I found the challenge exciting, and in a space that interests me, so I accepted, and we grew rapidly.

N. D. C. : Did you invest in marketing ? How did you approach the partners ?

N. S. : The money that we were getting in was coming in from the members that were gradually investing in, but there was nothing per se allocated towards that at the association. There was just myself, and the small salary I got at the time.
So basically, we went on a full-blown social selling approach, where we tried to use effectively LinkedIn, as much as we possibly could, to spread awareness on what PropTech is, what its power is. And what opportunities there are within, as a discipline, for users of technology. But also, PropTech, in terms of the paradigm and the culture that surrounds it. And I think it was a great selling point.

N. D. C. : Can you tell us more about the market in Denmark ?

N. S. : We expected to be around 100-120 startups, and 36 of them are obviously our members. I found maybe the five most prominent members here, with LetsBuild being the big one, but also Good Monday and DALUX, for instance. Then, the two big upcoming players we have are NorthQ and UbiqiSense.

Our business model :
We have a mantra on the board : "there is no free lunch in PropTech Denmark". Everything that we get in to the association should be spent to invest back into the ecosystem. And that is why we have a team-based membership, which is an annual subscription, and we ranked this space based on the business annual revenue. We don't discriminate, whether you are a small business, or a large business, a startup or even a bank.

On top of that, we have our partnerships. These are what we call "industry-makers". They see themselves as responsible for creating a sustainable industry. Their involvement in this, in PropTech Denmark, is very much based on that approach, and on their assumption that we can deliver knowledge and insights on the development of the space, in a way that perhaps they could not do themselves.

On top of that, we have these annual sponsors. They are looking for visibility. This is also why, from a commercial point of view, it is really important for us to operate with a lot of emphasis on reach and exposure.

And lastly, our project sponsors. These are more mature players that are not so much interested in just the visibility and the exposure, but are also interested in exploring new innovation opportunities out there, in a variety of different ways.

We don't act as a consultancy, we are not allowed to, as a result of the way we are registered in Denmark, but we do try to provide as much hand-holding as we possibly can. And a large part of what we do is trying to connect our project sponsors with the right people, that can help them develop and grow these opportunities for them. That is both in Denmark and abroad.

Finally, we have what we call internally "programs" :

- Events & Workshops
- the PropTech Denmark Academy
- Lab & Coworking
- Innovation Projects

N. D. C. : Do you have examples of startups that successfully succeeded in an innovation project ?

N. B. : We are actually only six months old into our operations. So the two bottom parts of our program funnel are still in development, but I hope that by September, I will be able to say that we can deliver on having the programs ready. But there are similar models that have worked well already (e. g. ThingTech) so we are very much inspired by that approach.

What are the big problems and issues in Denmark ?

1. Customer demand adaptability : Oddly enough, Denmark is one of the most digitally adept countries in the world. So we have a consumer side that is extremely demanding on what it is they expect and what they want. And the industry has just not managed to tap into that. So that is something we are really helping them see and understand.

2. The sustainability agenda. Here, it is something the industry spends a lot of time focusing on, especially on the construction development side.

3. The digital transformation
4. Reactivity to innovation
5. Lack of collaboration

< PHILIPPE BOYER
HEAD OF INNOVATION
[COVIVIO]

KEVIN CARDONA >
CHIEF INNOVATION OFFICER
[BNP PARISBAS REAL ESTATE]

< GONZALO GALINDO
HEAD OF CEMEX VENTURES
[CEMEX VENTURES]

MINH Q. TRAN >
MANAGING PARTNER
[ODYSSEUS PARTNERS]

Conference

"CVC links between open innovation and investing"

Keynote speaker :
Philippe BOYER (Head of Innovation at Covivio)
Kevin CARDONA (CIO at BNP Paribas Real Estate)
Gonzalo GALINDO (Head of CEMEX Ventures
Minh TRANH (Managing Partner at Odysseus Partners)

Moderated by :
Franco FARAUDO (Co-Founder at Propmodo)

What are the differences in Corporate VC as opposed to traditional VC and what are the goals of CVC and your metrics for success?

KC: We have a specific approach and we are not a corporate venture per se. We wanted to avoid falling into the trap of strategic investment in startups and tying the startup into your organization. So we created a separate venture fund, to ensure when we invest in a startup we look for its profitability but also within the vision of the corporate that we are. Being in over 30 countries and in the whole value chain we have a pretty good idea of the scalability and potential of a solution. So that's our strategy, where we have the ability to invest in startups mostly as a minority share but making sure we have the ability to decide the strategic orientation.

What kind of independence do the fund managers have and what kind of interactions do they have with the internal divisions?

KC: They cannot make an investment without the internal consent, but we cannot invest directly either. They need their autonomy to invest as they look for the financial return and benefit of the startup but they cannot invest without our vision and input. So, we work very closely together and it is my job to connect startups that come from the dealflow to the relevant internal head that could give feedback on the quality of the investment. In the long run we want to have an idea of where the industry is going and how to benefit from Proptech startups and innovation, and similarly for Proptech to benefit from our understanding and footprint in Europe. As Europe is such a poor scalable environment, unless you are well implanted across different ecosystems it is difficult to scale them in across the board, which is what we try to do with our startups.

How are you looking at innovation at Covivio?

PB: At Covivio we are very pragmatic, and we consider innovation makes sense only if it can serve our operation goals and realize our strategies. Some companies implement innovation policy without any reference to the strategy. What drives us in terms of innovation are sustainability and other topics closely linked to any of our operational goals, i.e. improving the way we manage our buildings. It can come in a variety of forms. We don't do innovation for innovation; it only makes sense when it is a tool for strategy.

Do you look at specific pain points or do you look at any options that can save money to include as innovation strategy?

PB: Before any kind of investment we try to understand the technology and we test it to decide whether we want to go further or not with the company.

On the construction side, what are some of the reasons to invest and how do you decide which investment is best for your organization?

GG: It sounds similar to what has been said before, but our essence is a bit different. As a building material company we're pretty tangential to construction and proptech, and we approach innovation in a slightly different way. I wouldn't classify Cemex Ventures as a traditional VC arm. We do a lot of internal analysis of the company that leads to strategic decisions within the company- more based towards how to keep the business relevant in the construction industry and keep construction innovative to meet the requirements of what the customers require. So sometimes we make investments that are not necessarily synchronized with our core business, but we are trying to push the envelope and see whether certain concepts can transform the industry and lead us to something else. We believe our investment thesis will lead to us becoming a more up to date company. Sustainability is important and it can mean a lot of things to us like reducing our carbon footprint and providing our products in a more industrialized environment. So sometimes we need to put our hands into concepts that are not at the top of the minds of our operators. Which sometimes can be challenging.

Do you see that becoming a more sustainable company is becoming more profitable?

GG: I think it changes based on the location, Europe, Japan and some places in the US are taking the lead. In some places it is a must have, in some places it only about CO2, but soon it will converge into something more comprehensive. There are still a lot of conversations to be had about what it means to sustainable, but sooner or later it will converge to the idea that you need to provide a product or service that helps the world be better tomorrow. In Europe the CO2 emissions is one of the topics that have taken the headlines, but it is just one of emissions, you also have to deal with waste, circular economy concept and it's far wider than that. It is about finding the right balance between everything.

How do you help your clients strategize think about their role in innovation?

MT: CVC has 4 different stages

1. Should we create a CVC do to open innovation? Should we do it internally or externally? GP firm or VC? At this stage it is mostly about how to structure the best setup. There are four types strategic vs financial, internal vs external and we try to figure out where on the matrix you should be.
2. Misalignment with strategy and financial: Strategy and financial axes have different cycle lengths, so when they invest it seems aligned but the cycle of strategy is shorter (around 3 years) whereas the cycle of financial is longer (around 5 years). So when this happens we follow up with their portfolio to see whether you should have a spin-off, carve out or exit.
3. Milestone Check: Some investments will lose money, some will make money. The ones that our losing money we try to sell their portfolio and we try to help them exit.
4. Spin-Off: If you do extremely well on the portfolio (5x) then you would want to do a spin-off, raise a second fund with the corporate as an LP and other investors, or a carve out and I help them achieve that.

How much input do you put in strategy? If you see something that is a great financial investment, wouldn't it be wiser to adopt some of the tech as your strategy if there is growth potential there?

MT: I don't push strategy, so I'm not looking for the best ROI. I discuss with the corporates what their pain points are and what sort of solutions they are looking for and based on their investment thesis I then source the best startup or tech that matches. So I'm like a headhunter, but a 'startup-hunter'.
The difference with VC is that they are looking for very high growth (5x -10x), but there are a lot of tech companies that are not VC-eligible that are doing 10-30% growth that I look at that can be useful for the corporates.

That's the point where I think VC and CVC diverge is that VC mainly focuses on potential unicorns. Do you think that changes the startup landscape particularly in Europe because of the type of funds that are available?

MT: Right now it's difficult to predict because valuations are decreasing and if you are a CVC you have a lot choices, the sell cycle will be longer but there a lot of opportunities on the side of the investor.

What are some of the bigger trends that you are seeing in property, that you have informed your investment thesis of?

PB: The trends we follow depends on the assets we own. Real estate has so many trends and challenges such as the carbon footprint, which is something very strategic for the coming years, as well as new ways of working and designing buildings and all types of digitalization. To give 2 examples, we have

developed a strategic partnership with a company designing an app for our tenants and clients, and also an IOT system inside our building to collect data specific to energy consumption.

KC: The global context we have placed ourselves in is that we are in a volatile word where it is difficult to predict the future. The impact of that on real estate is the need for flexibility and agility, anything that can help real estate be less rigid and more liquid in terms of spaces and transactions and products and services is something that we will look at.

The other mega-trend linked to climate change is that we are entering a world with less resources at accessible costs. So there is a question about mobility and moving people and products across the world. The question for us is how we can invent a way to visit, transact and manage a portfolio remotely, without having to physically move. We have been investing in immersive technologies in recent years, including hologram technology and trying to incorporate that into our processes. We have seen during the crisis how important it was to stay connected with our ecosystem internationally without being able to travel.

The last pillar is everything behind building analytics. Real estate has been a non-digital sector historically and how we can bring that to the top players in terms of analytics. It was only recently that we started monitoring energy consumption and were able to achieve a lot of savings and reduce the carbon footprint. I believe we are entering a phase in real estate where we will be doing the same thing but with regards to space optimization and occupation. We are quite focused in terms of offices in terms of asset class these days. An office is not that well monitored and there is a great opportunity for proptech to optimize the real estate use of sq.m into a circular economy mindset. That is to say that a well-connected space should be used with greater intensity, we believe that building analytics IOT and AI can help us achieve this and benefit the whole value chain.

How do you see investments in shared resources like co-living and co-working spaces in the context of the pandemic?

KC: Real estate will be a lot more hybrid tomorrow than before, we have been building functionalist cities with different spaces for living, working, shopping etc. I think we will move towards a future where everything is more mixed, and things like walking distance will become a KPI for spaces.

What do you think about wood construction and thoughts on trends?

GG: I think the wood industry has done a good job in profiling themselves as sustainable construction, and certainly it is sustainable for certain types of constructions in certain environments. The fact is that there is no forest in the world that can sustain the demand if we move too far into wood construction. You can see cases where wood is sold as a sustainable material in the UK when it actually comes from the Amazon which is outrageous. At the end I think it's more of a marketing and commercial discussion with regards to wood over other construction materials and I'm pretty certain with the technological evolution, the footprint of traditional materials will be washed out and it will be other qualities in the materials that will decide.

That is another trend we are seeing, trends such as offsite construction or modular construction is being accelerated by covid which ensures a smoother supply chain, which is a very big problem in the industry. It also ensures a more standardized process, it uses less people and provides better social distancing conditions and some materials are better for this than others. Sooner or later I think we will find other materials that will be much better and with a lesser footprint.
Trends we are looking in building materials are at different levels, one is simply is supply chain which is a cumbersome process in project delivery and also in making our buildings more resilient, intelligent, sustainable and cheaper to operate.

How do you deal with the stress test in the supply chain as a result of Covid and what has that told you about where investment needs to happen?

GG: Supply chain is a tough cookie for the project delivery industry. When we think about real estate often people think that it is about high rises or big commercial industries, but it is actually a much wider spectrum. A homeowner needing to store 3 bags of cement for a building a wall over the weekend, and a developer waiting for a billion tons of steel at a construction site both have supply chain issues. So you can see the wide scale of the problem. Some of these can be solved with digitalization, but there again digitalization is merely an enabler and you still need to move things physically. It's a question which will take some time to resolve.

What do you think of the trends? And having to switch between industries how do you bring yourself up to speed on different strategies?

MT: I did a proptech map last year where we structured about 30 different investment domains into 3 categories; how to search for an asset, how to manage an asset and how to sell an asset. Based on this categorization we came we 3 different themes; space as a service, digitalization of assets and data leveraging. Based on these themes we try to focus on one key problem for real estate managers which is how to deploy large amounts with small teams, and how to aggregate and digitalize the investment process.

What we do differently is that most people invest in tech and try to scale. We invest in tech but also work with real estate asset managers to use technology to give ROI on an alternative class. As an example if you invest in Airbnb on one hand and create a fund to build apartments, you can use Airbnb to find customers for the apartments.

How do you weigh the options between building new tech, buying new tech or partnering with other companies that have the tech?

KC: We try to be active by creating an internal programme for entrepreneurship, to develop your own startup by leveraging our network and know-how but there are some limits to that. We partner with external startups when it could take too much time and effort to develop, the criteria are agility, time to market and the strategy of the input.
So for example we have our own internal proptech to leverage data from our Europe-wide network of space and convert them into insights we can provide our clients with. But this is also thought of as a platform that can connect with external proptechs that are experts in one field or one brick of the value chain. So internally we consolidate our strategy part and externally we connect with the best proptechs possible to create our own strong ecosystem.

What do you think when it comes to buying?

PB: I agree with what Kevin has said, I don't think innovation can only be found externally. At Covivio as well we try to find various ways to promote innovation within relying on employees, last year we launched a project to collect ideas from Covivio's own employees all over. It's a way to capture ideas and try to implement ideas.

Innovation also comes from partnerships with incubators and/or proptech startups and we try to walk on two feet based on the ideas coming from within and externally. At Covivio we have specific deals with accelerators and incubators to source startups very specific to our needs and business models.

GG: We spend a lot of time talking with all the stakeholders in our ecosystem to try and understand the trends. We get many ideas from our employees, though most of them are related to continuous improvement, but some of them are innovative. We launched an annual startup competition, and this year did it in partnership with some other companies as well, in order to tap into the brains of the entrepreneurs. We have gained a lot of traction. If we don't find what we are looking for, we incubate our own ideas, which can be difficult for a large corporation like us, but sometimes it works.

MT: Most corporate ventures have an entity to incubate and accelerate and then build, partner or invest going forward. This attracts only early stage companies though and what happens is that people like to have ideas from early stage startups but partner with late stage startups and this can be difficult. What we offer is an asset building strategy, where you can invest or co-invest in late stage tech and it is easier to manage and co-build with them going forwards.

DROR POLEG >

AUTHOR

[RETHINKING REAL ESTATE]

Lecture

"PropTech for Good"

Keynote speaker :
Dror POLEG (Author of Rethinking Real Estate)

Moderated by :
Menno LAMMERS (Founder at Proptech for Good)

DP: The world in 2020 has been impacted by many problems such as infectious disease, social unrest, income inequality, environmental crisis, privacy concerns, geopolitical tensions and loneliness. It probably could get worse as even many big companies are looking to cut costs which could put pressure on the real estate industry.

In response to this landlords are also looking for ways to cut costs and as a result of all this even cities will be forced to cut costs, as tax income from the real estate sector is very likely to decrease. This could cause cities to become less clean and/or safe which might spiral into people moving out of some of the cities (temporarily or permanently).

The best tenants and employees still have a lot of choices because of work-from-home policies resulting in a drop in demand for real estate that was traditionally considered as expensive. This could mean customers will become more picky and aggressive during negotiations with landlords putting further pressure on the industry.

When people move out of the city, the environmental impact is also expected increased because of increased smaller vehicles (or drones) performing deliveries across longer distances, as opposed to bigger vehicles delivering within the city.

The smarter our buildings and cities grow as a result of all the new tech, the more privacy concerns grow, and this has accelerated over the past few months. With regard to the income gap, it has simply expanded with the stock markets reaching all time highs whilst a lot of working people have lost their jobs or fallen behind as a result of the pandemic. This snowballs into creating a society with even more inequality and social unrest.

When we look at the issues or challenges it can be argued that real estate is at the center of it for the following reasons:

- Largest consumer of energy
- Uses some of the most polluting materials
- Holds most of the net worth of the middle class people
- Holds a lot of the retirement funds of most working people
- Has a huge impact on human health
- Impacts our access to better housing, schools and employment opportunities
- Determines what we see, who we meet, how we behave

The good news is there's never been a better time to innovate in real estate and try to make a change. Landlords are much more open-minded. When the industry is doing well, landlords are less open to new innovations. However now the buildings aren't as full and the rent is not likely to be as high as a few months ago, which could force them to be more open to new tech.

Lenders are much more open-minded. Lenders or banks are traditionally even more conservative than landlords, but now of their largest customers are struggling to make their mortgages or operate their buildings profitably. This has made banks more open to landlords innovating and even allowed lending for ventures to make buildings more attractive or competitive.

Pension funds need to take more risk. Pension funds which generally put a lot of money behind real estate funds have also historically been a bit conservative, but now they have lost a lot of money from their investments. Also, contributions towards funds by people who are working have also been delayed because of the crisis. Some people have lost their jobs and some people even withdrew their retirement savings earlier, which have meant that pension funds could be behind their 10-year investment plans and need to adopt a more aggressive approach.

Consumers are pushing landlords to change. Consumers are now not only just interested in good products at a good price but they have values\causes that they care about and expect service providers to use their money in a way that aligns with those values. They are demanding transparency in how their money is being spent. Even in the real estate industry we have seen the emergence of different standards that make buildings more transparent that help occupants understand the environmental or health impact of their choices.

A new wave of regulations around buildings are also pushing landlords to adopt new innovations. There are many opportunities for startups to help landlords improve the profitability whilst also keeping up to date with the regulations.

A crisis is a great time to grow companies and during the last crisis companies such as Airbnb and WeWork that impact the real estate industry were born. There are several reasons for this – a lot of talented people may have lost their jobs at bigger companies, and a lot of other resources also become available. So it can become a great time to grow a company.

There is plenty of cash in the world and even though we maybe at the start of longer financial crisis, there's always money to be invested. 2019 was a record year for VC and innovation. We see that even today that Private Equity and VC funds still have billions of dollars they have raised, and are looking for ways to invest it. The real estate industry is a great place for this as it is so big and has so many challenges at the moment.

We are also seeing the emergence of new and alternative types of capital, and Ivanhoe Capital raised 300M CAD for green bonds- which are raised with the commitment to reduce the environmental impact of buildings. So there are other sources of capital that have also opened up.

Problems that need to be addressed within Real Estate

- Optimize energy use
- Measure & improve air quality
- Create more liquidity and empower a diversity of investors
- Balance transparency and privacy
- Streamline and reduce the impact of deliveries
- Intensify the use of existing resources
- Reduce and eliminate construction waste
- Capture and produce energy
- Empower cities to become more welcoming and sustainable

Tips for startups to make the most of it?

#1 Understand who your customer is

Sometimes it can be unclear who exactly your customer is with regards to a building. As an example, a building can be owned by fund who will have their own investors. The fund could hire a property management company who in turn will hire different companies to manage cleaning, security or maintenance of the building. The building will also probably have a mortgage from a traditional bank or a private debt fund. So you can see that there are many people who can claim a stake in the ownership of the building.

Often the solutions provided by entrepreneurs will be relevant for just one of these entities and they may not know exactly who to approach to sell their product. Understanding how the real estate industry works is important and understanding who your customer is a part of that.

#2 Understand the interests of the person you are dealing with

Different people in the ownership chain (described previously) of the building are compensated in different ways, have different incentives and time horizons. Some can be more interested in long term returns or others in the day-to-day operations. A fund that plans to own the building for 7 years will respond very different to a solution that can return savings in 5 years depending on whether you approach them in the 1st year or the 6th year.

So there are many things you have to think about with regards to what your customer cares about and what they really need.

#3 Understand what is preventing your client from innovating

Some of the reasons can be

- Its easy to blame culture
- Mandate
- Taxation & Regulation
- Corporate Structure
- Time horizon
- Public vs Private
- Income vs Value Appreciation
- Unions and other non-financial considerations

#4 Choose the right type of capital

Venture Capital is not and should not be the exclusive source of funding. You can get stuck in loop like WeWork where after venture funding you are pushed towards rapid growth but end up with negative cashflows and then again require more venture funding.

Classic VC, CVC funds, bank loans, government grants, loans or other funding based on proof on concept/pilot projects are all viable means of raising funds. It is important to get the right mix of capital to make sure you are pushed in the right direction.

#5 Don't think of a building

Mirror, which is a startup that developed a mirror that can be installed in a home that can teach you exercises/yoga, was sold for $500M. Traditionally we wouldn't think of this as real estate innovation, but this goes into the building and changes the way the space is used. More of us should think of this type of solution as you can go around the landlords directly to consumers. There is a huge opportunity here.

Q&A with Menno Lammers

If you could start a proptech startup tomorrow what would it be and why?

I would focus my role on education and enabling other people to collaborate with each other. I have already started some courses and hopefully may run a few more.

Who do you think the winners and the losers will be for the next year?

The good news is that everything is really open and there isn't a simple formula to follow. So that's why I think education is important because we will constantly have to respond to events and reinvent ourselves or try new things. Generally, the companies that will do well are the ones that focus on the needs and aspirations of individual people. Historically real estate has been a B2B industry but now it is becoming more B2C, where the ability of the landlord to get a tenant to sign the lease depends on the willingness of the tenants' employees to stay in the building. It's true in office but also in apartments and other sectors and the way the space affects humans and the environment is important.

The companies that can really understand their customers will do well, but that also means not trying to be everything for everyone.

Do you think the industry is more tribe-oriented nowadays then?

I think it's just that different companies need different types of amenities or layouts or locations. If we look at the big hotels for examples, they have many different brands- for people aged 25-30 with a certain income, people who like to travel, people who attend conferences, people who care about the environment etc. I think in the office and apartment space we will see some segmentation like this, and it won't be just about something that's written on the website but what goes into the building during the development and operation process.

The focus is mainly now on unicorns, which are associated with moving fast and hyper growth. Whereas you are suggesting focusing on specific needs, do we need another classification for entities?

I read your article recently about whether we need proptech zebras and not just unicorns. By that you meant companies not looking to grow as fast, take over the world and make as much money as possible, but more to grow financially in a sustainable way and also to have a higher social purpose.

I generally agree that there is room for that, but that the role of business should be to make money and if we both focus on the customer, we will do something good and make money. We're not the government or the church but we need to understand that our actions have consequences. It's about focusing on the customer and they will guide towards being responsible towards society and the environment.

When I talk about caring for people it includes the environment as well, global warming and sustainability are top of mind for consumers nowadays. Other brands outside real estate are also trying to be more transparent in how they use resources and how things are made and transported. I think individuals are going to expect more of that from real estate as well.

What do you think the winners and losers will be for the established real estate companies?

The big real estate companies really must decide what they want to be as they grow. If we look at the hotel world 20-30 years ago there was a split between two entities. One half owns the buildings and doesn't have a consumer brand and has conservative investors who want the regular income from the rent. The other half are the companies that have consumer brands, the Hiltons or Marriots and they spend a lot of time and money thinking about people and building a great experience for them.

I think trying to do these two things at the same time is going to be too difficult. In the world of office, apartments or even logistics, tenants are expecting a much thicker layer of operations and service. More personalization requirements for one particular group make it a lot harder to market the asset and you need to find the exact customers willing to pay the price for that experience.

That means traditional real estate companies will have to add more and more things to what they currently do, and I think that will be too difficult for most of them. They will have to either split in two where one part will own the asset and do the boring stuff though that itself has its own challenges. The other part will look at the service and branding aspects of it, some of them will be able to create their own brands but some of them will have to partner with new types of companies like co-living/co-working operators, specific logistic operators- companies that have the service capability.

Its not that you have to be one or the other, I think that those who try to be a bit of both will end up being average. We know in this world average doesn't work very well anymore, you need to be extreme- which is not necessarily a good thing, but it's the reality.

Do you see any differences in the adoption or focus of Proptech in the US and Europe?

I see a big difference between the US and the EU and even the UK. In the US there's much more money for investment and in general the tech ecosystem is much more developed. The real estate industry in the US seems to be more conservative, because of a few reasons. They are such big companies that it's harder for them to change and also in general the US driven by business and as long as things are going well no one is willing to spend money on other things.

The regulatory environment is very different and the EU is pushing landlords and the industry to adopt very ambitious goals with regards to the European Green deal, and also in terms of privacy and how technology is being used.

One of the greatest advantages of Europe historically was that it had a lot of smaller countries that competed with each other and I think it's still a little true in a different sense. There are many smaller

real estate companies and also just smaller plot sizes which allow people to create small experiments. When you walk around Europe or even London you see a lot of experimental architecture whereas in New York you will just see the same big buildings. These are impressive and expensive in different ways, but you don't see people trying anything too crazy because the projects are simply too expensive and you don't want to take a chance.

But when you are a big company and you're building a smaller project maybe you can try something a little different and experiment. I think in Europe there's less money but more potential and openness to experimentation and more push from the government to try new things- which is good.

If you'd become a CIO of a large private innovation trust. What would be your first actions?

My first action would be to visit all the buildings, talk to people, go to every floor, bathroom and staircase so I can really get a feel for the building. When I was involved in real estate development this was something I did and found very valuable because you can learn a lot just by watching people and how they behave and use your product.

Similarly when building digital products like an app or a website, all day long you look at statistics such as where did they come from and where they went next etc. In real estate now you have a lot more statistics and data to help you understand that, but still watching people and seeing what they do can give you insights that can help improve your product.

The second thing would be to set a bold vision but start with things that are very practical. There are a lot of simple things in buildings that are very painful and inconvenient like entry access, elevators, quality of the light or bathroom design. We all talk about saving the planet and big ideas, which are important but there are a lot of simple things that can be done quickly.

If you look at the car or computer industry their basic user experience is much more advanced than the product thinking we see in real estate. Often in real estate the simple thing the building is supposed to do very well, is not being done and I would try to address that.

Thirdly, I would set up a venture fund internally. Not necessarily to make money from venture investments but more for me to keep meeting startups all day and see what's coming. It's important to teach my team to be constantly aware of what's going on. I'd also look at the incentives within my company, people need to be compensated based on things that are important for the company and not merely expect them to be innovation gurus and make amazing decisions.

RUDY AERNOUDT >

CHIEF ECONOMIST

[EUROPEAN COMMISSION]

DIRK PAELINCK >

CHAIRMAN

[PROPTECH HOUSE]

Conference

"How Europe Aims to be a PropTech global leader ?"

Keynote speaker :

Rudy AERNOUDT (Chief Economist at European Commission)

Dirk PAELINCK (Co-Founder at PropTech House)

DP:

PROPTECH HOUSE FACT BOX

24 National Networks, 2700 EU based startups/scale-ups

Mission: Standardize fragmented EU Proptech market, Create a legal framework adapted to PropTech in Europe, Promote collaboration and facilitate access to EU funding

Examples

- Startup Scale Up Competition which allow startups to collaborate with big corporates on projects, and funding and support from the EC
- Reporting to EU Commission on key issues

Working towards a well-integrated system with many industry, commission and organizational collaborations. A better integrated ecosystem will help the EU become more competitive with respects to the US, which is one of the goals of PropTech House.

DP:

Why is PropTech an EU priority?

- Specific European macro-economic trends put pressure on returns and efficiency
- Data & technology drive new needs of users
- Real Estate largely undigitized at present
- Tech giants entering the market
- PropTech is still early and growing in Europe (currently at where Fintech was 7 years ago)
- 185B $ yet to be deployed in PropTech based on studies

Analysis of VC deals in Europe

- Deal values show an increase trend, but the volume is reducing.
- Late Stage VCs account for most of the deals (over 50%) of European startups, most deals are follow on deals (more than 90% in 2020)
- Niche sectors considered in 2019: Serviced Apartments, Retirement/Assisted Living, Co-working/flexi offices, hotels, student housing

Current Situation and Positive Outlook

- Q1 2020 off to a strong start with 8.2B€ invested, however a slowdown is expected
- Startups/Scale-Ups and Investor are tied to internal EU market performance
- More follow-on deals to be expected and new deals could take longer and be more difficult
- Covid-19 can accelerate the need for PropTech solutions and the growth of the market

- Corporate and Companies looking to improve the readiness of infrastructure & disaster recovery tools and also invest in startups as valuations decrease
- Investors will not let existing portfolio fail
- Based on a survey with RE companies done by PropTech House 87% expect increased spending on PropTech solutions (key driving factors: improved efficiency, cost reduction, decision efficiency), however over 40% do not have a strategy for PropTech implementation and 75% have no data strategy
- EU Green Deal - Driving force for Investing in Green PropTech, renovation and sustainable buildings
- EU Next Generation – Recovery Plan to build a resilient Europe, 25% of the budget for climate related investments

RA:

PropTech and ESCALAR

European recovery based on 2.4T € (12% of EU GDP) focused on the intersection of Green Transformation and Digitization which are key areas addressed by PropTech.

Many financing schemes (Sustainable Infrastructure, Research, Innovation & Digitization, SMEs, Social Investment & Skills, Strategic European Investment) have been set up from which PropTechs can benefit.

Three major challenges for PropTech Startups in EU

1. Equity Gap: after seed funding, when looking for the early stage funding
2. Scale Up funding: Many companies find funding outside the EU and relocate there in the long term
3. Liquidation of shares after exit

Conclusions

- 45% of startups of EU origin leave Europe during scale-up stage
- US investment volume in late stage startups is 34x than that in EU
- Larger VC fund sizes in the US allow bigger investments in companies
- 39% of EU Venture Capital is through public co-investment resulting in a risk of being crowded out

ESCALAR Funding Mechanism (starting 2021)

This will allow VC firms access to 'quasi-equity' to invest in European startups financed via public funds. The plan is to expand to pension funds and private money as well. The 'quasi-equity' is provided with limited risk to the equity, but also capped returns. This can help increase volume of equity for VC funds as well as higher returns for equity providers when the fund return is positive. A pilot scheme has already been completed.

Dis-harmonized nature of the European market, large funding availability outside of Europe are contributing factors to the drain of European startups to the US. The European Commission is committed to addressing these issues with the input of the European PropTech Association.

GREGORY DEWERPE >

FOUNDER

[A/O PROPTECH]

Fireside Chat

Fireside Chat with Gregory Dewerpe (A/O Proptech)

Keynote speaker :
Gregory DEWERPE (Founder at A/O PropTech)

Moderated by :
Idriss GOOSSENS (Organizer at Relevation)

Can you explain what is the VP AO Proptech brings and your USPs?

I think we are very different, and we took a long time developing our thesis. We have tremendous scale in terms of available capital and a unique sandbox of assets we have created with our LPs which we use to test, integrate, scale and rollout our portfolio companies. We have raised permanent capital unlike traditional time-restricted funds, which gives us flexibility in terms of how long we want to stay in a position. In addition to this we have our own internal data science team which help our startups develop their own data science road map. We also help our partners in their digital transformation which ties into our effort to promote the technology-based ecosystem in real estate.

I believe with open ended funds you can remove the misalignment with founders, especially during tough times and in the long term it creates a lot more value.

Can you provide an example of a use-case of the sand box you described?

We have a few examples, like the one of Plentific which is a digital platform for all repairs and maintenance of properties and a marketplace for service providers. When we initially met them, they were gaining traction in the UK and we took them and launched a pilot in Germany with one of our investors with around 5000 units. We were involved end to end, helping them bridge the gap in communication and integration to make the pilot successful. Less than a year later we are now rolling it out over 90000 units in Germany, and we have on the roadmap to take them to the US as well. So we were able to really accelerate their scale and give them additional markets.

In another company in hospitality tech we work with is Fornova, which provide business intelligence and revenue management systems for hotel operators. We are rolling them out across what represents 50,000 hotel rooms across our investor circle, and we are working very hard to connect them with our network of contacts that are not necessarily investors as well.

How do you manage the deal flow with such a large fund?

In the grand scheme of things, it's not a very large fund, and we stayed under the radar for a year until we had perfected our thesis and had every piece of the puzzle to execute our vision. Our view is that this is a long-term game as venture and real estate are both long term games and you need to be a patient player. Regarding the dealflow, it's all about creating a good reputation, delivering on our promises and working hard to help our portfolio companies and the rest will follow. We don't need to market, advertise or publicize. We are already seeing word of mouth from our portfolio companies and

the work we do and help we provide is starting to pay off. We're gaining traction in both Europe and the US and we are also investing in companies in the US that are looking to come to Europe and need strong partners here.

For us having 250M is obviously a big number for what we're doing, and we expect the ecosystem will get better. This is also where having permanent capital helps. If you have a traditional fund you are under pressure to deploy the capital within a period of time whereas in our case we have the flexibility to do the right deal for the right reasons instead of having to do it simply because we had to. I feel very comfortable with the way we are set up.

What do you think of the European Proptech ecosystem?

Europe is behind the US in terms of venture historically and similarly in Proptech as well. I would always interpret the numbers with a pinch of salt if you look at the US proptech numbers as they are massively inflated by all the funding that has gone into some startups and it has not necessarily contributed well to the ecosystem. Undoubtedly Europe is behind, but I think it is still early and am hopeful that there is a promising future for Europe.

Firstly, Europe has amazing talent coming out of the education system and the real estate market is massive. We have a few interesting elements in Europe such as the role and actions some of the sovereign entities in Europe whether it is in regulation and funding which I believe will contribute to a powerful ecosystem over time.

Before we launched, there was no Proptech dedicated fund more than 50M or 100M. The European mindset in general is a lot more conservative when it comes to investing and risk averse when it comes to backing bold entrepreneurs. What we need to see in Europe is more funding and a bolder approach in terms of taking risks and backing strong entrepreneurs.

In the US people take more risks, maybe they don't need to see market validation immediately or a whole list boxes to be ticked before they write a cheque but I think things will change in Europe and that now is a good time to be in the market.

What is your view on the maturity within the different asset classes?

You have to look within each of the segments.

If you look at residential, disruption started earlier with market and transactions agents and now we have players who are entering with new technologies trying to capture the market related to the consumers, who in this case are the tenants. This in itself is a change of the power dynamic, as the landlord needs to innovate to make the relationship with the tenant more adapted and dynamic. I think residential is on the right track and it has been attracting funds from generalist VCs as well as it is the closest to B2C. I think this is the market that is going to mature.

The big race in residential will be to see if they can get a share of what happens within the envelope of the four walls. Everyone wants to be within the house, and if landlords understand that have the key piece of that equation it can be very exciting for residential.

Offices over time have been evolving in terms of IT building control etc. but now they are faced with a huge challenge with regards to Covid. Again, it's only within the last few years that the space has been treated as a service and the tenant a customer and the need to innovate within the space to satisfy the customers. I think there is still a lot of tech that must come into offices to meet the requirements of the customers and make these assets agile.

Hospitality is also undergoing a new wave of disruption where the sector will fight back against OTAs to recover some of their margins especially with Google also moving into this market. There is a need to adapt technology with regards to management as well as into transforming the customer experience.

I think all the different segments are at different levels and the more challenges they have, the more they need to be adopting technology.

How can European Institutions and Government help towards the adoption of technology in Real Estate?

I think they are essential. There are a lot of additional dynamics in real estate due to factors such as ESG that the governments are pushing through regulation. Especially in Europe where it is so fragmented there is need for harmonization and the governments play a strong role in that. We believe that the collaboration between private and public is very important, and we partner with the investment arm of the French Government and when we invest in PropTech they often come in with us.

Why this is important, especially in Europe, is because governments often are some of the largest real estate owners in Europe, and hence they are aligned in the need for better efficiency as they are essentially stake holders in the real estate market. There is a merit in getting a certain level of government support and intervention in order strengthen the Proptech ecosystem.

What is the revenue model of AO?

We have the same upside incentives that you can see in a fund, but I'm not a believer in management fees, and this is not a profit center for us. I am at a stage where it is mostly about value creation for me. Only our operating costs are covered by the management fees and that resonates well with our investors as well.

MICHAL GOLOGORSKY >
HEAD OF INNOVATION CENTER
[PROPTECH ZONE]

< FAISAL BUTT
FOUNDER & CEO
[PI LABS]

IVAN ZGOMBA >
PARTNER
[PLUG AND PLAY]

< SONJA RADOVIC
INVESTMENT MANAGER
[APX AXEL SPRINGER PORSCHE]

MATHIAS FLATTIN >
PARTNER
[AXELEO]

Conference

"Accelerator models that work"

Keynote speaker :
Ivan ZGOMBA (Partner at Plug and Play)
Faisal BUTT (Founder at Pi-Labs)
Michal GOLOGORSKY(Head of Innovation Center at PropTech Zone)
Mathias FLATTIN (Partner at Axeleo Capital)
Sonja RADOVIC (Investment Manager at Axel Springer Porsche)

Moderated by :
Idriss GOOSSENS (Organizer at Relevation)

I. G. : Could you all introduce yourself ?

Ivan ZGOMBA : I am a Partner at Plug and Play. Being part of one of the largest ecosystems in the world, across 30+ locations, one of the biggest assets that we built is that our corporate ecosystem has parts connected to the largest fortune 500 brands, like Panasonic, Amazon … And we drive the partnership between these big companies. Geographically, we have main partners and are active across China, across Europe, Silicon Valley, and so on.
Michal GOLOGORSKY : I am the head of PropTech Zone. We are an Innovation Center for real estate technologies based in Israel. We started a year and a half ago because there was a need for a professional point of contact for both real estates and companies that are looking to innovate. Israel is a startup nation but the PropTech is not big enough yet, and that is why we are here.
At PropTech Zone, we offer consulting and scouting services both here in the local industry and in the global industry. We have also opened the first PropTech accelerator here in Israel, which will start next week and the vision is to create the ultimate platform for tech entrepreneurs to connect and meet the real estate key professionals.

Sonja RADOVIC : I work at Axel Springer Porsche, Early stage investor. We are based in Berlin, and we are a very diverse team. What we look for is digital and user centric business models. We follow the industry agnostic approach. We also have a number of PropTech startups and we ran special tracks for PropTech startups some time last year. We invest very early so we invested into companies also in the idea stage but we invested in companies that already came with an MVP for example. And therefore our program is very tailor-made. So far, we have over 60 investments and we just started in 2018.

Faisal BUTT : I am the founder CEO of Pi-Labs. We are both an accelerator and a VC investor focused exclusively on PropTech. We work all across Europe. We invest both on Early stages and on Series A. On our third fund, we have been pretty consistently the most active investor in PropTech since 2015

and we have now 15 investments across Europe. We are looking to grow this portfolio to about a hundred over the next couple of years.

Mathias FLATTIN : I am a partner at Axeleo, which is a French acceleration fund created in 2013 for European PropTech startups. We first had a B2B software as a service verticalized fund, dedicated to Seed. Yesterday we announced the PropTech fund, also dedicated to Seed stage. We are both an accelerator and a VC, so we are combining the two skills of investing and accelerating companies with program managers. We also rally in the ecosystem successful entrepreneurs and C-levels from successful companies that can work on corporate companies as board member, as mentor, taking some operational position within the company. As of today, we manage 18 millions euros, and we are 16 professionals. We are a French based company; France is ranked number two in a number of PropTechs in Europe, has the biggest real estate corporates… But France did not have any PropTech so far. So we have been working on that for the past 18 months, and we managed to raise that fund.

I. G. : Ivan, could explain to us how is your acceleration panel for startups structures ? What do you focus on, what are the different steps in the panel ?

I. Z. : We have a person for each of our 16 different programs focusing on several different industries. Within each program, we are very much focused on areas that are dictated by key partners that we work with. Based on their technology areas, we search for companies from pre-Seed to growth stage companies. When it comes to real estate, we are very active in Silicon Valley and in Europe. We also have offices in China, Japan, ...

I.G. : Michal, I think you are about to launch a new acceleration program. Can you explain to us what are the different steps that you focus on ?

M. G.: When it comes to choosing the company, it is a long and interesting process, but we decide to focus on companies that we believe in the solution and we believe there is a big potential for it. The companies that we can help, with our professional knowledge and network, we choose them. We decided to have one or two local real estate companies, and all the rest are global companies. Israel is a small country and you can reach out to every C-level by three or four phone calls. So our power is in the global network, and that is why we are very connected to the global PropTech communities. We have a very professional selection committee, with members that are leaders in the real estate industry in Israel, investors from top VCs, and of course, financial and legal advisers, who help us choose the companies that we are going to work with.

We take into account three main factors to choose a company :

(1) Who are the founders ? We search for founders with great skills, experience and background, as an individual and as a team. Can they help, and work together, and bring this company to bigger results ?

(2) What is the competitive advantage of this company ?

(3) Are they trying to solve a real issue in the real estate industry ?

I. G. : Sonja, could you explain to us how does your acceleration funnel work, how long does it take and what are the elements that you focus on ?

S. R. : We take founders from very different geographics. We have invested so far mostly in Europe and Israel, but also outside of EU. We take founders very early. That means that the biggest bet is basically on the team, that the team is actually able to perform and execute. And therefore we came to these three main questions :

1. Why this product ?
2. Why now ?
3. Why you, why your team ?

Then we added another question, which is very important to us : Why us ? How can we help you put this product into the market and make this company great ?

Then we have a pretty lengthy VC session where we try to challenge founders on different challenges that they are about to face. We try to understand how coachable is the team, how open they are to change and how we can actually work with them. I would say we managed to onboard founders within a month, but sometimes it takes longer because some things in the structure, or in the company, need to change, and so on.

I. G : Faisal, same question, could you explain your side of the story ?

F. B. : Each year, we run our accelerator program out of London but attracting products globally. We run it for three months, starting in February, and finishing with the demo days in June. We start the process of like, scouting for the startups around September - October. First, we think strategically about what are the themes that we are very excited about, what are the big issues that some of our real estates and our LPs are facing. So we top down these points before making any decision.

We actually have a very strong global ecosystem now. We have around 100 founders of portfolio companies, who are also referring new businesses to us. We also have around 70 to 80 co-investors… So there is a lot coming in, and we match that with our own strategic approach. It takes several months for kind of cut through all this, and we are very selective. At some point, I would like to expand the program, taking more companies but this is where we are at right now. We invest in about 10 companies a year. It is a rigorous process, with the accelerator that makes several months of scanning the market and building up the pipeline. The adjustment process itself can be done very efficiently.

I. G. : Mathias, could you explain how your acceleration program is structured at Axeleo ?

M. F. : We both accelerate and invest in European startups in Early stage. Our sweet spot is Seed stage, but we also invest in Series A, etc. Our first fund is verticalized on Seed, with B2B software service, etc. Our second fund, Axeleo Proptech One, tackles technology in real estate from conception to construction, usage and urban planning. That fall, we are investing in 20, 25 companies. To select them, we leverage our VC skills of scouting, basically. Our ecosystem of entrepreneurs and C-level has the business network of the corporates we advised. Our LP also brings us both new topics of investments that are related to the issues they encounter, but also startups that they work with. But first and foremost, we target entrepreneurs who think out of the box, and people who know how to sell to these conservative markets.

I. G. : What are the biggest pains or challenges that startups have, when they are in the acceleration program ? What are their biggest pinpoints ?

M. F. : The biggest difficulty is the availability of founders. Secondly, and that can be helpful for young entrepreneurs who are very confident, it is all about explaining how you can help and that you won't lose time. Because after the Seed stage, they all run directly to Series A. It can be hard for them to discover that there are not ready yet. At Axeleo, we have mapped all these topics, so we can detect where they are and how we could support them.

I. Z. : The short answer is that it is obviously case by case. But the way we are structured is really in behind the entrepreneurs back. We do not want to slow them down in any way possible. We are there for them, for anything around the business development group. We help them grow their customer base, from the first customer to the tenth customers, etcetera.

S. R. : I think the pains of startups are very different in the beginning. Some of them actually come with a great business side, but are weaker on the technical side, and some come with amazing tech teams but they are not aware of what it means to have a good business team and what it means to sell. Towards the end of our program, what we try to do is a simulation of the next stage investor, asking a lot of questions. We do this investment readiness review where we really try to put them on the spot and figure out how they would actually find their way in such a situation with truly external investors. And we assess how investor ready they are.

Finally, one of the biggest points actually of real estate in PropTech startups, is actually connection to the networks. The founders tend to be very young and very inspirational and wanting to change a lot of things but real estate industries are just very human focused. We have seen a lot of pains in trying to sell to this industry, trying to innovate, trying to work with these people and finding the right people to talk about their history. So that is what we actually were trying to help them with.

I. G. : Faisal, how is your ecosystem of partners structured and how can you use it for the benefit of startups that are accelerated ?

F. B. : We have put a lot of emphasis on helping to build out and complete the team, so that the execution can be top notch. And then of course our ecosystem across Europe consists of property companies, real estate managers, fund managers, developers, … And we are pretty well plugged into senior teams at these companies as well as their innovation team. We are making sure that power companies get FaceTime with real estate corporates. So we play an active role, and we try to facilitate the trials and pilots very early in their overall life cycle.

But our first column, of course, is capital. Across the ecosystem, we have many investors. And because there is an existing relationship with these investors, and they have already invested in our company, it is a very easy to introduce them to new startups. So in addition to our investment, we try to leverage it with the investment of other investors.

I. G. : Michal, how do you leverage your network of partners ?

M. G. : It is very important for us to have partners in each vertical of the PropTech industry. So that is inside the PropTech universe. But we also want to be involved in all the sectors that there is in real estate. So we choose partners who can offer different verticals and sectors to our portfolio companies and then we chose the companies for the program.

We deal with seven companies each cohort, and we chose them to not be in any competition. So each startup represents another vertical of the PropTech industry. We are also trying to choose corporates that already have an innovation department, which means that there is a point of contact that can understand what we need and do the hard work within the organization and by itself. We work mainly with corporate VCs, which have both investment and the assets portfolio that can give opportunities to startups. For us, it is very important to work with PropTech investors. This is the key success to choose the partners.

I. G. : We have seen one large real estate corporate in Belgium who launched an acceleration program. They invested a lot internally to create an internal acceleration program. They source startups externally, then they accelerate them within six months of an acceleration program. At the end, they decide whether they acquire the startup or they take shares or the startup just becomes a preferential commercial partner. They were able to source amazing technology but then they had problem with the adoption of the technology internally. So how can we make sure that the corporates can benefit from the acceleration program ?

I. Z. : In our case, we really believe that the programs and platforms should be opened to many different stakeholders and corporates at the same time. We have many cases among us that would work with the impression that they are competing with each other. But we are there to go better with the entire industry.

F. B. : I think that you need to make sure that you not only engage with the senior team, the board of the business, so that there is a top balanced strategic directive that innovation is going to be important for the organization. You also need to deal with their innovation team. And beyond the innovation team, the corporates should established innovation champions across the different divisions and departments, so that innovation is not just left to a two man innovation team which is not able to have the impact across the organization.

So we, at Pi-Labs, try to interface with the entire corporate, all the different departments and demand that we give presentations to our corporate LPs, to really infiltrate innovation thinking across the organization and we know who to contact within each division so that it is not concentrated on anyone.

S. R. : I really would like to emphasize on what Faisal just said. I think this is a really important point because usually what we do is try to involve our shareholders, especially their PropTech specifics, from selection to the next stages of this company, so that we know that we have support from someone who has a strong voice. However, there are always these two or three people in the innovation department that are in charge of all these projects but they unfortunately do not push it through the full organization. So we are trying to find and teach our companies actually to define the right contact within these corporations, and then to enforce this contact.

M. G. : I think the most important is to set the KPIs and the expectation of the POC of the pilots, in order to follow up the process and to know that the result is aligned to the KPI in the beginning of the process. This is the key success that we managed to do in our experience.

I. G. : Mathias, what are your views on this ?

M. F. : I asked my colleagues from the acceleration team before, so I have a smart answer. Basically, to maximize the success, we need to engage with the management of the cooperates, generate motivation, green tools, to help them identify new trends that could help them, disrupt them. Also, we need to engage the employees of the business unit because beyond the innovation team, they are the ones who will become customers, who will benefit from these innovations. So we basically apply our own acceleration principles to corporate innovation teams, and we help them build an innovation structure by bringing some methods, adapt their governance, etcetera.

I. G. : What are your views on the fact that some acceleration programs take equity at the entrance, some take equity at the end, some are just being accelerators … ? So what is the best model for an accelerator ?

F. B. : Our model is based on the commercial model that has done very well in the US, Y Combinator. So we are commercial based accelerator, we invest in the business, we take an equity space. Our current offering is £80,000, per 8% of the business. And then we can follow on in subsequent rounds as well. So we are very happy, if the company is doing well, to invest another £500,000 in the Seed stage or another million pounds in the Series A stage. So we offer the Y Combinator model for PropTech in Berlin.

I. G. : Michal, what one advice would you share to founders ? Or it can be a lesson learned from your private life, your professional life ?

M. G. : I can say something that we saw in the selection process. There are companies that come to pitch without doing the market research as good as they need to if they want to become serious. They have to convince the judges that they know the business. In order to that, they should know to how to do a competitive landscape. This was the pain point of the companies that we saw. And to have the best team is to have one from the real estate industry and one from the tech industry. Most of the companies that we met came only from the tech or only from the real estate. So my advice would be : be prepared.

I. G. : Mathias, what would be your $1,000,000 advice ?

M. F. : I would say that it is the opposite I gave when I was generalist VC. It is, forget about the tech. The tech is the easy part today. So enter the market early, test your ability to convince conservative markets, become one of them and then work on your technology.

I. G. : So generate revenue first. Sonja, what would be your advice ?

S. R. : On a human level, I would say resilience and openness to feedback. I think that is something that founders really need. So resilient to failures, I mean we all commented on how hard it is to be part of the real estate industry, especially if you don't come from years and years of real estate industry or if you are not white and male and have a very strong foot in those doors. So I would say resilience to failures because they will happen until you find the right doors. And openness to feedback from the people who are in the industry.

I. G. : Faisal, what about you ?

F. B. : I think that team is critical, it is really important to build the right team early. And I think connectivity is very important. Real estate authors mentioned how difficult of a sector it is to break into. So hence why I think the role of ecosystems and accelerators is even more important for real estate techs nowadays than for other sectors of techs. So I take team and connectivity.

I. G.: Ivan, what advice could we hear from someone who raised a company from 5 to 500 people ?

I. Z. : I 100% agree with what they said. But, one thing especially : it is a very interesting time, very odd, and it is all about being positive. That is the message you want to be part of, that everyone will want to be part of.

CONAN LAUTERPACHT >

FOUNDER & MANAGING PARTNER

[M7 STRUCTURA]

Fireside Chat

"Angel, Strategic or VC : What type of capital is right for you?"

Keynote speaker :

Conan LAUTERPACHT (Managing Partner at M7 Structura)

Moderated by :

Noémie DE CROMBRUGGHE (Head of Membership at PropTech Lab)

N.D.C. : Could you introduce yourself ?

C. L. : I am the Managing Partner at M7 Structura. We are an early stage, PropTech focused, Venture Capital fund, investing in companies in Seed to Series A, with a focus in European markets. But before that, I had a very career in PropTech. So I started my career actually as a transactional lawyer in London. I knew fairly early that failure was not for me, so I went to Business School and came out looking for an Early stage company to join. A little bit by chance, I came to a real estate data management company called Voyanta. This is back in 2013, when PropTech certainly was not a term, it was not a hot sector, it was really the early days of the "third wave PropTech". So I joined Voyanta as a COO, and we sold basically real estate data management and reporting platforms to large institutional owners of commercial real estate.

We raised Series A for that business back in 2013. Series A were smaller then, and unfortunately evaluations were lower and there was certainly less investors in the market with an interest in technology applied to real estate. We ended up with a couple of term sheets, and one of them was from a Strategic investor that was Altus Group. And Altus Group is probably best known for the fact that it owns a software company called Argus. Argus is the market standard evaluation tool for commercial real estate, certainly in North America, to a large part in the U.K. and Middle East, and to a certain extent used in Europe.

For us, Argus had every customer that we could ever want. And if we got a fraction of them, that would be an exciting piece of sales for us. So we took the Strategic term sheet rather than the pure Venture Capital term sheet that had been offered to us. The capital on offer was slightly cheaper, or the terms were preferable to that offered by their VC fund, and it gave us access to what we thought was a very large potential customer base. So it gave us customers. We thought it would also give us insight into how product development would go in the future. So we took that money and we carried on operating and setting to institutional owner real estate. About 12 months later, the sales cycle of that process had been longer than we expected, we needed more capital and Altus was also looking to acquire us. So we had that choice to make. Finally, we took the decision to sell our business to Altus Group, because we needed capital and also because we felt that actually being part of the same organization would sort of accelerate our customer attraction. Then we operate that business for a couple of years within Altus, as a stand alone entity within a larger technology group.

After that, I began Strategic investing. So as many incumbents find, you realize you have a market position but you can struggle to innovate the same rate as Early stage companies are. So Altus, like

many, wanted me to focus on actually looking at what Early stage PropTech companies were doing. With that role, I invested both directly into some Early stage PropTech companies in America, as well as an LP into some of the Early stage PropTech funds which were then emerging. And at the same time I was doing all this, I had an early exit from the sales of Voyanta. So I began Angel investing into PropTech companies primarily based in the UK, but also in some companies in Canada. So through these various experiences, I had a good understanding of some of the strategics that we will talk about in this fireside chat.

N.D.C. : Perfect. Then, what exactly do you mean by Angel, Strategic and VC ? Any differences between investors within these categories ?

C. L : So, when we talk about Angel capital, primarily they are individuals deploying their own money. And these individuals can range from friends and family of the founders, all the way to experienced entrepreneurs and business leaders who have general business or domain specific expertise. And obviously within that range, there is a huge value they can bring to startups. When I talk about Strategic, they are effectively corporate organizations who are investing and providing capital, not simply for financial term but for some other strategic motive as well. If we are thinking about the PropTech market specifically, I look at that in as them coming from two main roots. Either they are Strategic, because they have a type of customer relationship with you or they are Strategic because they have a complementary or even potentially competitive product offering dynamic with you. So in the case of Altus and Argus, when they invested in us, that was strategic. It was very much around that sort of a technology product offering type of strategic synergy. But equally, if you look at some of the significant strategic investments that have been made into, say, VTS in the US, or on its buildings in US where a number of their customers have invested in them; that is the customer side of strategic. In that case, there is some secondary value, whether that is having a close relationship with technology, being able to influence the technology company or whether ultimately it is simply wanting to benefit from the value they create the business by putting a huge amount of customer-driven revenue through the business.

And then you have Venture Capital funds, which in some ways is the most complex because there are lots of different types of them out there. There come in many different shapes and sizes. The first, which is actually very close to the Strategic type of invest we just discussed, is your corporate Venture Capital fund. It is effectively an offshoot of an existing corporate organization. It could be one or two shapes, it could have its own discretionary fund, or it could actually often seem to be investing of a company balance sheet. And that latter case, particularly where they are doing it primarily for strategic reason, is almost more of a Strategic than it is a VC. But even then, if you go beyond that, you have different types of VCs who are purely financial. So you might have a single LP fund, or you can have the more traditional multi LPVCs. And across these, you probably have two or three main categories. And then, you have the traditional LP structure. Those are the structures that are the best known Generalist Venture funds, like Index and Sequoia, where you are investing primarily for growth in those companies and you are expecting large exit multiples. And then, you have one other category of VC. It is again a multi LPVC, but it is often deploying retail, by which I mean sort of consume the money through it. There are a number of them in the UK market and they are tax-advantaged funds where you gather money from retail investors, which has some sort of tax benefits and then deploy it. And they work separating out, because, in truth, they have slightly different return profiles. Ultimately they are more transactional-driven, they make money from the initial transaction fees, and they are very focused on deployment. They probably have a slightly shorter term outlook than some of the traditional institutional backed Venture funds.

N.D.C. : What would be some of the pros and cons that you see in each type ?

C.L. : If I start with Angel investors, some of the advantages are that, first, you are dealing with the principal. You are having a conversation with one person, and they are able to make the decision very quickly, they do not have to go through an investment process. If they like you and believe in you, they are probably going to back you. So it can be quick and straightforward. And if they are wealthy people, sometimes, they are going to be willing to make a bet on you, even if you don't have everything that they are looking for. They might be looking for a reason to invest, versus traditional VC that perhaps are looking for reason not to invest. They are also able to ease connections. But that depends on the type of Angel you have.

One of the disadvantages often of Angels is that they may not have money to follow on, to invest in subsequent rounds, to invest in the way that Strategic funds may have. That is not always the case, again, you have super Angels these days, but it is probably the exception rather than the rule.

On a final note, you can get a great Angel on board, who is really relevant to what you are doing but they simply may not have the time to help you, because ultimately it is not their core focus.

Moving on to Strategics, the advantages are, often you can get more generous terms than you would get out of a traditional Venture investor and they may well be able to provide you with very significant access to revenues, to customers or provide you with partnerships which benefits you from a product-development sales standpoint. On the flip side, they can be a great distraction. They can disrupt your product road map. They can put you in a direction where perhaps you don't want to go. They can consume time in partnership discussions which is insignificant to their legal team and their follow-up development team, but which is very significant to you as a startup. So whenever you do a strategic deal which involves some sort of partnership alongside it, you need to be very careful to understand what the upside is for both parties. And to make sure that you can see that partnership ultimately generating enough value, not just for you as a startup but also for the Strategic. And that can be very challenging.

One other point I would make about Strategics is that you need to be very careful with what Strategic money you take into your organization, and be aware of what implications that has for future fundraising and exits. The best strategic investments I have seen have often involved multiple strategic investors, going in together and effectively creating a club deal. And then, the companies basically lock in multiple customers. And because they have got multiple Strategics in the deal, it does not put off other potential customers from using them simply because they have got one of their competitors in the market. I think that is a very significant risk within the real estate and the PropTech market. You have lots of real estate companies out there who are not interested in the technology. They have a real estate mindset of, you know, how do we create value in real estate is by gaining proprietary access to deals and so I want some sort of exclusive access to that deal. And they bring that mindset to the technology and technology

investment without thinking that actually, by investing in that business, what they are actually doing, in the way they want to do it, is simply putting off all the other customers that are like them, that might also want to be a customer of that technology. But they won't be now because they view that in some way, they have given up some competitive advantage to one of their competitors.

And then, really, the pros and cons on Venture Capital funds very much depend on the type of Venture Capital fund you have. This goes back to my discussion earlier about all the different varieties, and as an entrepreneur, you should never feel nervous about really drilling down to understand the types of VC funds that you are actually speaking with. If we think about the ones that are essentially the most exciting, those super big brand names that every wannabe entrepreneur dreams of having back you, they can bring you great exposure, great ability to raise subsequent rounds of finance... But there is a catch there: they expect the companies they invest in to scale rapidly and have exit for North of 100 million dollars. And if they see that you are not doing that, they will drop you cold.

You don't often hear the stories where the big names drop off the boards of companies and don't follow on investments. But it happens, it happens on a regular basis. So if you are in the fortunate position to be presented with term sheets from multiple different types of investors, you need to think very long and hard about what are the expectations of that investor, and whether they match my ambitions for the business.

The other advantage of VCs, is that they are in it for financial return. So, whilst they may expect in certain cases to really want to push local money through the business and generate huge growth, the flip side is that you as an entrepreneur often want to make money out of your business. And they are aligned with that, which can be a simpler dynamic than a Strategic where there are often a lot of other factors at play.

N.D.C: So how should a founder decide which category he should go for?

C. L. : A lot depends on what stage you are at, and also what you want for your business. So we can talk about this in the ideal scenario, because, of course, many founders, they just want some capital in order to get that business to the next stage. But let's step back from that for a second and assume that you are on the fortunate position to have the choice of capital sources. Now Angels are going to be in your natural place to raise capital early, in the existent companies, for that pre-Seed round where you just want some money to get together to get you MVP. And then also, they might not be a good place in capital to help build out the Seed round. Because again, the amount of capital available for Seed in your business is much less than once you get to Series A. So, if you can find the right Angel, I think they are almost the best investor to have in the early stage. Angels with good markets, the main knowledge, who can engage with you, are the most valuable type of investors. Even more valuable than the best funds in the world. Because ultimately the best funds in the world, what they bring you is a bit of brand and a little bit of connectivity, but it is at an organizational level. Whereas an Angel who understands the market you are setting into, has good connections, will not only make introductions for you within that market, but when subsequent investors come to the table and look at user business they will see that your concept and your approach are being validated by someone that understands the market and the industry that you are operating in.

N.D.C : Regarding this, how would you advice to find this Angel?

C. L. : In those scenarios, if it is a market you know well, you need to speak to all the connections that you have. You may well have a list of people that would love to back your business and that is probably the best place to start. Ultimately, think about people that are going to understand the pain point you are solving and who will be able to potentially finance that and introduce you to others of similar understanding. So, I think it often starts with your understanding of the problem, and the people that you see in the industry, and who may well also share that understanding with you. If you can't go there, then, depending on which country you are in, there are lots of Generalist Angel events and you may at some of those type of events get the generalist type of business expertise.

That is at the Early stage. As you move through it, and let's say, you get to Seed, and Series A, then you potentially have multiple choices of capital data. With the Angels, you just need to be careful not to make your cap table looked too messy, not to have lots of Angels, pure financial Angels, that can put off later stage investors simply because they view that it is going to be painful to deal with this cap table.

And then, when you get into having choice between Strategic and Venture, I think it is very much an analysis on what the nature of the Strategic Investor is.

If I had my choice now, I would only raise capital for my friends and my customers. But that comes from someone with a good entrepreneurial experience, who understands the market and perhaps has a very wealthy set of customers and friends. But for most people, that is not the case. So, if you do not have that range of Strategics to choose when you are speaking to Venture funds, you need to make sure that their expectations align with your ambitions for the business. So, if you want to build the next five hundred million, or billion-dollar business and you think that is realistic, then sell the big story, speak to all the big funds who will be able to support you on that journey. If you think that you have a good business idea and there is a market for that, but perhaps it is not going to be that, perhaps it is going to be a £20,000,000 or a £50,000,000 business, you may want to think about talking to a smaller fund that might have a different return profile, for example.

In conclusion, I wish you all the fortune in the world in your fundraising, and in the growth of your companies.

DIANE TEA >

BOARD DIRECTOR - VICE PRESIDENT

TECHNOLOGY INNOVATION | DIGITAL MARKETING [LBAN]

ROMAIN HOFFMANN >

DIRECTOR & BUSINESS ANGEL [LBAN]

CORPORATE BANKING & FINANCE [BCEE.LU]

Fireside Chat

"Luxembourg, a favourable market for PropTech ?"

Keynote speaker :
Diane TEA (Board Director, Innovation at LBAN)
Romain HOFFMANN (Director at LBAN)

Moderated by :
Laurent ROUACH (Founder at LuxPropTech)

L. R. : Luxembourg is an attractive environment for PropTechs. Real estate is an important sector in Luxembourg, with more than 10 percent of the workforce working on it. Today, I am with Diane Tea and Romain Hoffmann, both working at LBAN. Can you explain to us what is LBAN and what is its place in the Luxembourg ecosystem ?

D. T. : Unlike other bigger countries, LBAN, which stands for the Luxembourg Business Angel Network, is an essential network here in Luxembourg. It means that we hold a very important place in the ecosystem here. We have the aspiration to federate all private investors, in Luxembourg but also in other places. We are indeed very dependant of the areas surrounding Luxembourg, because we are a very small country. We provide valuable resources to our customers, we allow the Business Angels to utilize a platform where they can mingle, meet, exchange, experience with like-minded people. We provide them with tools, trainings, so that they can take informed decisions, investments, activities, and allow them to meet all the organisations, people, that they otherwise would not be able to meet. At LBAN, we partner with relevant actors not only locally, but also internationally.

Why are we so important in the ecosystem ?
We provide startups, specially early stage startups, financing that they would not be able to get at this early stage. And with this, we help the economy.

L. R. : Romain, can you tell us what you do at LBAN ?

R. H. : LBAN is organized in working committees. For example, there is a committee for partnership, one for marketing, … And I am responsible for the investment committee, which is an essential part, because I am the link between the startups and the Angels. For that, we use a tool : our platform. You can find it on our website : https://www.lban.lu.
But we also offer training for our Angels. Angels have all kinds of expertises ; but we have training tools to make sure that every angel is comfortable with everything.

L. R. : What makes the Luxembourg ecosystem attractive for the rise of PropTechs ?

D. T. : Even outside of PropTech, the country itself is very attractive, because it is a very young and dynamic country, very cosmopolitan and multilingual. Many institutions, and the government itself, have taken a lot of initiatives to promote innovation in this country, and with all these efforts, Luxembourg has been ranked in the top 15 countries in the world on the Global Innovation Index. We are really a startup nation.
But what is the link between this attractivity and Proptech ?
The country has been attracting lots of people from abroad, making the number of expatriates exceed the number of locals since last year. With the arrival of all these expatriates, and the growth of the number of residents in Luxembourg, you can imagine that real estate is booming. Therefore, the real estate sector, or the digitalization of this sector, represents the green field, the blue ocean. For those who know how to grab an opportunity, it is the new market.

L. R. : How can the Business Angel communities and other players support the PropTech funds ?

R. H. : We have different players. You talked about Business Angels, I would also add the VCs, because often Business Angels invest with VCs, and also banks. Even though startups seem like a risky investment for banks, banks are now working together with the government (e.g. the European Investment Fund). The risk sharing before Covid-19 was 50-50. Now, after Covid-19, 85 % is covered by the European Investment Fund. Because of Covid, the government also put out loans.
Then we have governments grants, and that did not change with the pandemic. You can benefit from an accelerated program if your startup does not generate any revenue yet. And even after, if you are generating revenues, there is another grant, the Young Innovative Enterprise.

But after Covid-19, there are two negative impacts on the fundings :
(1) smaller amounts of fundings.
(2) customer acquisition is more difficult. Therefore startups need grants more than ever, and that is why the government is investing more for the moment.

Question from the audience : does LBAN help to apply to grants as well ?

R. H. : In general, LBAN does not help, but maybe an Angel can support the startup. Each Angel has its network, and that is always helpful.

L. R. : In conclusion, Luxembourg is a really attractive place for startups, with an important international flow. And a lot of measures are put in place by various actors to allow its full development going forward.

ALEXANDER UBACH-UTERMÖHL >

MANAGING PARTNER

[BLACKPRINTPARTNERS]

SEAN NOLAN >

JUNIOR PROGRAMME MANAGER

[BLACKPRINTPARTNERS]

Fireside Chat

"Overview of the German Proptech ecosystem"

Keynote speaker :

Sean NOLAN (Programme Manager at Blackprint Booster)

Alexander UBACH-UTERMOHL (Managing Partner at GPTI)

Overview of Blackprint Booster and Proptech ecosystem

SN:

I run the accelerator program at Blackprint Booster, and I'm also responsible for the areas of scouting and venture planning. Blackprint Booster is the leading Proptech hub of the DACH region, and we are active in Austria and Switzerland as well. We see ourselves as the experts for the digitalization of the Proptech industry in Germany because we are able to combine the right people and technologies to make real estate more future oriented, by making it more economical, sustainable and user-oriented.

What makes us special is that we have a large database of Proptech companies and we know the right people who can affect changes in the real estate industry. We also do Proptech scouting for corporates – identifying needs and collaboration opportunities for big companies. Networking access is another thing we offer on many different topics related to real estate for both startups and corporates.

We also organize a big event, REAL Proptech, this year it's being held for the 4th time in a completely digital form on the 10th and 11th of September. Apart from this obviously we have the Booster programme which is at the heart of what we do, offering mentorship, network access, business development and VC coaching for Proptech startups across the entire project lifecycle.

In the DACH region the number of Proptech startups has increase to around 750 in 2019, though the growth has decreased and we expect the trend to somewhat continue. One clear trend we have noticed is that there has been an increase in the number of startups being founded in the construction segment in 2019 when compared to previous years and it is expected this activity to continue for the next 2 to 3 years.

Regarding the investments in Proptech over 200M euros were invested in 2019 with help from some large single investments. It must also be said that the areas of selling and letting have always attracted the most investments in recent years, but we expect construction also to show some increase in the coming years. McMakler and Exporo attracted investments of 50M and 43M respectively in 2019.

This year Homeday drew 40M euros in investment, and in the construction segment PlanRadar drew a 30M euro investment despite the start of the crisis. In general there have been a lot of investments under 10M mark this year particularly in the segment of planning and construction.

Looking at the category of investor, VCs have always been the dominant investor. In the future this trend is expected to continue as when the market matures and the quality of startups improve, Proptech

startups will become even more attractive. In 2019 there was an increase in strategic investors, with a lot of corporates realizing the need for digitalization and partnering with Proptech startups to do this. I think over 2020/21 this will continue irrespective of the effects of covid. With regards to major actors- Bitstone and Proptech1, are funds exclusively for Proptech startups and apart from Blackprint, Creators and hubitation are also accelerators run by corporates.

Insights from GPTI

AUU

In 2016 when Proptech was not well known in Germany, a few entrepreneurs and myself decided found the German Proptech Initiative as a non-profit network of entrepreneurs. We did this to foster Proptech, strengthen the perception of technology within the real estate sector and give corporates access to this network and vice versa. It is also important to keep founders in touch with each other and now we have a network of 70 entrepreneurs and companies that communicate regularly with each other.
We also work closely with a sort of lobby group so that the right information can be passed to the political decision makers. Initiatives such as Proptech House are also important on a European level to build a strong network and move the industry that has been reluctant to do so for a long time. I think it's important for founders to build a strong network apart from building the business as well, especially if you are a B2B business as you need to know the right people.

I think that for technology in real estate to work, it has to be implemented across the entire lifecycle, and now Proptech has actually expanded to that level. This requires cooperation between these various companies, and what we have seen is that Proptech companies are very specific in what they do and are focused in their niche but overall they may not be solving a joint problem that the Proptech world has. Therefore, the next big thing in Proptech will be the cooperation between entrepreneurs to bring Proptech to the next level.

Adopting tech products when big companies are dealings with the crisis is difficult, hence I see now is the time to convey that Proptech is about profit. This will need to be proved to the customer, and companies that can be show immediate profits have got a big push from what we have observed. Visionary companies, that are thinking 2-3 years ahead are struggling at the moment. So, I think now is the time to show the industry that Proptech can be profitable.

Apart from this more and more investors now require action on the sustainability front with the UN SDGs and European Green Deal etc. There will be a lot of change around this. REAL Proptech will be the first conference that links innovation and digitalization with the achievement of sustainability. In order to link these two, we need to have everyone on board, the tech world and the established real estate world, and they will need to work together to find a way to accomplish this. Proptech can play a big role in making it possible.

What we also see is that strategic investors have also had a shift in their thinking. When they are set up in a way where they know how to evaluate technology and have their own teams, they tend to get curious about partnering with or investing in Proptech startups. Clearly, they see this time to be a good time to invest, though it still can be difficult for young companies raising money.
One thing we have found during our discussion with entrepreneurs with regards to financing in these times it is clear that the terms have shifted. Sometimes the terms might not seem as fair as before and I think it's important for startups to challenge investors on their terms if they seem to be overly unfair. I am of the opinion that even in times of crisis terms should be tough, but fair, and if they are not, rethink, as it will be a long partnership.

Another observation is about what covid has done with regards to the communication between Proptech companies and the established world. Initially it was not clear whether they could sell their products via digital devices and video conferences. The good news is this has happened, and companies are prepared to place orders via digital means which is an efficient way of communicating and building partnerships. My advice would be to try to keep it that way, instead of reverting to pre-covid days where one had to fly somewhere to meet potential clients etc. This was neither sustainable nor efficient and there are no good reasons to go back to this pattern.
Finally what differentiates the young tech companies from the established industry is their agility and their willingness to cooperate. So my advice for young companies would be to search for partners and allies, and build strong networks via initiatives like the GPTI or other associations. I believe that it is only together that we can change the real estate industry for a better, sustainable, customer-oriented and digital future.

How many Proptech companies does your database list?

We have Proptech companies across the DACH region in the database that include startups that are across the entire life cycle. The latest database has around 730 companies, and this number is constantly changing.

The database is key to our scouting program as sometimes it's difficult for corporates to decide which startups to work with. If they can identify areas of inefficiencies that they would like a solution for, we can use our database to suggest the best fitting company for that corporate.

Does Blackprint Booster look outside the DACH region?

We have in the past worked with companies from outside though our focus is mainly on the DACH region. We will open a bit more in the future, but the focus will be on the DACH region, or at least companies interested in working in the region.

GUILLAUME BAZOUIN >

OPEN INNOVATION & STARTUP PROGRAMS

[LEONARD]

Fireside Chat

"The future of construction"

Keynote speaker :

Guillaume BAZOUIN (Head of Open Innovation & Startups at Leonard)

Moderated by :

Noémie DE CROMBRUGGHE (Head of Membership at PropTech Lab)

G.B. : I joined VINCI about two years ago, with a mission to organize our startups activities, and before that, I was for about 10 years in the United States, working on different fields, from nuclear energy, to building science, to solar powers. And finally I co founded the US branch of the company called BONE Structure. But, let's dive into the core of our presentation, which is the future of construction, and essentially how we are looking at potential disruption for an industry that is about a trillion dollar a year. Like I said, I am from Leonard. It is the innovation and foresight lab in the VINCI group. They are operating pretty much everywhere in the world.

I am sure a lot of you have seen the McKinsey report that came out in 2017, talking about the productivity gap. It has been a huge milestone for all of us that were looking at construction and innovating in construction before it came out. And, almost seemingly overnight after this report, a few venture funds started popping up pretty much everywhere, starting in the United States. Happening first was the Brick & Mortar Ventures, out of San Francisco.

And the reason why this report was so enlightening, was that it was actually measuring and accounting for the amount of money there is to be made in terms of bottom line optimization, of what is happening in construction, in terms of productivity. So it really put a target on the back of the construction, saying we really need to do something about this and that there are a lot of investments to be made.

Something that I found extremely interesting when I was looking at this subject, trying to understand this productivity gap, is a study that was done by Box (an equivalent to Dropbox and Drive). Looking at how information is shared when you are talking about different industries and you have a common project. What you are looking at is for any large projects, from software, manufacturing financial service, media entertainment and construction. This graph shows you red dots for internal players that are parts of your company, and shows blue dots for external players that are not part of your company, but that you collaborate with. And all the red lines that you are seeing are essentially files being transferred or an architecture of files being linked. And you see, financial service on the bottom right is extremely integrated with everything coming back to the center, in a unified way. You look at construction, you are looking at a complex project where you have more external actors then you have internal actors. And you are looking at very tenuous links between all these actors and very often what you see as well is a blue dot connected to another blue dot. And there is no link back to a red dot, so that is information that is lost for the central project manager. So you have multiple stakeholders for projects; each

stakeholder has their own process and there is very little transparency. So that is one of the reasons why this is something that is not extremely productive.

This next slide comes from a JLL research that was made a couple of years ago. It is looking at the fields in which we see investment in venture capitals. You see that the main elements are collaboration software, so really trying to fix that problem that we were showing earlier, outside construction, which had really big actors but also a large number of actors around the world that take a local approach.

Now I will talk about drones, aerial intelligence, and robotics. Back in 2018, robotics was a small field in construction, but since then it quite exploded.

You can see on this slide the sheer amount of money that has been going into construction tech, without accounting for PropTech. So I guess in terms of definition, I would link PropTech to things that are more linked to the asset management side of the business, and construction tech to everything that is around the actual act of building it, of designing and building it. And you see it very clearly between 2017 and 2018, here you have something that is multiplied by a factor of three or four. And I am starting to look at numbers for 2019, and the closest I have found, and it is not verified, is 6 to 7 billions, in terms of ConTech. And it was something that was at first extremely centered in the United States, and is now quite global. So the explosion is definitely happening and we are starting to see it in Europe quite a lot as well.

This next slide comes from Building ventures, and is looking at where the opportunity is going to be. This is actually looking at what happened in computers back in the 90s, and the role that Acer played in there. It was sort of common knowledge at the time, in the early 90s, that the main value you would have as a computer company would be around the fabrication, the fact of putting the ensemble together, being the best one and putting all the elements together. The bet that was taken by Acer at the time was to say "well, we think that that central section of putting everything together is going to be commoditizing ; something that is going to be available to anyone. People are starting to be really good at it and it is going to be outsourced. So we need to become really good at two things :

(1) we need to become really good at R&D, on the earlier part of the value chain,

(2) we need to become really good at distribution on the later parts of the value chain.

I will just give you an example. It is pretty obvious when you think about Apple that you are looking at a company that has mastered distribution and that has completely commoditize the assembly parts, working with other parties. So this is something that you are looking at for transition between the 70s and the 2000s. When you're looking at construction, the inside that Building ventures will put together, something quite similar might happen. If you put at the center general contracting, and really the act of construction, that is something where you have huge players in the world right now, that are generally quite local but that are commending extremely large markets. And these actors really feel like that their value is on their know how and their ability to actually go from A-Z, and like bringing the job all the way to the end. One of the insights that we are looking at here is that this parts of the business which is really coordinating all the subs, coordinating the payments, working with the architects, working with the owners, is something that we are seeing more and more. Tools are going towards commoditization for this construction parts. Meaning that there is going to be more and more room in terms of design and pre construction on the earlier stage, and operation on the later stage. And that is a lot of what you are seeing when you are looking at startups, either creating value, or taking value essentially from what is generally associated with the GC in the center. This is something that is again exemplified by yet another McKinsey report. It is looking at the whole value chain : development, design & engineering, general contracting, OEMs, specialized trades, and operations and maintenance, and it shows the different profit margins. For general contracting, margins are between 2 and 4%. This is really generally looking at a lot of different operations, because it is not rare that you would lose money on any single operation.

McKinsey's analysis at this point is looking at the general contracting model and talking about these 10s of billions of euros or dollars companies, and essentially saying this model could become obsolete if modules and better building information modeling models improve panning and lower risk. And one of the ways to escape this commoditization is to become extremely specialized in doing one thing. So we are really saying that there are some elements of the general contracting business being taken for granted that might become quite endangered as we keep moving forward. This is really just my analysis at this point.

It seems to me that we are at stage two of potential disruption. We don't know what the future is going to be made, but in stage two, well actually even in stage one, we have faint signals, with lots of noise and depending on where you are, you could say how big the signal is. We are not quite at the stage where you have an emergence of invalidated business models that is actually threatening our operations. So it is possible that we are around the time where these two crosses could cross each other. When you are looking at the common barriers for the incumbents to adapt, you are looking at myopia in the first stage and avoidance of pain in the second stage. And that is something that we can see, I think across the board, for large construction companies. An example I want to give you is a company that had been falling for a little bit and that I like a lot, called Built Robotics. They essentially build these little domes that you can see on top of these excavating machines. They basically turn them into fully autonomous machines, essentially robots. They are able to go from having civil plans to coming up semi automatically or automatically with an excavation and grading plan, which is what the machine is going to be doing. And as the machine is doing this in the actual real life job site, they are of course automatically gathering all the data and optimizing path. They are able to work with pretty much all contractors. So how long does it take for a company that is gathering this much data and is actually able to measure exactly how long it took or what broke on the machine or what is the best way to go about excavating complex soils, how long does it take when you take a data centric approach and you work with hundreds of different contractors, to become better than the person that we have had within the company, that has been doing this for 20 years and knows the most about it ? The hypothesis there, which is a good investment hypothesis, is saying that we don't know exactly how long it is going to take but it surely is going to happen. So the question becomes how long does it take until Built Robotics is able to do a better bid, and a more aggressive bid than our traditional methods when it comes to doing successful complex excavations. And we don't have that inside yet. I will finish the

theoretical parts on this collaboration diagram that we are facing in large companies and that we see everyday. We see startups that are emerging and that can drastically simplify our work and our processes when it comes to building management operations and hand up. The dilemma comes in the fact that we have two choices : we can either work with these companies or not work with these companies. If we don't work with them, we are not taking the most efficient solution out there in the market to help us do our jobs. And in the long run, or even in the short run, we are going to lose bids, we are not going to be the best out there. On other hands, if we do work with these companies that have become extremely good at "weaponizing the data", that actually also accelerate their ability to replace us on the very things that have made us great. So it is a really tricky line to walk on. And there are ongoing exchanges and debates within every single large contractor that I talked with.

This is part of the reasons why we started Leonard. It is the foresight and innovation lab dedicated to VINCI group. It is for all of VINCI, so all of the 200,000 collaborators working across different continents, spanning across our energy activities, road building activities, spanning across our airports, and highways operations activities. So extremely wide, but really centered on the few things that bring us together. We have been calling it the "future of cities and infrastructure". We have quite a large number of activities, essentially two large parts. One part about foresight, looking at things like what is the future of autonomous connected and electric vehicles ? what is the future of prefabrication on the job site ? The other part is, we are leveraging that building which is 5000 m² in the center of Paris, to become an Event Center. And there we would produce content, produce conferences, bring people from our company but also and mostly from outside our company. People that we have in the value chain, competitors, partners, trade groups, government investors, … you name it. So the idea is to build a hub that is looking at the future of cities and infrastructures. We are supporting three sorts of tracks when it comes to entrepreneurial innovation, incubation and acceleration at Leonard.

The first one is an entrepreneur program. We had over 40 different VINCI collaborators that came up with ideas and we helped them build successful businesses out of them. We have an AI track that is looking at users cases, where the user registration intelligence applied to these use cases across the board can help us save time and they get a better bottom line when it comes to start a project. And then we have startups programs, which is what I want to focus on because of our crowd. We built two startups programs in the last year and a half. And really what we wanted to do is answer real needs that we could see in the market. So we built a first program called SEED, which is essentially a copycat of Y Combinator in California, where we invest a small amount of money in about 10 companies every year, and help them go all the way to raising a Seed fund. These companies are in our main fields of construction, energy, and mobility.

We have a second program called CATALYST. We looked at open innovation in large companies, essentially connecting startups with business units and saw that it is not something that works extremely well to say the least. So we built the CATALYST program in a nutshell to go from the 5% success rate when it comes to building collaborations, to something closer to a 50% success rate. And the way we do that is through collaborations with different VCs around the world. We identify the very best companies, startups that we should work with, and really focus on the five to ten a year that are actually at the level of maturity. And having their strategic road map to deploy with partners like VINCI.

Like I said, the targeted markets that we are on are construction, mobility, real estate and smart city industry energy. We work with an international ecosystem, that has investors, academic institutions, French schools, American schools, European schools, public institutions, BPI France … We are very active with French Tech. We are actually part of the French Tech Seed program.

Looking at startups, for the moment, we have five startups in our SEED program, and 11 startups in our CATALYST program.

Questions from the audience :

- Do you think the GCs will voluntarily adapt such new operations to stay competitive or is it more likely to be regulatory contractual driven change ?

G.B. : It really depends on what you are talking about. I will give two examples :

(1) the prefabrication example. You have places that have mandated that a certain amount of buildings should be prefabricated. That is the case for Singapore, for instance. And that started to drive a market for prefabrication there, obviously, because that is the law.

(2) having better construction methods when it comes to energy regulation and material regulation. I don't think that is going to be the case for where there is the most value added, from my perspective, which is bottom line optimization of the business. So really that is everything that is collaboration software, everything that is using robotics on the job site. I don't see a government mandating robotics on the job site. So the vast majority of this, from my perspective, is going to have to be led by the GC through a sense of competition.

- How challenging is it for you and for Leonard to coordinate lines between all the thousands and hundreds of companies that are part of the VINCI group ?

G. B. : Extremely challenging. It is really one of the biggest challenges when it comes to leading these types of adoption of technology through very large players. I think that is the biggest challenge that we have. It is not about identifying the best technologies, or the best founders, or even coming to a deal. It is really about identifying the right people within the company to actually pilote these things, taking the time to do it when you don't have an overall structure in place to do it. So it is a game where you start trying really hard to find people that are really excited about what you do and what you can offer, and then from there, grow into something that will become processes in not so long. And actually, some companies really dedicate time to find better tools and outside tools.

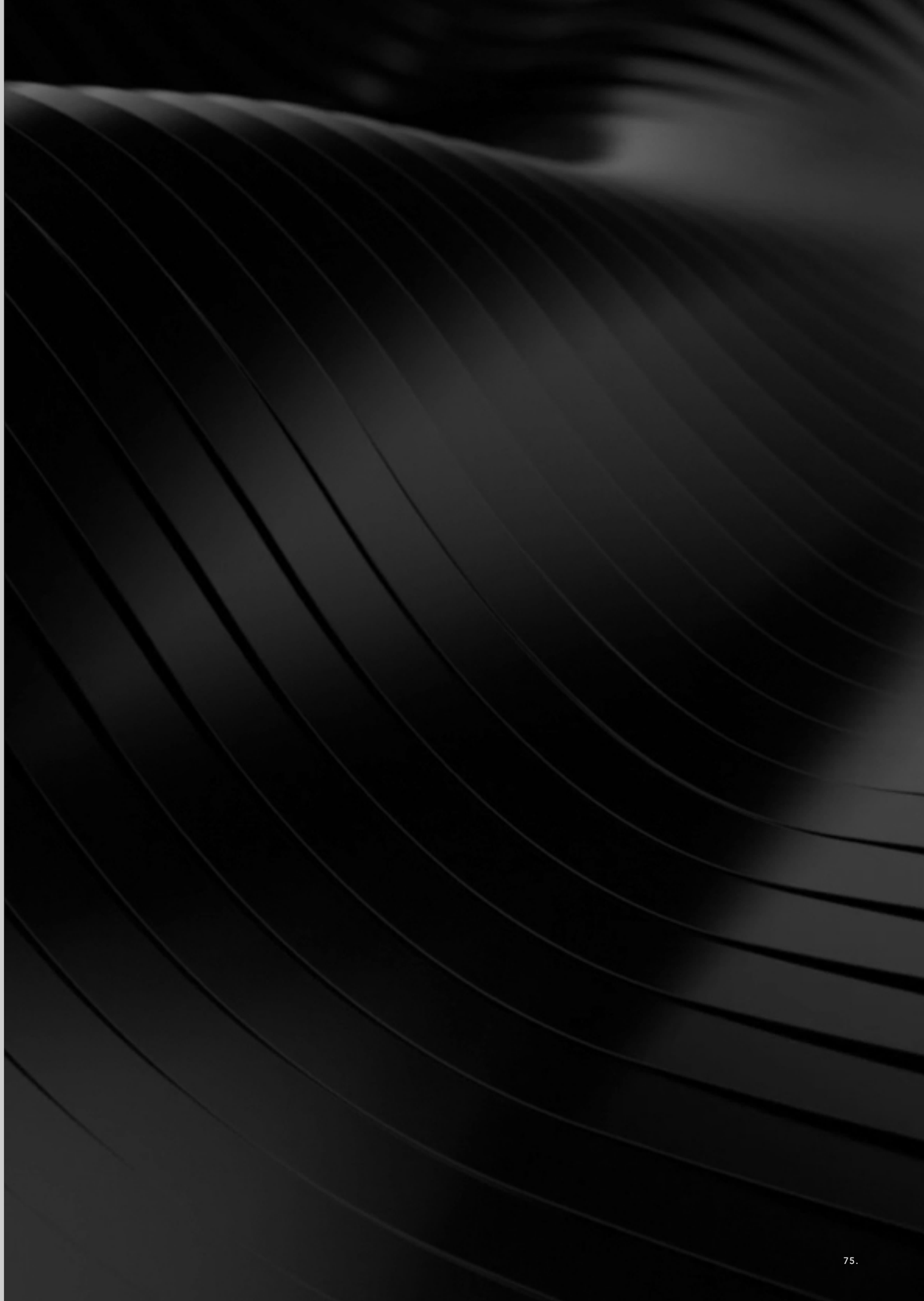
- What is your opinion on parametric architecture in the future ?

G. B. : I think that most of the construction is going to have parametric architecture and parametric design. First, and it has already started, on façades and everything that serves cosmetics. We have the technology to do it now in terms of digital fabrication. What is really exciting to me is seeing that

happening for the structural part of buildings. There is a company that we have invested in, called Soliquid that does 3D printing out of concrete, in a gel bath. So what it means is that you can do full free forms of concrete printing. What this type of technology allows us to do in the future is really think about the columns of the skyscrapers, to really have 90% less material. And we are not there yet, but that is really the promise of these technologies. So I think it is going to become absolutely standard as soon as the technology is there to do it.

- How do you look at digital twins being used during the life cycle of a building as the way to disrupt the construction process ?

So what is hard in terms of digital twins is thinking about them for the whole process, from design, construction, operation and maintenance. Having one model that is being used for the whole lifetime is not something I have seen work. My opinion on this is that we will have really effective digital twins for each phase, and somehow they are going to be connected to some type of online platform. But they are not necessarily going to be the same. I also think that when people think of digital twins, they often think of a 3D model with like little notes on it, when really it is a big piece of data architecture where you visualize different things for different phases. I think it will be also standard but very complex and I don't think people have figured out how to do it yet.



ROBBIE ANTONIO >

FOUNDER

[REVOLUTION PRECRAFTED]

Fireside Chat

Fireside Chat with Robbie Antonio

Keynote speaker :

Robbie ANTONIO (Founder at Revolution Precrafted)

Moderated by :

Idriss GOOSSENS (Organizer at Relevation)

What is the story behind Revolution Precrafted?

I come from a Real Estate background and upon my return to the Philippines from the US (where I did my bachelors and MBA and also worked as a developer) in 2008, my main thrust was in developing and conceptualizing branded residential projects.
So, I did a flurry of projects with Versace, Armani and some Hollywood stars among others. Early on I noticed two things; there was always a premium in terms of price per sq. and it was very novel, especially in South East Asia, and also there was an absorption assistance in the sense that selling times could be even cut in half.
I did about $2.2Bn worth of 'celebrity-branded' residential projects in my time there and in 2015 I went back to my entrepreneurial roots and founded my own firm called 'Revolution' and the thesis was to bring designer homes and democratize them throughout the world. I created this initiative and enlisted over 80 of the world's best architects, designers, influencers, celebrities, and supermodels. This gave us the ability to create beautiful designs in different parts of the world for developers (mostly through B2B) at an affordable price.

How do you monetize the IP of the designers?

It's very difficult and very few people have figured out how to bring a home from point A to B. Pre-fab or 'Pre-crafted', we realized, is difficult unless it is in close proximity, and with covid shipping has also become more difficult. So, in the past few months we have partnered with local partners in order to serve markets in collaboration with our network of fabricators.

What are difference in strategies between your B2B and B2C models?

B2C was just to put ourselves out there. B2B is much easier for us because we would rather deal with a developer who will build 100 homes in 1 location in order to achieve economy of scale and simplify bulk shipping and material details. We are mostly a B2B business, but we do consider B2C if it is possible.

What are the challenges and solutions related to scalability that you have experienced?

When doing our marketing we found a lot of people have a negative connotation of pre-fab, as they consider it to be cheaper. It was a challenge for the firm to get homes and products at an affordable price, but now we have also expanded into retail, hotel villas etc. Sometimes we even do 'quasi-prefab', where some components of the project are built on site so that savings can be achieved. It mostly depends on the design as well as the developer, and this is also more applicable for B2B projects. In

real estate time, cost and quality are the 3 driving factors and often there is tradeoff between one or two in a project, but we try to balance things across the board.

Where do you see Revolution Precrafted in 5 years?

Around 2 years ago we were very aggressively trying to see how we could address everyone's needs, but we are now a lot more pragmatic and focused in terms of which markets we can really add value to. If the ambition is too high, you can lose focus which was admittedly a problem for us early on. It can be very complicated to be in multiple markets at the same time and the goal now is to really dominate country, region and then go global. So in 5 years after we've mastered specific regions we'd love be a global driven entity. We also would like to be an asset light firm, which was an inspiration to me when setting up the company. We're more of a supplier adding innovation and technology partnering with the best designers and developers.

What are you most proud of in terms of the journey so far?

In the company, it has been building of a team that believe in the vision and the company and are here for the long haul. This was a very novel idea and many people thought it would be a difficult thing to pull off and achieve our vision. Imagine democratizing design and architecture working with the world's best, and many developers or end users across the world would not have access to these brands in normal circumstances.

How important is aesthetics?

For me it is very important, and I practice what I preach as I live in homes designed by Pritzker Prize winning architects. I want to share my passion for design and architecture with the world in an accessible format at an accessible price, through this business.

If you would create a new startup now, in which field would it be?

Actually this is not a theoretical question as I started around 15 companies last year. We started a company called Resident Holdings which is a more marketing-oriented entity, and we have multiple categories where we sell curated products ranging from beauty to electronics and pet accessories in partnership with celebrities via social media.
It is similar to Revolution as it is based on the concept of branding but just in different categories, and these categories were inspired by unicorns mainly in the US and we are doing very well. Many of the companies have the same concept but in different categories and we felt having a separate team per SBU would help us to be more focused and we hope expand regionally and globally with this venture as well.

Any plans for Europe?

I have spoken at tech conferences in the region and also had many discussions with developers across Europe, and it is a super exciting location for us. We have strong network of fabrication plants that can produce at an affordable pricing in the region, and this is market that we are seriously looking at.

ROELOF OPPERMAN >

MANAGING DIRECTOR

[FIFTH WALL]

Fireside Chat

Fireside Chat with Roelof Oppermann (Fifth Wall)

Keynote speaker :
Roelof Opperman (Managing Director at Fifth Wall)

Moderated by :
Idriss GOOSSENS (Organizer at Relevation)

I. G. : Could you introduce yourself, present your background and explain your role at Fifth Wall ?

R. O. : I am a Managing Director at Fifth Wall.
I started out as Research Data Analyst for Bridgewater Associates. Then, I jumped over to Goldman Sachs and Evercore, where I was a software investment banker. I was fairly junior at the time, but I ended up starting Evercore Menlo Park Silicon Valley office, with a senior person. We grew that office from 2-3 people to 40 and did a lot of deals in software. And then I jumped over to a big Venture Capital fund in Silicon Valley, called Norwest Venture Partners. I did Later stage information services to software businesses.

Oddly enough, I have family in real estate, I have done real estate on the side, always liked real estate. So I started doing work in real estate softwares and that is when Brad Greiwe and Brendan Wallace were starting up Fifth Wall. They asked me to come down and join, so I picked up everything and brought my then girlfriend now wife to Los Angeles, and we started Fifth Wall. Since that point, we have taken it from a handful of people to about 30, we have about $1.4 billion under management, a few funds out there and 55 of the world's largest owners and operators as LPs and investors.

We are kind of a hybrid corporate-strategic venture fund, with complete independence in terms of decision making. We go out and try to find the latest and greatest technology and innovators. We invest in them, and then partner them with our LPs to accelerate their growth.

I. G. : Could you explain to us how do you spend your time at Fifth Wall ?

R. O. : No day is typical but a third of my time is just reading, being on top of all the news in PropTech, all the developments in real estate … Obviously there is a lot going on right now in real estate, so it is really important that you just read. And a general rule I have is that there has never been anyone at the top of their industry that is not constantly reading. Then, about a third of my time is spending time on LPs, talking to them, talking to real estate owners and operators, seeing what their problems are, making sure that we are collaborating, and that they are collaborating with their portfolios companies.

And then, a third of my time is talking to entrepreneurs, doing research in particular areas that we are interested in, and looking at potential investments.

I. G. : In terms of sourcing, could you tell us how you do ? Isn't it too hard to manage the deal flow for a firm of this size ?

R. O. : Again, we are a North American focused fund. For us, there is essentially three ways we get deals :

(1) through big general VCs
(2) through our LPs
(3) Through the thematic work we do. In my opinion, this is where we get our best investments.

I. G. : If you compare the US PropTech system where you are quite active, with the European system, where you are also starting to source, I think, what would be the differences ?

R. O. : Well, we are not actively sourcing in Europe out of that fund, it is North American focused. But I don't think our criteria is different than anybody else's is. I think we are looking for great people, for great ideas.
I think the difference with our funds at Fifth Wall, in general, is that we will not invest in things we cannot drive revenue towards. And that can either be through partnerships with our LPs, where our LPs will direct customers potentially, or through a distribution of the LPs, like Hippo insurance, for instance. Obviously, they don't sell insurance policies to our home builders but obviously they partner with our home builders to distribute those homeowner policies to them. So if there is no way for us to drive revenue through our network, we are not going to do that deal. I think that is probably the biggest difference between us and other VCs that are out there.

I. G. : What are your views on the impact of Covid-19 on PropTech ?

R. O. : I think it is a little early to tell. I read a lot about past pandemics, but, you know what they say "history doesn't repeat itself, but it rhymes". So when you are looking at trying to prognosticate, or think about the future in 5 or 10 years, looking at history is not going to perfectly predict. But it is the only thing that we have. So when you look at history, trying to understand cycles and trying to understand how humans behave coming out of this, what you find, in my opinion, is that nothing really changes, but kind of everything accelerates. In real estate, I think digitalization is one of those areas that will be pushed forward. So I think there is a great opportunity for PropTechs, and I think they are probably all super busy right now, engaging with LPs, because all the sudden, tech kind of smacked everyone in the face and it is becoming an incredibly important part of just working from home.
The challenge, obviously, is that obviously it is a top funding environment. Because when you are a Venture Capitalist and you are underwriting a company, in general, you are underwriting a company that is burning a lot of cash. The issue you run into is that you want to understand your duration risks, the length that times at which that company is going to be burning cash. And when you have something out there, like Covid, where you have no idea what is going to happen, and when it is going to come back, you have this wide aperture of expected outcomes. It is very nerve-wracking for a VC, so it's very hard to look at that.

But my point is, if you are a startup out there, don't give up, keep fighting, be dynamic.
I think the biggest thing is just trying to get through this period of 6 to 12 months that likely is going to be very challenging. And I think that that is gonna be the big key. Because coming out of this, if you are able to get through it, it is going to be a very good period. Because a lot of competition is going to die, and, also, those real estate companies are going to be at a better spot. Because what we have to consider is that the real estate companies themselves, just like any company in an economy that is dealing with what it is, are less able to spend money. They have less budget for tech, even though they want to put more towards it.
So people are understanding why tech is important, but they might not have the money to spend on it right now. You have to see it through this crisis to get to the end.
I. G. : From PropTech House's perspective (the European Association), we calculated that the consolidation of PropTech[1], could happen maybe in the next five years. This was a pre-Covid prediction, and we think that now it will accelerate.
Do you have any views on this ? Will it be two years instead of five years ?

R. O. : It is one of the reasons we started Fifth Wall. We looked at real estate, and it spends less than 1% on R&D, which is less than any other sector.
I do think that that will accelerate now. If overall revenue goes down, even if you go from 1 to 6%, it will probably be more money.
Again, that trend was happening already, and the mentality is changing. For a lot of construction and real estate people, they see tech as kind of nice to have, like an amenity in their building. We are trying to train our LPs to think more like the future, which is that that spend on technology is an ongoing investment. R&D is not a one time thing. I think that that mentality is slowly changing. And for those that don't change I do think that they are going to be in trouble, because that is just the future.

I. G. : What are you the most proud of so far, in your personal or professional journeys ?

R. O. : Personally, what I am proud of are the people at Fifth Wall that we have been able to assemble. At the end of the day, even when you are investing in a Late stage, you are still investing in people. And what I have been amazed at Fifth Wall has been the people that we have attracted to the firm and the development of those people at the firm. The talent level and the enthusiasm there are just incredible.

[1] Basically when construction in real estate will be completely digitized.

The other thing is just helping entrepreneurs realize their dream. And I think that that is extremely meaningful.
The third thing I am proud of, is that, at Fifth Wall, we contribute to really change the mindset of real estate at the executive level. I think we are penetrating the brain of the executives. We are literally talking with CEOs, executives, all our LPs, and their minds are changing, they are getting it. Watching that change is incredibly powerful and meaningful.

Question from the audience : Fifth Wall became a B Corp. What does it mean for Fifth Wall and to their LPs and entrepreneurs ?

R. O. : At a high level, a B Corp is a certification a company can get. Basically, it means that in the charter of the company, there is a social purpose. There is a fairly rigorous certification process you go through. And I think that basically, what it means for Fifth Wall is just that we have a purpose beyond just making money, in our charter. We have a purpose of social good in a lot of cases, also environmental good. A very important part in what we do is helping real estate owners with climate problems, and with the affect real estate has had on the climate.
So I think it is very important, and we are excited about it.

Question from the audience : What would you say are the hottest trends in the coming years, in PropTech ?

R. O. : We have some things that are on the edges. Things like access control, air filtration,… These are all really hot topics for real estate owners and operators right now, given Covid. Coming out of this, we are going to see a lot of these digitalization technologies really take off. And then I think a big area that you have to be looking at particularly for what is happening, is repurposing.

I. G. : Yes, we have already seen a number of shopping malls that are turned into residential condominiums, so it is definitely an accelerating trend.
Question from the audience : what do you think about parameterized architecture in the future ?

R. O. : I think that there are a lot of great companies out there, doing what you call "optimization of design" or "optimization of schematics" as you look at a property.
And architects already use a lot of tech now. But I think we are going towards a game-changing design or software, that will completely replace architects. That is going to be very disruptive, but very interesting as well.

< ROBIN RIVATON
INVESTMENT DIRECTOR
[IDINVEST PARTNERS]

ALISON IMBERT >
INVESTMENT DIRECTOR
[PARTECH]

< ALEXANDER LORENZ
MANAGING PARTNER
[SURPLUS INVEST]

YASMINA DARVENIZA >
INVESTOR
[ROUND HILL VENTURES]

Conference

"PropTech and Generalist VCs, What can you expect from their support ? "

Keynote speaker :
Yasmina DARVENIZA (Investor at Round Hill Ventures)
Alison IMBERT (Investment Director at Partech Partners)
Alexander LORENZ (Managing Partner at Surplus Invest)
Robin RIVATON (Investment Director at ID Invest)

Moderated by :
Robin WAUTERS (Founder at Tech.eu)

Why do we need specialist proptech investors?

AL: I believe a Proptech VC can add tremendous value especially at the early stages. The real estate industry is quite enclosed and specific and it helps to have an investor onboard who understands the intricacies of the industry. It helps a young company to understand the industry and improve the product-market fit and opens doors for B2B companies. This is important for the early stages.

AI: We like to share deals, especially in seed stage where the entrepreneurs need a lot of support, network and market insights. We like to partner with a vertical VC whereas we are more a horizontal VC but will bring support on aspects such as hiring, building a scalable organization and customer support which are challenges across all industries. But yes, proptech is a very specific industry and it makes a lot of sense (to have an investor focused on proptech) at the early stages.

Just to build on the question, if proptech VCs are particularly helpful only in the early stages, does that mean that we won't have any later stage proptech investors?

YD: I don't think that's the case at all. If you look at the European market its quite nascant, and that is why you have a lot of investors targeting that early stage. I think once the industry grows, the existing firms will launch later stage funds as well or you will see specific late stage funds. Following on from what has been said, real estate is so specific- it's huge, archaic and traditionally resistant to change and because of that it takes a longer time for technology to be integrated.
As a result of this I've personally seen a lot of agnostic VCs avoid proptech because they don't quite understand it or apply relevant metrics. So I believe its important at whatever stage for proptech VCs to be out there to identify and fund promising proptech startups by applying their relevant background and experience.

RR: Actually at ID Invest we are not a generalist VC, we invest in the 3 pillars of Energy, Mobility and Built Environment and we think there is a real synergy and integration between these 3. I agree with what has been said before, and the sales cycles in real estate can be really long when compared to what we see in traditional software industry or other sectors. The basket of consumption is very important as people are very averse to change and risk. We really need to have people between the traditional real estate industry and the tech industry to be able to best support the entrepreneurs.

What exactly qualifies as Proptech?

YD: We have a broad view, and believe it is anything that touches the built environment. That includes the construction phase and even fintech that can include mortgage and financing and anything that can shape the world we live in.

AI: Very hardcore built-industry is less our focus at Partech, which is why we like to partner with specialists. But when you move to more fintech space, that is more one of our core competencies and there we can bring more expertise to the table. So actually it depends on the definition and the scope and it can be complicated.

Do PropTech specialist VCs add value for companies in the Marketplace and Fintech space?

AL: When you talk about real estate fintech, shared economy models, i-buyers or hospitality I think there is definitely a value addition through proptech VCs. In asset heavy models I think they can help young companies gain access to properties where they can pilot project or trial new products etc. When it comes to real estate fintech like a mortgage marketplace, they can help in understanding the way real estate transactions work and there are many other specificities which many people don't understand.

What are the less obvious added values that a Proptech specific VC can bring to the table?

YD: One of our USPs is that at RHV is that we have an integrated relationship with our LPs that are generally real estate companies or institutions with large exposure to real estate. So I can give two examples for this;
We helped one of our German portfolio companies Allmyhomes launch in Spain as their first overseas market and we provided them with over 1Bn in potential income. We also created a joint venture with them to help them capture more of the real estate development value chain, because they are experts on the tech side and we are experts on the development side.
We are also using our UK portfolio company Plentific in some of Round Hill Capital's German assets as part of their launch in Germany. We plan to add more of our LP portfolio under their management across multiple markets. These are things that most agnostic VCs may not be able to do.

RR: One of our main added values we can bring as a generalist private equity firm is for companies that want to raise debt. It's something very important for heavy asset models like yield management models, where companies take long term leases and make money between the rent and their product sales. In hospitality, in meeting venues, in co-living as a large private equity firm we have a large balance sheet, we are able to help companies gain access to new buildings and deploy their software, and we have already been able to do this in co-living.

The main question sometimes is what business models are compliant with VC investment theses and which models are more compliant with debt funded investment theses. Sometimes it is difficult for us as VCs to enter these new models because they are at the border of our traditional investment theses and what is done by traditional LBO funds.

What do you need to know about real estate/proptech specifically before investing in it?

AI: Depends on the type of investment, if its deeply operational based- you really need to understand what it takes to build an amazing experience for your clients and the operation needs to be really perfect. And then you have fintech – and products like ExpoWall they are proptech but you need to be solid in fintech more than proptech I would say.

AL: It helps to have a general understanding of the industry as a whole, and it also boil down to what you want to tackle. If its B2B construction its very specific and many people underestimate the sales cycle. You need to understand how difficult it is to cater a product to that sort of a industry and that's very much key. I think its good to focus on one theme first and get very familiar with it before investing broadly.

YD: No matter how much research you do can't become an expert in something you haven't worked in and it's important to surround yourself with experts, especially when doing due diligence. Create a network and communicate with them, and for corporates you need to be open to proptech and innovation. For potential LPs, you could invest in a proptech specific fund and learn a lot that way.

RR: Two things are quite important to know about: the fragmentation of the traditional real estate market across countries, and the strength of incumbents. Given the reluctance of the industry to embrace risk, the incumbent players are much stronger than in any other industry.

Do you have a view on whether proptech investment is done differently across the world when compare to Europe?

AL: In the US, they are a few years ahead with regards to corporates opening up to proptech utilization. In Europe B2B SaaS sales cycles has been a nightmare but the US is much more open to trying and

trialing new solutions. The European market is opening up now and there is much more awareness on the side of the corporates of how tech can help. I would say Europe is catching up.

YD: I agree. The US is one big market whereas Europe is quite fragmented with different cultures, languages, legislature and barriers which makes it difficult. Also in terms of investment behavior the US is more 'gung-ho' and you can see it in some crazy inflated valuations for some companies but Europe is more conservative. Maybe that is a good thing as we are more invested in our companies and stick by them.

Would you ever see agnostic funds set up investment vehicles specifically for proptech?

AI: Not really, but we tend to set up vehicles for specific regions like Africa, and we may raise a fund dedicated to South-East Asia. But our DNA is to be agnostic across the verticals. Also in a crisis like this, we think being cross-segment can help leverage your risk as you may have some winners and losers.

RR: We are also quite happy with our current investment strategy, and we don't need to create a specific sub-segment for proptech. We are maintaining our built-world or smart city investment strategy.

Sometimes you have early stage investors help a company scale and it gets to a point where there's a friction between late stage investors due to a misalignment of interests. Have you seen anything like this in proptech yet?

AL: I can't think of anything but its probably because we still haven't seen that level of growth yet in Europe but its something definitely on the horizon.

YD: I have not experienced this personally, but I would expect this to more be a problem for CVCs where they may push startups in a different direction to align with their mandate or when founders don't have a clear vision.

RR: It's part of being a VC firm to be able to deal with the friction and align between early investors, founders and late stage founders.
AL: As Yasmina pointed out if corporates come in sometimes they do have a different idea or vision and there can a different alignment or focus. Sometimes corporates have a more strategic vision and that can cause friction between a VC and a corporate.
AI: I agree with what has been said regarding the corporate side and sometimes they have commercial interest or partnership or pre-acquisition thoughts which can cause misalignment. There will be friction for a lot of reasons, but it is our job to try and align everyone and to make sure the founders are aligned with all the investors right from the beginning.

What do you think about CVC investing in Proptech?

RR: Depends a lot on the market. For the residential development market, the competition between players is not so high and so innovation may not be that rewarding. In the more uncompetitive markets you could lose value if you are labeled as a subsidiary of one specific player and it could be difficult to increase market share if you were an independent player.

YD: Yeah, I agree with the potential downside. However some of the potential upsides are that there is a potential exit lined up and you can get much higher valuation premiums from a CVC if they see strategic value. What could be difficult is that if you do this too early you risk an inflated Series A and no one could be willing to match that valuation later on.
Another great upside is that you can have huge potential growth throughout that corporate's portfolio. If you do partner with one and end up being rolled out globally you can grow really quickly. I would be careful at early stage though.

AL: Corporates have deep pockets and I do believe they will be more involved in the future and more CVCs will pop up. The success will come down to the themes or verticals they invest in and actually how invested they are, how much ownership they strive for and things like that.
I've seen very different corporates, ones with innovation teams of 20 people and are very strong and ones which believe innovation is using MS Teams. So I think there's a broad spectrum and the success will depend on a variety of factors.

AI: We have a lot of corporate investors at Partech, and over the past ten years they invest in our fund to understand how it works and get knowledge on the markets either in specific areas or in general. Now they are building their own investment vehicles, but we are not playing with the same rules, they tend to be less interested in performance and more in pre-acquisition or learning in the markets. They are less sensitive to valuations which is not always good for us because we are driven by performance.

RR: In the recent years a lot of real estate investment teams from institutional asset managers have allocated small cuts to invest in startups. Some of them have already experienced some downsides, so I think you have to be careful. The most notable thing that has changed is that a lot of experienced real estate veterans are trying to rebalance their portfolios on proptech and that can be very interesting, because they have large scale, money and experience.

Are your LPs more interested in strategic or monetary returns?

YD: Our fund believes that one can lead to another, but we do not have our own agenda in terms of changing the focus of the startup. We have a specific LP team that try and find ways for our portfolio companies to be used by our large LPs which can have a strategic value. At the same time if they get

rolled out into these massive institutions then the startup value will also increase. Which can lead to everyone being happy.

AL: In my experience, obviously LPs don't want to lose money, but they want to see strategic value. In the sense they want to gain access to the industry, understand new trends, new technologies. They want to have a partner on the side to liaise with and get a feel for what's happening. So I feel a lot of LPs look for strategic value and on top of that if they can help a company grow and increase their valuation it's a real win-win.

How do you see the proptech scene in developing countries? Are there opportunities or do you consider it too unstable?

RR: It's a question of expertise actually and I have to confess I am not familiar with the real estate markets of emerging countries and things can be challenging to understand. If at any point we have a suitable company and sufficient expertise on the proptech market then I think we will be happy to make an investment

AI: We have a fund in Africa, and we are yet to find a suitable proptech startup. We have considered deals in Vietnam previously and also Dubai (which is not exactly an emerging market). I think there are good opportunities but you need to really understand what's going on in the market and someone on the ground to guide you.

AL: We only invest in Europe and we are seeing a lot of companies coming out of Eastern Europe. I think we see models that were in Western Europe a few years ago, now popping up in those places.

YD: I think its also an issue of market size, and if you are looking to scale a company 20x, you often need multiple markets to make that scale. Often you need to think abut how the startup can move out of the home country to more sophisticated markets and its more a case of needing to look at the metrics and scale they can achieve regardless of what market they are in. But often the tech is not quite mature enough for what we are looking.
How do you find promising startups?

AL: The best deals you find via network. A lot LPs or corporates are not really happy with this answer but it is what it is. There are a lot of avenues like conferences which are all part of networking, being in touch with other VCs, business angels, founders etc. but it all falls under the network terminology for me.

YD: Unfortunately, I have to agree. We're connected to our LPs who are based widely across Europe and its nice being able to get emails or inquiries from them related to promising startups. It's nice to have people on the ground across the world who act as dealflow sources for you.
AI: Network is everything in the small world of VC.

Is there any new media forming around the Proptech scene or is it still too small for that?

AL: Definitely a lot of conferences that have popped up in the last 2-3 years across Europe, so I think there's a lot happening in that space.

What do you see as the effect of Covid-19 on Proptech?

YD: Its allowed Proptech to have a greater significance going forward. It's forced an acceleration towards tech adoption in proptech and the real winners are the startups that simplify processes reducing the need to face to face interactions. Overall, we are seeing corporates show an increased interest in tech to allow them to work normally. The usual internal hurdles towards tech adoption have been removed because the rules have changed.

RR: Adoption from consumers has changed a lot, and it has put a lot of pressure on developers to have tools to sign sales digitally. For long term projects Covid has stalled everything and also for the younger ones it has been particularly bad as it has consumed a lot of cash and delayed sales.

AL: I think for Proptechs its been challenging and depending on which vertical they are operating in, they may need to reconsider or tweak their business model to adapt to the new market. On the corporate side of things, there has been more awareness because people have had a bit more time and realized that with a potential bear market there is need to use tech to streamline processes and be more efficient. I feel a lot of corporates have woken up and realizing they need to do something on the tech front.

AI: In proptech specifically we have seen different impacts, the ones more linked to travel are hugely impacted. But one of our portfolio which was a digital platform to rent apartments did their best month ever in May after the lockdown was lifted. So I think there are some opportunities for the proptech industry.

What are some of the positive aspects of co-investment between proptech and generalist VCs or late stage-early stage VCs that you have seen?
YD: At the end of the day startups have a diverse set of customers and stakeholders, so I think it is important to have diverse perspective and disrupt common thinking. So having both types of investors

mean you have multiple networks, different skills and experience which allows you to be able to help the startup more effectively.

AL: We've seen many companies actually bring on board a Proptech VC and a generalist VC when they are raising a round. Proptech VCs can open doors to that very specific industry whereas on the other hand generalist VCs can help with operation expertise and many aspects of running the business and there are many synergies. Specially with rounds getting a lot bigger, we see Proptech and Generalist VCs working together more.

RR: Agree with Alex and there are a lot of synergies between proptech and generalist VCs and we are seeing them work more with each other.

AI: I have an example with our company HostnFly, they are a Airbnb management company. We invested at the Seed stage with Kerala Ventures but the Series A round was led by i-gate, a NY based real estate fund and so far the collaboration is great. They are inside the hospitality market and they have a ton of hotels and so they have a deep market understanding, whilst we help them with Customer support, operation efficiency and building traveler experience. Sometimes we disagree but comes to good solutions and so far things have been great.

One Startup we need to bewatching- from your portfolio maybe?

AL: Ecoworks
YD: Casafari
AI: Exporo
RR: WeMaintain

TED ORF >

CO-FOUNDER

[REVOLT VENTURES]

Fireside Chat

Fireside Chat with Tef Orf (Revolt Ventures)

Keynote speaker :
Ted ORF (Co-Founder at Revolt Ventures)

Moderated by :
Idriss GOOSSENS (Organizer at Relevation)

I. G. : What is your history and background as co-founder of Revolt Ventures ?

T. O. : My background is in real estate technology. I started my career in the earlies 2010s, working for a company called Value Retail. At the time, they were launching their platform in China, which I assisted with. Then I worked for a traditional real estate private equity investment manager called Lone Star, where we were buying distressed assets and ultimately bringing them into the portfolio and selling them. And then I went to Business School in Stanford, and became more excited about how technology was impacting real estate. I came back to London and had spoken to Marcus Meijer, who is the founder of Meyer Bergman, about creating a PropTech investment platform. And he had actually been investing for the past five years in real estate technology. So at the time, we decided that the best approach was to pilot directly with the real estate owners to really understand the pin points. So we did this and launched Revolt Ventures about three years ago.

I. G. : What is Revolt Ventures ? Can you present the key terms?

T. O. : It is a closed-end fund, single LP, which is focused on investing in real estate technology.

I. G. : In terms of geography, is it focused on the UK, or elsewhere ?

T. O. : So it is primarily pan-European, because that is where Meyer Bergman is. So the markets we are really focused on are the UK, Germany, the Nordics, and, to a lesser extend, France.

I. G. : We see a lot of funds that are now focused on PropTechs, either they are PropTech funds by design or generistic funds having an opportunistic approach in investing by going PropTech. So what are your specificities at Revolt Ventures ? What are your USPs, compared to other funds that exist ?
T. O. : It is really the closeness that we have with our strategic department, with whom we have developed a very active relationship. So we work in conjunction with their asset management team to help provide local venture companies with kind of an area of PropTech sandboxing. So they can test on new products, test on new ideas, and benefit from differentiated insights. In addition to that, we leverage the geographical reach that Meyer Bergman has. The fact that it has offices all over Europe as

well as in the States enables us to both help on startups issues, in terms of looking for offices, for example, but also more broadly on network introductions to real estate partners in these jurisdictions. And finally, the fact that we can work directly, because we are part of Meyer Bergman's fund 3, to incorporate that product within Meyer Bergman's portfolio.

I. G. : What is your vision of urban unified experience ?

T. O. : I took a bit of Jack Ma's[2] philosophy on new retail. And his basic premise for Alibaba is a bit of a misnomer because there are not two distinct channels actually, there is just this one consumer experience, which we need to address. You need to understand what the consumer cares about within retail. I think when you are looking at other real estates asset classes, there is a blending, within logistics. And I am really interested in understanding how PropTech can enable that consumer experience to be better for all of us.

I. G. : Do you think physical retail will still exist in two years ?

T. O. : Yes, I believe that it will be here in two years. I think that this structure that we have seen for the last 20 years, has shifted in a way that consumers want to receive goods. And Covid-19 has accelerated the trend towards online. During lockdown, you just had no other option, of course, but I think that now, this online penetration is going to stay.

The way that I look at it, you have got like three or four markets in retail assets. We have got trophy assets or the primary assets (e.g. Masons Avenue in London). I personally think that the demand for these is staying the same, or even going up.

Then you have secondary assets. In these areas, there is going to have to be some recalibration at rents, because the way in which people are shopping is increasingly online. However, there are synergies to incorporating physical retail within the online sphere (e.g. returns). So I think real estate rents will come down in these areas but there will always be a place for these retail stores. But the places are going to be completely repurposed, because there is going to be an increased penetration of online.
I. G. : What about logistics ? It is often an asset class that was a bit ignored by PropTech. What do you think will be the impact of PropTech on logistics, and when will that happen ?

T. O. : My big thought on logistics is really, from a PropTech perspective, that we are kind of only at the version 1.0. But it would really like fully innovate the product, so I think there is a long way to go.
I think where we are going to see the biggest value going forward is coming of the idea that you have inventory kind of everywhere. Bur at the same time, you are going to increasingly have to deliver to a customer. But how can you in real time monitor where your inventory is, and understand, through AI or predictive analytics, where the demand is going to be, etc. ? I think whoever cracks that is going to create a lot of value.

I. G. : One of the interesting insights shared earlier by Kevin Cardona, chief innovation officer of BNP Paribas real estate, was to say there is no asset class anymore. There are only large square metres that need to be able to be used according to the needs of the end-user. So square metres should be mutualisable. We also see new asset classes appearing, new usages and new needs, like cloud kitchens. What are your thoughts on cloud kitchens : Is it a short term phenomenon or is it here for the long term ? And the ones that are not familiar with the term, what is a cloud kitchen ?

T. O. : Cloud kitchens are just a different way of distributing food, manufacturing distributing food. So instead of traditional restaurants where you have 25% in the back of the house, which is the kitchen, and 75% in the front of the house, where you delivered food, the idea is that you just have a commercial kitchen. And this kitchen offers flexible spaces to tenants, which are restaurants and food providers. And then ultimately, it would distribute food directly through platforms, such as Deliveroo, to the end consumers.
The difficulty of course is that now in real estate, a lot of the value comes with the asset class that you are defined in, and the use class the government grants you. And so, to offer different types of services, you need to make sure the government is with you, or the local councils or so are, with what you are trying to create. But it is difficult to get it, because it is a new product that councils do not really understand.
I think cloud kitchens offer a huge number of benefits to restaurants. So instead of a traditional capex outlay in terms about you having to retrofit your commercial kitchen, which can cost you around £300 to £500 000, you can just take however much commercial kitchen space that you want to have.
On the flip side, there are some drawbacks to cloud kitchens. They generally do not distribute alcohol for example, which is a large margin for restaurants. There is also the issue of marketing. However, I do think that it will be a hit.
But I think the economics needs change fundamentally. I think at the platform level, delivery takes between 15 and 25%, topped by revenues, for lots of these brands and I think that might have to come down a little bit. Because at the moment it is kind of almost the same, whether you are paying rent or you are paying this company to deliver.

I. G. : What is the advice that you would give to startups to navigate through the crisis ?

T. O. : Well, I would say that first, you really have to understand the customer's feelings, whether the customer's preferences have changed, as a result of Covid. And then, looking deep into your product, you just have to make sure that it adequately addresses your customer's needs, and that it will continue to address them going forward.

[2] Chinese business investor who is the co-founder and former executive chairman of Alibaba Group.

Secondly, ideally you never want to be in a position where you have gone over your head and you absolutely need a fundraise to survive.
Anyhow, I think it is really important to look at those unit economics and try to understand exactly what the road map is, in conjunction with the product vision.

I. G. : Do you think the current economic conjuncture gives great opportunity for investors to have access to deals at lower evaluation, for instance, or is it more risky than before ?

T. O. : It does provide some opportunities for investors. In the immediacy of Covid, a lot of people were extremely scared, but this sentiment is improving more rapidly than I would have thought. Being an investor, obviously, you are trying to get the best deal that you have. But at the same time, ultimately, you want to make sure that it is a good deal for the team that you are backing as well, because they are absolutely key on what you are trying to create.
So to a point, it is really a balance, in terms of how I see it.

Question from the audience : Do you see digital twins for improving building separation as a large opportunity or a niche one ?

T. O. : We think it is an absolutely massive opportunity and we are really excited about it. But I think a lot of the companies that we saw are a bit on earlier stages, in terms of attraction and getting people to use that. But particularly within the architectural stage, understanding how quickly it can build, as well as provide an oversight to multiple different stakeholders in the construction phase; we saw that as a huge opportunity to improve building operations. But to be honest, we have not looked into in a huge way.

I. G. : What are the selection criteria you use while assessing an investment opportunity ?

T.O. : We definitely have a different approach than a generalist Venture Capitalist. In terms of our due diligence, it is generally done in conjunction with the asset management team or the relevant team within Meyer Bergman. As we really want to understand the product in a much more profound way than a general VC would. So we try to understand whether they direct applications within Meyer Bergman, because then we can use it, and of course then it is a win-win for all parties. On top of that, we also lay on the traditional metrics. So just be with your market side, your economics team, get a market strategy, etc.

I. G. : Back to the retail topic, have you seen any innovative business models in retail ? Not PropTech solutions but really physical retail ? For instance, retail combining renting square metres to brand, plus a membership offer, or plus a digital marketing offer ?

T. O. : Appear Here provides a very interesting model, and I think that post-Covid, it is only going to be stronger. It is like Airbnb for retail, so you provide effectively brokerage service for short term retail pop ups. In addition to providing their storefront, they also find out about digital services and data on top of it.

I. G. : There is a new trend now, consumers want to be more and more local, they want to have a sustainable approach. This is also a trend that will impact retail in the coming months.

T. O. : Yes, definitely. One of our companies which is performing really well sells luxury handbags. And we are just seeing from a secondary perspective that the luxury market is growing exponentially. I think that is partly as a result of eco conscious consumers. They have moved away from fast fashion to an idea where we want to buy resell products. I think the rental market is another one that is really interesting, You can you rent different types of consumer electronics, and I think that is also a trend that will continue to grow.

I. G. : What about the exit strategy ? What are the kind of exit partners that you target ?

T. O. : Traditionally in Europe, particularly within sectors that we are operating in, it is most relevant to look at acquisitions. When you look at acquisitions, there are two major types : strategic acquisitions and economic acquisitions. We generally underwrite more innovative strategic acquisitions to understand who, within five to eight years, could conceivably be interested in buying this product for more price and that generally is how we exit.

GREGORY DEWERPE >

FOUNDER

[A/O PROPTECH]

ROELOF OPPERMAN >

MANAGING DIRECTOR

[FIFTH WALL]

Fireside Chat

“Innovative and Disruptive VC Models ?"

Keynote speaker :

Gregory DEWERPE (Founder at A/O Proptech)

Roelof OPPERMAN (Managing Director at Fifth Wall)

Moderated by :

Geoffroy MERTENS (Managing Director at Fidentia)

Why are your business models innovative and disruptive?

RO: When we started Fifth Wall, we looked at Real Estate to identify why it was so technologically backward. The main reason that was identified was the herd mentality and unless the big owners and operators were innovating, everyone else was satisfied with the status quo. The simple idea we had was to involve these big players when raising the fund and in addition to investing, get them to adopt tech and set a trend for the market.

The difference between us and an internal VC group, is that we have more independence with regards to decision making. We do value the input of our LPs in many regards, but we believe we are in a better position to make those decisions. I also believe that it is more difficult for internal VC arms to identify the disruptions within the organization, and we have an advantage as being a sort of ‘hybrid-corporate’. We are fortunate that the Real Estate industry in the US is very institutionalized and because of that it helped with the adoption of tech in the search of profits, and I think that there is a similar trend in Europe as well.

GD: We came in for similar reasons, looking to address the inefficiencies and mentality within Real Estate. When we set this up from a blank canvas we took what we liked from VC and omitted what we didn’t like and created something more adapted to the problems of Real Estate and PropTech. We have permanent capital and no time restrictions like a traditional fund which I felt was important at the time. This gives us the flexibility to stay as long as possible in some of our positions and also align ourselves with the companies that we back.

We also really curated the investors that we brought on board, because we wanted partners who would put in the time and effort to work with us. That led to us having less investors with larger tickets. We also have our own internal data science team that we use to help our partners to transform from analog to digital. As Roelof said if bigger players are willing to put themselves at risk, by trying new things with the adaptation of tech we can create a strong ecosystem that can benefit from what we do. None of our investors are shareholders and though we work hand-in-hand in many cases, though the investment decisions are made by us.

How is your Investment Decision making process structured and who sits on your committee?

RO: I don't think there's anything special with our investment decision process when compared to any generalist VC. We think that some of our analytics and the things we look at are special, in addition to our modelling and the work we do with our partners on the diligence. We work with a lot with our partners in identifying the value addition that the company can bring and also industry insight. We also look at what would the upside of having a partnership for that company and us be, and I'd imagine that some of the corporate VCs also do. We also have a lot of historical data that we draw from in our decision making. I think in general VCs will look at 3 main elements; team, product and market and each VC will have their own slight bias towards one element or the other.

GD: We look at PropTech as the combination of multiple areas of expertise such as Real Estate, tech, data, finance, and human aspects. We try to have a combination of every piece of the puzzle, and I think that is one of the reasons why PropTech is unique as it is a combination of so many different things. We try to remove emotions from the decision-making process by looking at fundamentally what we like and don't about the company, based on everyone's perspectives. By having a consensus around the table based on facts and data you try to minimize the emotional aspect in the process.

What sort of combination of experience are you looking for in the Team of startups?

RO: I struggle with this, because sometimes I believe you need outsiders to disrupt. Because there is a lot of institutionalization in Real Estate it can be difficult for people within it to think in a radically different way. There are some areas in FinTech and PropTech where you can get into a lot of trouble if you do not have sufficient background in that field. However, some of the greatest disruptions that have and will come in PropTech will come from people outside of Real Estate. What's key for those people is to find the right team around them to substitute that lack of knowledge of the industry, and every founder needs to love to learn. Part of what we do is to help these outside disruptors to understand real estate better, and similarly on the other hand for real estate based innovators we try to supplement them with the tech people who help them achieve their vision. It is an area that we struggle with, but it needs to be looked at on a case by case basis.

GD: We feel we need to see a variety of expertise, but not necessarily coming from the industry itself. The main quality I look for in people we back is humility; if they are humble it means they have the ability to learn and evolve. If you are coming as an outsider with new ideas, you need to be able to learn and adjust based on how things go. I believe that you can be both confident and humble, being willing to accept that you don't know everything and can improve.

RO: Most VCs are used to looking at a lot of data when making decisions but often there isn't much data in early stage companies. What you try to do is quantify the qualitative elements like integrity, honesty and also humility that are important and also almost binary. Being an entrepreneur is an extremely challenging experience and so you are looking for intangible characteristics in people like being willing to fail many times but not quit and be persistent.

What is the added value you bring to your investors and portfolio companies?

GD: We spend a lot of time to help our investors in their journey of digitization by investing time and effort. We help them to bring in the right type of people who can lead the digitization of the company, and with the integration of our portfolio companies into their organization. For our portfolio we help them generate traction amongst our partners and network and with the data science aspects to leverage the data in an efficient way. Generally, we help them navigate the real estate ecosystem to ensure they understand the requirements and challenges. We see ourselves as being the bridge between our investors and startups to help them face their challenges and communicate with each other so that eventually they can function without us in the middle.

EDWARD SHENDEROVICH >

CO-FOUNDER & CHAIRMAN

[KNOTEL]

Fireside Chat

Fireside Chat with Edward SHENDEROVICH (Knotel)

Keynote speaker :
Edward SHENDEROVICH (Executive Chairman at Knotel)

Moderated by :
Idriss GOOSSENS (Organizer at Relevation)

I. G. : Who are you and what is the the story behind Knotel ?

E.S. : I am Edward Shenderovich, and I was a venture capitalist until I started Knotel.
I fell in love with the idea of changing how people work. I was walking around Manhattan and thinking that all of these buildings are unicorns. It is a billion dollars business, and the profile of these buildings is somewhat similar to the profile of building companies in California.

You still need to invest hundreds of millions and you get something insurance. Companies in California are more scalable and built with much larger companies, but it was interesting that it was not in insight that I had the first vision of what can be done in PropTech. Of course, the word "PropTech" did not exist then. It was just five years ago, in 2015, but it seems that the world is completely different now.
I also found out about WeWork and I thought it was an interesting business. They seemed to get a lot of attraction by focusing on freelancers and small businesses, but the real office usage is the global 2000. Companies spend 5 trillion a year of workspace. Out of that, 60% with just 2000 companies. 2000 largest business are mobile. The market is super concentrated. So we decided to start a business that would tailor largest companies in the world with their flexible needs so we developed a solution which delivers dedicated tailored spaces to largest companies in the world, globally, with full service. And ultimately, with a lower total cost of ownership than the companies can do themselves. Typically companies spend 10 to $50,000 a year on providing workplace to their employees. For 100% of their employees, they spend more on workplace than they spend on all IT combined; which is huge market, obviously. And that means there is a large opportunity.

I thought the market was changing and we could address that opportunity with an interesting solution. So we started with a single space in late 2015. In early 2016, we had another one. We raise a bit of money from some friends and by the end of 2016, we had seven or eight spaces. Then by the end of Q1 of 2020, we had close to 300 spaces in 20 cities around the world.
We have raised a lot of capital to build business and we continue scaling, we continue addressing the needs of the largest companies in the world. And these needs are constantly changing and this is what I continue to find exciting. I think the story of workplace innovation and the story of PropTech in the light of workers innovation is still being written.

I. G. : What would be the biggest advice you would share to founders, to be able to build a gigantic business ? What was the one element that really matters, if they are ?

E. S. : You need to surround yourself with the right people. Choose people that are smarter than you are, more hard-working and better human beings. People that know how to build. And your success is predicated on your ability to surround yourself with the people that will help you succeed.

I. G. : Speaking about growth, your growth was also linked to a number of acquisitions. You acquired **Ahoy! Berlin** in 2018, then **42floors** in 2018 as well, then last year you also acquired the French Paris-based **Deskeo**. Could you explain to us how did you identify these companies, what indicated you it was the right time to acquire them and how did the exit happen ?

E. S. : I believe that if you are building a large company or if you want to build a sizeable business, acquisition is just one of the instruments of growth. So you need to develop that acquisition instrument. And you need to understand how that works within your company, who the right people are and what the right processes are, etcetera. You need to try with small things.
With Ahoy!, for example, it was a small transaction. Because I spent a lot of time in Berlin back then, I had a good network and I got introduced to the team of Ahoy!. We thought that it could be an interesting platform for us to start scaling Germany and it was a very nice small profitable business. So we agreed on terms and integrated the business into internal talent.

Then in parallel, we started looking at France, and talking to various teams. And we thought that an important way for us to win in the market would be to have the right technology in the right data set. 42floors was, and still is, the largest search engine for commercial real estate in the States. It is a platform that was built by Jason Freedman. Jason is now the CTO of Knotel. We had heard that they had amazing technology, amazing team, great data but they couldn't find a way to properly monetize. And Knotel was the way to do it.

I think that acquisition, the process of taking over, is almost like dating and then falling in love and then getting married, you need to need to want to work with these people. And they need to fall in love with the idea of working with us. I have to say that the acquisition of 42floors, and the Deskeo deal, were both much more sizeable than the previous deals I had done, and they are true partnerships. And the team continues to constantly develop new technologies. I think Frank and Benjamin, who founded the company, are absolutely terrific. We are super lucky to be working with them. So every acquisition that we did definitely added that net positive in terms of the culture and the culture of Knotel before these deals was different than it is now. And the people that come into the business truly changed it. People make those businesses, any businesses.

I. G. : What about the sourcing ? Are you still searching for investment opportunities, companies to acquire ?

E. S. : Absolutely. I actually had several conversations yesterday about acquisitions, and we have a conversation or two today. It is a never ending process.We can grow organically or we can go through direct acquisition. We always look for the best talents.

I. G. : What are you getting excited about ? What kind of businesses would you be willing to engage with, to discuss potential partnership ?

E. S. : So we are still expanding geographically. And with Deskeo, it was such a revelation. They built something that was very similar to Knotel, without knowing about it. It was providing dedicated spaces, flexible, tailored, with food service, and with the idea of being enterprise focused. And when we look at geographic expansion, I want to understand whether there are businesses around the world that are similar. So we are looking at expanding at least in Asia, and maybe in South America. So I am constantly in the lookout for businesses that are similar to what we do and where we want to go.
Then, I think there are lots of interesting things happening in the technology side, specially with Covid-19 and this idea of workplace being remote first. That does not mean that offices are going away, it means that companies want their employees to be able to work everywhere, both remotely and in the office. And that is something that will be the “North”. So I'm looking for innovative solutions. One of the conversations I had recently with our design construction team and their workplace strategy, was around comparing office to retail. And they gave the idea that the office of the future is a showroom. It is a showroom where you showcase your corporate culture. You invite the partners there, you want more social and collaborative work there. And you can do your focused work somewhere else.

I. G. : You mentioned the “pre-Covid-19”, what do you think about the office value now ? There were a number of trendwatchers saying that the value of the office is more and more depending on who is the operator. The value of the square metre is not really big, it is only the operators that bring service, that bring community that creates value. What do you think about this ?

E. S. : When we started Knotel, our idea was that real estate without service will not be valuable. And the most valuable hotels are the ones that are operated by professional teams. A good analogy would be to describe the real estate market as an oil mark. So, you have oil, which is a commodity, and then the people who need gas.
So you need to have pipes and meet every operators, and everything in-between the all-supply chain, to get the oil to the people in the gas stations.
I think the real estate industry is simpler. You also have an asset and most owners of real estate are asset managers.
But they need operators. Some of them are in the most powerful groups in the world but they are not product-driven, they are not service-driven, they don't have the right experience. Most real estate companies don't have a customer service department. They don't have a customer relationship strategy. They don't even refer to the customers as customers.

So I think that what will happen with Covid will accelerate this change in supply and demand prime. Real estate was a highly supply-driven market and there will be change with Covid. The members of

marketing need to have customer service and they need to be constantly customer-facing, almost customer-obsessed. At Knotel, we have this idea of customer intimacy, where we understand how they work. They allow us to help them with their workplace. So we are partnering with them and making sure that we deliver the best product.

I. G. : Some coworking operators were really criticised because they were not profitable and it made sometimes coworking suffer from a bad reputation. Did you at Knotel suffer from the bad reputation of coworking ?

E. S. : I think we are still suffering from that. We have profitable markets, we have many profitable relationships, but as a whole, we still are on the path to profitability. And it will still take us 6 to 9 months to get there. At some point, I look forward to publish a new release which announce Knotel's profitability. And it will happen at some point.
And companies that are well financed will survive and figure out what the right product is.

Questions from the audience :

E. S. : Every company that you work with gets their own space. And that space is designed and constructed for that business. So an office of IBM which looks like IBM. We developed a number of internal products and we use our own platform for mainframe or project management but I am pretty sure we use a lot of standard tools on the architectural side. And we will continue to innovate, we will continue to use different tools and technologies.

I. G. : I have a question about the balance between professional and private life, which can be a challenge sometimes. What are the qualities that we must have in order to be successful professionally and what are the qualities that we must have to be successful as a person ? And are these qualities compatible or do you have to choose ?

E. S. : I think they are absolutely compatible. However, I believe people should avoid running their business in the same way they run their families, and vice versa. Your relationship with your business partners is different than the one you have with your loved ones; running a company is more like running a sports team.
But in both cases, you need to have transparency. You need to identify problems and be able to talk about them. You need to allocate your time to your wife, husband or children. And you always need to remember what your priorities are and who you are yourself.

ALEXANDER TKACHENKO >

CEO & FOUNDER

[VNX]

Fireside Chat

“How to raise capital in times of crisis ?"

Keynote speaker :
Alexander TKACHENKO (CEO & Founder at VNX)

Moderated by :
Idriss GOOSSENS (Organizer at Relevation)

Could you present to us your story?

I am founder and Managing Partner of a Luxembourgish early stage fund called 2be.lu. The fund is 6 years old and we have invested about 80M euros in 20 companies. I’m also founder and CEO of a deal syndication platform for companies raising VC funding called VNX. Here in Luxembourg, I’ve been an angel investor for 7 years and a VC for 6 years, and I think this is what I’d like to do going forward.
VC is something I really like to do and VNX came from an idea whilst investing. I saw that deals where there is a lead investor get closed much quicker and people act much quicker when there is a lead investor doing all the due diligence, relying on their expertise etc. So we launched this platform to make it easier to raise funds, but also for lead investors to find co-investors.
What would you say has changed in the fundraising process from pre-covid times?

A lot has changed, and it has been quite dramatic. From the point of view of the entrepreneurs, the views or leads they were getting have suddenly gone cold. Speaking in a general sense of course, as in some sectors you do see a huge demand from VCs and investors. Delivery services, telemedical services are some industries we are invested in that have had a lot of demand, but some others are feeling the general freeze. It's just that overall, there has been a general freeze, but if you zoom in, in some areas you can see some hyperactivity.

Would you link the current difficulty in fundraising to the level of maturity of the startup?

I believe it is not necessarily linked to the stage of the company. Although in general if you already have capital it is easier to show results etc. But looking from the point of view as an investor, all my effort has gone into the portfolio companies. With regards to there being dry powder (capital to be deployed), on one hand I think it is probably true as the central banks have been providing some liquidity. At the same time from the central bank to the angel or VC there is a very long line and sometimes money doesn’t filter through. Each particular investor will be focused on their portfolio. A lot of time will also go into sorting out the living from the dead within a portfolio, if companies come to you for more (rescue) funding you really need to see if it’s worth it.

Hence there isn't much capacity to look at new deals, as most of the investors are already busy with the companies within their portfolio. Thirdly, there are quite a few companies having an excellent team and business model were caught up unintentionally by the financially crisis. They may have started fundraising in February and as a result of it they have fantastic valuations at the moment and in some cases their business has also been boosted by Covid, and these present great opportunities for investors.

As a founder it is important to understand what the person on the opposite end of the table is dealing with. You need to understand that you are now fighting for a much smaller bandwith of attention. In the area I'm dealing with (early stage financing), you are for sure fighting for a smaller pot of money, and it will be much harder to get it. That's my assessment of the situation.

Could you share more details about your investment ticket size and some of the criteria you look at?

The first fund had a simple strategy, we looked for three categories, platforms and sharing economy, Artificial Intelligence and Blockchain. We were very early investors so we went in together with super angels at seed or post-seed levels at about 200-500K. Then we would follow on with the companies through death-valley to a ticket size of 1-1.5M.
For me what excites me is always the team. When I see people wo understand the problem, build a good product, go through acceleration and can convince some of the best angels to invest in them (who also then ask us to come in on the deal with them), those are the most exciting opportunities.

Is it important for founders to consider alternate funding mechanisms, not going to a VC but maybe to a syndicate that could create an SPV for instance?

For sure. VNX was launched at the end of last year and its only now scaling up. I see it's a good opportunity for us to link the company looking for capital with potential investors. What happens during the crisis on a macro-economic scale is that entrepreneurship flourishes, and the explanation is very simple- many people will be out of their jobs.
Therefore they will be starting something new, and from the investors perspective this is the best time to invest as you can get good valuations and excellent professional people who would otherwise be in the workforce. At the same time, if you look at the mechanics- VCs are busy, Angels maybe a bit wary about committing capital, yes alternative financing using platform like VNX could be an opportunity, but my general advice to the companies would be identify a strong lead especially for the early rounds. As an early stage investor I've seen that even if it's a good opportunity, if there is no lead it can waver, but once a company have a strong lead investor they can present to the others with confidence- the round gets closed very quickly.

Can you explain the business model of VNX?

There is a transaction fee. We take a small percentage from the amount raised and a small percentage as a success fee from the investors.

Is it still possible to raise funds at the moment, what are the strategies to do so?

I am in the process of raising a second fund. We do have some Proptech investments in the portfolio of our first fund, one in Singapore and another in the UK which are notable. The company in Singapore, Sensorflow, they closed their round in April ($8.2M) even though their main customers were hotels.
The thesis of the main investors were that once hotels came out of the crisis, they would be very focused on the efficiency and the company could really help them achieve huge savings. The property market will be severely affected by this crisis therefore proptech is one of the areas where I would allocate money, as this is a business area that has to undergo a transformation- of how people work, how space is managed, new KPIs etc.
Its not surprising that proptech funds are raising big cheques, as I feel this is one of the areas that could be hot in the next few years, even if the general economic activity slows down. I feel the amount of transformation required in the sector would be able to support a lot of the startups.

How do you spend your time between raising funds, managing portfolio companies and sourcing new investment opportunities?

It varies from week to week. When you are an early stage investor, one thing you don't want to be doing is managing the portfolio companies. The role of an early stage investor is to support and guide the founders but not necessarily to be driving the car so to speak.
A biggest part of my workload goes towards VNX, and we're trying to raise the operations. There are a few rescue rounds we need to organize for our companies in the first fund, as some of our companies were hit quite heavily. Going forward my understanding is that now is the best time to look for the opportunities, the best time to buy something is when the bullets are flying on the street, if you have the money and the patience you can get things for a really good price.
Even though it's a heavy burden to try to do it, I'm still launching the fundraising for the next fund in order to use the opportunity and invest. As I said a lot of talented people will be seeking funding and it will be a good time to be an investor.

What details would an angel want to see factoring in the changes made during COVID-19?

If I'm an angel investor looking at a company coming for a return round (or a save-me round), I would want to see a founder explaining drastic measures implemented at the start of the crisis, I would want

to hear that the team has agreed to a 50% pay cut and I would want to see a program explaining how he is saving his customers.
Rapid decisions, focus on saving cash (because cash is king in the time of a crisis) but at the same time dedication of the team and focus on the customers – these are some of the things I would like to see.

What about the geographical scope of your investments?

Our first fund was quite broad, we have 6-7 startups in the UK, 3 in Russia, 7 or 8 in South East Asia, the main reason is that we have very good partners there that send us dealflow, so we were mainly co-investing with them. The focus of the second fund at the moment is Luxembourg.

Do you expect the proptech market in 5-10 years to be dominated by only a handful of winners?

Proptech has a very large scope, and there are so many segments it is difficult to say at this stage whether one or two will dominate it. For sure as the market matures, the bigger players will emerge and for sure there will be some big winners worldwide like Airbnb.

Did covid-19 increase your focus on investing in platforms or marketplace solutions?

I think covid showed that the focus we chose 6 years ago was the right one, we have had 2 or 3 major companies approach our startups in terms of partnerships, acquisitions etc. At the moment my focus is more on the operational issues with rescue rounds etc. My personal feeling, based on the attention shown by the major players towards our startups during the crisis is that our investment choices have been vindicated.

MAGNUS SVANTEGARD >

PARTNER

[STRONGHOLD INVEST]

< CARLOS OLMOS DE FRUTOS

FOUNDER

[URBAN DATA ANALYTICS]

ULRIK BRANNER >

EXECUTIVE & BOARD

[LETSBUILD]

Conference

"Consolidation of the European PropTech Market"

Keynote speaker :

Carlos OLMOS DE FRUTOS (Founder at Urban Data Analytics)

Magnus SVANTEGARD(Partner at Stronghold Invest)

Ulrik BRANNER (Board & Executive at LetsBuild)

Moderated by :

Fernando ALVAREZ CASCOS (PropTech Advisor at Finnovating)

F.A.C : Carlos, could you tell us more about Urban Data Analytics ?

C.O.D.F : We found Urban Data Analytics in 2013. It is a company that is focused on real estate market, and in maximizing investments on any asset, in the real estate market. We are in Spain, in Portugal, Italy and Greece. And we are now looking to develop our platform in other countries. Here is a Powerpoint Presentation of what we do[insert link to Powerpoint presentation if he/we want]

M.S. : So I am in the Digital Investment & Transformation team at Stronghold Invest. But the main reason I am here is because I was Head of Product at Datscha for 18 years, so I was a big part of that company's history. But I want to mention that I am not a founder, nor a CEO : I am a founding employee, and I have worked 17 years on the Management team.

Stronghold Invest is a Nordic privately own investment company, focusing on commercial real estate. We have 41 million square meters under management in the Nordic countries.
Back to Datscha, it was acquired by Real Capital Analytics in December. It is an online commercial property search and analysis solution for professionals. In its system, there is every commercial building in the Sweden, Finland, and now the UK. You can search by name, address, size, type, and so on. And you can find detailed information about the property. There is a focus on owners, so you find them easily. Our CARR (Contracted Monthly Recurring Revenue) was 12 million US dollars when the company was acquired, and we had a very high customer satisfaction of 97%.

U. B. : At LetsBuild, we believe that the state of the build phase globally is not changing fast enough. From a business opportunity point of view, it is the largest industry in the global economy (13% of the GDP). But there is only a 30% efficiency rate. So there is a big opportunity there.

However, we noted that 75% of the costs in the industry is consumed by the contractors. And only 1% of the revenue is spent on IT.

We have identified 8 major challenges, and we are trying to solve some of them :

1. It is an industry with cyclical demand
2. Bespoke requirements
3. Increasing complexity
4. High share of manual labor
5. Shortage of skilled workers
6. Low barriers to entry in segments
7. Extensively regulated
8. Lowest bid rules

There are 4 megatrends that are shaping where this industry is going. And it is also why PropTech and ConTech are so interesting to be in :

1. Age of the customer
2. City states
3. Sustainability
4. Technology leapfrogging

So we are seeing a massive shift in the construction ecosystem. There is a push towards industrialization and standardization.
And Covid has very much taught us that an industry depending on workforce and labour that is coming out of other countries is vulnerable.

At LetsBuild, we have the ambition to build a great company. It is not an exit-driven company, we want to build something that lasts. We believe in what we called "Connected Construction".
Our mission & strategy :

1. Adopt new digital habits with a focus on mobile adoption of digital communication and basic processes

↓

2. Learn and predict from data generated into Analytics platform

↓

3. Connected Construction

LetsBuild in numbers is :

- 125 employees
- 7 offices
- + 1000 customers
- + 10.000 users
- + 60. 000 construction projects in 30 different countries.

F. A. C. : Ulrik, LetsBuild comes from the ConTech side of the PropTech ecosystem. For us, there are not two different things. It is also the first thing in the real estate life cycle. Do you see a real growth in the ConTech ecosystem ?

U. B. : Yes. When we started the company 6.5 years ago, there was very little interest. At the time, people were not really interested in investing into technology companies actually looking at the build phase. And that has changed.

F. A. C. : That is very interesting because in Spain, we are not there yet. Magnus, you started on the PropTech ecosystem a long time ago, and you have seen all its evolution. Is it booming, did it boom or is it about to boom ?

M. S. : , Jim Young, the founder of Realcomm, described the PropTech environment as being shaped by 4 waves. The first was in the 80's, then there was another boom in 1999-2000, and the third wave was around 2006-2007. We are in the fourth wave now.
There have been ups and downs, for instance with the Dot-com crash in 2000, but the last 5 years, we have seen an amazing scene emerging. Of course, Covid has brought some changes, and now PropTech is more an "investor-friendly" ecosystem than a "founder-friendly" ecosystem. But there is a big difference with the 2000's. I understand it is extremely hard to run a PropTech company nowadays, especially if you need to raise more capital. But the good side is that we are at a time when we are using tech, and the need for tech has never been as big as it is now. In 2000-2001, no one wanted to use tech, it was doomed.

F. A. C. : Also regarding big data, Carlos, at Urban Data Analytics, you started very early on a different market. Can you tell us a bit more about the evolution of the PropTech ecosystem there ?

C. O. D. F. : The context of the PropTech ecosystem in Southern Europe is quite different from what happened in Northern countries. Here it began a bit later. We had to work hard, and we believed in what we were doing. But in some cases in the first years, even the big companies did not really know what we were doing, what it was, and what they could buy.
However, these things have changed in the last years.
In Spain, there are not so much of big data, it is not as common as in the rest of Europe. There is only like 20% of PropTechs that are linked to data. So I believe there is a big field to grow in that area, in Southern Europe.
But there has been a lot of changes for the past 3, 4 years. Now, all the big companies have a big data department, they are doing some acquisitions and they are developing their department to grow around the data.

F. A. C. : Yes, regarding big data, there is a gold mine in Southern Europe.

C. O. D. F. : Yes, there is a gold mine, but as you know, it is not easy to raise money in data, within the real estate market. So for us, as a big data company, it is really important to close transactions, and that is what we have done in the last couple of years.

F. A. C. : In the Southern ecosystem, PropTechs are more B2C than B2B, not because of the size of the market, but because real est ate players don't thrust innovation as much as Northern countries, or the UK, or the US. Now they are starting, a bit later, but it is moving.
Now, Ulrik, you did not do an exit but you did a merger with another company. How did this conversation happen ?

U. B. : Well, a few things :
1) We always had our eyes on building a company, not selling it.
2) We have always been around a community, a network of partnerships. But the VCs were very indifferent to investing into ConTech. So we established a European ConTech event, in London, and invited a lot of VCs and a few ConTech startups, to talk about their technology.
So we managed to have all the VCs in the same room and present some cool solutions to start that appetite for innovation. And one of them was Aproplan. Thomas was the CEO and founder there, and was also very active and open in his approach. He was the first one to say there was a common path, and that we should merge at some point. First we said no, but we kept talking every year, exchanging ideas, and got along, so finally we did the merger. But we got to know each other before, and when this merger happened, we became one of the premium houses in Europe.
(3) We also had a great geographical match, because they were very strong in the Benelux, and France, and we were very strong in Nordic countries, UK, and looking at the Middle East.
So there were a lot of good reasons for doing this merger.

F. A. C. : Carlos, you did an exit a year ago. How did this process happen ? Were they former clients of U.D.A ?

C. O. D. F. : Well, they were already clients of U.D.A. We found them two years and a half ago, and made the transaction one year ago. A few companies already asked us for an acquisition before that. So we knew what we wanted and did not want in this process of acquisition, and what kind of company we would like to merge with.
Also, we had the same vision about the business. We both wanted to create different solutions, and also develop these solutions with less resources. That is really important, because there are a lot of deals that companies do not acquire, because of the price, and it is possible to do it for less. But it is essential, because those companies that do not get into big data, they are going to be out of the market in the next few years.

F. A. C. : Magnus, when Real Capital Analytics acquired Datscha, were they (former) clients of the company ? How were they looking for a big data company ?

M. S. : They were actually competitors in the UK, so we knew each other very well, and they were looking to expand. So when we started to talk with different players, we talked with them. And it is very important, when you exit, that you know who you are selling to, it makes things so much easier.

F. A. C. : So, after this merger, or after the acquisition, do you think your companies have changed ? And what did ?

U. B. : Of course it did. Any merger is about creating a new common culture, so it has fundamentally changed the company.

F. A. C. : Magnus, changing from a Swedish mindset to an American mindset, is it very different ?

M. S. : A lot of things changed since the acquisition, of course. I am not at Datscha anymore, and I know a lot has changed, but I hear good things. And now we are customers to Datscha, so we hear about it internally.

F. A. C. : What are the opportunities you have seen during the past few months, with the Covid-19 pandemic ? How do you see the next months after this virus ?

U. B. : This could be a very important catalyst for some changes. We have seen companies adopting new technologies, because they were forced to do so. But now a new normal is proven to be possible. However, there are contractors around the world that are really suffering right now, and there is a debt that we will have to pay. But I believe it is going to be a catalyst for a behavioral change, because it has been proven that we can do it.

M. B. : I agree. These past couple of months have really pushed the tech wave in the PropTech industry. There is a bright future coming ahead. I think it is very interesting to see how it will affect where we work, and specially for office investors who can bet on that. I don't think work from home is the ideal solution, but I believe a medium solution could improve the way we work (e.g. 2, 3 days per week).

C. O. D. F. : I also believe Covid is going to be a catalyst for some of the changes we have noticed in the past few years. The way we move into cities, we live, we work, the way we connect houses with work, the way we shop, are going to change. And coliving and coworking are definitely topics that will be in the discussion.

F. A. C. : If you could start another startup, which sector would you choose ? In PropTech, ConTech ?

M. S. : From a personal point, I would love to start a ski touring company in Norway and Northern Sweden. But from a PropTech perspective, Datscha was aiming to solve three problems : a lot of data, a very good evaluation tool, and fixing the investment sales transaction market. We did the first two, but never came to the investment market process, and I find that super interesting. There are a lot of players, but no one has really named it.

F. A. C. : Yes, it is difficult because there are a lot of different legislations within Europe.

C. O. D. F. : I would choose to create something in PropTech, that is for sure. In the asset management and in space services, there are a lot of things to do, I love that field in the real estate.
Apart from that, I like a lot what big data can do in medicine and pharmacy. I think it is going to change, and accelerate, what we have done in the fields of medicine and pharmacy.

U. B. : I would start to digitized hunting, because it is apparently the biggest private industry in the world, so the biggest challenge in construction.
And if I had to go ConTech, I would look at offsite, MMC, and some of the standardization industrialization that is happening there, and I would tackle that, because nobody is really maturing yet in that area.

JEANNE CASEY >

PRINCIPAL

[METAPROP VENTURES]

KITTY SULLIVAN >

INVESTOR

[JLL SPARK]

Fireside Chat

"How to thrive in the era of VC ?" (Provided by Propel by Mipim)

Keynote speaker :

Jeanne CASEY (Principal at Metaprop)

Kitty SULLIVAN (Investor at JLL Spark)

Moderated by :

Nicholas KOZUBEK (Director at Propel by MIPIM)

Internal Adaptation to Covid-19

KS: Focused on supporting portfolio companies initially, making investments as a 'distributed team' without meeting founders other team members – an adjustment that needs to be made

JC: Regular sharing of trends and updates and 1v1s with portfolio companies, two key factors identified that improved confidence – Across the different RE asset classes many challenges have developed and tech will be crucial in addressing this and the return to normalcy

Adaptation of Investment Strategy, Priorities, and the Future

JC: 3 main PropTech categories identified:

- Themes where demand has dropped due to Covid
- Themes that are now hot in the post-Covid environment
- Trends which are already the focus of investment and have been accelerated

KS: Particularly excited in three types of tech for the moment

- Tech that can help in improving sanitary conditions (robotic cleaning, space utilization tracking)
- Tech that can improve collaboration
- Tech that have clear ROI with measurable returns

Collaboration between VCs

KS: Formal and informal relationship between industry partners. JLL invests in Metaprop's investment vehicles but also in a more informal manner collaborate on diligence and insights.

JC: We work with a wide range of industry partners. Playing the role of strategic advisor for companies without dedicated VC arms or long-term strategies by sharing insights and knowledge. When co-investing with bigger firms like JLL a more collaborative role is assumed sharing insights on dealflow and the market. We see it as a 2-way value addition when working with companies with good investment teams.

Strategy and Relationship with European VCs

KS: Pre-existing relationship with Concrete VC was important to help expand global reach. We were able to make use of the amazing deal flow and collaboration Concrete VC brought to the table, and get a head start in Europe and Middle East regions. They continue to provide diligence and source deals for us, and it is a very fruitful partnership.

JC: Though historically more focused on startups based in the US, we also have Europe-based startups in their portfolio. Historically most of the investable dealflow has come from US based startups (similar to trends in Fintech), however there are reasons to be bullish about Europe and APAC. Silicon Valley ethos and culture, has helped the US be the first in identifying new opportunities and initiate digitization of new markets, which has also led to unicorns emerging out of the US faster than in Europe (with regards to Fintech)

PropTech is on the path to becoming a well defined vertical in the next 5 to 6 years. We have seen unicorns emerge from the US, and some companies approach that level in Europe. We have also noticed proactive European investors expressing interest in Proptech funds we raised, which is a positive sign for Proptech in Europe. Europe maybe around 2 to 5 years behind the US but there is still a lot of exciting things that can be expected to come from the region.

KS: We don't have a fundamentally different approach for the European market. Some of the criteria we look at

- Adjustable market
- Size of opportunity
- Traction which can indicate product-market fit
- Leadership team
- Fit with JLL investment strategy

US companies tend to be more aggressive with their business plans because of the bigger domestic market, whereas European expansion takes more time. Sustainability as a value proposition resonates more strongly in Europe than in the US and hopefully that will change in the US. In terms of valuation; historically US startups tend to be valued higher because of the risk taking mentality adopted.

How do you relate with investors and portfolio companies. What are some of the best practices followed?

KS: We have a growth team that serves as the bridge between the portfolio and the core business with the following objectives

- Sourcing business development opportunities for portfolio companies
- Helping them to showcase at highly leveraged events like MIPIM
- Helping structure commercial reseller agreements and to help evangelize the portfolio

One of our practices is to engage the core business early and often, even before the diligence process to get their buy in and expertise to help in our decision making.

JC: During the diligence process, even before making an investment if anything seems interesting, we loop in relevant partners from our ecosystem and networks. The feedback that we get from these partners is only one of the factors that we consider in the investment making process. The quality of the team is often one of the biggest factors we consider, and we place confidence in them to be able to pivot or find the right product-market fit based on the feedback we receive from our partners. One of the most important qualities VCs are looking for is proactiveness with regards to seeking and taking on board feedback every step of the way.

How has the approach of the investors changed with the maturing of the PropTech market?

KS: There's a greater willingness to adopt technology solutions and 2017/18 was a real inflection point for Proptech and there's still a long way to go but it is undeniable that Proptech provides a competitive advantage and those who do not adapt can get left behind.

JC: Proptech has matured but still has some way to go to become a matured tech vertical. Proptech has institutionalized since 2015/16 and there has been an explosion of investment activity with more and more dedicated funds arising for the vertical. We are now seeing M&As, IPOs, and equity research that we didn't see a few years ago, and Covid is likely to act as a catalyst to accelerate the Proptech trends that we have already seen.

RELEVATION

Relevation is the first ever digital fundraising summit for PropTech Startups. During a span of 2 days, this 100% online event had match PropTech startups/scale-ups with investors (BA's, VC's, CVC's,...). Relevation is owned by PropTech Lab (the Belgian Real Estate Innovators network) and supported by PropTech House (the European Association of National PropTech Networks).

All transcriptions and summaries included in this e-book have been made by our teams and do not engage the responsibility of the mentioned keynote speakers. This e-book is dedicated to the PropTech Lab community, for reading puropse only and belongs to PropTech Lab.

Responsible Editor : PropTech Lab bvba

Publiation date : July 2020