



**Crowdfunding, an alternative source of financing construction and real estate projects. Guideline for Developers on how to use this tool in medium size projects.**

## **Master thesis**

**International Master of Science in Construction and Real Estate Management  
Joint Study Programme of Metropolia UAS and HTW Berlin**

Submitted on 22.08.2017 from

**David Sierra Mercado**

s0552964

First Supervisor: Prof. Dr.-Ing. Nicole Riediger

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*David Sierra Mercado*



**International Master of Science in Construction and Real Estate Management  
Joint Study Programme of Metropolia Helsinki and HTW Berlin**

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**Conceptual Formulation**

**Master Thesis for Mr./Ms.** David Sierra Mercado

**Student number** s0552964

**Topic:** Crowdfunding, an alternative source of financing construction and real estate projects. Guideline for Developers on how to use this tool in medium size projects.

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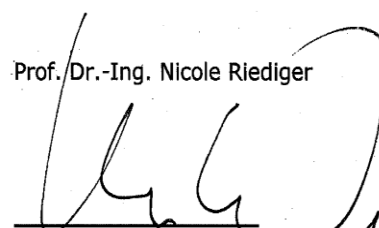
**Summary**

The purpose of this thesis is explore the potential and practical application of crowdfunding as an alternative source of capital for construction and real estate projects. The aim is to encourage developers to use this tool as additional source of recourse. This through the formulation of a guideline on how to use it, and the proposal of an assessment matrix for medium size projects looking to be funding. Also, identifying the benefits and current barriers in the implementation of this instrument.

**Objectives of the Study**

1. Formulate a guideline and checklist for developers on how to utilize this tool.
2. Document the current assessment process of the platforms for listing projects.
3. Generate an assessment matrix for medium size projects.
4. Identify the benefits and barriers for the real estate crowdfunding.

Prof. Dr.-Ing. Nicole Riediger

  
Signature of the Supervisor 10.4.17

## **Conceptual formulation**

### **Summary**

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### **Objectives of the Study**

1. Document the current assessment process of the platforms for listing projects.
2. Formulate a guideline and checklist for developers on how to utilize this tool in medium size developments.
3. Generate an assessment matrix for medium size projects.
4. Identify the potential benefits and current barriers for the implementation of the real estate crowdfunding.

## **Abstract**

Real estate crowdfunding comprises the process of investing in a real estate projects using online platforms, specialized websites that can reach a large number of potential investors, changing in just few years the traditional approach of the real estate industry. This phenomenon has become a trend among small and medium project developers, which nowadays have this additional source of financing. However, many people still unfamiliar about this new business model. Therefore, it is relevant to create awareness among project developers, prepare a guideline on how to use this tool and take advantage of it. Hence, the use of this technology would become easier, understandable and more widespread within the construction industry. The understanding of the potential and practical application of crowdfunding as an alternative source of capital for construction and real estate projects would be possible through the study, comparison and analysis of the different projects listed in real estate crowdfunding platforms in Europe and North America. The steps in this study includes, first, the general understanding of this technology, secondly, the documentation of the current assessment process, and finally the formulation of a guideline, checklist and assessment matrix for medium size projects.

**Key words:** real estate crowdfunding, financing, guideline, assessment matrix

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## 1 Introduction

Real estate crowdfunding is a new business model inside the real estate and construction industry. In just a few years of use, this instrument has had a deep impact in the way of financing projects, allowing large numbers of investors to participate from those developments and its profits via the internet. This phenomenon of democratization in the real estate business is something new without precedents in modern history. It seems that real estate crowdfunding has a lot of to offer to the investors, developers and the industry in general. However, real estate crowdfunding still in its beginnings and it is not completely understood by most of the people. Thus, it is important to study and promote its use among people but especially among projects developers, create awareness of this tool as an alternative source of funding construction projects. The first step toward this goal is to understand the basic concepts, history, current situation, and future perspectives of the real estate crowdfunding.

Due to the novelty of this social phenomenon, the scarcity of information, and the lack of research in this field, all the intended works conducted in this area have to observe the original source of information, which are the real estate crowdfunding platforms. This study comprises a general approach to the background of the crowdfunding, its basic definitions, how it works, the legal frame, the review of the platforms and their projects in order to understand the current assessment process for listing projects in their websites. The aim is that the developers get to know how the application process is and what parameters platforms evaluate to gain access to this source of financing. This is a method of observation, documentation, and finally formulation, where the results are a guideline and an assessment matrix for medium size projects.

## 2 Methodology

The approach to the crowdfunding as an alternative source of financing construction and real estate projects will be possible through the study, comparison and analysis of the different real estate crowdfunding platforms available nowadays in Europe and North America.

The formulation of a guideline and the proposal of an assessment matrix for developers on how to implement real estate crowdfunding in medium size projects will be the result of the documentation, identification of flaws, potential benefits, and existing barriers in those platforms. Moreover, the listing of the relevant factors involved in the current publishing process.

### 2.1 Hypothesis

Among the several financial instruments available nowadays to funding construction projects, the real estate crowdfunding seems to be a reliable option for investors and developers. Nevertheless, this relative new tool, which has a vast room for growing in the coming years, still been underutilized for most of the companies and individuals. Especially project developers, who are likely unfamiliar on how this instrument works. Thus, is necessary to illustrate the advantages and potential benefits of the real estate crowdfunding, promoting the tool, explaining the steps involved in the listing process of projects in such platforms. The idea is to create awareness among developers, providing them with a straightforward guideline, checklist, and an assessment matrix for medium size projects. Therefore, the use of this technology by project developers would become easier, understandable and more widespread within the construction industry.

### 2.2 The issue

*“Without financing (debt, equity, or some combination), no real estate development is possible. Consequently, it is critical for developers to keep up with trends in real estate finance and the various sources of capital”<sup>1</sup>*

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<sup>1</sup> Miles, Netherton and Schmitz, Real estate development principles and process,2015, p187

In order to keep evolving and improving their outcomes the construction industry needs to update its methods and take advantages of the global movements and current technology. Although Crowdfunding as a relatively new phenomenon, it is changing and affecting deeply the way in which projects are being financing. However, people and stakeholders need to be more familiar with this tool, it is important that developers knowing all the available options, and complementary alternatives in the market to funding their projects.

### **2.3 Justification**

According to Statista<sup>2</sup>, by the year 2015, the worldwide volume of capital raised by Crowdfunding reached 34.4 billion US Dollars. In contrast, during the same year in Europe the value of transactions related with real estate crowdfunding were only 27 million Euros. Thus, there is a great opportunity for the real estate sector to increase their participation in crowdfunding and gain access to these sources of funds.

Moreover, this tool offers the possibility for project developers to reach new markets, expand their business, and gain new investors. Thanks to the visibility and access to a massive audience on the internet.

### **2.4 Delimitation**

This research work will be focus mainly on real estate developments, medium-sized projects across Europe and North America. Specifically in the analysis of listed projects and its campaigns in well-known platforms available nowadays in both markets.

### **2.5 General objective**

Promote among projects developers the idea of the real estate crowdfunding as an additional and alternative source of capital to finance their construction projects.

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<sup>2</sup> <https://www.statista.com/statistics/620952/total-crowdfunding-volume-worldwide/>

## **2.6 Specific objectives**

- Document the current assessment process of the real estate platforms for listing projects.
- Formulate a guideline and checklist for developers on how to utilize this tool in medium size developments.
- Generate an assessment matrix for medium size projects.
- Identify the potential benefits and current barriers for the implementation of the real estate crowdfunding.

## 3 Background

### 3.1 Crowdfunding

One of the main attributes of this type of capital formation is that funding needs and funding purposes are communicated broadly via an open forum, where a large group of individuals - the crowd - can appraise the proposal and actively interact with the campaign owners and the projects. Internet and website platforms enable to reach an extensive audience, adding massively, also faster more people and resources like never before in history. With these minor contributions, the crowd allocates millions into projects that are appealing to them, including but not limited to projects belonging to independent musicians, filmmakers, sports teams, students, and small companies, all of them using crowdfunding as a means to finance their products, aims, and goals.<sup>3</sup>

The idea of gathering small contributions from a large population to capitalize popular enterprises has been around for many centuries, this was the method used by different societies and institutions to finance important construction projects like temples, cathedrals, aqueducts, infrastructure project, and all kind of great buildings and monuments throughout humankind history.

A good example of this in recent history is the Joseph Pulitzer's campaign to finance the construction of the granite pedestal for the Statue of Liberty in New York. In 1885 Mr. Pulitzer using his position as a publisher of the newspaper New York world, started an initiative for donation among its readers, he successfully attracted more than 120,000 sponsors, most of whom contributed less than a dollar.<sup>4</sup>

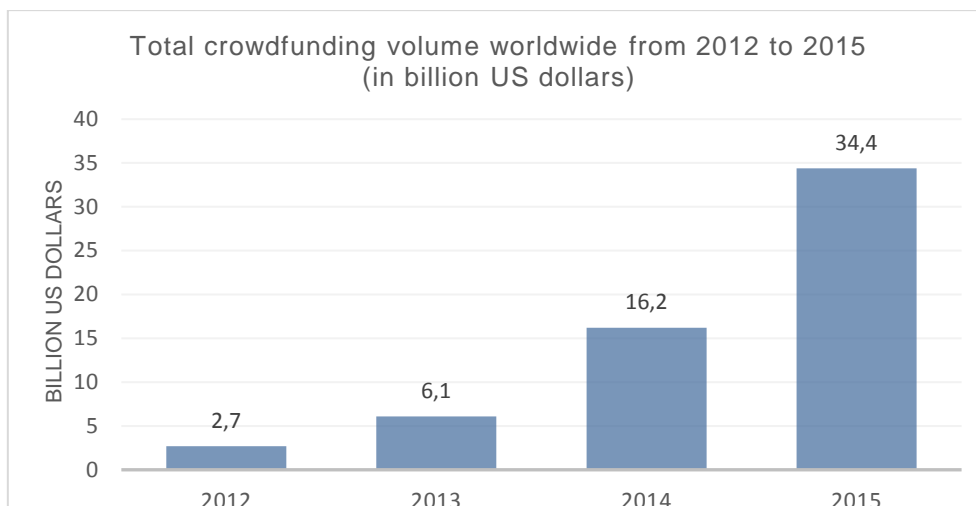
Nowadays, this old concept has found its updated version in the online crowdfunding phenomenon, which in just a few years has grown exponentially<sup>5</sup> using the power of the internet and funding all types of ventures, causes, and entrepreneurs.

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<sup>3</sup> Sebastian and Grell, Crowdfunding Architecture, 2013, p.5.

<sup>4</sup> Freedman and Nutting, Equity Crowdfunding for investors, 2015, p.2.

<sup>5</sup> <https://www.statista.com/statistics/620952/total-crowdfunding-volume-worldwide/>



**Fig. 1:** crowdfunding volume worldwide from 2012 to 2015

Currently, there is a wide spectrum of possibilities for the crowdfunding campaigns, from new products, companies, artists, to all kind of projects seeking to collect capital from a massive online audience. These funders are willing to pour or invest their money into projects if they feel there is an identification, a connection or motivation to do it, and not always, there have to be a material or financial reward. For example, a musician or performer artist can request their fans to fund a new album or tour. In exchange, the donors will have the personal satisfaction of had helped their favorite artist.



### 3.1.1 Parties involved in a crowdfunding campaign

The three basic parties or actors involved in the crowdfunding process are as follow<sup>6</sup>:

- **Initiator:** it refers to the owner of the project, the party in charge of asking for capital to the funders usually using an online intermediary, in order to complete a particular project or goal and reaching large numbers of potential funders.
- **Intermediary:** it refers to the online platforms, the party that supplies the virtual environment or channel on the internet; it connected initiators and funders through its own specialized website. It manages the financial resources and has to follow legal regulations to operate. Usually it charges some fees.
- **Funders:** it refers to the donors, investors or the crowd (many individuals), whom usually finance the projects with small amounts of money. The funders can follow the campaign and the results of the project using the channels of the intermediary.

The actors and their roles are briefly explained in the Tab 1 below.

Crowdfunding - Actors and Roles		
Initiator	Intermediary	Funders
<ul style="list-style-type: none"> <li>▪ Request for funds</li> <li>▪ Set the goal and the purpose</li> <li>▪ If so, something is offered in return</li> </ul>	<ul style="list-style-type: none"> <li>▪ Website Platform, connect the parties</li> <li>▪ Manage the exchanges funds</li> </ul>	<ul style="list-style-type: none"> <li>▪ Seeks for projects and, if interested, invest a small amount toward a particular aim</li> </ul>

**Tab. 1:** Parties in a crowdfunding campaign, own illustration base on Ahlers et al.2013 <sup>7</sup>

<sup>6</sup> Marchand, Equity based crowdfunding real estate markets, 2015, p20.

<sup>7</sup> In conformity with Ahlers, 2013

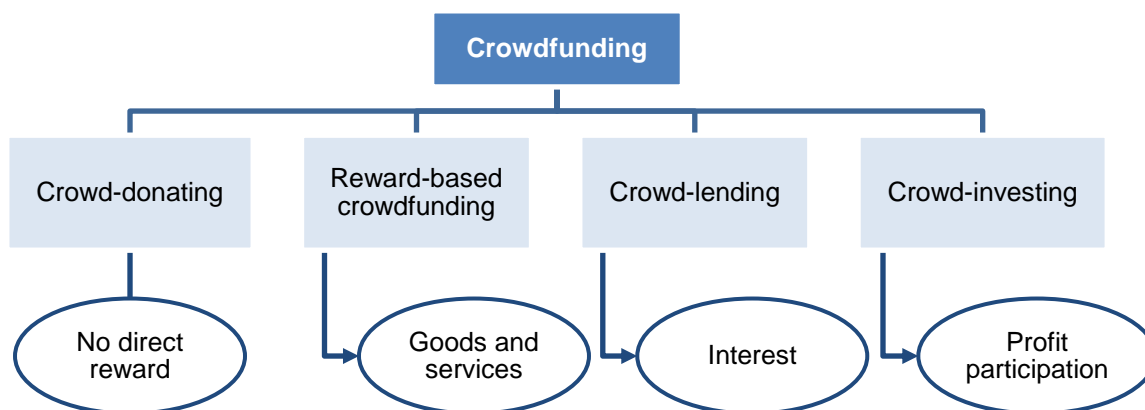
### 3.1.2 Types of crowdfunding

There are four categories of crowdfunding:

- Crowd donating
- Reward based crowdfunding
- Crowd lending
- Crowd investing

The main criterion used in the classification of the different types of crowdfunding is based on the type of reward received by the sponsors. These rewards may be of non-monetary nature, like reward-based crowdfunding and crowd donating, in both cases supporting ideas, having social or altruistic motivations are more important reasons than gaining a tangible benefit afterward.

On the other hand, there are rewards of monetary nature, like crowd lending and crowd investing, where the funders are expecting a financial return on the invested capital, share in its profit or interest income.<sup>8</sup>

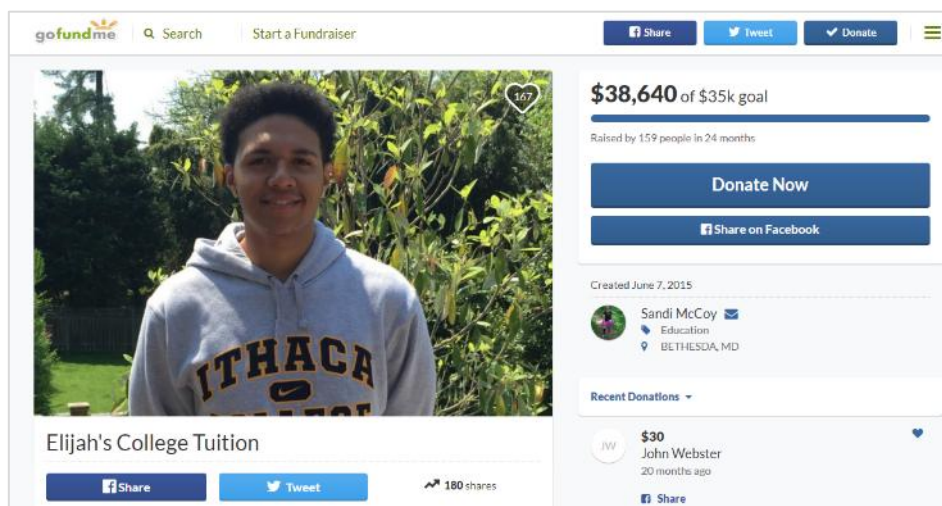


**Fig. 2:** Types of crowdfunding and rewards for each category

<sup>8</sup> Dietrich and Amrein, Crowdfunding Monitoring Switzerland, 2015, p.6

## Crowd donating

This type of crowdfunding refers to simple donations. There is not a measurable compensation or any monetary reward for the sponsors. Contributions mainly are driving by personal motivations. Examples include social, educational, altruistic, charitable and cultural projects. Currently, crowd donating is used to finance political campaigns as well.<sup>9</sup>



**Fig. 3:** Example of a crowd donating campaign for college tuition, from [www.gofundme.com](http://www.gofundme.com)

In the picture above, we have the case of a student seeking to finance his studies. Elijah was asking 35,000 USD to cover his college tuition fee. With his campaign, he was able to raise 38,640 USD in donations from 159 people who felt touched by his personal story. No further reward is offered besides Elijah's gratitude and personal satisfaction of having helped a person in need.<sup>10</sup>

## Reward based crowdfunding

This type of funding offers to the backers a single reward in the form of services or products. There is usually the expectation of developing and release a new product

<sup>9</sup> Dietrich and Amrein, Crowdfunding Monitoring Switzerland, 2015, p.7

<sup>10</sup> <https://www.gofundme.com/twzeqw>, June 20<sup>th</sup>, 2017

with the raised capital. This category often includes creative, commercial, cultural, and sports campaigns. The incentives could include limit editions, tickets to events, commemoratives souvenirs or pre-sale products. The only limit is the creativity of the sponsored people.<sup>11</sup>



**Fig. 4:** Example of reward crowdfunding campaign for the publication of a children book, from [www.kickstarter.com](http://www.kickstarter.com)

This successful campaign has collected three times the original goal in less than one month. 301,906 USD from 5,600 backers. The reason for this is that the author has published already a book using crowdfunding and the people are familiar with the product. The owner of the campaign offers to their fans different types of rewards depending on the amount of money they are willing to put in the project. In this case, the offering reward is a coloring book and a podcast from the series for 15 USD funding.<sup>12</sup>

## Crowd lending

This type of crowdfunding refers to loans for financing individuals, projects or companies. Thus, it could be also defined as borrowed capital where the lenders earn interest payments for their loans. Usually, crowd lending takes place where traditional sources

<sup>11</sup> Dietrich and Amrein, Crowdfunding Monitoring Switzerland, 2015, p.7

<sup>12</sup> [https://www.kickstarter.com/projects/timbuktu/kickstarter-gold-good-night-stories-for-rebel-girl?ref=home\\_popular](https://www.kickstarter.com/projects/timbuktu/kickstarter-gold-good-night-stories-for-rebel-girl?ref=home_popular), June 20<sup>th</sup>, 2017

of financing are not available. The agreement on the interest rate depends on the risk assessment of the venture and the borrower profile.<sup>13</sup>



**Fig. 5:** Example of crowd lending campaign for the expansion of a business, from [www.kapilendo.de](http://www.kapilendo.de)

This campaign is looking for 200,000 € to buy new automatic photo cabins and expands their business in Germany. The borrower company has experience in the field, thus the risk of this credit has been assessed as very low for the investors. They offer to pay 5.2% of interest per year for four years credit.<sup>14</sup>

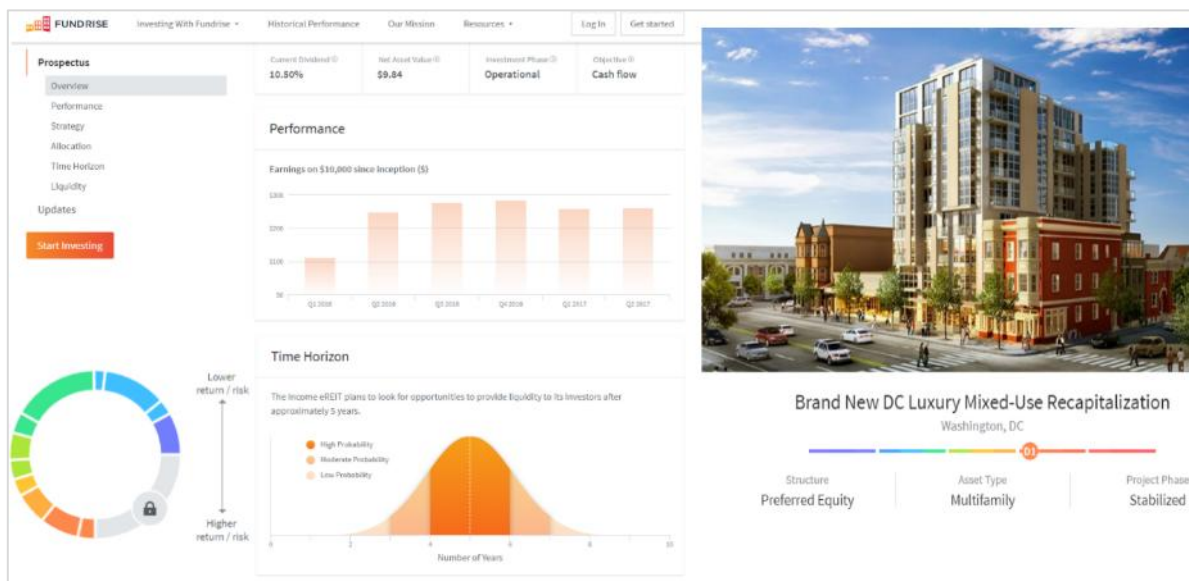
### Crowd investing

One of the main characteristics of crowd investing is that funders can acquire a participation or shares in a company via equity or mixed forms of equity and mezzanine capital. Usually, these companies are in an early stage, providing the opportunity to the sponsors to invest small amounts in promising start-ups in their growth phase. As incentives, the sponsors have the promise of receive stocks or a share in the profit of the company in the case of mezzanine capital. Nevertheless, the level of risk associated with this type of investment is high since there is not real warranties for the investors. In addition, it is important to know that the majority of the equity offer in this type of venture is common equity, which means a very limited or not voting power in the

<sup>13</sup> Dietrich and Amrein, Crowdfunding Monitoring Switzerland, 2015, p.7

<sup>14</sup> <https://www.kapilendo.de/projekte/01ce2b85-b39c-4aa4-ae4-3c707019f83c>, June 20<sup>th</sup>, 2017

decision making, this in order to guarantee the freedom in the management process of the company.<sup>15</sup>



**Fig. 6:** Example of crowd investing in a real estate development, from [www.fundrise.com](http://www.fundrise.com)

Fundrise as a real estate crowdfunding company offers a wide range of investment options in its portfolio for all kind of funders, with different types of risk exposure profiles. In this case, the asset to be funding is located in Washington DC, a residential mixed-use development, with a relative high-risk assessment but with an attractive dividend of 10.50% per annual on the invested capital, the maturity for this project is calculated in 5 years, and the minimum investment is 500 USD with a price per share of 9.84 USD.<sup>16</sup>

<sup>15</sup> Dietrich and Amrein, *Crowdfunding Monitoring Switzerland*, 2015, p.7

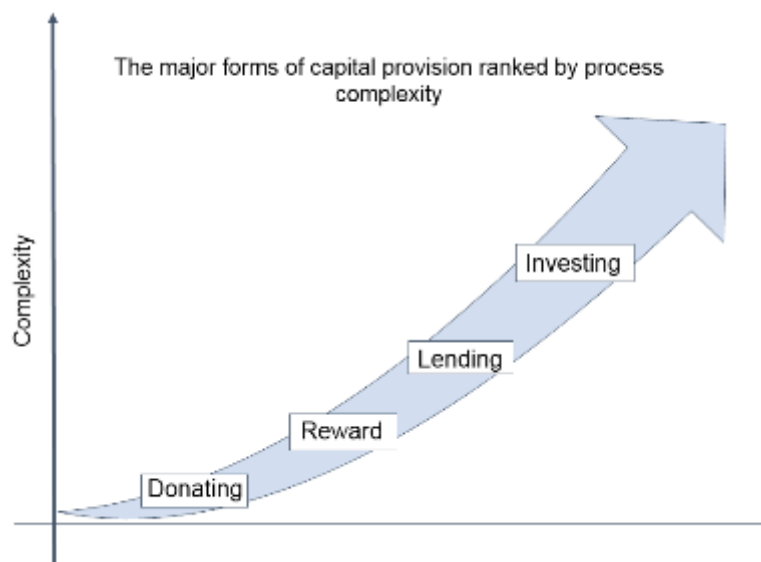
<sup>16</sup> <https://fundrise.com/reits/income-ereit/view>, June 20<sup>th</sup>, 2017

### 3.1.3 Level of Complexity

The level of complexity associated with the different types of crowdfunding is usually proportional to the amount of capital invested, the type of reward agreed or the expected returns, and the legal binding between the parties involved.

Therefore, following this idea, it is clear that the less complex type of crowdfunding is the donation-based crowdfunding, at least from the legal point of view, since the motivations respond to personal convictions and there is not economical compromises or any kind of material compensations for the funders. The same concept applies to the reward-based crowdfunding, due to the non-monetary nature of the promised incentives, which are more symbolic than something else.

Finally, the lending and investing crowdfunding models are the most complex due to the legal restrictions, the communication process, the obligations between the parties and the prospective financial returns. Hemer (2011) illustrates the relation of complexity versus the capital provision in the figure below<sup>17</sup> (fig. 3).

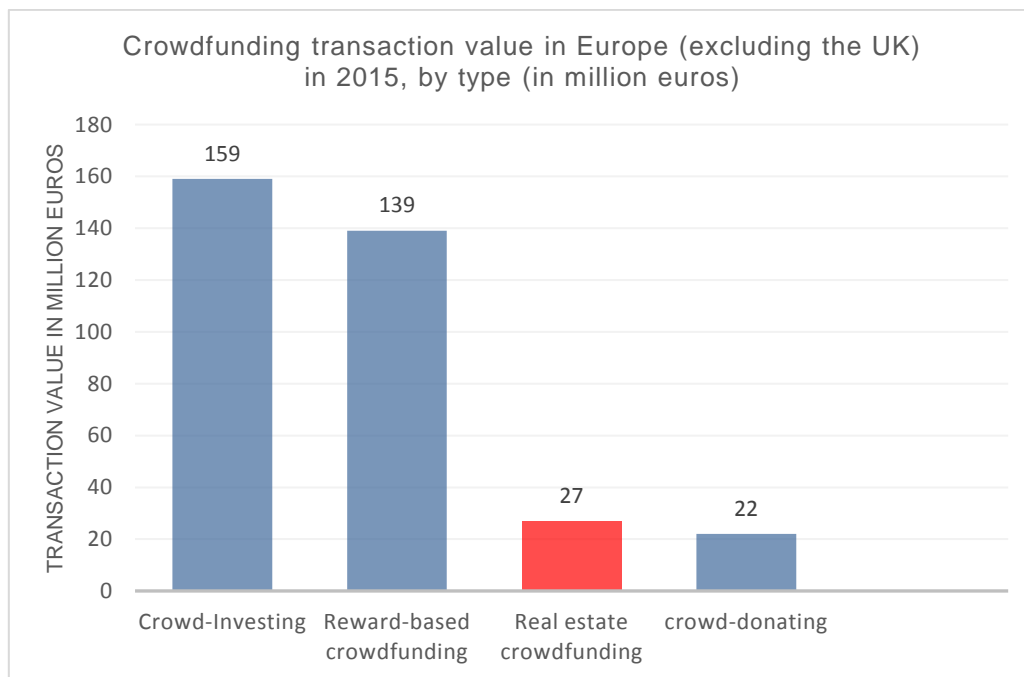


**Fig. 7:** Types of crowdfunding and its level of complexity (Hemer et al.2011)

<sup>17</sup> Marchand, Equity based crowdfunding real estate markets, 2015, p22.

### 3.2 Real estate crowdfunding

Crowdfunding is define as “the practice of funding a project or venture by raising money from a large number of people who each contribute a relatively small amount, typically via the Internet.”<sup>18</sup> However, real estate crowdfunding is not comparable to online fund-raising. Instead, it may be defined as the process of investing in a real estate projects using online platforms, specialized websites that can reach a large number of investors. Real estate crowdfunding made possible the democratization of the industry. Due to the numerous small contributions, the transactions are affordable, the investors are protected from outsized losses, and the risk is spread across a larger population”<sup>19</sup>.



**Fig. 8:** Distribution of transaction value for crowdfunding platforms in Europe in 2015 <sup>20</sup>

Although in developed economies, the amount of capital invested in real estate crowdfunding was overwhelming. In Europe, there is plenty of room for growth in the coming years in this field.

<sup>18</sup> <https://en.oxforddictionaries.com/definition/crowdfunding>

<sup>19</sup> Sebastian and Grell, *Crowdfunding Architecture*, 2013, p.2.

<sup>20</sup> <https://www.statista.com/statistics/412487/europe-alternative-finance-transactions-crowdfunding/>



### 3.3 Real estate crowdfunding platforms

In principle, a real estate crowdfunding platform is very similar to other crowdfunding websites. Both offer openly their projects, promoting it via the internet and using the social media for marketing, the main difference is that the real estate platforms are specialized companies, which only focus on construction projects that are pre-evaluated together with the developer company.

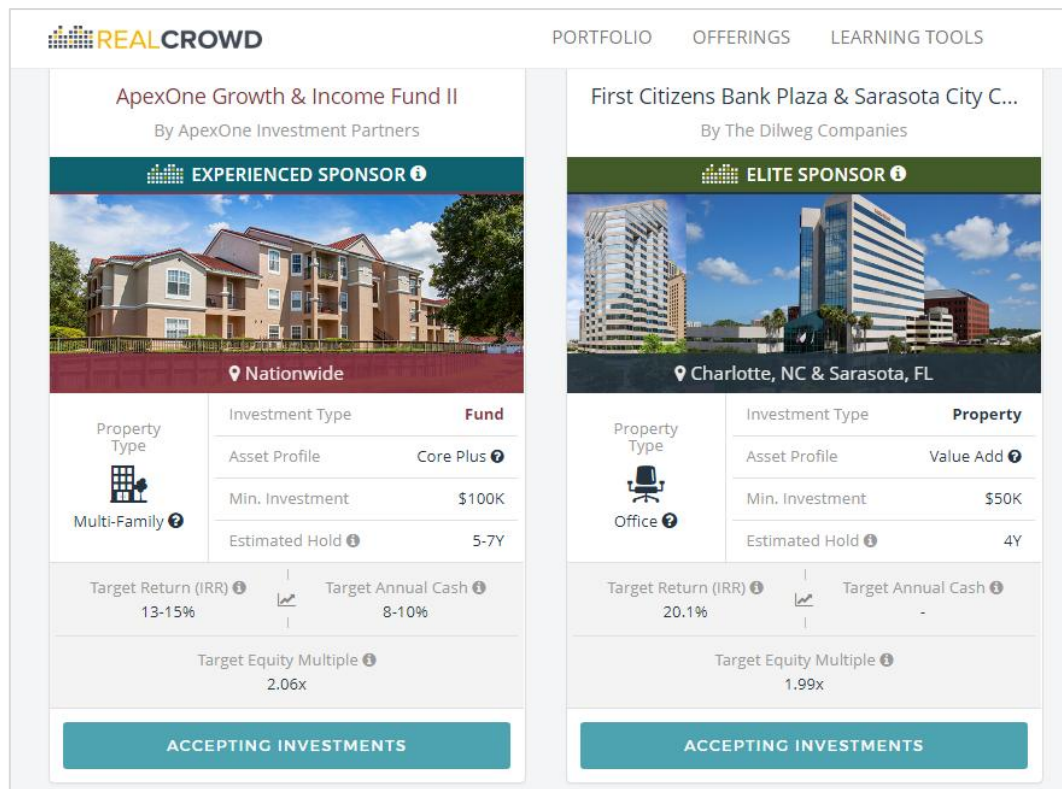


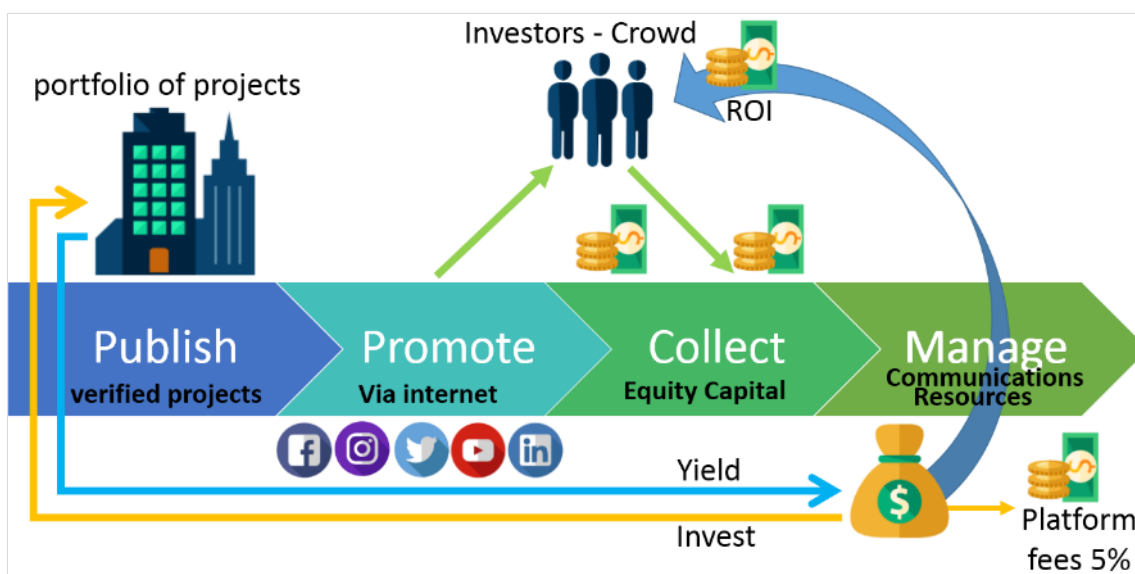
Fig. 9: Portfolio of projects in a real estate platform<sup>21</sup>.

There is always the promise of financial benefits or return for the investors, crowd lending or crowd investing model (this last one is also known as equity crowdfunding). The function of the real estate crowdfunding platforms is to connect developers with investors in an effective way. The platforms have to deliver clear information regarding the projects, fees, financial structure, return on investment, and secure the monetary resources (in a trustee or similar institution), provide legal agreements, contracts, and the communication between the parties.

<sup>21</sup> <https://www.realcrowd.com/offerings/apexone-investment-partners/apexone-growth-income-fund-ii>

### 3.3.1 How they operate

The real estate crowdfunding platforms publish projects of verified developers. They promote construction projects among potential investors using the internet and the social media. In most of these companies people can invest as little as 10€, 100€, 500€, 1000€, 10.000€, 50.000€ or more, everything depends on the target group, type of development, and the marketing strategies used. The most common crowdfunding model offering for this type of venture is lending crowdfunding although is possible to find investing or equity crowdfunding as well but in a minor proportion, due to project constrains and legal restrictions.



**Fig. 10:** Real estate Crowdfunding platforms operational diagram, own illustration

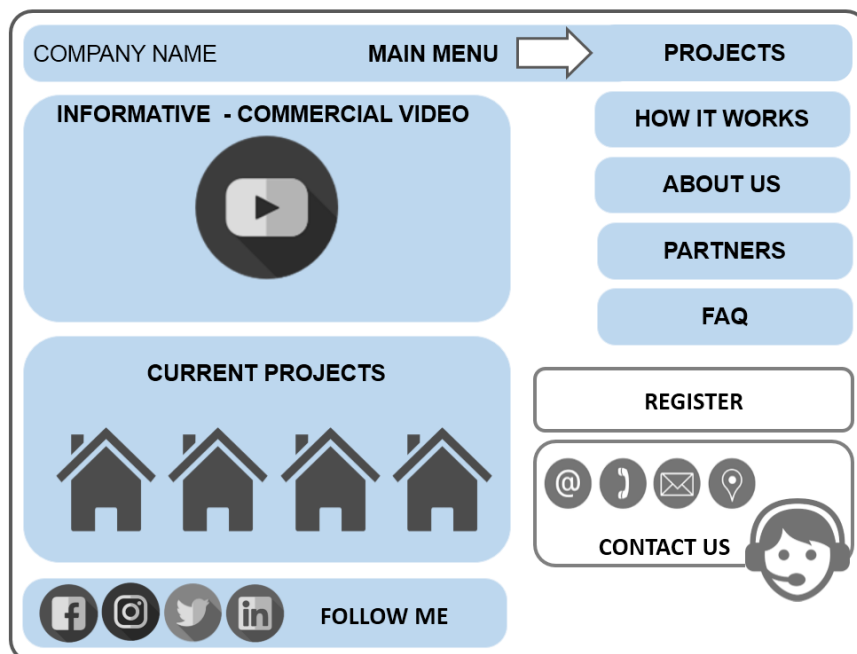
The revenue of the platforms usually came from charges the developers for marketing the projects, and from an overall fee upon the capital collected, around 5% of the money raised, sometimes they charge the investors as well. Once the project is completed and the expected yield is reached, they pay back to the investors (the amount invested plus the interests agreed beforehand).

### 3.3.2 Website template

The structure of the information presented in the different real estate crowdfunding platforms includes the following items in their websites:

- **Main menu:** which include links to projects, how it works, FAQ, about the company, register, and partners.
- **Informative - commercial video**, showing the potential benefits and the experiences of the company
- **New and current projects**, latest deals for investors
- **Contact us** online chat and/or by phone
- **Follow me button** (for social media interaction)

Usually the platforms websites try to catch the attention and convinced potential investors through videos, diagrams, animations, brochures, imagines etc. using facts and numbers but displaying all the data in a simple way. All the material is designed to be understandable by people without experience in the real estate business, and it has the aimed to promote and sell the projects at first sight



**Fig. 11:** Typical website template for Real estate Crowdfunding platforms, own illustration

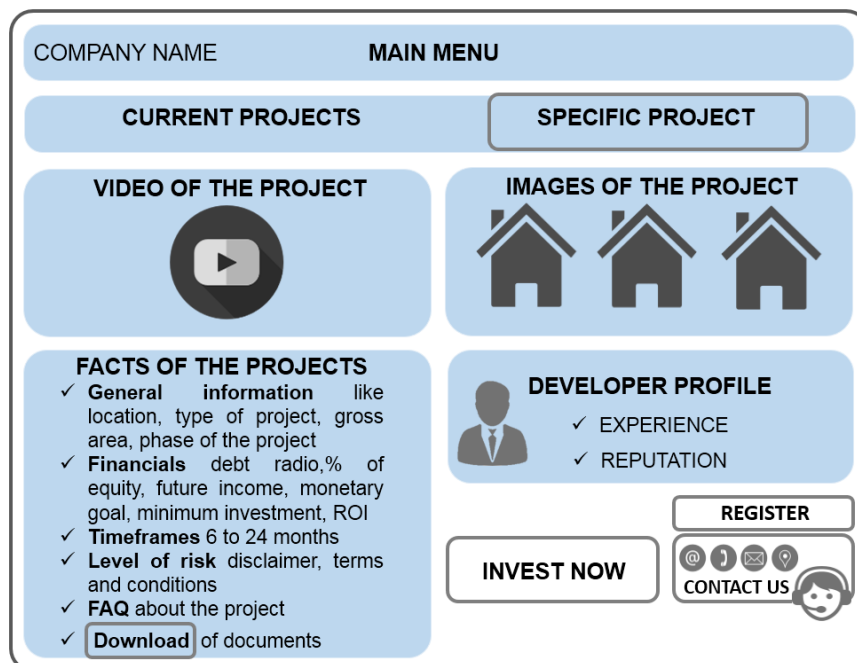
### Current projects

The main item in a real estate crowdfunding websites is the tab for current projects, or in others words projects in campaign looking for funds.

As it was mentioned before, the most important issue in this section is to sell the project to potential investor with the help of visual tools and clear statistics. Usually in this section of the website, investors can find all the relevant information about the project

such as videos, animations, images, location, facts and numbers of the listing developments. Always the first part of the website is dedicate to the outlook of the project, images, videos and animations, and some key numbers like basic investment, percentage of ROI and timeframe. the second most important aspect is the developer profile, there is information about their experiences, portfolio, team work, incomes, reputation etc.

Finally, if there is a person interested they can find more details and facts about the project, they even can download documents after register with the company. General facts of the project refers to general information like location, type of project, areas, current phase. Financial matters like debt ratio, financial structure, minimum investment, monetary goal, timeframes, ROI. Risk assessment, disclaimer, terms and conditions.



**Fig. 12:** Typical website template for listing projects in Crowdfunding platforms, own illustration

### 3.3.3 Elements to take into account for successful campaigns

According to with Koch et al.2015, there are common elements relate to every successful crowdfunding campaign, these elements can be grouped into three main categories: media richness, specific project aspects, specific founder aspects. Seen as

separate factors none of these has enough influence to affect the results of a campaign. However, the interdependencies, relationships, and the overall performance of all and each one of these factors end up affecting the funding process of the projects.

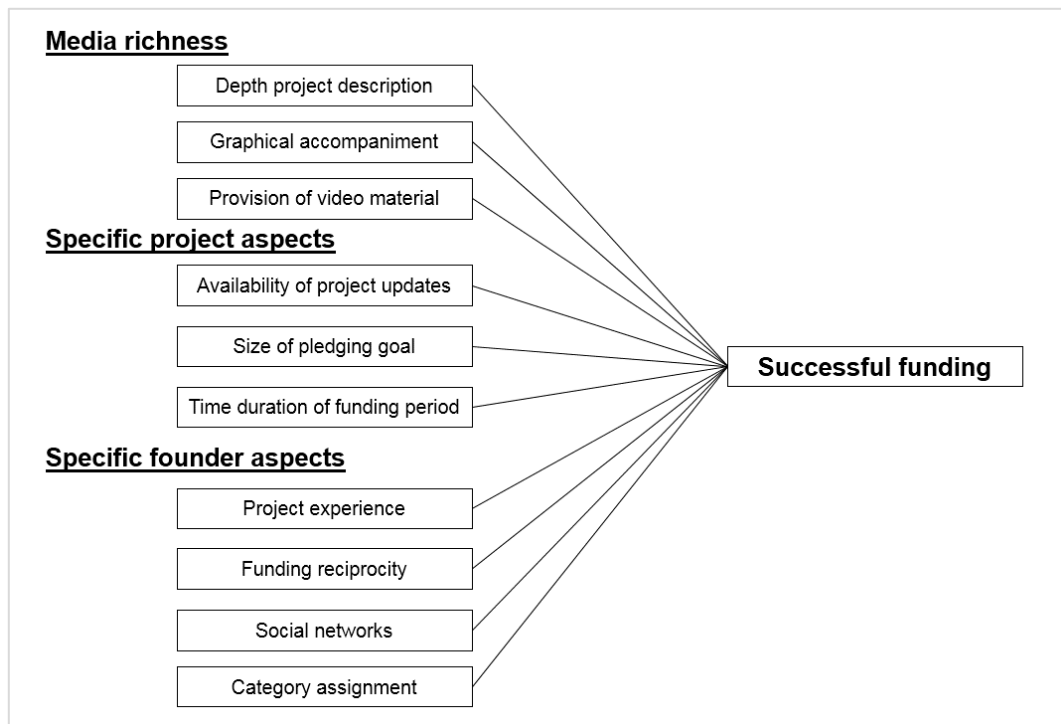


Fig. 13: Model to explain the funding success of crowdfunding campaigns, Koch et al.2015

## Media richness

**Depth project description:** “A depth project description has a positive impact on the success of funding”<sup>22</sup>. In the context of real estate crowdfunding is important to present clear and sufficient information about the projects, a complete description including location, type of property, the purpose of funding etc. Additionally, developers must provide financial and legal details about their projects and the specific steps leading to its realization. Even it is essential to inform about the risks in the venture, comprehensive descriptions in this matter increase transparency, credibility, and trust in the development. Therefore, a potential investor would be able to make a more informed decision.

<sup>22</sup> Koch, Jascha-Alexander and Siering, Michael, "Crowdfunding Success Factors: The Characteristics of Successfully Funded Projects on Crowdfunding Platforms" (2015). ECIS 2015 Completed Research Papers. Paper 106

**Graphical accompaniment:** “the utilization of images has a positive impact on the success of funding. Written text is useful to describe issues, projects, purposes, objectives, ways of proceeding, and finally the project goal in a detailed manner. However, using just text in a crowdfunding campaign is not enough to call the attention of potential funders. According to the media richness theory, using images enables richer communication than using only textual descriptions alone”<sup>23</sup>.

From the perspective of the construction and real estate industry, pictures, renders, diagrams, and any graphical material are essential tools in the comprehension of any project. Especially, when the developer is seeking for sponsors and external sources of capital for funding their projects, it is a problem of marketing and sales. Graphical material not only helps to clarify concepts and ideas behind the project, it has the purpose of catch, at first sight, the attention of potential investors, and secondly, it has to create a memory with compelling feelings. Therefore, with a better understanding and an emotional attachment to the project, it is easier to find funders.

**Provision of video material:** “while pictures only display a snapshot in time, videos are able to show movements and furthermore supply audio information. Besides, from texts and pictures, this is the third way of presenting a project. In the case of projects dealing with static objects without spectacular functionalities in action, the visitor may be satisfied with pictures to gain enough information about the project and its appearance. However, in some cases, a pictorial snapshot is by far not enough for a sufficient understanding of the project. For example, if a project deals with theater engagement, movie production, or music recording, only communication based on videos has sufficient richness to provide the necessary information about whether the project is worth funding or not”<sup>24</sup>.

In the case of real estate projects listed in crowdfunding platforms, the main objective of using video materials is to present the project, gives realistic ideas about the location, neighbors, appearance, finishing materials and so on. In the internet and video stream era, it is a key marketing tool to be engaged with the public and gain potential

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<sup>23</sup> Koch, Jascha-Alexander and Siering, Michael, "Crowdfunding Success Factors: The Characteristics of Successfully Funded Projects on Crowdfunding Platforms" (2015). ECIS 2015 Completed Research Papers. Paper 106

<sup>24</sup> Koch, Jascha-Alexander and Siering, Michael, "Crowdfunding Success Factors: The Characteristics of Successfully Funded Projects on Crowdfunding Platforms" (2015). ECIS 2015 Completed Research Papers. Paper 106

investors. The developers also use the videos to introduce their company, talk about their professional experience, their human and technical resources, achievements, the level of commitment, etc. in order to create a solid image of trust and technical capability.

### **Specific project aspects**

**Availability of project updates:** visitors and funders need to be sure that the project execution is going according to the plan. The owner of the campaign has to provide with regularity updates on the progress of the project, this includes reports, images, and videos of the general performance of the project, even difficulties, and challenges. It is its responsibility to create and keep a transparent communication channel, an open source to inform its backers about their investment. This attracts more funders and gives a sense of tranquility to the early investors. The public also perceived constant updating (progression) as a sign of engagement and professional capability, thus they will be convinced that the project will reach the goals and worth to be funded.

**Size of pledging goal:** the size of the pledge has to be proportional to the complexity of the project. "The more complicated or money-intense a project is, the more confidence is needed for its funding". Thus, the project and the marketing campaign has to provided that confidence, convinced the investors that the project and its team members are trustful and they are engaged enough to really fulfill their promises, always keeping the balance between the amount of capital requested and the level of work (perceived by the public) a project could have.

"Difficult projects or projects that need high investments might be judged to be riskiest, thus, the potential funders may develop a high reservation against those projects. High pledging goals tend to lower the intention of funding, hence high pledging goal must be properly compensated by signs of trustworthiness."<sup>25</sup>In others words, the developers have to justified in a professional way the size of the pledging goal.

**Time duration:** The length of the funding period has a direct impact on the project finances. The longer a project is exposed to the community, the higher is the probability

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<sup>25</sup> Koch, Jascha-Alexander and Siering, Michael, "Crowdfunding Success Factors: The Characteristics of Successfully Funded Projects on Crowdfunding Platforms" (2015). ECIS 2015 Completed Research Papers. Paper 106

that visitors and platform members get aware of it which might translate into a higher amount of funding.

### **Specific founder aspects**

**Project experience:** “the experience gain with former projects has an effect on potential funders’ funding decisions. If the number of previously created projects is clearly displayed on the project web page, the visitor may presume that this experience in creating is a good estimator for this project also reaching its determined goals .Abdul-Rahman and Hailes (2000), who discuss trust-supporting factors in virtual communities, argue that reputational information is important for the generation of trust. Thus, a founder who has been engaged in conducting projects for considerable time is seen as more trustworthy and more competent compared to new members who create a project for the first time on the platform.<sup>26</sup>”

In the real estate crowdfunding context, this means that if a developer has already completed several projects, has built a good reputation and has already been given money in the past to reach successful funding, it is more likely that he will also be given money in the present and in the future.

**Funding reciprocity:** “Reciprocity in general is the mutual exchange of tangibles or intangible, for example, money or solid objects concerning the first, and help or services concerning the latter. In the crowdfunding context, there can be found two kinds of reciprocity: direct reciprocity (between two individuals) and indirect reciprocity (between an individual and a group. Gouldner (1960) describes reciprocity as a norm, which obliges people to help those, who have helped them before. Concerning direct reciprocity, one can argue that a platform member A is more likely to fund a project of member B if member B also funds a project of A.”<sup>27</sup>. This aspect is more limited to other types of crowdfunding, like crowd donating and reward based crowdfunding, it does not apply to real estate crowdfunding.

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<sup>26</sup> Koch et al.2015

<sup>27</sup> Koch, Jascha-Alexander and Siering, Michael, "Crowdfunding Success Factors: The Characteristics of Successfully Funded Projects on Crowdfunding Platforms" (2015). ECIS 2015 Completed Research Papers. Paper 106



**Social networks:** Potential funders could be impressed and influenced by the numbers of friends, followers, and likes in the social and professional networks of the campaign owners, leading to the opinion that those developers must be trustworthy and/or successful.

**Category assignment:** the projects on a crowdfunding platform can be organized and assigned to different categories according to the project content. There are categories such as "Music", "Food", "Lifestyle" or "Games". As these categories stand for singular orientations and interests, potential funders from specified target groups may be attracted.

### 3.3.4 Common mistakes in crowdfunding campaigns

The following list illustrates the most common mistakes in crowdfunding campaigns, it was based and adapted from the work of Rouhiainen, Guidelines for Finnish start-ups on how to utilize crowdfunding, 2016.

1. Not catching the interest of the audience or potential investors, as consequence of having poor graphical material (images, renders, videos, diagrams etc.), poor description or the total absence of both.
2. Poor description of the project or lack of information, it is important to explain and clarify the project in a depth way, offering enough information in order to gain the interest of the potential funders.
3. Not having a marketing plan or business strategy. Usually, the crowdfunding campaign is just a small part of a bigger marketing plan. The information of the project has to respond to the business strategy and be aligned with the marketing plan. It has to be appealing to attract the consumers and/or potential funders.
4. Not giving enough relevance to the marketing strategy. The projects do not sell by themselves. The developers need to endorse their projects by highlighting the benefits and qualities. When potential investors can clearly see that a project is profitable and it is responding to the market needs, they will be interested in being part of it and funding it.

5. Run a crowdfunding campaign without using the available promotional channels. If your project or your marketing plan has a specific target group, make sure that you are using all the relevant channels to reach that specific group of potential investors. For example social and professional media like Facebook, Instagram, Snapchat, LinkedIn, YouTube, Twitter, etc.

6. Not having enough or verified experience as a developer. Having team members involved in the campaign and in the project without relevant experience in their fields, or even worse having team members who have been involved with fraudulent projects. The investors need certainty, they have to know where their money goes, and who the people in charge of the project are.

7. Not giving accurate financial information to your potential investors. The earnings, yields, interest, or any profit promised to the investors has to be based on realistic calculations of the project. It is not just a matter of credibility, reputation, or trust, but also a legal binding between the parties.<sup>28</sup>

### **3.4 Regulations and normativity**

The regulations and the normativity review in this study are focus exclusively in the current situation in the USA and Europe. This is due to the delimitation established for this thesis. Additionally, the information described in this chapter, was taken from the book *Archetypes of crowdfunding platforms* and it is based on the work of Danmayr.

Crowdfunding as a mean to financing all kind of projects may be efficient most of the time, but it becomes a challenge when it involves the offering of equity. Under the current legal situation, equity based crowdfunding is severely limited in key markets like America and Europe. It is a question of protection for the investors when social networks are used to request funds for business enterprises. Currently, and due to the novelty of this phenomenon, there are not clear rules, which offer the proper balance

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<sup>28</sup> Rouhiainen, *Guidelines for Finnish start-ups on how to utilize crowdfunding*, 2016

to encourage small business funding without threatening the investor. As a result, equity-based crowdfunding platforms are uncommon, though there are some exceptions where platforms can act according to existing legislations, as broker dealers. It is only accessible for accredited investors, killing the nature of the crowdfunding business<sup>29</sup>.

### **The situation in the USA – The JOBS Act**

The Jump-start Our Business Start-ups Act (or JOBS Act) was passed in 2012 in the USA as a response to the squat growth, when the government identified the crowdfunding as a feasible solution for the nation financial problems. There was clear that encouraging entrepreneurship the economy would recover faster, but it was necessary to introduce exemptions to the security laws. Without such an exemption, crowdfunding will not be possible for capital raising, concerning the costs of being compliant with current laws.

Any time one gives away money expecting to share in the profits of a project venture or initiative without having control, a security is sold in this context. The main obstacle facing this investment model are the significant legal fees associated with federal registration. Compared to the legal environment in other countries, SEC registration is typically more burdensome and expensive.

The passing the JOBS Act, leads towards the first legal way for US Businesses to tap the crowd. Disruptions occur when one takes into account that the JOBS Act was built into a nearly 80-year-old regulatory, pre-internet regime. A person of average provides seed capital for a stranger's start-up halfway across the internet by means of a web-based platform. (Knight et al. 2009) Following on experts' suggestions there is a need to expand access to private equity markets. Due to limitations within the Dodd-Frank reforms (an individual must have a net worth of at least \$1 million and an annual income of more than \$200,000, a person's home is excluded from net worth calculation), this access is only available for approximately 2 percent of the American population. (Kauffman 2013).

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<sup>29</sup> Danmayr, archetypes of crowdfunding platforms, Springer Gabler, 2014

A basic rule of securities law since 1933 says: if you offer securities to the public, you must register the offering with the SEC. A general solicitation occurs if potential investors are attracted without taking into account whether they are sophisticated or accredited investors according to SEC's requirements.

There has been no exemption fitting the needs of smaller companies, and therefore these ventures were excluded from financial markets. Prohibitive costs mostly come from conducting the necessary due diligence, preparing required filings for the SEC, and attracting an underwriter, who typically takes a portion of the funds raised as a fee. As described above, remaining sources are self-funding, loans from a bank, investments from friends and family, business angels or venture capitalists.

If a crowdfunding platform is intended to collect donations without any possible financial return to the donor, there is no offering of securities – securities laws are not applied. The new crowdfunding exemption introduces the opportunity to seek a small amount of money and enable a person of average to participate as an investor in the start-up world. The inner working of the exemption shows the following characteristics<sup>30</sup>:

- ✓ Offering securities is limited at \$1 million (debt, equity or combined)
- ✓ No restrictions on who may invest
- ✓ Would-be investors have to pass a financial literacy test
- ✓ Individual contribution is based on the investor's annual income or assets: annual income or net worth less than \$100,000: the greater of \$2,000 or 5% of annual income or net worth in crowdfunding securities in any given year
- ✓ Annual income or net worth greater than \$100,000: 10% of annual income or net worth, up to a limit of \$100,000
- ✓ Restriction for transferring securities for one year

Critics say that there should be created non-financial criteria for sophisticated investors with fewer worth. Instead of having enough wealth to be insulated from losses, additionally the JOBS-Act definition could be expanded to include those who are sophisticated enough to mitigate some of the risk.

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<sup>30</sup> Gelfond and Foti 2012, Hazen 2012, Knight et al. 2009

Such a solution would still protect naïve investors from risks, thus allowing for knowledgeable investors with fewer assets to participate in private equity markets. Wealthy individuals may continue to be accredited without knowledge certification, as they have adequate wealth to compensate their risk. Though there is no need to register an offering within this exemption, the issuer has to file certain disclosures with the SEC and make them available for all potential investors. The issuer has to disclose:

- ✓ Name and address
- ✓ Identities of officers and directors
- ✓ Description of the business plan
- ✓ Company's financial condition, financial statements and capital structure
- ✓ Amount which should be raised by the offering

Declaration of intention on how to use the money raised

- ✓ Price for securities
- ✓ Deadline for reaching the funding goal (not achieving this goal precludes the issuer from receiving any money)

Compared to a traditional IPO, these disclosures are less sophisticated and potential issuers should be motivated to produce these documents in order to get the financial resources they are seeking for. There is already concern that the rules especially for crowdfunding platforms are too tight and the outstanding interpretation and enforcement could make it worse. The greatest trap may be that the JOBS Act requires that crowdfunding issuers do *not advertise the terms of offering, except for notices which direct investors to the funding portal or broker*. Even a video, widely used in common crowdfunding practice, may create liability for the issuer because it presents the issuer and its venture only in a positive light. Anything included will be seen as a statement made in connection with the purchase or sale of any security and therefore liability for misstatements or omissions arises. (For the issuer as well as the platform) Who wants to employ the same tactics to promote one's securities that have been useful in advertising one's business and products may find himself constituting impermissible market conditioning under the SEC's rules. Knowing this pitfall seems to be a necessity, not being lulled into a false sense of freedom by the recent changes. It would be clearly inconsistent with the legislative intent of the JOBS-Act for the SEC to strangle crowdfunding through onerous regulations.

A second major exemption is provided by the JOBS Act by suspending the requirement for registration in case of addressing more than 2000 accredited or 500 non-accredited

investors. This is basically necessary for crowdfunding to work. Solving one problem, this exemption highlights another. Knight et al. (2009) point out that keeping track of a vast number of investors will be a great challenge for small or even nascent ventures. Small contributions from a large number of investors deserve as much of investor protection than greater amounts of money from fewer individuals. (Gelfond and Foti 2012, Hazen 2012) The third major contribution of the JOBS Act directly addresses crowdfunding platforms. One fundamental principle of securities law says that if you are “engaged in the business of effecting transactions in securities for the account of others,” or “engaged in the business of buying and selling securities” for your own account, you are a broker or dealer and therefore must register with the SEC. This is true in the case of social networks, connecting their members with crowdfunding offerings. (Hazen 2012) The JOBS Act explicitly releases crowdfunding platforms from designation as a brokerdealer. Though there is a lot of uncertainty around this exemption. For instance, the SEC has the authority to determine whether this exemption is available unconditionally or conditionally, without knowing yet how onerous those conditions may be. Further a crowdfunding platform still needs to register with the SEC, it just has not to go through the registration process of a broker-dealer. A new obligation for crowdfunding platforms is that they must provide investor education, ensure that investors do not exceed the individual investment cap as shown above, prevent fraud and protect confidential information. It will also be responsible for only paying out money to issuers if the initial funding goal is reached and set up procedures to allow investors to cancel their commitments to invest. Another interesting fact, especially for one considering to come up with a funding portal is that broker-dealers might be hard competitors, because all platforms are not broker-dealers, but some broker-dealers will likely be funding portals. Facing all the shown responsibilities creates a challenging environment for portals just starting their business. The mentioned responsibilities could also be seen as the SEC’s answer to feared fraud and other shady dealings permeating the crowdfunding market. (Hazen 2012, Knight et al. 2009) There is concern that creators with unreasonable ideas will still find funding from naïve investors, they will simply back projects that have been already supported by others. (Kuppuswamy and Bayus 2013) The JOBS Act is not without sceptics, as evident from the ongoing discussion, though the Act should have been finalized by the end of 2012. Some critics are concerned that crowdfunding could turn into crowd fleecing. “There is no question, fraud will occur” a journalist predicts. Considering that the recent financial crisis was caused in large part

by lack of regulation, relaxing regulation concerning crowdfunding has the potential to make matters worse. (Kauffman 2013) The advantages of crowdfunding do not justify to loosen investor protection. However the final setting of the JOBS-Act may look like, it should be conditioned on mandatory disclosures. (Hazen 2012) Another facet sheds light upon business models of the proposed funding portals. They are not allowed to charge closing fees, though most nascent issuers may not be able to pay upfront fees. These are only basic questions, arising around passing the JOBS Act. The SEC and FINRA are still in the process of rulemaking. According to an official SEC spokesman “crowdfunding is an area of concern” and so the deliberate pace of FINRA’s and SEC’s work should not be interpreted as a lack of priority. Ongoing changes have to be monitored, by potential issuers as well as funding portal providers, to be prepared when the JOBS Act will be passed. (Kaufmann et al. 2013) Success will likely depend on whether the final rules allow for lean processes or make crowdfunding costly and unappealing. (Gelfond and Foti 2012) How a potential framework for crowdfunding platforms under the JOBS Act ultimately ends up offering equity-based crowdfunding will primarily depend on how the SEC rules are finalized and how FINRA sets additional claims. Financial innovation in terms of crowdfunding carries both risks and rewards. Several proposals for a possible crowdfunding exemption have been made. Some of them are only bare frames, but all of them share common features. Bradford (2012) summarized these proposals and came up with a recommendation for rule makers:

- ✓ Funding should be limited to \$250,000 - \$500,000 each year for issuers
- ✓ No need of any registration or further information requirements
- ✓ Investors annual investment should be no more than either \$500 or 2% of the investor’s annual income, whichever is greater
- ✓ Offerings should include a funding goal and should not close until this goal is met
- ✓ Offerings have to be made on a crowdfunding platform that:
  - Notifies the SEC that it is supporting crowdfunding under this exemption
  - Is open to the general public
  - Provides communication means that allow investors to communicate about offerings
  - Provides investors with simple education before investing is allowed

- Does not invest in the platform's offerings (also employees of the crowdfunding provider must be excluded from investments)
- Does not offer any investment advice.

The SEC should keep in mind that real-world experimentation is currently the best way to test a new phenomenon. (Kauffman 2013)

Accredited investor is a term defined by the U.S. Securities and Exchange Commission (SEC) under Regulation D, Rule 501. An investor must accomplish at least one of the following in order to qualify as accredited:	
✓	Earn an individual income of more than \$200,000 per year, or a joint spousal income of more than \$300,000 per year, in each of the last two years and expect to reasonably maintain the same level of income
✓	Have a net worth exceeding \$1 million, either individually or jointly with his or her spouse.
✓	Be a bank, insurance company, registered investment company, business development company, or small business investment company.
✓	Be a general partner, executive officer, director or a related combination thereof for the issuer of a security being offered.
✓	Be a business in which all the equity owners are accredited investors.
✓	Be an employee benefit plan, a trust, charitable organization, partnership, or company with total assets in excess of \$5 million.

Tab. 2: Requirements to be accredited investors according to SEC<sup>31</sup>

### The situation in Europe:

In Europe, there is not Approaches like the JOBS-Act in the USA, which anyway seems to be inappropriate for the fragmented European market. Thus, it is necessary to establish urgently a normative frame regard crowdfunding. Currently the only organization addressing this issue is "The European Crowdfunding Framework".

<sup>31</sup> <https://support.realtyshares.com/hc/en-us/articles/115004536247-What-is-an-Accredited-Investor->



Due to the lack of additional serious sources, directly addressing European circumstances, this section heavily relies on “The European Crowdfunding Framework”. Even the section that addresses legal issues in the Massolution Crowdfunding Industry Report 2013 does not unveil other sources than the main author of the European Crowdfunding Framework, Kristof De Buysere from Tilburg University.

The European Union and its overall legal and regulatory framework causes many challenges. It leaves too much opportunity for fragmentation, due to varying interpretations by each member states. This can also be stated for access to finance for Small and Medium Sized Enterprises (SMEs). Though there has been issued a plan to improve this situation (measures taken since 2007 to improve access to finance for SMEs by means of the Competitive and Innovation Programme, the European Investment Bank allocation for SME loans, cohesion policy funds and the Risk Sharing instrument in the European Commission’s Framework Programme 7), it did not take into account crowdfunding as a highly innovative means for pushing Europe’s entrepreneurship.

(De Buysere et al. 2012) A sub-department of the European Commission is concerned with cross border matching innovative firms with suitable investors. They figured out that the fragmented European regulatory environment represents the greatest challenge for entrepreneurs, platform providers and investors alike. This expert group proposes, maybe influenced by troubles observed amongst the JOBS-Act, to encourage crowdfunding in Europe without over-regulating it, but with proper investor and entrepreneur protection as an overarching criteria. Coming up with a solution is also a question of competitiveness with non-European future players in the crowdfunding industry.

(De Buysere et al. 2012) There are already crowdfunding platforms online which allow for equity crowdfunding in several European countries such as the UK or Netherlands. They are faced with complex schemes of partaking and control in the entity in order to avoid legal issues. (Lehner 2013) In the tension between stimulating efficient and transparent markets and ensuring investor protection, the major drawbacks for introducing equity and loan based crowdfunding can be found. As in the US, investor protection regimes are designed for incumbent investment settings, excluding a large number of crowd funders. (De Buysere et al. 2012) In Europe we are faced with a Prospectus Directive, allowing freedom for national lawmakers to implement country-specific regulations below a 5 million Euro threshold. These regulations are ranging from full prospectus regimes to complete exemptions. Though there is a harmonised exemption for campaigns not exceeding €100.000, this limit seems to be too low for

many ambitious campaigns. The European Crowdfunding Network proposes to include harmonised rules in the sub 5 million Euro region. In the event of a light regulatory regime above €100.000 there should be a preparation and approval procedure introduced for creating a prospectus, thus being a guarantee against additional national approaches of fundraising promotion rules.

In addition introducing investment caps per investor or campaign might be suitable in order to protect investors. (De Buysere et al. 2012) Deutsche Bank Research (2013) also points out the prospectus exemption below a funding volume of € 100.000 in twelve months. There is no need for special protection of the issuance according to the EU Prospectus Directive. The necessity for a prospectus in the case of more than 20 shares or share price exceeding € 200.000 does not apply to most crowdfunding initiatives because stakes tend to be quite small amounts. However, the need to publish a prospectus does apply to equity crowdfunding. A striking fact is that it applies to the initiator, rather than the crowdfunding platform provider (legally separate persons).

Besides the shown Prospectus Directive, several other obstacles for applying crowdfunding as a means for financing ventures in an early seed stage can be identified:

- ✓ Corporate law provisions: Inexpensive corporate, typically chosen by start-ups are limited in terms of offering equity to new and yet unknown investors. Formalities that are in many cases involved in equity transactions might not be suitable nowadays. Applying features from public company types (this does not mean that they are necessarily listed) to such simplified company types may circumvent these undesirable features.
- ✓ Regulations impacting the intermediary function of crowdfunding platforms: Such platforms, as shown, usually arrange transactions between investors and investees directly. Many platforms in case of equity crowdfunding act as a central counterparty. So already mentioned obstacles may be circumvented, fitted to the specific needs of the country of origin. Investors receive equity in an intermediate entity, or will be a creditor of that entity through an equity-like contract. Depending on the model that a regulator in a specific country deems acceptable, there is a wide range of different transaction models, leading towards a highly investor unfriendly situation.
- ✓ Accepting reclaimable funds: Accepting reclaimable funds requires a license as a credit institution. Crowdfunding platforms are usually unable to meet these license requirements. Due it is a basic function of a crowdfunding platform to

pay back pledges in case of not meeting the funding goal (the threshold pledge model), by doing so they are facing the highest regulatory burden and cost to accept money in advance from investors. There has to be found an exemption for platforms that legalizes electronically storing money as long as the money is separated from the platforms' own account in case of bankruptcy.

- ✓ Collective investment undertakings: A pan-European transaction model for crowdfunding platforms is not conceivable yet, due to platforms necessity to prevent getting caught under the “Undertakings for the Collective Investment in Transferable Securities” (UCITS) and the “Alternative Investment Fund Managers Directive” (AIFM), which are prohibitively costly.
- ✓ MiFID: Crowdfunding platform providers may be faced with some activities, regulated within in the “Markets in Financial Instruments Directive” (MiFID). Different national interpretations make it hard to clarify whether a platform transaction structure classifies as such an activity or not. This is primarily true for:
  - The placing of financial instruments
  - Execution of orders on behalf of clients
  - Reception and transmission of orders in relation to one or more financial instruments
  - Operating a multilateral trading facility
  - Services related to underwriting.

Yet finding ways to circumvent these burdens, there is a substantial risk to be qualified as such a regulated activity. The proposed activity of operating and organized trading facility” may also apply to crowdfunding platform providers. Qualifying some sort of regulation seems to be necessary, but it has to be kept in mind that such a regime should be proportional and manageable from an organizational point of view, thus requiring an exemption for crowdfunding platforms under MiFID. (De Buysere et al. 2012) As shown in the paragraphs above, development of crowdfunding specific regulatory and legislative regimes are emerging. Though, there are still inadequacies in laws that lead to an unsatisfactorily condition for the participating parties. Given the dynamics within the crowdfunding industry landscape, there is an urgent need to find optimal regulation and legislation.(Massolution 2013)<sup>32</sup>

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<sup>32</sup> Danmayr, archetypes of crowdfunding platforms, Springer Gabler, 2014

## German Crowdfunding Law, KASG

The German crowdfunding law is called “Kleinanlegerschutzgesetz”, often abbreviated KASG, which literally means “Law for the protection of the small investor.”

This law is one instance of a country-specific crowdfunding regulation which specifies under which conditions crowdfunding securities may be offered to retail investors while being exempted from publishing a full-fledged prospectus. As a reminder: crowdfunding regulation at European Union (EU) level was so far deemed “premature” by EU authorities and is therefore not included in the Capital Markets Union, the EU’s effort to harmonize capital market regulations at EU level. Hence, each EU country currently issues its own regulation which creates a legal patchwork and hinders cross border deals<sup>33</sup>.

The German government’s report firstly notes that German real estate projects represent 10% of the successful projects and 33% of the capital raised through crowdinvesting, that is €36 million. Projects are typically residential property development, mostly construction, the reminder being renovations. German real estate crowdinvesting nearly doubled in size last year while the growth of startup crowdfunding slumped.

The government finds this trend negative. It justifies its proposal to exclude real estate from the scope of the crowdfunding exemptions as follows:

- ✓ The large share of real estate in crowdinvesting represents a deviation from the intention of the legislator which was to foster the funding of high-growth startups.
- ✓ There is no lack of funding for real estate projects. Social real estate, for example, can be funded through schemes that are specific to social housing.
- ✓ Real estate crowdinvesting could be considered as a form of deregulation of real estate finance which could, bearing in mind the role played by real estate in the 2008 financial crisis, create a price bubble, and ultimately pose a threat to financial stability.

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<sup>33</sup> <https://www.crowdfundinsider.com/2017/05/99687-german-crowdfunding-association-urges-regulator-not-exclude-real-estate-crowdfunding-regulation/>

Note that these critics do not make any mention of the protection of retail investors which is supposed to be the focus of the KASG law.

However, this topic was addressed elsewhere by the German financial regulator BaFin:

- ✓ Current real estate crowdfunding offerings make use of the subordinated debt instruments (shareholder loans and subordinated loans are the only securities authorized under the current KASG law). This could mislead retail investor to believe that their debt is more senior and more secure than it actually is.
- ✓ There are potential conflicts of interest if, for example, real estate promoters create a platform and therefore are judge and jury for the quality of the projects presented on the platform.

The German Crowdfunding Association expressed its disagreement with the government's critics of real estate crowdfunding and its recommendation to exclude it from the scope of the KASG law.

Firstly, considering the general issue of crowd investing (equity), the association notes that, even though there is not yet a harmonized crowdfunding regulation, there is a willingness at EU level to improve SME's access to alternative financing that should encourage the German government to foster crowdfunding instead of limiting it. The association recalled its proposals to enlarge the KASG instead. Secondly, the association recalls that the government previously stated in answer to a request by the Green Party that its investigations had shown no sign of misconduct relating to crowdfunding or crowdfunding platforms. On the contrary, crowdfunded companies have proven to have a significantly higher survival rate than other startups and SME.<sup>34</sup>

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<sup>34</sup> <https://www.crowdfundinsider.com/2017/05/99687-german-crowdfunding-association-urges-regulator-not-exclude-real-estate-crowdfunding-regulation/>

### 3.5 List of analyzed platforms

N°	Company name	Country	Year
1	 ZINSLAND www.zinsland.de	Germany	2014
2	 BERGFÜRST Hier unternehmen Sie www.bergfuerst.com	Germany	2014
3	 iFunded www.ifunded.de	Germany	2016
4	 FUNDRISE www.fundrise.com	USA	2012
5	 PeerStreet www.peerstreet.com	USA	2014
6	 REALCROWD www.realcrowd.com	USA	2013
7	 PeerRealty a Brellion Company www.peerrealty.com	USA	2014
8	 REALTYMOGUL.com www.realtymogul.com	USA	2012
9	 ReaCapital www.reacapital.de	Germany	2016
10	 REALTYSHARES www.realtyshares.com	USA	2013

**Tab. 3:** List of companies (crowdfunding platforms) analyzed

### 3.5.1 Analysis method and results

The analysis of the different real estate crowdfunding platforms was conducted using a matrix to organize and compare relevant data of each company<sup>35</sup>. The method used was collecting information from the available projects in the platforms focus on relevant aspects for the study like the company profile, the listing projects, and the type and quality of the information displayed to the potential investors.

The following comparative table prepared in June 2017 (Tab.3), reveals important features about the current environment of the real estate crowdfunding platforms:

#### Company features

- ✓ All the analyzed platforms in Europe operate under crowd lending scheme, while in the USA is a mixed between lending and equity crowdfunding.
- ✓ Real estate crowdfunding is a business in its beginnings, where the oldest platforms were established five years ago and the average time of operations is 3 years. The newest one has been on the market less than one year.
- ✓ The European platforms seems to be more accessible to potential investors, offering minimum investments from 10, 250, and 500 EUR while in the USA this amount could be 1000USD, 5000USD, and even 50000USD. Where only accredited investor can participate.
- ✓ Most of the Real estate crowdfunding platforms in the USA charge fees to the investors, contrary to the Europeans platforms.

#### Projects features

- ✓ Both in Europe and the USA, the majority of projects listed are residential, representing more than 90% of the portfolio listed. Although most of the platforms have commercial projects, just few of them are specialized companies in this type of assets.
- ✓ The European real estate crowdfunding platforms usually have few projects to funding at the same time (2 or 4 maximum). While in the USA, platforms have a wide offer of projects.

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<sup>35</sup> <http://www.therealestatecrowdfundingreview.com/top-100-sites-ranked-and-reviewed>

- ✓ The average cost of the construction projects listed in the European platforms are 7.2 million EUR, while in the USA the average cost of the developments listed are 12 million USD.
- ✓ The maturity time for the investment in the USA platforms is in average 41 months while for the European 24 months.
- ✓ The average percentage financing through crowdfunding in relation to the total construction cost or value of the asset is around 8.6% for the smallest and 28% for the highest.
- ✓ The minimum ROI offering is 5.0% per year, more attractive returns are available in the USA platforms specialized in loans, senior debts (18.80% per year) but only for accredited investors with large, and long-term investments.
- ✓ The average financial goal for the crowdfunding campaigns are between half million and around one million EUR.

### **Informative features**

- ✓ Videos and digital animation are important part of the marketing campaign, but only half of the platforms use this tool.
- ✓ Images and renders are the most common resource to promote the projects. However, the quality and the quantity depends on the standards of each platforms.
- ✓ The developer profile is only present in half of the platforms analyzed, even though it is a relevant aspect in the final decision of the potential investor.
- ✓ Planimetric information seems to be an irrelevant item for the investors, since only 30% of the real estate crowdfunding platforms have this information.
- ✓ Financial structure of the listed projects is essential for the investors, thus, this item is common to all the platforms.
- ✓ Although all the platforms have clear disclaimer about risks, terms and conditions, just 30% of them have a risk assessment for their projects.
- ✓ Educational material is a common element in all the real estate crowdfunding platforms.



INFORMATION	COMPANY									
	Real Estate crowdfunding Platforms	Zinsland	Bergfürst	ifunded	Fundrise	Peerstreet	Real crowd	Peer realty	Realty Mogul	Rea Capital
Type of crowdfunding	Lending	Lending	Lending	Lending - Equity	Lending	Equity	Equity	Lending - Equity	Lending	Lending - Equity
Capital financed	21.158.800 €	36.300.763 €	2.750.000 €	35.000.000USD	26.000.000USD	-	-	45.100.000USD	2.101.750 €	-
Minimum investment	500 €	10 €	250 €	1.000USD	1.000USD	50.000USD	5.000USD	1.000USD	250 €	5.000USD
fees for the investor	No	No	No	Yes	Yes	No	Yes	Yes	No	Yes
Years	3	3	1	5	3	4	3	5	1	4
Number of current projects	2	4	4	39	1	9	1	11	2	5
Type of projects Residential - commercial - industrial	Residential Commercial	Residential Commercial	Residential	Residential Commercial	Residential	Residential Commercial	Residential Commercial	Residential Commercial	Residential	Residential Commercial
Average cost of the projects	8.942.618 €	6.397.400 €	6.111.560 €	26.695.000USD	1.475.380USD	15.320.728USD	1.316.465USD	16.415.166USD	7.466.666 €	11.817.015USD
Average percentage financed by crowdfunding	8,60%	16,25%	13,27%	-	26,75%	17,80%	28,00%	14,65%	12,40%	21,60%
Average monetary goal	1.000.000 €	1.125.000 €	687.500 €	-	366.580USD	-	1.012.666USD	1.918.193USD	700.583 €	1.973.889USD
Average maturity time (months)	18	40	18	60 - 300	16	60	48	36	20	26
IRR - ROI % per Year	6,50%	6,30%	5,00%	5,45%	7,50%	18,80%	15,80%	8,00%	6,08%	8,50%
Video	Yes	Yes	No	No	No	Yes	No	No	Yes	Yes
Images	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Renders	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes
Location	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Planimetric information	No	Yes	Yes	No	No	No	No	No	No	Yes
Developer profile	Yes	Yes	Yes	No	No	Yes	No	No	Yes	No
Finance structure	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Legal documents	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Risk assessment	No	No	No	Yes	No	Yes	No	No	No	Yes
Disclaimer, risks, terms and conditions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Educational tutorials	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
*Additional information	No	Yes	No	No	Yes	Yes	No	No	Yes	Yes

\* Additional information could include: Market analysis, Phrase of the project, Tenant profile, Real estate strategy, Maintenance costs

Tab. 4: Summary of the analyzed crowdfunding platforms

### 3.6 Construction and real estate finance

“Without financing (debt, equity, or some combination), no real estate development is possible. Consequently, it is critical for developers to keep up with trends in real estate finance and the various sources of capital”, like real estate crowdfunding.

Real estate development is a capital-intensive enterprise. Most developers do not have the wealth or desire to fund an entire project on their own, so they seek debt and equity investment capital from other sources. The process of financing real estate involves a series of arrangements based on the types of risk present at each stage of development. Thus, different sources of capital are appropriate at different stages<sup>36</sup>. Real estate crowdfunding is a new way of financing projects to some extent. It is a suitable source for small gaps in the financial structure of the projects, Equity capital.

#### 3.6.1 The real estate finance process

Real estate development typically involves a series of financing arrangements: predevelopment financing, short-term construction financing, possibly *interim financing*, and finally *permanent financing*. As a project progresses, its investment risk varies and consequently so do, the interest rates and rates of return required by lenders and equity investors. Predevelopment debt and equity usually carry the most risk and the highest expected returns. Financing the purchase of well-designed and well located buildings with creditworthy tenants carries lower risk and correspondingly has lower expected returns<sup>37</sup>.

There are three general loan structures that are used to finance development. Generally, the structure chosen will depend on what the developer expects to do with the property after construction and leasing are completed. In most cases developers expect to do one of three things:

1. The property may be sold upon completion and lease-up to investors who want to own real estate but who do not want to bear the risk of development and initial leasing. In this case, the difference between the developer’s cost and the price received for the

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<sup>36</sup> Miles, Netherton and Schmitz, Real estate development principles and process, 2015, p187

<sup>37</sup> Brueggeman and Fisher, Real Estate Finance and Investments

completed property represents profit to the developer. In this case, the developer will usually consider short-term financing structures.

2. The developer may retain ownership with the expectation that she will continue to manage, operate, and lease the property as an integral part of her business. Many developers maintain relationships with tenants and may have opportunities to develop and lease to them if future expansion becomes necessary. In this event, a developer will seek a longer-term financing structure. This may consist of two loans, a permanent loan and a construction loan.

3. A developer may consider the sale or refinancing of a property upon completion. This is an option that combines elements of (1) and (2) above. In this case, the developer may seek short-term construction financing, coupled with either an option, or a commitment, to extend financing for one or two years beyond the construction period. This allows additional time beyond construction to (1) prepare the property for sale, or (2) provide actual financial data from operations to lenders. The latter may provide the opportunity for refinancing at more attractive interest rates as the project should be less risky to lenders.

Many of these loans may have maturities ranging from five to seven years and are commonly referred to as **mini-perm loans**. However, the downside of this strategy is that interest rates may be higher than was the case when construction began and the developer may be forced to pay a higher interest rate than may have otherwise been available had a precommitment for a permanent loan been made at the beginning of the development process. If this strategy is chosen, the developer should also investigate the possibility of an interest rate swap or hedge against higher interest rates. After the lease-up stage is completed and normal occupancy levels are achieved, the interim loan will usually be repaid by using either proceeds from the sale of the property or funds obtained from a permanent mortgage loan. Permanent loans usually come from life insurance companies, pension funds, or, in some cases, large commercial banks. In cases where a developer expects to have long-term ownership of a property, a commitment for permanent debt financing may be acquired *before* a commitment for the construction loan is obtained. Even in cases where developers expect to sell or re-finance property when a project is completed, if leasing market conditions warrant it, the interim lender may require the developer to obtain a permanent loan commitment or to provide contractual evidence that he will sell the project to an identified buyer before the maturity date of the interim loan. Justification for such loan requirements

may occur if the demand for space in a local market is expected to weaken, but the likelihood of sale of a project upon lease-up is high. Too much **speculative** and **open-ended construction lending** in a local market may result in significant overbuilding or an excess supply of space, which in turn may result in more vacancies and a reduction in rents. Property values may then decline, resulting in foreclosures.<sup>2</sup> In this case, a construction lender may want more assurance that the loan will be repaid from a sale or from a permanent loan committed to by another lender.<sup>38</sup>

The lender verifies the developer's assumptions, adjusts them as needed, and then independently assesses the project's viability. Each step includes a series of questions that both the developer and the lender need to address.

The six steps begin with a broad or macro view of the market and the property's location in the market, and then narrow to a micro view of the improvements and borrower. The final step combines all the collected quantitative and qualitative data into an analysis of the development's financial viability. With relatively minor variations, for most lenders a loan proposal includes these elements<sup>39</sup>:

1. Market and submarket analysis
2. Location analysis of the subject site
3. Assessment of the appropriateness of the proposed improvements for the site
4. Determination of the creditworthiness of the borrower
5. Evaluation of the developer's construction team and property management plan
6. Evaluation of the financial viability of the proposed improvements.

### **3.6.2 Capital Structure**

Real estate projects are typically financed by at least two capital sources: debt and equity. In some cases, there is a complicated financing structure, or "capital stack," with multiple sources of debt and equity each controlling partial interests in the property cash flows. Sometimes the capital structure becomes complex due to each interested party desires a different risk profile, which dictates how their claims on the cash flows

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<sup>38</sup> Brueggeman and Fisher, Real Estate Finance and Investments

<sup>39</sup> Miles, Netherton and Schmitz, Real estate development principles and process, 2015, p217

should be structured. The first major distinction is that debt financing is more contractual, while equity financing is more residual. Debt capital providers (lenders) have the first claim on cash flows from the property on the basis of contractual agreements that specify the property (and sometimes personal assets) as collateral for the loan. By contrast, equity investors receive cash flows from the property after the debt holders have been paid. This distinction causes debt providers to require a lower return on capital than equity holders, who assume a higher level of risk and therefore require a higher return on capital<sup>40</sup>.

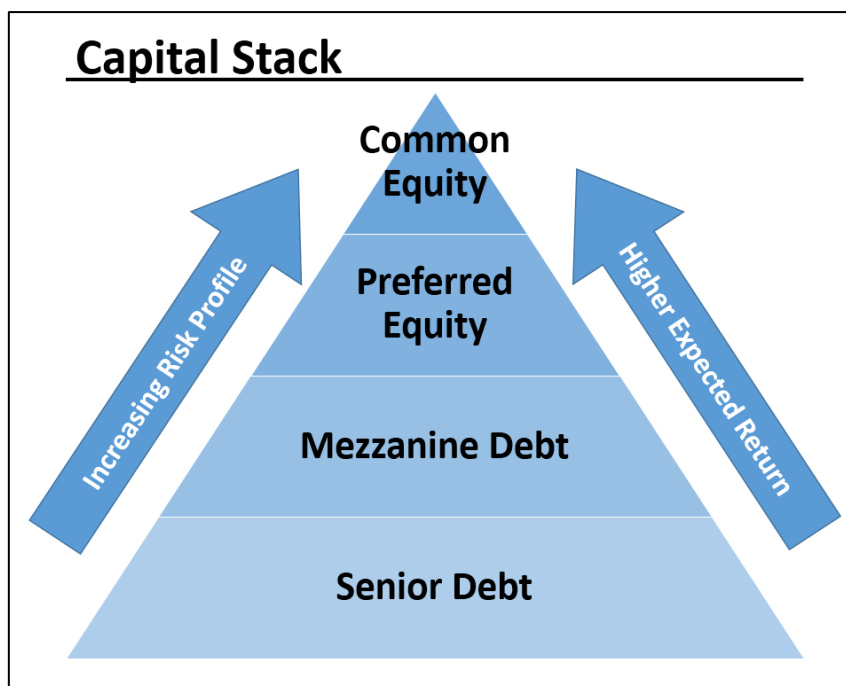


Fig. 14: Financing structure or "capital stack"<sup>41</sup>

**Senior debt** usually constitutes the largest portion of the capital stack but carries the most conservative risk profile because of its contractual interest in property cash flows and ability to foreclose on the asset if the contractual terms are not met. Senior debt is usually sourced through banks and other traditional institutional lenders.

**Mezzanine debt** is subordinate to senior debt; in the capital stack, it fills the gap between senior debt and project equity. Typical providers of mezzanine debt include hedge funds, mortgage REITs, and private sources.

<sup>40</sup> Miles, Netherton and Schmitz, Real estate development principles and process, 2015, p215

<sup>41</sup> Miles, Netherton and Schmitz, Real estate development principles and process, 2015, p216

**Equity capital** takes the form of either preferred equity or common equity. Preferred equity, as the name suggests, takes a senior position over common equity in the capital structure. Although it maintains a residual interest in the property cash flows, it functions more like debt, with a set return that is paid, or accrued, on a regular basis. **Preferred equity** providers expect a higher return on investment than both senior and mezzanine debt providers, but a lower return than common equity providers require. Preferred equity is sourced through private investors such as individuals, private equity funds, and real estate investment firms. The capital source that maintains the highest risk profile and highest expected return is **common equity**<sup>42</sup>.

The current conditions of the Real estate crowdfunding and the way it operates in the market, placed this source of financing as Equity capital among the capital structure previously study Fig.14.

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<sup>42</sup> Miles, Netherton and Schmitz, Real estate development principles and process,2015, p216

## 4 The current assessment process

### 4.1 The documentation required for the process

The quality and the information required for the assessment process of a project looking for access into a real estate crowdfunding platform is very similar to the process of looking for investors or loans with traditional financial institutions. You have to provide relevant information from both, the project and the developer company. The following list illustrated the general documentation required in order to apply for a loan in a commercial bank or similar institution:<sup>43</sup>

General submission for project development loans	
<b>A. General requirements for a loan submission package</b>	
<b>1. Project information</b>	
a.	Project description – legal description of the site, survey, photographs of site, renderings of building and any parking facilities, development strategy and timing.
b.	Site and circulation plan, identification of any easements, availability of utilities, description of adjacent land uses, soil tests.
c.	Plans for building improvements. Detailed list of amenities.
d.	Identification of architect, general contractor, principal subcontractors. Supporting financial data and past performance of parties. Copies of any agreements executed among parties. Description of construction and development procedures.
<b>2. Market and financial data</b>	
a.	Full set of financial statements on the borrower and any other principal project sponsors, past development experience, list of previous project lenders.
b.	Pro forma operating statement. Detail on proposed leasing terms to tenants, including base rent, escalations, expense stops, renewal options, common area expense allocation, overage (retail leases), finish-out allowances, and other commitments.
c.	Detailed cost breakdowns, including: <ul style="list-style-type: none"> <li>• Any land acquisition costs.</li> <li>• Any necessary land development costs.</li> <li>• Any required demolition costs.</li> <li>• Direct or hard costs with breakdowns for excavation, grading, foundation, masonry, steel work, drywall or plastering, HVAC, plumbing, electrical, elevator, and other mechanical items, any special finish-out or fixtures.</li> </ul>

<sup>43</sup> Brueggeman and Fisher, Real Estate Finance and Investments, 14<sup>th</sup> ed. p518

<ul style="list-style-type: none"> <li>• Indirect or soft costs, including architects, engineering fees, legal fees, property taxes, interest-construction period, development fees, insurance and bonding fees, estimated contingency, reserve, anticipated permanent loan fees.</li> </ul> <ol style="list-style-type: none"> <li>d. Any executed lease commitments or letters of intent from tenants detailing all terms of leases.</li> <li>e. Market study and appraisal, including all comparable and detached schedule of rents charged by competitors.</li> <li>f. Loan request, terms, anticipated interest rate, amortization period, anticipated participation options.</li> <li>g. Equity to be provided by developer and/or other sponsors (cash and/or land); anticipated financing of draws/repayment.</li> </ol>
<p><b>3. Government and regulatory information</b></p> <ol style="list-style-type: none"> <li>a. Statement as to zoning status.</li> <li>b. Ad valorem taxes, method of payment, reappraisal dates.</li> <li>c. All necessary permits, evidence of approved zoning variances, etc.</li> </ol>
<p><b>4. Legal documentation.</b></p> <ol style="list-style-type: none"> <li>a. Legal entity applying for loan (evidence of incorporation, partnership agreement).</li> <li>b. Statement of land cost or contract evidencing purchase.</li> <li>c. Detail regarding deed restrictions, etc.</li> <li>d. Subordination agreements.</li> <li>e. Force majeure provisions (events beyond the control of the developer such as an “act of God”).</li> </ol>
<p><b>B. Additional information needed for interim loan package (if two loans are used)</b></p> <ol style="list-style-type: none"> <li>1. A copy of the permanent or standby commitment from the permanent lender. Details on the amount, rate, term, fees, options relative to prepayment, calls, and participation. Details on contingencies that the developer must meet before the commitment is binding.</li> <li>2. Detailed architectural plans and specifications.</li> <li>3. Detailed cost breakdown.</li> <li>4. All data relative to requirements listed in Part A and updated as appropriate.</li> </ol>

**Tab. 5:** List of general requirements for a loan submission, Brueggeman and Fisher <sup>44</sup>

Since the real estate crowdfunding, is an investment in common equity, the projects usually have acquired a senior debt when the developers are looking for additional

<sup>44</sup> Brueggeman and Fisher, Real Estate Finance and Investments, 14<sup>th</sup> ed. p518.



capital. Thus, a detail review of the project, a validation of the risk assessment, site and market analysis have been performance already by the bank or the credit institution. Which means the project is feasible and the level of risk is acceptable for investors, based on these assumptions the assessment process of the real estate platforms mainly focus on the developer profile, experience, portfolio, financial records, and personal or additional guarantees.

## 4.2 The assessment process

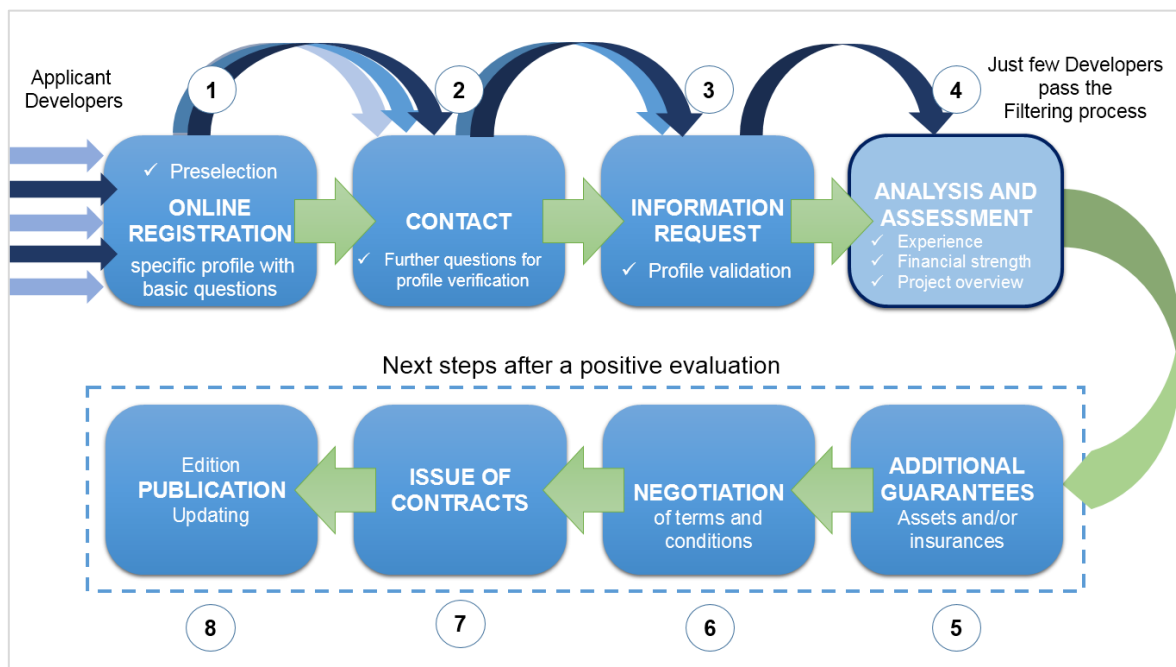
Currently, the assessment and publishing process in different real estate crowdfunding platforms includes but are not limited to the following steps:

Steps and information needed in the assessment and publishing process	
1. <b>Registration online</b>	in the crowdfunding platform, it usually has three types of forms to fill. <ul style="list-style-type: none"> <li>▪ <b>Form with Basic data</b> the developer have to create an account and provide basic contact information like name, telephone, address, email etc.</li> <li>▪ <b>Form with the company data</b> like type of business, years of experiences, numbers of employees, revenues of the last year, assets, debts etc.</li> <li>▪ <b>Form with the project data</b> like type of development, budget, commercial value once it is completed, timing, current phase, financial structure, and the amount of capital needed.</li> </ul>
2. <b>Contact</b>	and verification of the previous information, first by email, later by phone and finally in a personal meeting.
3. <b>Request of documents</b>	in order to validate all the given information, the developer have to provide relevant information of the company and the project as well.(see tab. 5 , list of general requirements for a loan submission)
4. <b>Analysis and assessment</b>	of the information, there is three main criterion taken in account to evaluate the proposal: <ul style="list-style-type: none"> <li>▪ Developer experience</li> <li>▪ Financial strength</li> <li>▪ Project information</li> </ul>
5. <b>Relevant and additional documents</b>	<ul style="list-style-type: none"> <li>▪ Service fulfillment insurance policy</li> <li>▪ Additional guarantees</li> <li>▪ Information about other credits and obligations</li> <li>▪ Site and market analysis</li> </ul>

<ul style="list-style-type: none"> <li>▪ Risk assessment</li> <li>▪ Financial structure</li> </ul>
<b>6. Negotiation</b> adjustment and/or approval of the financial structure of the project like amount of capital needed, length of the loan, interest rate, time frame for the campaign.
<b>7. Issue of the legal contracts</b> like final agreement for the platform and final agreement for the investors.
<b>8. Edition and adjustment</b> of the graphic information of the project to meet the platform standards, facts sheet and brochure of the project.
<b>9. Publication</b> of the project and the campaign in the online platform.
<b>10. Updating of progress</b> of the project like imagines, reports, videos etc.

**Tab. 6:** Steps and information needed in the assessment and publishing process, own illustration

The process description and the steps presented in the graphics cannot be accurate, since every company and project are very different and have different variables and factors that influence the final results. It is more a general view of the current process in most of the real estate crowdfunding platforms. The common framework that comprises the key elements in the practice.



**Fig. 15:** Assessment process in real estate crowdfunding platforms, own illustration

As it was mention before the most important part of the entire process is to demonstrate proficiency as a project developer. Good reputation and accredited experience are key factors to have access to the crowdfunding platform. This is the first filter applied by

most of the real estate platforms since there are not real guarantees for the investor in this kind of ventures. Remember that in the event of foreclose or bankruptcy, the senior debt will have priority above others. Aside of the good will of the project developer to honor their debts the crowdfunding platforms needs to reduce the risk and have the certainty that the project will be completed in the terms as it was planned originally. Thus, it is critical to only accept developers with the right knowledge, enough experiences and adequate financial strength, capable of fulfilling their promises.

Criteria and documents in the assessment process of projects in real estate crowdfunding platforms	
<b>DEVELOPER PROFILE</b>	<p><b>1. Experience</b></p> <ul style="list-style-type: none"> <li>✓ Usually more than five years, and volume of money invested</li> <li>✓ Type of business and type of projects</li> <li>✓ Reputation</li> <li>✓ Portfolio of projects</li> <li>✓ Commercial references</li> </ul> <p><b>2. Financial strength</b></p> <ul style="list-style-type: none"> <li>✓ Bank statements</li> <li>✓ Revenues, debts, earnings, assets</li> <li>✓ Additional and personal guarantees</li> </ul>
<b>PROJECT</b>	<p><b>3. Project information – overview</b></p> <ul style="list-style-type: none"> <li>✓ Legal situation</li> <li>✓ Cash flow of the project</li> <li>✓ Financial structure, % of debt and % of equity</li> <li>✓ Other loans and agreements</li> <li>✓ Timing</li> <li>✓ Feasibility studies, budget, future incomes, site analysis, market analysis, risk analysis etc.</li> <li>✓ Current phase of the project</li> <li>✓ Contractor and sub-contractors records</li> <li>✓ General information of the project, like renders, videos, plans, sections, elevations etc.</li> </ul>
<p>The analysis and assessment process should seek for indicators that show if the current situation of the developer and the project have changed, for example, if there is any variance in the project finance, market conditions, or if the level of risk still acceptable. Although both, developer and project are analyzed, most of the work in the assessment process focused on the verification of the developer profile.</p>	

**Tab. 7:** Criteria in the assessment process of projects in real estate platforms, own illustration

### 4.3 Risk assessment

“The majority of real estate development projects are financed with a large amount of debt leverage. Because expense is high, the sale is difficult, and return on investment is delayed, real estate business is inherently risky”<sup>45</sup>.

By definition real estate industry implied financial risks for all the parties involved. This reality is extended to real estate crowdfunding platforms as well, since most of their investment projects are under construction, phase which is generally more risky to a lender/investor than financing completed projects, thus, the rate for construction loans is higher. Additionally, real estate crowdfunding companies just offer to the investors equity participation, term which is somewhat a misnomer because the lender does not actually acquire an ownership interest in the property. Rather, in return for a lower stated interest rate on the loan, the lender participates in some way in the income or cash flow from the property. Thus, the lender’s rate of return depends, in part, on the performance of the property.

#### **How the platform evaluated the level of risk in their projects?**

Since every company is different and all of them have dissimilar standards, it is difficult to simplify the process of risk assessment. However, in general terms for most of the real estate crowdfunding platforms, the evaluation process mainly is focused on the financial risks and the capability of the developer to fulfill their obligations with the banks, credit institutions and the promises on yield made to the investors. Currently, platforms assessed the level of risk for their listed projects based on factors that have a direct impact on the cash flow of the property like location, phase of the project, occupancy rate, type of tenants, the level of debt, the legal situation, and the developer profile. Each of this factor is evaluated and scored using a standardized method, in order to have a more accurate approach.

The following example from the German real estate platform iFunded, see *Appendix C risk assessment matrix*, explain how the risk is determined for each project listed in their website. In the assessment process, there are nine criteria for assessing project

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<sup>45</sup> Dr.Götz-Sebastian Hök (Lawyer in Berlin)

risk. Depending on the Characterization of the individual risk, criteria are assigned risk points and added at the end.

According to the number of risk points, the real estate project is placed in one of the five risk classes. There are risk classes A to E, where A is for low-risk and E is for more risky projects<sup>46</sup>.

A	B	C	D	E
0 - 8	9 -15	16 - 22	23 - 30	≥ 31

**Tab. 8:** Categories and score to determine the level of risk

### Risk Assessment structure from the German platform iFunded

The Lützowstrasse Berlin project has 12 risk points and is placed into the Risk class B classification. This risk assessment was made up as follows:

1. What is the leverage ratio of the project?

0%	1%-49%	50%-59%	60%-69%	70%-79%
0	1	2	3	4

2. What is the equity ratio of the project?

≥40%	30%-39%	20%-29%	10%-19%	0%-9%
0	1	2	3	4

3. How good is the macro location of the financed property?

Capital cities	All other main cities	Cities with at least 200000 inhabitants	Cities with at least 100000 inhabitants	All other cities
0	1	2	3	4

4. How good is the quality of the micro location of the Financed property?

<sup>46</sup> <https://ifunded.de/en/how-it-works>

Location in the city center with excellent connection	Location in the proximity of the city center	Good residential area with good supply	On the outskirts of the city with connection to public transport	On the outskirts of the city with no connection to public transport
0	1	2	3	4

5. What is the occupancy rate of the property? Number of tenants

≥90%	89%-70%	69%-40%	39%-19%	≤19%
0	1	2	3	4

7. What is the current development phase of the property? How many years of operation has the property?

≥10	6 - 10	2 - 5	1	0
0	1	2	3	4

8. How much is the total investment volume of the project developer?

≥250 Million EUR	200 - 249 Million EUR	199 – 100 Million EUR	99 – 50 Million EUR	≤ 50 Million EUR
0	1	2	3	4

9. What securities are available?

- ✓ Has the project developer offered personal guarantees?  
Yes = 0 No = 2
- ✓ Is there a basic debt of second rank as security for the crowd?  
Yes = 0 No = 2
- ✓ Are there any entitlements for the investors?  
Yes = 0 No = 2

All this information like risk criteria, data and risk points are organized in a simple assessment matrix to get the final scored and the risk classification for the project. It is important to understand that this process have an important component of subjectivity, and it is not 100% accurate. Thus, the professional experience and the intuition of the team members are valuable to avoid mistakes. See Tab.9: iFunded risk assessment matrix for projects.

Risk criteria	Input data	Risk points	
1. Debt ratio	52.47%	2	
2. Equity ratio	40,03%	0	
3. Macro location	Berlin	0	
4. Micro location	Lützow district in the city center	1	
5. Occupancy rate	100%	0	
6. Tenant number	>10	0	
7. Phase of development	Existing property with little maintenance	1	
8. Developer experience	Total investment <50 million euros	4	
9. Securities	✓ Personal guarantees	2	4
	✓ Basic debt of second rank	2	
	✓ Entitlements for the investors	0	
<b>Total score</b>		<b>12</b>	

Tab. 9: iFunded risk assessment matrix for projects

### What are the risks for the investors and the other parties involved ?

Equity is higher-risk financing than debt financing and it is a more expensive source of capital. Using more equity makes debt financing easier but means that the project may need to earn more, thus, the weighted average cost of capital may be higher. It is in this place where real estate crowdfunding has room to operate, making of it a risky enterprise for all the parties involved.

### Risks for the investor

Often investors make decisions based just on the potential revenues and returns, while ignoring essential factors on risks. This tendency is dangerous and it can lead to unsustainable losses. In the cases of real estate crowdfunding platforms, it is common that they just talk about the potential benefits and extraordinary returns, but almost never, they explain the risks associated with this type of investment, misleading potential investor to risky decisions, not suitable for their risk profile.

All the real estate crowdfunding platforms are obligated by law to inform about the risks, explain the terms and conditions for their deals, and have clear risk disclaimers

about the projects they promote. Nevertheless, just some of them offer a transparent risk assessment for their investors. Another potential risk that investor can face is the possibility of funding fake projects from fraudulent platforms.

### **Risk for the platform**

The main risk for the platform is to fail in their due diligence process, and then approve projects from unskilled developers or projects where the current financial situation has changed recently, with the potential consequents of a foreclosed of the property, damaged to the platform reputation, additional cost, and all the legal implications of a default.

### **Risk for the developer**

The major risk for the developers is not to meet the monetary goal in the platform, which have the legal implication that they will not be able to use those resources at all, affecting the economic structure of the project, and jeopardizing the whole development. That is the reason why monetary goal or equity offering in a crowdfunding platform should not be more than 20% of the cost of the project.

Like any other business, in the real estate crowdfunding is important to understand the risks involved in the business, the way platforms operate and how real estate works. Thus, a basic concept to understand before to invest or publish projects in any real estate crowdfunding platform is that the business model has been desing for a high-risk profile investors, with previous experiences in the field or at least some comprehension of this industry. The second thing to keep in mind is that real estate crowdfunding is not the last option for financing developments when other credits options are not available, the project and the developer have to meet minimum conditions in order to participate and use properly this tool, decreasing the risk for all the parties involved.



## 5 Guideline and checklist for Developers

### 5.1 Defining medium size projects

Since every project is unique, and every developer company is different, is very difficult to measure and define the right scale for all of them. For instance, in a small business, a project of half million could be considered as a large project, while in a multi-million company, projects of two million budget are considered as a small ones. Therefore, it is clear that everyone has to define its own standards and scales, responding to particular needs and views. In this thesis, the size for medium projects was defined based on the following elements and criterions<sup>47</sup>:

- **Project duration** “this element determines project size by examining the estimated duration, in months, from project initiation to project close. The longer the duration, the larger the project size is in regards to length of time involved with the project”. The duration used to classify a project as medium size was 12 to 24 months.
- **Level of risk** this element considered a rough estimate level of risk in a project, low, moderate or high. The level of risk used to classify a project as medium size was low to moderate.
- **Total project cost** “This element is the typical area used in classifying projects by size”. The range used to defined a project as medium size was 3.0 € million to 15 € million.
- **Level of complexity** “this element determines the degree of difficulty for the project in terms of technology use, equipment, and the sensitivity to introducing new technology. Other factors considered were contracting strategy and team members”. A rough estimate range for this element was low, moderate or high. The level of complexity used to classify a project as medium size was low to moderate.

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<sup>47</sup> Josey, W. C. & England, K. (2009). Utilizing a project profile matrix to determine project management requirements. Paper presented at PMI® Global Congress 2009—North America, Orlando, FL. Newtown Square, PA: Project Management Institute.

The purpose of the following matrix is to define to which size category a project belongs. This taking into account the elements previously described as duration, risk, cost, and complexity. The model is based on the paper “utilizing a project profile matrix to determine project management requirements”.

In the first column on the left, there are the three possible categories for the size of a project, small, medium, and large. There is also a value rank, 4-6 for small, 7-9 for medium, and 10-12 for large projects. These limits are important since a project could have different size characteristics at the same time, for instance, a short duration but a high complexity. The following columns are the parameters with its score that belongs to that classification. Selecting and calculating the distinctive elements of a project, it would give us the size where it belongs based on duration, risk, cost, and complexity.

Size of the project	Duration (months)	Level of risk	Total cost € (millions)	Level of complexity
<b>LARGE</b> 10 -12	3 25 – 36	3 High	3 ≥ 15	3 High
<b>MEDIUM</b> 7 – 9	2 12 – 24 ✓	2 Moderate ✓	2 3.0 – 15 ✓	2 Moderate
<b>SMALL</b> 4 - 6	1 6 ≤12	1 Low	1 ≤ 2.9	1 Low ✓

**Tab. 10:** Classification size matrix for construction projects base on duration, risk, cost, and complexity <sup>48</sup>

The example project displayed in the matrix was estimated to have 18 months of duration, with a moderate level of risk, a total cost of 5 million €, and a low level of complexity. With this information and using the score for each category (2+2+2+1=7), the final score is calculated in seven points for that type of project, which indicates a ‘medium’ size project (range between 7 to 9 points).

<sup>48</sup> Josey, W. C. & England, K. (2009). Utilizing a project profile matrix to determine project management requirements. Paper presented at PMI® Global Congress 2009—North America, Orlando, FL. Newtown Square, PA: Project Management Institute.

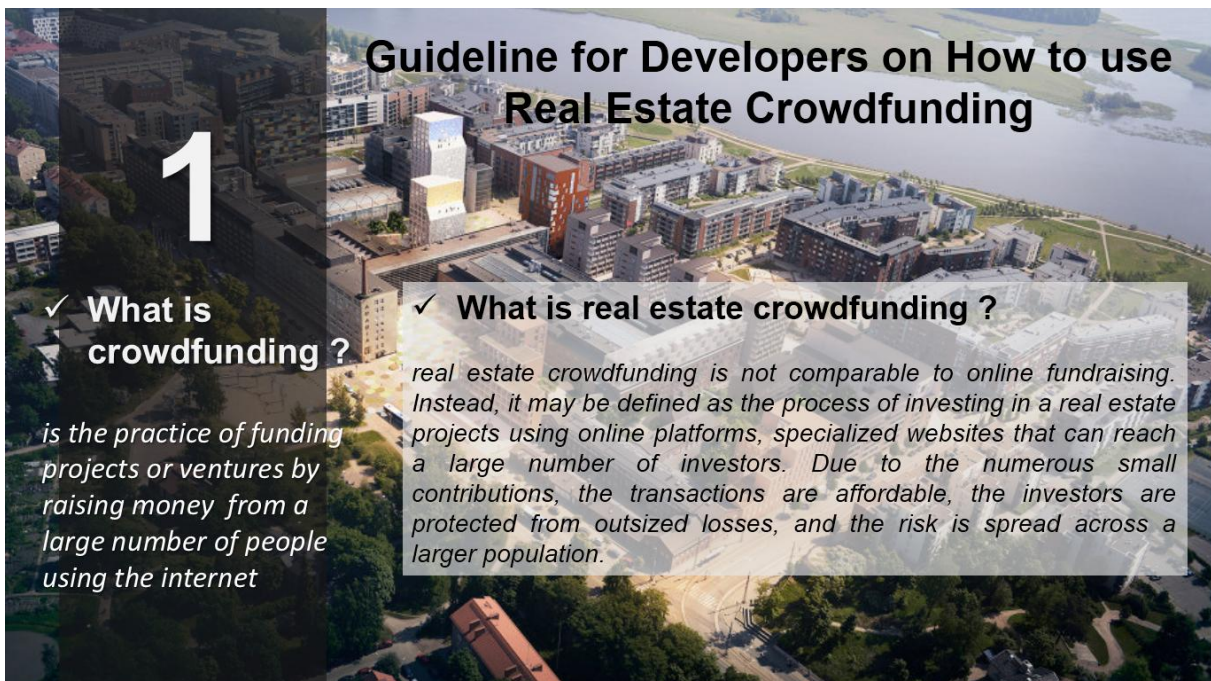
## 5.2 Guideline

### 5.2.1 Guideline for developers on how to use real estate crowdfunding in medium size projects

The following guideline and checklists have the aims to inform and explain in a simple way to the project developers how to use real estate crowdfunding platforms as a complementary source of financing construction projects. The information presented is a summary, a generalization of the current situation of the real estate crowdfunding industry, all the data was taken from the different platforms, and this is the result of that analysis.

In the first part of this schematic proposal the concept of crowdfunding and real estate crowdfunding are introduced, follow by the explanations on how it works, the advantages, steps to implement it, and some ideas to keep in mind. At the end, there are two checklist, one for the steps and action to the implementation, and the second for the documents needed<sup>49</sup>.

#### Understanding Real Estate Crowdfunding



**Fig. 16:** Guideline on how to use Real estate Crowdfunding part 1, own illustration

<sup>49</sup> Zeus crowdfunding, <https://www.askzeus.com/zeuscrowdfunding/borrow/#funding-guidelines>

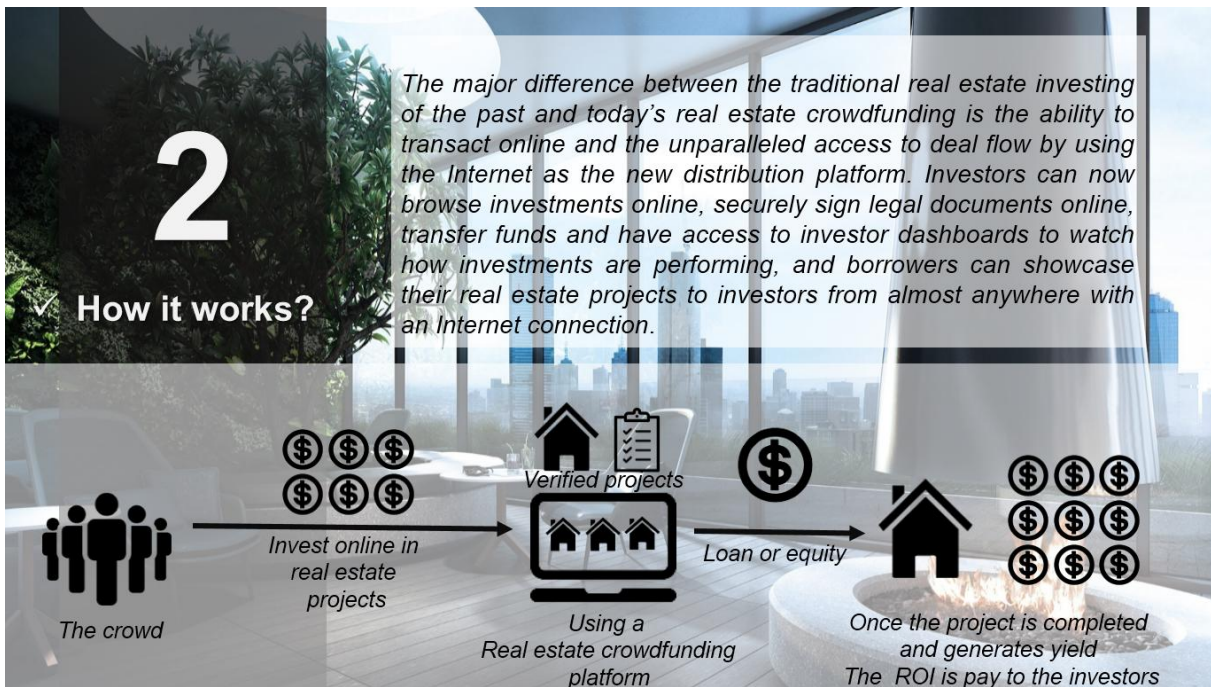


Fig. 17: Guideline on how to use Real estate Crowdfunding part 2, own illustration

**3**  
✓ **What are the advantages compare with traditional sources of financing ?**

**Real estate crowdfunding is fast, it's flexible, and it's available to almost anyone, 24/7 online.**

- ✓ Affordable investments attract more people to participate, in some platforms it is possible from 10EUR.
- ✓ usually, there are plenty of investors willing to financing profitable projects, which accelerates the funding process.
- ✓ It is a win win situation for both, for the developers and for the investors. Attractive returns for the lenders and lower interest rate for the builder.
- ✓ the lending process is much faster and could be more flexible than traditional credit institutions.

Fig. 18: Guideline on how to use Real estate Crowdfunding part 3, own illustration



Fig. 19: Guideline on how to use Real estate Crowdfunding part 4, own illustration








Fig. 20: Guideline on how to use Real estate Crowdfunding part 5, own illustration

## Steps in the implementation of real estate crowdfunding

- **Developer profile** the first step before to start using real estate crowdfunding as an alternative source of financing is to review your profile as developer. Make sure that you are a skilled and experience developer with good financial records and good reputation among your customers and colleagues. Developer experience and financial strength are the most important factors for all the platforms in their assessment process.
- **Project review** secondly, be sure that you project has all the information needed to apply to a loan. Additionally, be evaluated if your project meets all the requirements to classify as a medium size project. Make a pre-evaluation to know if your project is ready to be listed before to apply to any platform.
- **Platform searching** it is important to know which type of platforms are available in your region. Research, compare and choose the best option for you and your project. Review the requirements and conditions, target group, costs, business model etc. since all platforms have different standards and different commercial approaches.
- **Application submission** register online with your selected platform, create your account and upload the information requested. Provide company balance and financial information to validate your developer profile, and the project information to evaluate its feasibility.
- **Negotiation and project preparation** once you passed through the selection process review and negotiate the financial structure of your project, fees, monetary goal, interest rate, and the timeframe to pay dividends. Prepare the graphical information of your project to be displayed in the platform.
- **Documents, contracts, and legal agreements preparation and review** make sure that you understand all the terms, conditions, and agreements before sign any contract. Be prepared to give personal guarantees and other additional securities.
- **Keep in touch** with your investors via the platform and social media, you have to deliver newsletters and reports about the project progress.

## 5.2.2 Guideline for developers on how to use real estate crowdfunding platforms to financing medium size projects.

Before you start ...	
✓	<b>Learn and inform</b> Yourself about real estate crowdfunding and their platforms
✓	<b>Review the project</b> Check if your project classified as a medium size project, and make sure that you have all the information required in order to apply for a loan
✓	<b>Search a platform</b> Review and compare the different options available in the market and choose the most suitable platform according to your profile and project requirements.

1	 <b>Sign up and register online</b>	Express your interest in financing your medium size project with you preferred real estate crowdfunding platform.
2	 <b>Fill out your profile</b>	Fill the forms with the contact information and the basic data about your company and the project. Also, upload all the information needed to verify your profile as skilled developer.
3	 <b>Submit your project</b>	Send documents and the information regard the project, technical, graphical and financial information. Upon the request of the crowdfunding platform.
4	 <b>Gain the approval</b>	After the due diligence process, which includes an experience and credit check, your project will be approved if the level of risk and financial strength is adequate for you to profile and the project.
5	 <b>Funding your project</b>	Start your project according to the plan, and keep your investors informed during the construction process.

Tab. 11: Guideline on how to use real estate crowdfunding platforms

## 5.3 Checklist

### 5.3.1 Checklist for developers on how to implement crowdfunding

Checklist of steps for developers to implement crowdfunding		
N°	Steps and actions	check
<b>Project review</b>		
1.	Check your project and make sure that you have all the information needed to applied for a credit (see Tab.5 List of general requirements for a loan submission)	<input type="checkbox"/>
2.	Prepare all the relevant financial information about your project like budgeting, scheduling, expected income, financial structure etc.	<input type="checkbox"/>
3.	Prepare a brief summary of the key numbers and data of your project like total cost, debt ratio, equity ratio, capital needed, type of development, area, location etc.	<input type="checkbox"/>
<b>Platform searching</b>		
4.	Prepare a list with the platforms available in your region or city, and then make a top five list of your favorite crowdfunding platforms.	<input type="checkbox"/>
5.	Review and compare which crowdfunding platform are more suitable for your project and developer profile.	<input type="checkbox"/>
6.	Choose the most convenient real estate crowdfunding platform according to your profile and project requirements.	<input type="checkbox"/>
<b>Application submission</b>		
7.	Sign in and register your interest with your preferred platform.	<input type="checkbox"/>
8.	Fill the forms with the contact information and the basic data about your company and the project.	<input type="checkbox"/>
9.	Upload all the information needed to verify your profile as a skilled developer.	<input type="checkbox"/>
10.	Wait to be contacted and prepare for a personal interview	<input type="checkbox"/>
11.	Send documents and additional information request for the platform like technical documents, financial statements, portfolio of previous projects etc.	<input type="checkbox"/>
After a positive respond... <b>Negotiation and project preparation</b>		
12.	With the collaboration of the crowdfunding platform, define the best strategy to presenting and funding your project.	<input type="checkbox"/>
13.	Review and negotiate the financial structure of your project, fees, monetary goal, interest rate, and the timeframe to pay dividends.	<input type="checkbox"/>
14.	Read, review and sign all the contracts and agreements, even power of attorney.	<input type="checkbox"/>
15.	Negotiate and agree with the real estate crowdfunding platform the guarantees.	<input type="checkbox"/>
16.	Keep informing your investors about the project progress with newsletter and reports.	<input type="checkbox"/>
17.	Fulfill your promises and pay the dividends and returns to your investors on time.	<input type="checkbox"/>

**Tab. 12:** Checklist of steps for developers to implement crowdfunding



### 5.3.2 Checklist of documents for developers using crowdfunding platforms

Checklist of documents for developers using crowdfunding		
N°	Type of document	check
<b>Company documents - Developer profile</b>		
1.	<b>Organizational structure</b> of the company ownership, shareholders and partners	<input type="checkbox"/>
2.	<b>Company balance</b> debts, assets, revenues and earnings of the last 5 years	<input type="checkbox"/>
3.	<b>Financial statements</b> bank statements	<input type="checkbox"/>
4.	<b>Portfolio of previous projects</b> verified experience from the least five years	<input type="checkbox"/>
5.	<b>Report of capital invested</b> volume of million allocated in previous projects	<input type="checkbox"/>
6.	<b>Professional and social networks</b> public perception, publications, and awards	<input type="checkbox"/>
7.	<b>Evidence of guarantees</b>	<input type="checkbox"/>
<b>Project information</b>		
8.	<b>Construction documents</b> technical and architectural drawings, digital files	<input type="checkbox"/>
9.	<b>Construction permits and licenses</b>	<input type="checkbox"/>
10.	<b>Phase of the project</b>	<input type="checkbox"/>
11.	<b>Budget and schedule</b> of the project	<input type="checkbox"/>
12.	<b>Financial structure</b> of the project, debt ratio, equity ratio, amount of capital needed	<input type="checkbox"/>
13.	<b>Risk assessment</b> of the project	<input type="checkbox"/>
14.	<b>Report of expected incomes</b> for the project	<input type="checkbox"/>
15.	<b>Credits</b> evidence of other loans	<input type="checkbox"/>
16.	<b>Tenants contracts</b>	<input type="checkbox"/>
17.	<b>Description of the project</b>	<input type="checkbox"/>
18.	<b>Graphic material</b> renders, animations, videos and imagines of the project	<input type="checkbox"/>
<b>Documents, contracts and legal agreements</b>		
19.	<b>Contract and agreement for the platform</b>	<input type="checkbox"/>
20.	<b>Contract and agreement for the investors</b>	<input type="checkbox"/>
21.	<b>Contract and agreement for the trust</b>	<input type="checkbox"/>
22.	<b>Contract for securities and personal guarantees</b>	<input type="checkbox"/>
23.	<b>Power of attorney</b>	<input type="checkbox"/>

Tab. 13: Checklist of documents for developers using crowdfunding

## 6 Assessment matrix for medium size projects

### 6.1 Matrix as a tool

The matrix as a tool would help to define if a real estate development or construction project is ready to be published in a crowdfunding platform. It would tell us if a development meets the general standards of the platforms before starting the application process, this in order to save time and improve any detectable weaknesses.

After studying the information found about several projects displayed in the different crowdfunding platforms, and the information that these companies ask the developers, a common pattern appeared. All the real estate crowdfunding platforms evaluated their projects based on the financial viability. They measure the level of risks, the potential opportunity to generate profits, and the additional guarantees offered by the developer. They mainly focus on three areas by separated: developer profile, project information, and the financial structure of the project, but the general assessment has a global approach.

**Developer profile:** as it has been mentioned before, this section is the most relevant between the two other sections, and it is related directly to the professional skills of the project developer. Years of experiences in the business are the most valuable asset, and it contributes to a significant weight in the final score when the appraisal of the project takes place. It seems that creditors understand long professional trajectory as an equivalent of capable developers, trained enough to respond and overcome any problem, and financially strong to take responsibility in case of serious difficulties in the project. Of course, it is not just a matter of time. It is also a question of reputation and good performance during those years. In this category the factors evaluated are:

- **Organizational structure** of the Developer Company, ownership, shareholders, partners, contractors and subcontractors.
- **Financial strength** level of debt, assets, revenues, and type of business. Additional, financial reports, and credit scores are studied.
- **Portfolio of projects** that the company manages, operates or controls.
- **Volume of capital invested** in previous projects
- **Liquidity and additional guarantees** in case the project faces difficulties

**Project information:** this is the second most important part of the assessment process of listing a project in a crowdfunding platform. The supplied information must be clear and completed, in order to evaluate the project in the most accurate way. The idea with the information upload in the platform is to understand the scope of the project, its complexity, and level of risk involved, feasibility studies, and the expected incomes for the property. the evaluated aspects in this section could include:

- **Technical and architectural drawings**
- **Location**
- **Current phase of the project**
- **Budgeting**
- **Schedule**
- **Site analysis** macro and micro
- **Risk analysis** mainly financial risks
- **Market analysis** with the current and future conditions
- **Permits and licenses** current situation

**Financial structure:** the last section is about the financial health or financial balance in the project, although this part could be considered as information of the project, it is important to dedicate a separate section in order to visualize clearer the financial structure, the evaluated aspects in this section could include:

- **Total cost of the project**
- **Proportion of debt and equity**
- **Tenants, occupancy rate, expected income**
- **Return on investment, yield, interest**
- **Amount of capital needed**
- **Period of time**
- **Financial cost of the loans**

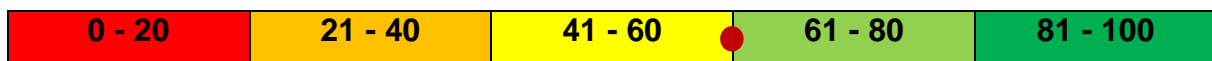
**Important note:** Consider that most of the information needed to be listed in a real estate crowdfunding platform, you already have it. The factors and aspects evaluated are almost the same than the traditional credit institutions requests for a loan. The major consideration with the crowdfunding as an alternative source of financing are your developer profile and the additional guarantees that you can offered.

### How the matrix works?

The matrix is divided into four sections. The first part is for filling the basic information about the project, like type of project, location, amount of capital needed, and for reviewing the size of the project, small, medium or large according to the standards established in chapter 5 of this thesis. The other three sections comprise the developer profile, project information, and the financial structure. In each one of them, more detailed aspects are measured in order to calculate the score for each section and then the total score.

The scale used to assess the projects goes from zero to one hundred, where the ideal scenario is placed between 81 and 100. The threshold is 61, which means your project has the minimum requirements to apply, and a high probability to get a positive response from most of the crowdfunding platforms, all other values under this mark should improve their conditions before going further with any real estate crowdfunding platform or credit institution.

A perfect score would award 50 points for the developer profile section, 30 points for the project information, and 20 points for the financial structure.



**Tab. 14:** score scale for the assessment matrix with the threshold mark

## 6.2 The assessment process with the matrix

The idea of using the assessment matrix is to have the opportunity to review the whole project very quickly once again and identify flaws or missing information. It is a tool to self-evaluate the project and correct mistakes, in order to save time in the application process with the real estate crowdfunding platforms.

## The assessment matrix

Assessment matrix for medium size projects						
Developer company:				Date:		
Project ID - name:						
Type of project	Residential		commercial		Industrial	
Current phase	Planning - Design		Construction		Operation	
Location:						
Funding use for	Purchase	Refinance	Renovation	Bridge	transactional	construction
Total Cost:			Capital needed:			
<b>Project size appraisal</b>						
Duration (months)	25 – 36 <b>3</b>		12 -24 <b>2</b>		6 -11 <b>1</b>	
Level of risk	High <b>3</b>		Moderate <b>2</b>		Low <b>1</b>	
Total cost EUR (millions)	≥15 <b>3</b>		3 -15 <b>2</b>		0 – 2.9 <b>1</b>	
Level of complexity	High <b>3</b>		Moderate <b>2</b>		Low <b>1</b>	
<b>Total score</b>	Large <b>10 -12</b>		Medium <b>7 - 9</b>		Small <b>4 - 6</b>	
<b>N°</b>	<b>Section</b>					<b>points</b>
<b>Developer profile - max. score 50 points</b>						
1. Years of professional experiences						
	≥ 12 <b>10</b>	9 -12 <b>8</b>	6 - 8 <b>6</b>	3 - 5 <b>4</b>	0 - 2 <b>2</b>	
2. Volume of capital invested during those years in real estate projects (millions EUR)						
	≥ 250 <b>10</b>	200 – 249 <b>8</b>	199 – 100 <b>6</b>	99 – 50 <b>4</b>	≤ 50 <b>2</b>	
3. Utilities of the company during the last year (millions EUR)						
	≥ 9 <b>10</b>	4 – 8.9 <b>8</b>	3.9 – 2 <b>6</b>	1.9 – 1 <b>4</b>	0.1 – 0.9 <b>2</b>	
4. In relation with your assets what is your level of debt?						
	0% <b>10</b>	1%-20% <b>8</b>	21%-50% <b>6</b>	51%-70% <b>4</b>	≥70% <b>2</b>	
5. Can you offer additional guarantees for the project?						
	Yes <b>10</b>			No <b>0</b>		

<b>Project information - max. score 30 points</b>						
6.	Have you prepared a financial analysis of the property that you can provide us?					
	Yes <b>5</b>	No <b>0</b>				
7.	Have you done a marketing analysis of your project that you can provide us?					
	Yes <b>5</b>	No <b>0</b>				
8.	Have you prepared a risk assessment of your project?					
	Yes <b>5</b>	No <b>0</b>				
9.	Have you prepared the budget and schedule of your project?					
	Yes <b>5</b>	No <b>0</b>				
10.	Can you provide us graphic material of your project? like renders, images, videos, animations					
	Yes <b>5</b>	No <b>0</b>				
11.	Can you provide us technical and architectural drawings of your project?					
	Yes <b>5</b>	No <b>0</b>				
<b>Financial structure - max. score 20 points</b>						
12.	What is the leverage ratio of the project?					
	0% <b>5</b>	1%-49% <b>4</b>	50%-59% <b>3</b>	60%-69% <b>2</b>	70%-79% <b>1</b>	
13.	What is the equity ratio of the project?					
	≥40% <b>5</b>	30%-39% <b>4</b>	20%-29% <b>3</b>	10%-19% <b>2</b>	0%-9% <b>1</b>	
14.	What is the occupancy rate of the property?					
	≥90% <b>5</b>	89%-70% <b>4</b>	69%-40% <b>3</b>	39%-19% <b>2</b>	≤19% <b>1</b>	
15.	What is the IRR <i>internal rate of return</i> of the project?					
	≥20% <b>5</b>	16%-20% <b>4</b>	11%-15% <b>3</b>	6%-10% <b>2</b>	1% - 5% <b>1</b>	
<b>Total score for the project</b>						

**Tab. 15:** The assessment matrix for medium size projects

### 6.3 Validation of the matrix tool

To validate and verify the functionality of the assessment matrix, a tested was conducted using two projects from two different real estate crowdfunding platforms. The first project is located in the USA, ,the development is a multi-residential complex, and it belongs to the website Real Crowd, for more detail about this project please see the *appendix A real estate project Vantage at Harlingen*. The second one is a single house from the German platform Bergfürst and it is located in Mallorca Spain, see the *appendix E real estate project Soleada Mallorca*.

### 6.4 Results

In the following table is possible to see a summary of the assessment process with the matrix:

Soleada Mallorca - Spain			Vantage at Harlingen USA		
Section	Question	Points	Section points	Points	Section points
Developer profile	1	10	32	10	44
	2	2		10	
	3	4		10	
	4	6		4	
	5	10		10	
Project information	6	5	30	5	30
	7	5		5	
	8	5		5	
	9	5		5	
	10	5		5	
	11	5		5	
Financial structure	12	1	8	1	14
	13	4		4	
	14	1		5	
	15	2		4	
<b>TOTAL SCORE</b>			<b>70</b>	<b>88</b>	

**Tab. 16:** summary of the evaluated projects

Soleada Mallorca is single-family house with a total cost of 4.5 million EUR. The project developer is looking capital to renovate the house and resale the property in less than

one year. In contrast, Vantage at Harlingen is a residential complex of 26 million EUR, where the main objective of the developer is purchase the property and keep for at least five years, this is property with a full occupancy rate, and it is already generating incomes. Although both projects are dissimilar, both classified as medium size projects.

Even though in both compared projects, the developers have strong profiles and enough experiences, there is an important difference in their scores, the reason for this is the huge volume of capital invested in previous projects and the utilities of the American company during the last year, is a matter of scale and the type of business.

On the other hand, the quality and the quantity of the project information was good for both, there was enough information to understand the developments and their potential benefits.

Finally, in the section of the financial structure, there is again a significant difference between the projects, and the reason again is due to the nature of their business and the different time of maturity for each project.



## 6.5 Potential benefits and current barriers

### Potential benefits of the real estate crowdfunding for small investors

Among the many benefits that the real estate crowdfunding has to offer for the investors, these are the most visible:

- **Democratization of the investment**, currently almost everyone have the opportunity to participate in the real estate market and its profits, with a very small investment that in former times were impossible.
- **Transparency**, the real estate crowdfunding platforms offers deals and opportunities to the investor that are quite easy to track and oversight through the continuous updating of the developers.
- **Security**, thanks to the due diligence process carry on by the real estate crowdfunding platforms, the chances of financial risks are reduced.
- **Diversification**, platforms offer a vast variety of projects in different types of segments and locations.

### Potential benefits for projects developers

As a new technology, real estate crowdfunding is changing in a positive way the approach of do business within this industry. These are some of the benefits it has to offer for projects developers:

- **Affordable investments** attract much more people to participate than with traditional strategies.
- **Large exposure** brings plenty of investors willing to financing profitable projects, which accelerates the funding process. Real estate crowdfunding works online and it is open 24/7.
- **It is cheaper**, thanks to the online transactions the operational cost are lower than traditional credit institutions. It is a win win situation for the developers and for the investors. Attractive returns for the lenders and lower interest rate for the builders.
- **It is faster**, the lending process is much faster and could be more flexible than the process with others institutions.

### **Current barriers in the implementation of this tool**

Nowadays the major barrier for the full implementation of the real estate crowdfunding are the different governments all over the world. Specifically their regulations that threaten this type of business and constrain the whole industry, in some cases is the over regulation and the unfounded fears of the governments that limit the potential of the real estate crowdfunding, and in other cases is the total absence of it. We have a technology from the XXI century but we still operating under the laws of the last century. Thus is necessary that professionals from the real estate industry work together with the policy makers to have a legislation that understand the core of the business<sup>50</sup>.

Another problem facing the real estate crowdfunding is the lack of knowledge in this field from the public in general. For example, some developer and most of the people tend to relate real estate crowdfunding with online donations, some kind of charity for desperate project developers without resources. Thus, many are concern about their credibility as professionals and reputation as capable developers. However, the reality is quite far from this wrong idea. Real estate crowdfunding is a relatively new phenomenon, and it needs time to be appreciate and understand.

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<sup>50</sup> <https://www.crowdfundinsider.com/2017/05/99687-german-crowdfunding-association-urges-regulator-not-exclude-real-estate-crowdfunding-regulation/>

## 7 Conclusions

### 7.1 Outlook of the real estate crowdfunding

The general outlook of the real estate crowdfunding in strategic markets like Europa and the USA is that it will continue its exponential growth like in the last five years. Consolidating and normalizing its present in the real estate industry every day. Thus, it is important for the project developers to understand how this business model operates, learn about it, updating, and take advantages of this alternative source of financing.

#### Relevant findings of the study

- Through this study was possible to identify positive trends for the industry, like the flourishing of new real estate crowdfunding platforms in Germany, where in partnership with experienced developers, they are responding to the demand for residential complex. Offering at the same time the opportunity to common people to invest in profitable projects. It seems that in Europe the accessibility to this type of venture is much easier than in the USA, where only accredited investor can participate.
- European platforms are more conservatives than the Americans, this in terms of the percentage of equity financed, usually between 5% to 30% of the total cost of the project, while in the USA some platforms specialized in long term loans are financing 100% of the total cost of the project.
- Real estate crowdfunding is not the last option to financing construction projects. It follows principles and standards like any other industry. The platforms only publishes verified projects of skilled developers with enough experiences and financial strength.
- Crowdfunding is the result of the internet and new technologies. However, it is regulated by laws designed to protect investor in the pre-internet age, more than 87 years ago. Due to those legal restriction in the USA many “real estate crowd-

funding platform” are actually investment funds, operating as a professional brokers. This jeopardies the original idea of the crowdfunding to attract investors massively, since only accredited investor can participate of this type of initiatives (around 2% of the USA population).

- Equity is higher-risk financing than debt financing and it is a more expensive source of capital. Using more equity makes debt financing easier but means that the project may need to earn more, thus, the weighted average cost of capital may be higher. It is in this place where real estate crowdfunding has room to operate, making of it a risky enterprise for all the parties involved.

### **Further recommendations**

For the project developers looking to implement real estate crowdfunding in their projects is advised to:

- Prepared their own research about the different options available for them in the market, there is a vast variety of platform specialized in different segments of the real estate business, thus, it is fundamental to study, review and compare which crowdfunding platform is more suitable for their project and their developer profile. It is important to take informed decisions, choosing the most convenient platform according to their needs and specific project requirements.
- Be aware of the fraud, as a new industry real estate crowdfunding is threatened by people who try to take advantage of the inexperience and general ignorance of the people in this field. Always verify the company and their websites before delivering your personal details or pay any fees.

## Declaration of Authorship

I hereby declare that the attached Master's thesis was completed independently and without the prohibited assistance of third parties, and that no sources or assistance were used other than those listed. All passages whose content or wording originates from another publication have been marked as such. Neither this thesis nor any variant of it has previously been submitted to an examining authority or published.

August 22, 2017

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Date



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Signature of the student

## Appendix

### Appendix A

Real estate project from the platform Real Crowd, *Vantage at Harlingen*



This Confidential Offering Memorandum ("Memorandum") is being given to you for the sole purpose of evaluating the possible investment in Vantage at Harlingen (the "Project"), and is not to be used for any other purpose or made available to any other party without the prior written consent of Presidium. This Memorandum was prepared by Presidium and contains select information about Vantage at Harlingen and the real estate market but does not contain all the information necessary to evaluate the Project. The financial projections contained herein (or in any other Confidential Information) are for general reference only. They are based on assumptions relating to the overall economy and local competition, among other factors. Accordingly, actual results may vary materially from such projections. Various documents have been summarized herein to facilitate your review; these summaries are not intended to be a comprehensive statement of the terms or a legal analysis of such documents. While the information contained in this Memorandum and any other Confidential Information is believed to be reliable, Presidium does not guaranty its accuracy or completeness. Because of the foregoing and since the investment in the Project is being offered on an "As Is, Where Is" basis, a prospective investor or other party authorized by the prospective investor to use such material solely to facilitate the prospective purchaser's investigation, must make its independent investigations, projections and conclusions regarding the investment in the Project without reliance on this Memorandum or any other Confidential Information. Although additional Confidential Information, which may include engineering, environmental or other reports, may be provided to qualified parties as the marketing period proceeds, prospective purchasers should seek advice from their own attorneys, accountants, engineers and environmental experts. Presidium does not guaranty the accuracy or completeness of the information contained in this Memorandum or any other Confidential Information provided by Presidium. Presidium expressly reserves the right, at its sole discretion, to reject any offer for the Project or to terminate any negotiations with any party at any time with or without written notice. Presidium shall have no legal commitment or obligations to any prospective investor unless and until formal documentation has been fully executed, delivered and approved by Presidium and any conditions to Presidium's obligations thereunder have been satisfied or waived. This Memorandum is the property of Presidium and may be used only by parties approved by Presidium. No portion of this Memorandum may be copied or otherwise reproduced or disclosed to anyone except as permitted under the Confidentiality Agreement.

For more information, please contact one of the following individuals:

<b>Cross Mocer</b> Co-CEO cmocer@presidiumre.com 512.494.4224	<b>John Griggs</b> Co-CEO jgriggs@presidiumre.com 214.306.6596
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PRESIDIUM GROUP LLC

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## INVESTMENT OVERVIEW

### EXECUTIVE SUMMARY

Presidium is currently seeking approximately \$4.82M in equity for the acquisition of Vantage at Harlingen Apartments located in Harlingen, Texas. This acquisition represents an excellent opportunity to acquire a new construction, best-in-class asset located near the intersection of Interstate 2 and Interstate 69E, providing convenient access throughout the Rio Grande Valley. Vantage at Harlingen is strategically located near many major employers including Valley Baptist Medical Center and Harlingen CISD.

Built in 2015, Vantage at Harlingen consists of 288 luxury units with a full complement of resort-style amenities and features. The property is one of the only three-story garden style properties in the Valley area making it unique from all the other comparable assets. The existing LURA terminates upon sale and provides the new ownership great future upside and the ability to raise rents.

### OPPORTUNITY

The property was built by a merchant developer and bears an existing LURA that terminates upon sale. The new ownership has the opportunity to generate revenue by raising rents to market levels. Vantage at Harlingen is achieving rent at \$0.92/SF and is currently 96% occupied.

Vantage at Harlingen separates itself from nearby competitors by offering a wide variety of unit features and amenities including black-on-black appliances, dark oak wood cabinetry, faux-wood flooring, and a washer/dryer in each unit. Additionally, the inviting clubhouse and business center, along with the state-of-the-art fitness center and the resort-style swimming pool, offer residents an unparalleled living experience.

Presidium is acquiring Vantage at Harlingen at the price of \$25,900,000, or \$89,900 per unit, yielding a going-in cap rate of 6.7%. Presidium expects to increase rents from \$0.92/SF to \$1.08/SF within two years after acquiring the property as a result of the removal of the LURA restrictions.

#### PROPERTY BASICS

Address	902 South Palm Court Drive, Harlingen, TX
Year of Construction	2015
Occupancy	96%
Number of Units	288
Net Rentable Square Feet	238,704 SF
Average Unit Size	829 SF
Land Size	16.4 Acres



## INVESTMENT OVERVIEW

### LOCATION

Vantage at Harlingen is a desirable property due to its highly accessible location off Highway 77 and Highway 83 also known as Interstate 2 and Interstate 69E, which is a heavily traveled intersection and one of the busiest crossroads in the Rio Grande Valley. The property is within immediate proximity to major employment drivers plus numerous high-end retail, restaurants, and entertainment venues. Vantage at Harlingen has access to nearby retail including Bass Pro Shops, Valle Vista Mall, Target, Walmart Supercenter, and H-E-B. Valle Vista Mall consists of 82 stores including Dillard's, Sears, JCPenney, and Victoria's Secret.

Valley International Airport is located seven miles from Vantage at Harlingen. This airport is the largest airport in the Rio Grande Valley and serves more than 700,000 passengers annually.

### TIMING

Multifamily has been the best performing real estate sector throughout the economic recovery. After many homeowners were forced into renting and the young professional demographic began choosing to live closer to work and entertainment, apartment demand has increased dramatically. As the global recovery continues to lag the performance of domestic markets, strong economic climates such as Texas become increasingly attractive to foreign capital searching for yield. Presidium believes that the strong multifamily trends will continue, but seeks off-market opportunities or any other opportunities that produce immediate value-add returns due to minimal bidding competition, unsophisticated owners, or severe mismanagement.

### DEAL STRUCTURE

Presidium is creating a special purpose entity to acquire this property. The investment is structured as a limited partnership with Presidium Group serving as the General Partner and the investors contributing the \$4.82M in equity as Limited Partners. The Limited Partners will receive a 10% annualized preferred return on their equity investment. Upon sale, all Equity Partners will receive any unpaid preferred return first, their initial investment back next, and following a 10% IRR, net profits will be distributed 20% to the General Partner and 80% to the Limited Partners. Following a 15% IRR, net profits will be distributed 35% to the GP and 65% to the LPs. Following a 20% IRR, the GP and LPs will split profit 50% / 50%.

#### INVESTMENT METRICS

Price	\$25,900,000
Year 1 NOI (Adj.)	\$1,718,622
Year 1 Cap Rate	6.6%
Price Per Square Foot	\$109
Price Per Unit	\$89,900
3-Year Deal IRR	26.4%
5-Year Deal IRR	24.8%



LOCATION MAP



LOCATION MAP





## FINANCIAL ANALYSIS

## SOURCES &amp; USES

## SOURCES

Senior Note	\$21,423,000
Presidium Equity	\$534,000
Requested Equity	\$4,821,000
<b>TOTAL</b>	<b>\$26,778,000</b>

## USES

Purchase Price	\$25,900,000
Closing Costs, Legal and Fees	\$878,000
<b>TOTAL</b>	<b>\$26,778,000</b>



## PROPOSED FINANCING

## SENIOR LOAN

Loan Amount	\$21,423,000
Interest Rate	4.29%
Maturity Date	6/1/2024
Amortization	30 Years
<b>Loan to Value (PP)</b>	<b>83%</b>

## FINANCIAL ANALYSIS

## 3 YEAR RETURN ANALYSIS

Average Cash on Cash Return	12.1%
Deal Level IRR	26.4%
Equity Multiple	1.9x

## 5 YEAR RETURN ANALYSIS

Average Cash on Cash Return	14.1%
Deal Level IRR	24.8%
Equity Multiple	2.6x

## RESIDUAL SALE ANALYSIS - YEAR 3

NOI Year-3	\$2,085,463
Exit Cap Rate	7.25%
Gross Sales Price	\$28,765,007
Less: Cost Of Sale	(\$287,650)
Net Proceeds	\$28,477,357
Less: Repayment Of Debt	(\$20,299,618)
Total Disposition Proceeds	\$8,177,740
Investor Cash Flow (Operations)	\$1,685,919
Investor Disposition Proceeds	\$6,463,448
Investor Equity	(\$4,820,068)
<b>Total Investor Profit</b>	<b>\$3,329,300</b>

## RESIDUAL SALE ANALYSIS - YEAR 5

NOI Year-5	\$2,223,630
Exit Cap Rate	7.5%
Gross Sales Price	\$29,648,394
Less: Cost Of Sale	(\$296,484)
Net Proceeds	\$29,351,910
Less: Repayment Of Debt	(\$19,466,658)
Total Disposition Proceeds	\$9,885,252
Investor Cash Flow (Operations)	\$3,328,020
Investor Disposition Proceeds	\$7,269,537
Investor Equity	(\$4,820,068)
<b>Total Investor Profit</b>	<b>\$5,777,489</b>

Investor IRR	21.5%
Investor Multiple	1.69x

Investor IRR	20.9%
Investor Multiple	2.20x



## FINANCIAL ANALYSIS

Vantage	T-12	Year 1	Year 2	Year 3	Year 4	Year 5
Year Starting		Jul-17	Jul-18	Jul-19	Jul-20	Jul-21
<b>Rental Revenue</b>						
Gross Potential Rent	\$3,241,305	\$3,098,880	\$3,191,846	\$3,287,602	\$3,386,230	\$3,487,817
Loss-to-Lease	(483,360)	(214,489)	(42,610)	(43,888)	(45,205)	(46,561)
Physical Vacancy	(365,708)	(247,910)	(255,348)	(197,256)	(203,174)	(209,269)
Rent Concessions	(80,360)	(30,989)	(31,918)	(32,876)	(33,862)	(34,878)
Non-Revenue Units	(23,460)	(21,692)	(22,343)	(23,013)	(23,704)	(24,415)
Credit Loss / Bad Debt	(18,675)	(15,494)	(15,959)	(16,438)	(16,931)	(17,439)
<b>Total Rental Revenue</b>	<b>\$2,269,743</b>	<b>\$2,568,305</b>	<b>\$2,823,668</b>	<b>\$2,974,131</b>	<b>\$3,063,354</b>	<b>\$3,155,255</b>
<b>Other Income</b>						
RUBS	\$40,372	\$62,086	\$63,639	\$65,230	\$66,860	\$68,532
Fee Income	319,423	329,005	338,875	349,041	359,512	370,297
Carport Income	33,539	38,880	50,058	58,434	63,728	65,640
Misc. Income	9,878	10,174	10,479	10,794	11,117	11,451
Cable	7,545	7,722	8,005	8,245	8,492	8,747
<b>Total Other Income</b>	<b>\$410,755</b>	<b>\$447,917</b>	<b>\$471,055</b>	<b>\$491,743</b>	<b>\$509,710</b>	<b>\$524,667</b>
<b>Total Revenue</b>	<b>\$2,680,498</b>	<b>\$3,016,222</b>	<b>\$3,294,724</b>	<b>\$3,465,874</b>	<b>\$3,573,064</b>	<b>\$3,679,922</b>
<b>Expenses</b>						
General & Administrative	\$33,745	\$36,000	\$36,900	\$37,823	\$38,768	\$39,737
Contract Services	72,641	72,000	73,800	75,645	77,536	79,475
Leasing & Marketing	55,332	43,200	44,280	45,387	46,522	47,685
Payroll & Benefits	255,445	259,200	265,680	272,322	279,130	286,108
Management	107,389	120,649	131,789	138,635	142,923	147,197
R&M / Make Ready	43,951	57,600	59,040	60,516	62,029	63,580
Insurance Expense	70,209	79,200	81,180	83,210	85,290	87,422
Real Estate Taxes	163,101	394,506	406,342	418,532	431,088	444,020
RUBS Utilities	63,760	65,354	66,988	68,663	70,379	72,139
Non-RUBS Utilities	83,733	85,826	87,972	90,171	92,425	94,736
Net Utilities (Including Savings)	147,493	151,180	154,960	158,834	162,804	166,875
Replacement Reserves	0	72,000	73,800	75,645	77,536	79,475
<b>Total Expenses</b>	<b>\$949,306</b>	<b>\$1,297,600</b>	<b>\$1,340,949</b>	<b>\$1,380,411</b>	<b>\$1,417,918</b>	<b>\$1,456,293</b>
<b>NOI</b>	<b>\$1,731,193</b>	<b>\$1,718,622</b>	<b>\$1,953,775</b>	<b>\$2,085,463</b>	<b>\$2,155,147</b>	<b>\$2,223,630</b>
Total Debt Service		\$1,271,262	1,271,262	1,271,262	1,271,262	1,271,262
<b>Net Income After Debt Service</b>		<b>\$447,360</b>	<b>\$682,513</b>	<b>\$814,201</b>	<b>\$883,885</b>	<b>\$952,368</b>

**NOTES ON THE PRO FORMA**  
 The foregoing pro forma information regarding the Subject Property is based on assumptions concerning future events over which the Partnership may have only partial or no control. The selection of assumptions underlying the pro forma information is based on the General Partner's judgment and is subject to considerable uncertainty due to general economic and financial changes that may result from future events. To the extent that assumed events or trends do not occur, actual results may differ materially from those set forth in the pro forma projections. There can be no assurance that the projections will be realized, and actual results may be higher or lower than the projections. Consequently, the inclusion of projections herein should not be regarded as a representation by the General Partner or the Partnership or any other person that the projected results will be achieved. The General Partner does not intend to update or otherwise revise these projections to reflect circumstances existing after the date hereof or to reflect the occurrence of future events, even in the event the assumptions or estimates underlying the projections are shown to be in error. Prospective investors should not rely on, and will be deemed not to have relied on, the projections in making an investment decision.

## PROPERTY PROFILE

### Construction and Amenities

EXISTING CONSTRUCTION	
Style	Three-Story Garden-Style
Foundation	Concrete Slab
Exterior Walls	Hardy Plank / Sticky Stone
Roofs	Composition Shingles
Ceiling Heights	9' Ceiling
Number of Buildings	14 Apartment Buildings, Clubhouse, Seven Garage Buildings, and Two Storage Buildings



AMENITIES	
Exterior	Resort-Style Swimming Pool
	Covered Parking and Garages
	State-of-Art Fitness Center
	Bark Park
	Picnic Area with Barbecue Grill
Interior	Clubhouse with Business Center
	Black-on-Black Appliances
	Washer/Dryer in Unit
	Hardwood Flooring
	Breakfast Bar
	Built-in Computer Desk
Spacious Walk-In Closets	



PROPERTY PROFILE

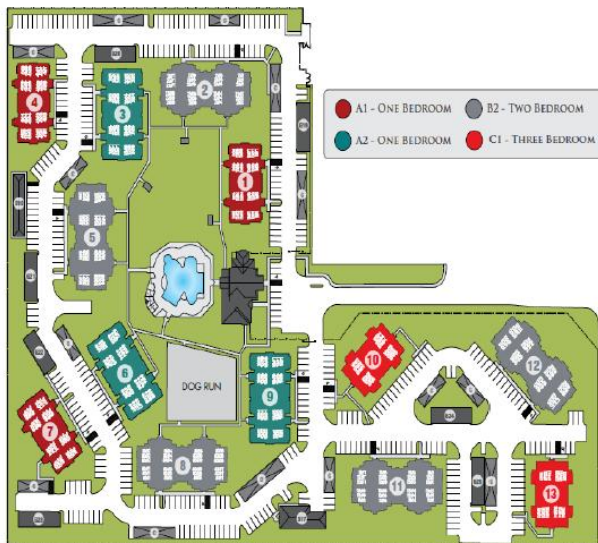
UNIT MIX

UNIT MIX									
Floor Plan	# BRs	# Ba	# Units	SF/Unit	In Place Rents \$/Mo	In Place Rents \$/SF	Y1 Mkt Rents \$/Mo	Y1 Mkt \$/SF	\$/Mo Inc.
A1	1	1	72	597	\$623	\$1.04	\$740	\$1.24	\$117
A2	1	1	72	735	\$705	\$0.96	\$830	\$1.13	\$125
B2	2	2	120	960	\$817	\$0.85	\$975	\$1.02	\$158
C1	3	2	24	1,150	\$1,092	\$0.95	\$1,175	\$1.02	\$83
<b>Grand Tot / Avg</b>			<b>288</b>	<b>829</b>	<b>\$764</b>	<b>\$0.92</b>	<b>\$897</b>	<b>\$1.08</b>	<b>\$133</b>



PROPERTY PROFILE

SITE PLAN



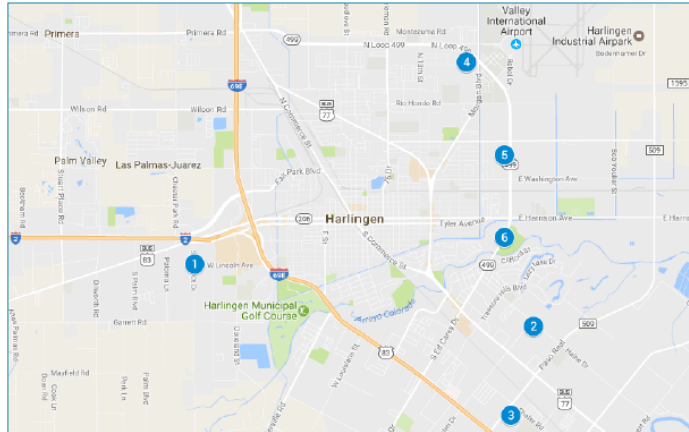
PROPERTY PHOTOGRAPH



RENT COMPARABLES

RENT COMPARABLES

Property	YOC	Renovation	Units	Avg SF	Avg Rent	\$/SF
(2) Reata	2002	-	144	814	\$840	\$1.03
(3) The Villages at Paso Real	2010	-	180	824	\$781	\$0.95
(4) Cornerstone	1996	-	168	844	\$772	\$0.91
(5) Stoneleigh Harlingen	2007	-	180	709	\$630	\$0.89
(6) Oak Terrace	1994	-	240	875	\$667	\$0.76
<b>Weighted Average / Total</b>			<b>182</b>	<b>813</b>	<b>\$731</b>	<b>\$0.89</b>
(1) Vantage at Harlingen In Place	2015	-	288	829	\$764	\$0.92
<b>Vantage Market Rent</b>					<b>\$897</b>	<b>\$1.08</b>
<b>% Above Comps, % Inc., \$/Mo Inc., \$/SF/Mo Inc.</b>			<b>21%</b>	<b>17%</b>	<b>\$133</b>	<b>\$0.16</b>



MARKET OVERVIEW

Harlingen, Texas

Harlingen's picture perfect tropical weather welcomes visitors year round. Enjoy golf at one of the four public courses and one private course or fabulous bird watching at the World Birding Center with wild parakeets, colorful green jays, and chachalacas. Harlingen also offers a wide variety of shopping with Jackson Street's antique district or Bass Pro Shops Outdoor World for sports enthusiasts. Situated only 30 miles from South Padre Island's beaches and fishing allows residences to take a staycation. Visitors and locals alike can also visit the original Iwo Jima Memorial which is located at Harlingen's Marine Military Academy and is which the monument in Arlington, Virginia was cast.

- Cameron County: 891.1 Square Miles
- City of Harlingen: 39.9 Square Miles
- Cameron County Population: 420,392
- Harlingen Population: 70,000+

Infrastructure

Harlingen is located in the heart of the Rio Grande Valley of south Texas in Cameron County. It is situated 30 miles from the coast of the Gulf of Mexico and is in proximity to the Northern Mexico border. Its central location in the Rio Grande Valley has allowed it to share in the area's growth and prosperity. It is uniquely positioned to reach all major points of the Valley, and 1.1 million of the population is within a 45-minute drive. Harlingen is the second largest city in Cameron County.

Valley Baptist Medical Center



As of the 2010 census, the city had a population of 65,000 for a growth rate of 12.5 percent growth rate since 2000. Harlingen has one of the least expensive cost of livings in the United States. Harlingen was ranked No.2 Least Expensive Urban Area in the United States in 2015 by the Council for Community and Economic Research (C2ER). In all categories, Harlingen was over 20% less expensive than the average cost of living expense for the rest of the participating communities.

VA Health Center



Labor

For the past several years, Harlingen has veered away from an agriculture-driven economy. Although agriculture is still an important aspect to the workforce, Harlingen has diversified their labor force. Three of the top 10 employers are in healthcare, with the telecommunications industries playing a vital part of Harlingen. With healthcare playing such a huge role to the future of Harlingen, the city has added the South Texas Veterans Administration Health Care Center at Harlingen and physician-owned Harlingen Medical Center. The University of Texas - Rio Grande Valley will also open a medical school with Harlingen playing an important role in its location. Telecommunications is also a thriving industry with Dish Network, Time Warner Cable, and Advanced Call Center Technologies having large offices in Harlingen.

MARKET OVERVIEW

HARLINGEN IN THE NEWS

The City of Harlingen, nestled near the U.S.-Mexico border in the Rio Grande Valley, has been enjoying steady growth over the years, as more and more businesses realize the benefits of doing businesses near Mexico. Maquiladoras and many tax benefits in South Texas make Harlingen, located at the Crossroads of the Rio Grande Valley, a city poised for an economic boom.

Harlingen and the State of Texas also have gained much recognition for treating its businesses right. Among the awards and recognition are:

Chief Executive Magazine Ranks Texas Best State For Business in 2016

For the 12<sup>th</sup> straight year, CEOs across America have agreed there is no place better for conducting business than Texas," said Governor Greg Abbott. "Our winning formulas is simple – low taxes, reasonable regulations and investment in a quality workforce. As Governor, I will continue to promote policies that attract businesses looking to expand or relocate their operations, ultimately creating even more jobs and opportunity for Texans." Chief Executive asked 513 CEOs to rank states they are familiar with on the friendliness of their tax and regulatory regime, workforce quality and living environment.

Harlingen #2 Least Expensive Urban Area in the United States in 2015

Harlingen was recently named the #2 Least Expensive Urban Area in the United States by the Council for Community and Economic Research (C2ER). The Cost of Living Index measures relative price levels for consumer goods and services in participating areas. The average for all participating places, both metropolitan and nonmetropolitan, equals 100, and each participant's index is read as a percentage of the average for all places. In all categories, Harlingen was over 20% less expensive than the average cost of living expense for the rest of the participating communities.

Harlingen #1 in Lowest Cost of Living in the United States from 2010 to 2014

2014 marked the 5<sup>th</sup> year in a row that Harlingen was selected by the Council for Economic Research (C2ER) as having the lowest cost of living among participating urban county communities across the country. Over 250 communities participate in this annual report. C2ER was formerly known as the ACCRA Cost of Living Index.



MARKET OVERVIEW

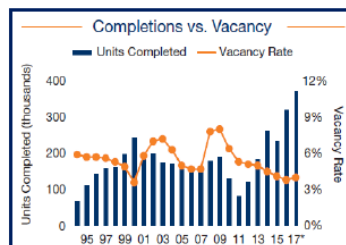
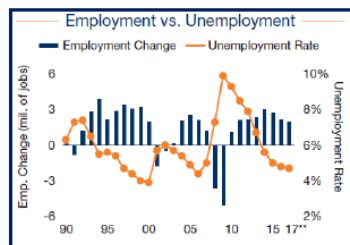
NATIONAL MULTIFAMILY OUTLOOK

Several markets with favorable supply-and-demand balances and momentum in hiring made large moves to ascend to the top spots in the 2017 National Multifamily Index (NMI). The economy added approximately 2.2 million jobs in 2016 but the reduction in labor market slack will support 2.0 million new hires this year. An increase in consumer spending, combined with the possible implementation of fiscal policies, should generate GDP growth in the 2.5 percent range during 2017.

Projected job creation and rental household formation will support demand, while demographic trends also support low vacancy and a steady pace of rent increases. Notably, the ongoing flow of millennials into the workforce, a segment of the population with a high propensity to rent, represents a robust driver of growth in the multifamily sector. Developers will bring 371,000 units to the market in 2017. In addition to disciplined construction lending, proposals of increased government infrastructure spending could elevate competition for construction materials and labor needed for multifamily construction. National apartment vacancy will end 2017 at 4.0 percent as rapidly increasing household formation generates robust net absorption that supports a 3.8 percent rise in the average effective rent. Class A vacancy rates will climb in many markets where substantial supply in-fluxes are on tap.

Lending capacity for multifamily acquisitions and refinancing remains healthy, but the rise in the yield on the 10-year U.S. Treasury following the election creates some uncertainty concerning where long-term rates will settle. Higher interest rates and tighter lender underwriting could cultivate investor caution. However, a potential easing of Dodd-Frank regulations on financial institutions could create additional lending capacity for other capital sources.

The rise in the average sales price during 2016 maintained the average cap rate in the low-5 percent range and prompted many investors to search for higher yields in secondary and tertiary markets. Investors remain cautiously optimistic. However, speculation on how a new presidential administration will govern is certain to influence investors' outlooks temporarily, at least through the early months of a Trump presidency. <sup>[1]</sup>



[1] Sources: Marcus & Millichap 2017 U.S. Multifamily Investment Forecast

SPONSORSHIP

**BEST-IN-CLASS SPONSORSHIP**

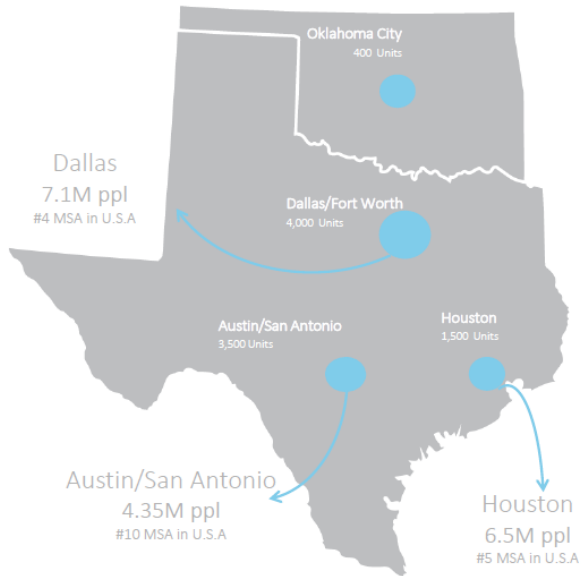
Presidium is a vertically-integrated real estate firm specializing in opportunistic and value-add transactions in the state of Texas. We develop, acquire, and improve upon fundamentally sound real estate that has been improperly valued due to market conditions. Our relentless drive for operational excellence, coupled with our creativity and innovation, allows us to provide superior risk-adjusted returns to our investors. As of September 2016, Presidium has owned and managed over \$1 billion in real estate assets. Its current portfolio includes 10,000 apartment units in Texas and Oklahoma, worth \$800 million.

Our core business involves acquiring underperforming multifamily real estate in strong Texas markets, and undertaking an extreme makeover of these assets in order to reposition them as the top properties in their respective submarket. We employ a design-driven focus with respect to our renovations, coordinating with in-house and third party architects and design professionals to ensure that our renovated product favorably distinguishes itself from its competition due to its physical and aesthetic attributes.

We are currently developing several parcels into multifamily and mixed-use projects. We hope to distinguish ourselves in this field by using our expertise in the sustainability arena to drastically reduce the utility consumption of our properties, providing savings to both us and our residents.

Presidium has a relentless focus on sustainability measures across our communities putting us at the forefront of renewable energy pioneers in the real estate world. We operate an in-house Green Team with engagement across all aspects of the organization from acquisitions to asset management to ensure a holistic approach to sustainability. We have successfully navigated the landscape of utility and government incentives to install over 3 megawatts of rooftop solar panel installations at our apartment communities, significantly improving our NOI in the process. We have invested our own capital in the renewable energy R&D, and we are pioneering the process of renovating an older multifamily community into a net zero energy asset through such measures such as solar systems, low energy efficient windows, and other green initiatives.

**PRESIDIUM ASSETS THROUGHOUT TEXAS**



## Appendix B

Real estate project from the platform iFunded, *Eisenbahnstrasse*

FACTSHEET IMMOBILIENANLEIHE  
EISENZAHNSTRASSE



# Eisenbahnstraße

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**Standort: Eisenbahnstraße 11-12, 14-16, Berlin  
Wilmerdorf, Baujahr 1967-70, Erwerb in 2015.**

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Nach Umbau und Entwicklung der Bestandsimmobilie: ca. 281 Apartments inkl. Penthouse (ca. 10.700 m<sup>2</sup>), ca. 2.400 m<sup>2</sup> Gewerbefläche und 111 Stellplätze.

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Kaufpreis zzgl. geplanter Modernisierungskosten EUR 49,6 Mio.

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Verkaufswert auf Einzelverkaufsbasis laut Gutachten EUR 67,06 Mio.

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Aktuelle Finanzierungsstruktur: EUR 35,5 Mio. Bankdarlehen und EUR 14,1 Mio. Eigenkapital und eigenkapitalähnliche Mittel (Gesellschafterdarlehen).

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Geplanter Brutto-Emissionserlös der Anleihe EUR 10,0 Mio.

## Die Anleihe

Die nachfolgende Tabelle bietet einen Überblick über wesentliche Eckdaten der Anleihe und der Emission. Weitergehende, detailliertere Informationen enthält der Wertpapierprospekt der Emittentin, der bei der iEstate GmbH, Berlin unter [www.ifunded.de/de/jetzt-investieren](http://www.ifunded.de/de/jetzt-investieren) abgerufen werden kann.

1. Emittentin	SCP Eisenbahnstraße 11-16 GmbH & Co. KG, eine Ein Zweckgesellschaft
2. Anleihetyp	Inhaberschuldverschreibung, besichert durch Verpfändung Sicherungskonto (die „Sicherheit“), siehe unten Sicherheit
3. Emission / Emissionsvolumen	Öffentliches Angebot / Gesamt-nennbetrag in Höhe von EUR 10.000.000
4. Laufzeit	26.07.2017 – 31.12.2020
5. Vorzeitige Rückzahlung	Die Emittentin ist berechtigt, Teilkündigungen nach 12 bzw. 24 Monaten gegen Zahlung eines Kündigungsbonus von 1 % (vom Nennbetrag der gekündigten Teilschuldverschreibungen) vorzunehmen.
6. Verzinsung	5,5 % p.a.
7. WKN / ISIN	A2E4FQ / DE000A2E4FQ5
8. Zinszahlungsperioden	halbjährlich, zum 31.12. und 30.06 – erstmalig zum 31.12.2017
9. Zinsberechnungsmethode	30 / 360
10. Ausgabekurs	100 % zzgl. etwaiger Stückzinsen
11. Stückelung / Mindestinvestment	EUR 1.000 / EUR 1.000
12. Zeichnungsfrist	ab dem 14.07.2017
13. Zahlstelle	Bankhaus Neelmeyer AG, Bremen
14. Platzierungsagent	iEstate GmbH, Berlin, als gebundener Vermittler der NFS Netfonds Financial Service GmbH, Hamburg
15. Gebilligtes Wertpapierprospekt	Der Wertpapierprospekt der Emittentin wurde am 13.07.2017 von der Luxemburgischen Wertpapieraufsichtsbehörde ( <i>Commission de Surveillance du Secteur Financier</i> ) gebilligt und in die Bundesrepublik Deutschland und die Republik Österreich notifiziert.
16. Immobiliengutachter	Knight Frank Valuation & Advisory GmbH & Co. KG
17. Sicherheiten	Verpfändung eines Sicherungskontos an einen Sicherheitstreuhänder auf das aus jeder Veräußerung ein bestimmter Kaufpreisanteil einzuzahlen ist. Aus dem Emissionserlös wird ein Teilbetrag in Höhe der erforderlichen Mittel für die Zinszahlungen am 31.12.2017 und 30.06.2018 auf das Sicherungskonto eingestellt. Eine Verfügung über das Konto durch die Emittentin kann nur mit Zustimmung des Treuhänders erfolgen.
18. Sicherheitstreuhänder	TAXON GmbH, Zweigniederlassung Berlin, ( <a href="http://www.taxon.de">www.taxon.de</a> )
19. Sicherheitstreuhandvertrag	Der Sicherheitstreuhänder verwaltet die ihm eingeräumte Sicherheit im wirtschaftlichen Interesse der Anleihegläubiger. Jedem Anleihegläubiger stehen die Rechte gegen den Treuhänder und die Emittentin aus dem Treuhandvertrag aus eigenem Recht zu (§ 328 BGB).
20. Börsenhandel / Liquidität	Eine Einbeziehung in den Freiverkehr (Open Market) der Frankfurter Wertpapierbörse ist zum Emissionstag beabsichtigt.





SCP Eisenbahnstraße 11-16 GmbH & Co. KG



### Die Immobilie

Bei der Liegenschaft handelt es sich um eine Bestandsimmobilie auf der Gebäude- und Freifläche Eisenbahnstraße 11-12, 14-16 in Berlin. Der Gebäudekomplex der Liegenschaft wurde im Jahre 1970 in Stahlbetonskelettbauweise errichtet. Die Liegenschaft besteht aus drei Gebäuden mit rund 13.120 m<sup>2</sup> Nutzfläche und 111 Tiefgaragenstellplätzen. Diese teilt sich auf in rund 10.689 m<sup>2</sup> Wohnfläche und rund 2.431 m<sup>2</sup> Gewerbefläche. Der Gebäudekomplex hat zwischen sechs und neun Vollgeschosse. Im Rahmen der Sanierungs- und Umbauarbeiten wird im 8. Obergeschoss eine ehemalige Bürofläche in eine luxuriöse und hochwertig ausgestattete Penthouse-Wohnung umgewandelt. Das Objekt hat eine zweckmäßige Grundrissgestaltung, eine durchschnittliche Ausstattung und einen entsprechend dem Baualter guten Bauzustand. Seit dem Jahr 2016 wird die Liegenschaft einer umfassenden Sanierung unterzogen, wobei rund 200 Wohnungen kernsaniert werden. Teile des ersten Stockwerks, werden von Gewerbe- in Wohnflächen umgewandelt, wobei die gesamte Liegenschaft nach Umwandlung rund 280 Wohneinheiten haben wird. Die Apartments sollen mit „smart-home“ Lösungen, also mit Fernsteuerungen für u.a. Heizung und Licht ausgestattet sein, die durch eine eigens konzipierte App angesteuert werden können. Zudem ist eingeplant, eine rund 370 m<sup>2</sup> große Penthouse-Wohnung auszubauen. Die Zielgruppe der Käufer für die Apartments sind sogenannte Mobile Professionals und Lifestyle Performers. Im Erdgeschoss ist ein Lifestyle Konzept mit einer Lounge, Concierge Service, Restaurant, Fitness Club und einem kleinem Office Bereich für Startups vorgesehen. Bei der Vermarktung des Projekts konzentriert sich die Emittentin auf Online Marketing sowie soziale Kanäle und fokussiert sich auf Interessenten, die im Berliner Westen nahe Kursfürstendamm einen modernen Lifestyle suchen. Der Marktwert der Liegenschaft wird laut dem Gutachten zur Marktwertentwicklung von Knight Frank Valuation & Advisory GmbH & Co. KG nach Umbau der Liegenschaft auf EUR 61,3 Mio. beziffert. Der Verkaufswert auf Einzelverkaufsbasis laut dem Gutachten zur Marktwertentwicklung bei EUR 67,06 Mio.

Die Liegenschaft befindet sich im Berliner Stadtteil Wilmersdorf, ca. 2 km südwestlich des Stadtzentrums „City West“, in fußläufiger Entfernung zum Kurfürstendamm. Die unmittelbare Umgebung ist überwiegend durch Mehrfamilienhäuser geprägt. Durch die fußläufig gelegenen U-Bahn-Stationen „Konstanzer Straße“ und „Adenauer Platz“ sowie diverse Bushaltestellen in der nahen Umgebung, besteht ein guter Anschluss an das öffentliche Personennahverkehrsnetz.

### Die Emittentin

Die SCP Eisenbahnstraße 11-16 GmbH & Co. KG ist eine Ein Zweckgesellschaft mit dem Gesellschaftszweck der Umsetzung des oben dargestellten Vorhabens. Die Gesellschaft wird keine weiteren Liegenschaften erwerben und keine operativen Tätigkeiten aufnehmen, welche nicht unmittelbar dem Erreichen des Gesellschaftszwecks dienen. Komplementärin ist die SCP Verwaltung Selektion 03 GmbH, deren Geschäftsführer Herr Einar Skjerven ist. Einar Skjerven ist Gründer und Geschäftsführer der Skjerven-Gruppe. Er hat über 20 Jahre Erfahrung in den Bereichen Real Estate, Capital Markets, Asset- und Fondsmanagement und hat mehrere börsennotierte Immobiliengesellschaften gegründet und geleitet.

### Finanzierungsparameter

Die Gesamtinvestitionskosten in Höhe von EUR 49,6 Mio. sind in der aktuellen Finanzierungsstruktur durch Einbringung von Eigenkapital und eigenkapitalähnlicher Mittel (Gesellschafterdarlehen) sowie durch einen Darlehensvertrag mit der erstfinanzierenden Bank gesichert und beinhalten auch die Vertriebs- und Marketingkosten. Die Emission dient der teilweisen Refinanzierung bereits eingebrachter eigenkapitalähnlicher Mittel.

	Ist	Soll
<b>Bankdarlehen</b>	35.500.000 €	35.500.000 €
<b>Anleihe</b>	– €	10.000.000 €
<b>Eigenkapital und eigenkapitalähnliche Mittel</b>	14.100.000 €	4.100.000 €

Das Bankdarlehen dient mit EUR 19 Mio. anteilig der Ablöse der Erwerbsfinanzierung. Der verbleibende Betrag wird nach definierten Milestones des Baufortschritts in drei weiteren Tranchen ausgezahlt. Die Rückführung des Bankdarlehens erfolgt anteilig im Zuge des Abverkaufs der Wohneinheiten nach einem vordefinierten Tilgungsschlüssel. Das Darlehen ist in voller Höhe bis spätestens zum Laufzeitende am 30.11.2020 zu tilgen. Der Bank sind zur Sicherung ihrer Ansprüche aus dem Darlehensvertrag



## FACTSHEET IMMOBILIENANLEIHE EISENZAHNSTRASSE

erstrangige Grundschulden an der Liegenschaft eingeräumt. Als weitere Sicherheiten sind Ansprüche aus Wohnungs-Verkaufsverträgen, Werksverträgen sowie Mietzinsforderungen an die erstfinanzierende Bank abgetreten.

Die Plattform iFunded ([www.ifunded.de](http://www.ifunded.de)) ist eine Marke der iEstate GmbH. Unter dieser Marke betreibt die iEstate GmbH eine Immobilien-Anlageplattform, die sich an private und professionelle/institutionelle Investoren richtet. iFunded bietet Investoren Anlagen in Bestands- und Entwicklungsimpobilien an, die diese sowohl in Form von öffentlich wie auch privat angebotenen Anleihen als auch in Form von privat und öffentlich platzierten Nachrangdarlehen tätigen können. Darüber hinaus wickelt iFunded den Kauf/Verkauf von Immobilien ab und vermittelt Immobiliendienstleistungen, wie beispielsweise Vermarktung von Immobilienprojekten auf der Plattform. Zu diesem Zweck stellt iFunded Anlegern und/oder Käufern in virtuellen Datenräumen die relevanten Informationen zur Verfügung. iFunded richtet sich an Selbstentscheider oder Vermögensverwalter/Berater, die ausreichende Fachkenntnisse besitzen.

### Risikohinweise

Obwohl die Anleihe besichert ist, kann ein Totalverlust der investierten Mittel nicht ausgeschlossen werden. Es besteht das Risiko, dass nicht ausreichend Mittel zur Verfügung stehen, um die Zinszahlungen der Anleihe zu leisten oder um den Rückzahlungsbetrag bei Fälligkeit zurückzahlen zu können. Auch bei Börseneinführung unterliegt die Anleihe dem Risiko der eingeschränkten Veräußerbarkeit; es besteht das Risiko, dass sich kein Sekundärmarkt für die Anleihe entwickelt, und Anleger, die ihre Anteile veräußern möchten, nur eingeschränkte Möglichkeiten haben, einen Käufer für die Anleihe zu finden. Den Anlegern steht kein ordentliches Kündigungsrecht der Teilschuldverschreibungen zu. Die hier aufgeführten Risiken sind nicht abschließend. Eine umfassendere Risikodarstellung findet sich in dem veröffentlichten Wertpapierprospekt der Emittentin, der über die Immobilien-Anlageplattform [www.ifunded.de](http://www.ifunded.de) elektronisch abgerufen und bei dem Platzierungsagenten iEstate GmbH gegen Übernahme der Versandkosten angefordert werden kann.

### Disclaimer

Dieses Fact Sheet stellt eine unverbindliche Vorabinformation dar, die ausschließlich werblichen Zwecken dient und kein Prospekt im Sinne des Wertpapierprospektgesetz oder eines entsprechenden ausländischen Rechts ist.

Dieses Fact Sheet ist weder ein Angebot noch eine Aufforderung zur Abgabe eines Angebotes zum Erwerb von Wertpapieren der SCP Eisenbahnstraße 11-16 GmbH & Co. KG noch eines mit ihr verbundenen Unternehmens oder des Platzierungsagenten. Die Informationen in diesem Fact Sheet stellen keine Anlageberatung dar. Dieses Dokument darf weder als Angebot noch als Anlageberatung verstanden werden.

Interessierte Anleger sollten vor einer Anlageentscheidung bezüglich der Wertpapiere der SCP Eisenbahnstraße 11-16 GmbH & Co. KG jedenfalls die in dem Wertpapierprospekt der Emittentin zusammengestellten Informationen zu den Wertpapieren und die mit dem Erwerb der Wertpapiere verbundenen Risiken zur Kenntnis nehmen. Es wird dringend empfohlen, eine eigene steuerliche und rechtliche Beratung durch fachkundige Dritte einzuholen.

Dieses Dokument darf weder ganz noch teilweise vervielfältigt, an andere Personen weiterverteilt oder veröffentlicht werden. Weder die Emittentin noch eine mit dieser im Sinne von §§ 15 ff. AktG verbundene Gesellschaft oder deren Organe übernehmen die Haftung für Schäden oder Folgeschäden aus unzutreffenden oder unvollständig wiedergegebenen Informationen oder Berechnungen in diesem Fact Sheet.

## Appendix C

### Risk assessment matrix, from iFunded platform

#### iFunded-Risikoeinschätzung

Für jedes Projekt auf iFunded wird das Risiko nach einem standardisierten Verfahren ermittelt. Dabei gibt es insgesamt neun Kriterien, mithilfe derer das Projektrisiko eingeschätzt wird. Je nach Ausprägung der einzelnen Risikokriterien werden Risikopunkte vergeben und am Ende addiert. Je nach Anzahl der Risikopunkte wird das Immobilienprojekt in eine der fünf Risikoklassen eingeordnet. Es gibt die Risikoklassen A bis E, wobei A für risikoarm und E für risikoreich steht. Das Bewertungsschema befindet sich auf den nachfolgenden Seiten.

Das Projekt LÜTZOWSTRASSE BERLIN kommt insgesamt auf 12 Risikopunkte und wird somit in die Risikoklasse B eingestuft. Diese Risikoeinschätzung setzt sich wie folgt zusammen:

Risikokriterium	Ausprägung	Risikopunkte
Fremdkapitalquote	52,47%	2
Eigenkapitalquote	40,03%	0
Makrostandort	Berlin	0
Mikrolage	Lützowviertel in Berlin-Mitte	1
Vermietungsstand	100%	0
Mieteranzahl	>10	0
Entwicklungsphase	Bestandsimmobilie mit wenig Instandhaltungsstau	1
Erfahrung Emittent	Gesamtinvestitionsvolumen < 50 Mio. Euro	4
Sicherheiten	Persönliche Bürgschaft	2
	Grundschuld 2. Ranges	2
	Gewinnabtretungsansprüche	0
<b>Insgesamt</b>		<b>12</b>



**Hinweis:** iFunded erbringt keine Anlageberatung und trifft mit der vorstehenden Risikoeinschätzung keine Aussage dazu, ob die Vermögensanlage der individuellen Risikoneigung eines Anlegers entspricht. Eine eigene Risikobewertung muss grundsätzlich durch den Anleger selbst erfolgen und wird durch die Risikobewertung von iFunded nicht ersetzt. Die Risikoeinschätzung basiert auf standardisierten Kriterien, die bei Auflegung der Vermögensanlage bewertet werden. Der tatsächliche Verlauf der Vermögensanlage in der Zukunft kann ungünstiger ausfallen. Auch bei einer niedrigen Risikoeinstufung besteht ein Verlustrisiko bis hin zum Totalverlust.

## Risiko-Bewertungsschema von iFunded

### 1 Wie hoch ist die Fremdkapitalquote?

0%	1%-49%	50%-59%	60%-69%	70%-79%
0	1	2	3	4

### 2 Wie hoch ist der Eigenkapitalanteil?

>40%	30%-39%	20%-29%	10%-19%	0%-9%
0	1	2	3	4

### 3 Wie gut ist der Makrostandort der finanzierten Immobilie?

Berlin, Hamburg, München, Köln, Düsseldorf, Stuttgart, Frankfurt	Alle anderen Landeshauptstädte	Stadt mit mindestens 200.000 Einwohnern	Stadt mit mindestens 100.000 Einwohnern	Alle anderen Städte
0	1	2	3	4

### 4 Wie gut ist die Qualität der Mikrolage der finanzierten Immobilie?

Innerstädtische Lage mit hervorragender Anbindung	In unmittelbarer Nähe zu innerstädtischer Lage	Gute Wohngegend mit guter Versorgung	Am Stadtrand mit Anbindung an ÖPNV	Am Stadtrand ohne Anbindung an ÖPNV
0	1	2	3	4

## 5 Wie ist der Vermietungsstand der Immobilie?

> 90%	70%-89%	40%-69%	19%-39%	< 19%
0	1	2	3	4

## 7 In welcher Entwicklungsphase befindet sich die Immobilie?

> 10	6-10	2-5	1	0
0	1	2	3	4

## 8 Wie hoch ist das Gesamtinvestitionsvolumen, das der Projektentwickler bisher insgesamt gestemmt hat?

> 250 Mio. €	200-249 Mio. €	199-100 Mio. €	99-50 Mio. €	< 50 Mio. €
0	1	2	3	4

## 9 Welche Sicherheiten sind vorhanden?

Hat der Projektentwickler eine persönliche Bürgschaft hinterlegt?

Ja = 0; nein = 2

Gibt es eine Grundschuld zweiten Rangs als Sicherheit für die Crowd?

Ja = 0; nein = 2

Gibt es Gewinnabtretungsansprüche für die Crowd?

Ja = 0; nein = 2

## Appendix D

### Real estate project from the platform Zinsland, Villen am Sonnenhof



#### Villen am Sonnenhof, Berg

Projektbeschreibung im Überblick



**PROJEKTPROFIL**

- ✓ 6,75 % Zinsen p.a.
- ✓ 18 Monate Laufzeit
- ✓ Erfahrener Münchner Projektentwickler
- ✓ Exklusives Wohnen direkt am Starnberger See
- ✓ 3 von 4 Wohneinheiten bereits verbindlich reserviert

**DAS PROJEKT**

Die Wohnanlage, bestehend aus 2 mal 2 Doppelhaushälften sowie 4 oberirdischen Garagen, schafft mit jeweils über 210 qm Wohn- und Nutzfläche ausreichend Platz für individuelles Wohnen. Die sehr hochwertige und solide Bauausführung verfügt über den Energiestandard KfW 55. Ausgestattet ist das Objekt mit Fußbodenheizung, dreifachverglasten Kunststofffenstern sowie einer Heizung bestehend aus einer Gasanlage mit extra Solarunterstützung.

Die 4 Doppelhaushälften verfügen über Wohnflächen von jeweils ca. 128 qm, die sich auf einen großen Wohn-/Ess- und Kochbereich, Schlafzimmer, Bad/WC, Abstellraum sowie einer schönen in Südrichtung gelegenen Terrasse mit Gartenbereich verteilen. Die Objekte sind komplett unterkellert. Von den insgesamt 4 Einheiten wurden bereits 3 Wohnungen verbindlich reserviert.



EXPOSÉ (1/2)

[www.zinsland.de](http://www.zinsland.de)



## Villen am Sonnenhof, Berg

Projektbeschreibung im Überblick



### DIE LAGE

Die landschaftlich reizvolle Gemeinde Berg liegt zwischen der Weltstadt München und den Alpen. Der Ort Berg mit seiner heimlichen „Hauptstadt“ Starnberg ist über die A 95 ungefähr 35 Autominuten von München entfernt. Mehrere Bundes- und Landstraßen sowie die S-Bahn-Linien S6 und S8 sorgen für eine hervorragende Anbindung.

Garmisch-Partenkirchen und die daran angrenzenden Alpen sind in 50 Autominuten zu erreichen.

Mit den Ortsteilen Aufkirchen, Bachhausen und Leoni liegt die Gemeinde Berg am Ostufer des Starnberger Sees eingebettet in eine traumhafte Landschaft. Geschäfte des täglichen Bedarfs, wie Supermärkte und Bäckereien sowie Apotheken und Ärzte befinden sich in fußläufiger Entfernung. Schulen und Kindergärten sind ebenfalls zu Fuß oder mit dem Bus erreichbar. Somit schafft die Gemeinde einen ganz besonderen Anreiz für junge Familien und Berufspendler.



### Wir informieren:

Der Erwerb dieser Vermögensanlage ist mit erheblichen Risiken verbunden und kann zum vollständigen Verlust des eingesetzten Vermögens führen.

## Villen am Sonnenhof, Berg

Finanzkennzahlen



Gesamtinvestitionskosten:  
**ca. 3,82 Mio. EUR**

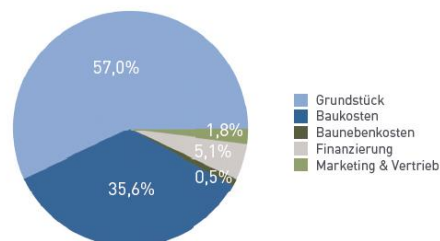
Geplante Erlöse über alle  
Wohnflächen und Stellplätze  
vor Steuern:  
**ca. 4,6 Mio. EUR**

Durchschnittlicher Preis  
der Wohnfläche:  
**ca. 5.373 EUR/qm Wfl**

Verzinsung des  
Nachrang-Darlehens:  
**6,75 % p.a.**

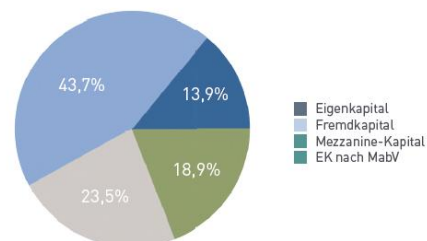
### MITTELVERWENDUNG

Kosten		
Grundstück	2.179.000 €	57,0%
Baukosten	1.360.000 €	35,6%
Baunebenkosten	20.000 €	0,5%
Finanzierung	195.700 €	5,1%
Marketing & Vertrieb	70.000 €	1,8%
<b>Gesamt</b>	<b>3.824.700 €</b>	<b>100%</b>



### MITTELHERKUNFT

Aufnahme Finanzierung		
Eigenkapital	530.000 €	13,9%
Fremdkapital	1.670.000 €	43,7%
Mezzanine-Kapital	900.000 €	23,5%
Eigenkapital nach MaBV*	724.700 €	18,9%
<b>Gesamt</b>	<b>3.824.700 €</b>	<b>100%</b>



\*EK nach MaBV: Mittel aus Abverkauf der Einheiten an Kapitalanleger.

### ERLÖSTABELLE

Einheit	Wohn- und Nutzfläche	EUR/qm	Gesamt
1 Haus	270,25 qm	5.373,64 €	1.113.686,89 €
2 Haus	270,30 qm	5.373,64 €	1.113.955,57 €
3 Haus	221,52 qm	5.373,64 €	1.190.368,73 €
4 Haus	219,96 qm	5.373,64 €	1.181.985,85 €
<b>Gesamt</b>	<b>856,03 qm</b>		<b>4.599.997,05 €</b>

#### Wir informieren:

Der Erwerb dieser Vermögensanlage ist mit erheblichen Risiken verbunden und kann zum vollständigen Verlust des eingesetzten Vermögens führen.



Gegründet:  
2016



Realisierte Projekte  
der Gesellschafter  
(2011 - 2015):  
3

Umsatz  
(2011 - 2015):  
**ca. 9,5 Mio. Euro**  
[www.panntum.de](http://www.panntum.de)

### PROFIL

Florian Biasi und Dr. Klaus Müller sind die Initiatoren des 2016 gegründeten Unternehmens PANNTUM Unternehmensgruppe mit Sitz in Haar bei München.

In den besten Lagen um Augsburg und München, entwickelt und plant PANNTUM neue Immobilienwerte. Die Neubauimmobilien basieren auf ganzheitlich durchdachten Konzepten, dabei wird sowohl auf die Bedürfnisse der Bewohner als auch auf langfristige gesellschaftliche und wirtschaftliche Entwicklungen gesetzt. Eine ökologisch gesunde und ökonomisch sinnvolle Bauweise rundet den Nachhaltigkeitsgedanken ab.



### GESCHÄFTSFÜHRUNG & MANAGEMENT

**Florian Biasi** begleitet seit 2003 verschiedene Projektentwickler mit einem Gesamtvolumen von insgesamt EUR 170 Mio. Seit der Gründung der PANNTUM Unternehmensgruppe ist er als Hauptgeschäftsführer für die operative Projektentwicklung und strategische Unternehmensausrichtung verantwortlich.

**Dr. Klaus Müller** ist als langjähriger Geschäftsführer der K.I.M. Wohnbau GmbH und Projektgesellschafter der PANNTUM Unternehmensgruppe mit einem eigens realisierten Bauvolumen von über 35 Mio. EUR ein erfahrener und wertvoller Partner und Controller für den technisch-kaufmännischen Bereich



### AUSWAHL REFERENZEN



PROJEKTENTWICKLER

[www.zinsland.de](http://www.zinsland.de)

## Appendix E

Real estate project from the platform Bergfürst, *Soleada 35 Mallorca*

# Soleada 35

## Mallorca



EXPOSÉ Stand Juni 2017

  
**DreamsFactory**  
Swiss Quality Estates

# Vorwort

Bienvenido a Mallorca!

**Mediterranes Klima, malerische Sandstrände, einmalige Gebirgszüge, verwunschene Altstadtkerne und, wenn gewünscht, abwechslungsreiches Nachtleben - so vielseitig ist die Insel Mallorca. Dafür wird sie von unzähligen deutschen und internationalen Touristen geliebt.** Darüber hinaus gehört die spanische Insel aber auch zu einem der bekanntesten und exklusivsten Zweitwohnsitzmärkte der Welt. Wie die Studie des "Center of Real Estate Studies" zeigt, wird dieser Trend so schnell auch kein Ende finden und die Preise für Luxusimmobilien und Bauland werden auf Mallorca weiter stetig steigen.

Nachdem wir bereits mit "Santa Ponsa Mallorca" ein vergleichbares Immobilienangebot sehr erfolgreich auf BERGFÜRST präsentiert haben, freuen wir uns, Ihnen nun "Soleada 35" vorstellen zu dürfen! Wie bei dem vorhergegangenen Projekt auf Mallorca befindet sich auch diese Immobilie in Santa Ponsa, im beliebten Südwesten der Insel. Für das aktuelle Projekt wurde ein Objekt vor Ort erworben, welches nun grundlegend umgebaut und saniert wird. Mit "Soleada 35" wird so eine weitere Traumvilla entstehen: Moderne Architektur, großflächige Fensterfronten, Meerblick und Infinity-Pool inklusive.

Die Finanzierung wird von Herrn Dr. Peter Dreher zur Zeichnung angeboten, der bereits zwei weitere Projekte erfolgreich auf BERGFÜRST platziert hat. Das aktuelle Angebot besticht nicht nur durch die Nähe zum Meer und den unverbaubaren Blick

auf den Ozean sowie die Malgrats-Inseln, sondern überzeugt insbesondere auch durch die Sicherheiten und die attraktive Verzinsung, die Ihnen dieses Darlehen bietet:

**Sie investieren hier in ein klassisches, grundbuchlich besichertes Darlehen, das mit einem Festzins von 7,00 % p.a. bei halbjährlicher Auszahlung ausgestattet ist.**

Wir haben Ihr Interesse geweckt? Dann freuen wir uns, Ihnen im Folgenden "Soleada 35" in Santa Ponsa auf Mallorca genauer vorzustellen.



Palma

Bild: Tommie Hansen

1) <http://www.porta-mallorquina.de/blog/mallorca/Marktstudie-Ferienimmobilienmarkt-Mallorca-2016.pdf>

# Executive Summary

## INVESTMENTANGEBOT

<b>Jährliche Verzinsung</b>	7,0 %
<b>Laufzeitende</b>	31.12.2018
<b>Sicherheiten</b>	Zweitrangige grundbuchliche Besicherung nebst notariellen Schuldanerkenntnis mit Zwangsvollstreckungsunterwerfung der DREAMS PENYES 35 S.L.U.
<b>Mindestinvestment</b>	EUR 10
<b>Handelbarkeit</b>	Ja, im Rahmen von Angebot und Nachfrage über die Plattform BERGFÜRST

## PROJEKTDATEN

<b>Geplanter Gesamterlös</b>	EUR 4.500.000
<b>Baubeginn</b>	09/2017
<b>Fertigstellung</b>	03/2018
<b>Grundstücksgröße</b>	1.260 m <sup>2</sup>
<b>bebaute Fläche</b> (Nach Umbau)	590 m <sup>2</sup>
<b>Anzahl der Wohneinheiten</b>	1
<b>Anzahl Stellplätze inkl. Garage</b>	7

Gesetzlicher Hinweis gemäß § 12 Abs. 2 Vermögensanlagengesetz:

Der Erwerb dieser Vermögensanlage ist mit erheblichen Risiken verbunden und kann zum vollständigen Verlust des eingesetzten Vermögens führen.

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# 01 LAGE

## 1. Mallorca Makrolage

Die Mittelmeerinsel Mallorca stellt mit 3.600 km<sup>2</sup> Fläche das Zentrum der Balearen dar und ist gleichzeitig deren größte Insel. Mit rund 300 Sonnentagen im Jahr ist Mallorca eine der beliebtesten Feriendestinationen der Deutschen, Briten und Skandinavier. Das milde Klima, mit Wintertemperaturen um die 10 Grad und Sommertemperaturen jenseits der 30 Grad, bietet ideale Urlaubsbedingungen während des ganzen Jahres. Von den rund 1,1 Mio. Menschen die auf Mallorca leben entfallen bereits ca. 400.000 auf die Hauptstadt Palma de Mallorca. Allein 70.000 Deutsche leben nach aktueller Schätzung auf

der spanischen Insel<sup>2</sup>. Die traumhaften Buchten mit ihren malerischen Strände und auch das vielseitige Angebot an Ferienunterkünften untermauern seit Jahrzehnten Mallorcas Position als eines der beliebtesten europäischen Reiseziele. Der Flughafen Palma de Mallorca hatte 2016, als drittgrößter Flughafen Spaniens, ein Passagieraufkommen von rund 26,2 Mio. Fluggästen und bietet direkte Anbindungen an 123 nationale und internationale Flughäfen. Neben der traditionellen Hauptsaison im Sommer wird die Insel auch zunehmend während des restlichen Jahres bereist. Das liegt vor allem an den milden Wintern und

2) <https://www.welt.de/reise/nah/article139261125/Elf-Fakten-die-Mallorca-Reisefuehrer-verschweigen.html>



Palma Kathedrale

Bild: Cristian Borte



## Lage

den auch über die Hauptsaison hinaus anhaltenden sommerlichen Temperaturen. Insbesondere Sportfreunde nutzen das milde Klima der Nebensaison aus, um Golf zu spielen, Rad zu fahren oder zu wandern. Dabei überzeugt neben den klimatischen Bedingungen auch die abwechslungsreiche Landschaft Mallorcas: Mit über 560 km Küstenlinie, 140 Stränden und Buchten, 38 Yachthäfen, 1250 km Radwege sowie 24 Golfplätzen bietet die Insel ein überdurchschnittlich großes Freizeitangebot. Die hervorragende Fluganbindung Mallorcas

zu nahezu jeder europäischen Metropole und die damit verbundenen kurzen Anreisezeiten sorgen dafür, dass die Insel nicht nur ein beliebtes Urlaubsziel ist, sondern für die entsprechende Klientel auch einen praktischen Standort für einen Zweitwohnsitz sowie Rückzugsort vom stressigen Arbeitsalltag darstellt. Um diese Nachfrage entsprechend bedienen zu können, wurden und werden zunehmend luxuriöse Ferienimmobilien auf der Insel errichtet.



## 2. Santa Ponsa Mikrolage

Mit rund 11.500 Einwohnern zählt die Stadt Santa Ponsa im Südwesten der Insel zu den bevölkerungsreichsten Städten Mallorcas. Sie gehört zur Gemeinde Calvià, die mit 49.580 Einwohnern nach Palma auf dem zweiten Platz der größten Gemeinden Mallorcas rangiert. Unter wohlhabenden Touristen insbesondere aus Deutschland, Großbritannien und Skandinavien gilt Santa Ponsa als einer der Hotspots der Baleareninsel. Immobilien dort sind gefragt und viele besitzen bereits eine oder interessieren sich für hochwertige Ferienimmobilien zur Miete. Besonders attraktiv für dieses Klientel ist die direkte Lage des Ortes am Meer. Hier erstreckt sich die beeindruckende Steilküste mit Blick auf die Malgrats-Inseln. Am gefragtesten jedoch ist eine Immobilie in erster Meereslinie, wie es bei dem Objekt "Soleada 35" de facto der Fall ist, da hier nur noch ein unbebaubarer Grünstreifen das Objekt von der Steilküste trennt. Vor wenigen Jahren wurde der nahe gelegene Yachthafen "Port Adriano" von dem international bekannten Designer Philipp Starck neu gestaltet und stellt nun ein weiteres lokales Highlight dar. Rund um den Hafen finden sich zahlreiche Restaurants und Boutiquen die das wohlhabende Klientel bedienen und zum Verweilen einladen. Santa

Ponsa verfügt über eine optimale Anbindungen nach Palma de Mallorca und Port d'Andratx. Beide Städte erreicht man über die Autobahn in ca. 20 Minuten. Der Flughafen Palma de Mallorca ist in rund 25 Minuten erreichbar. Besorgungen des täglichen Bedarfs kann man im Zentrum der Stadt, das ca. 4 km (6 min. Auto) entfernt ist, bequem erledigen. Arztpraxen, Apotheken sowie Einrichtungen für die Kinderbetreuung lassen sich ebenfalls in Kürze erreichen. Zusätzlich befinden sich insgesamt elf weiterführende internationale Schulen auf Mallorca, die durch ihr mehrsprachiges Lernangebot überzeugen. Eine der beliebtesten dieser Schulen ist im Nachbarort Magaluf ansässig. Die Universität de les Illes Balears erreicht man in ca. 15 - 20 Minuten.

Der exklusive Country-Club, die malerische Strandpromenade und die In-Locations Sansibar und Coast by East runden das Freizeitangebot in Santa Ponsa ab und unterstreichen den mediterranen Lifestyle.

So ist es nicht verwunderlich, dass vor allem in der Urbanisation Nova Santa Ponsa, in der sich auch das beschriebene Objekt befindet, in den letzten Jahren verstärkt luxuriöse Eigenheime errichtet oder modernisiert wurden.



## 02 DAS PROJEKT

### 1. Projektbeschreibung

Bei dem hier angebotenen Objekt handelt es sich um eine Villa im typisch mallorquinischen Architekturstil, die im Rahmen umfangreicher Modernisierungsmaßnahmen konsequent in eine zeitgenössische mediterrane Luxusvilla umgebaut wird.

Die Immobilie besteht in erster Linie durch ein, zum Meer abflachendes, Grundstück, welches einen traumhaften Meerblick und fantastische Sonnenuntergänge bietet. Zudem ist aufgrund der Lage und der Beschaffenheit des Grundstücks ein malerischer Ausblick auf die Malgrats Inseln garantiert. Im direkten Blickfeld des Objektes befindet sich die "Zona Verde". Diese vorgelagerte Grünfläche darf

nicht bebaut werden und sichert somit den außergewöhnlichen Meerblick. Somit befindet sich das Projekt "Soleada 35" de facto in erster Meereslinie. Auf der großzügigen Grundstücksfläche von 1.260 m<sup>2</sup> befindet sich neben einer großen Terrasse auch ein großer Pool, ebenfalls mit Meerblick. Das Projekt bietet auf zwei Stockwerken derzeit drei Schlafzimmer, drei Badezimmer und eine Küche.

Im Zuge der Sanierungsmaßnahmen entstehen 590 m<sup>2</sup> bebaute Fläche mit vier Schlafzimmern, davon zwei in der großzügigen Master-Variante, alle mit Meerblick. Die Fassade wird modern konzipiert und ist von raumhohen Fensterelementen geprägt. Diese sorgen



Geplantes Projekt (Illustration)

## Das Projekt

für viel Licht und bieten aus jedem Raum einen einmaligen Meerblick. Nahezu sämtliche Bodenflächen, inklusive Garage und Terrassen bis hin zu dem Pooldeck, sind aus dem gleichen hochwertigen Bodenbelag, Marmor Crema Moreno aus Murcia/Spanien, gefertigt. Dies lässt sämtliche Räume, aufgrund der durchgehenden Flächen, noch großzügiger erscheinen. Lediglich in den Schlafzimmern befinden sich hochwertige Parkettböden die für ein behagliches Wohlfühlambiente sorgen. Das gesamte Haus sowie die Hauptterrasse befinden sich etwa drei Meter über Straßenniveau und bieten somit ausreichend Privatsphäre sowie ein besseres Sicherheitsgefühl, welches durch die integrierte Videoüberwachung noch verstärkt wird. Des Weiteren wird es zwei Master-Schlafzimmer mit jeweils eigenem Wohnzimmer, eine Weinbodega sowie auch einen Wellnessbereich mit Sauna und einem, auf der Dachterrasse befindlichen, Jacuzzi geben. Eine neue, hochwertige voll ausgestattete Designerküche mit Geräten der



Geplantes Projekt (Illustration)



Geplantes Projekt (Illustration)

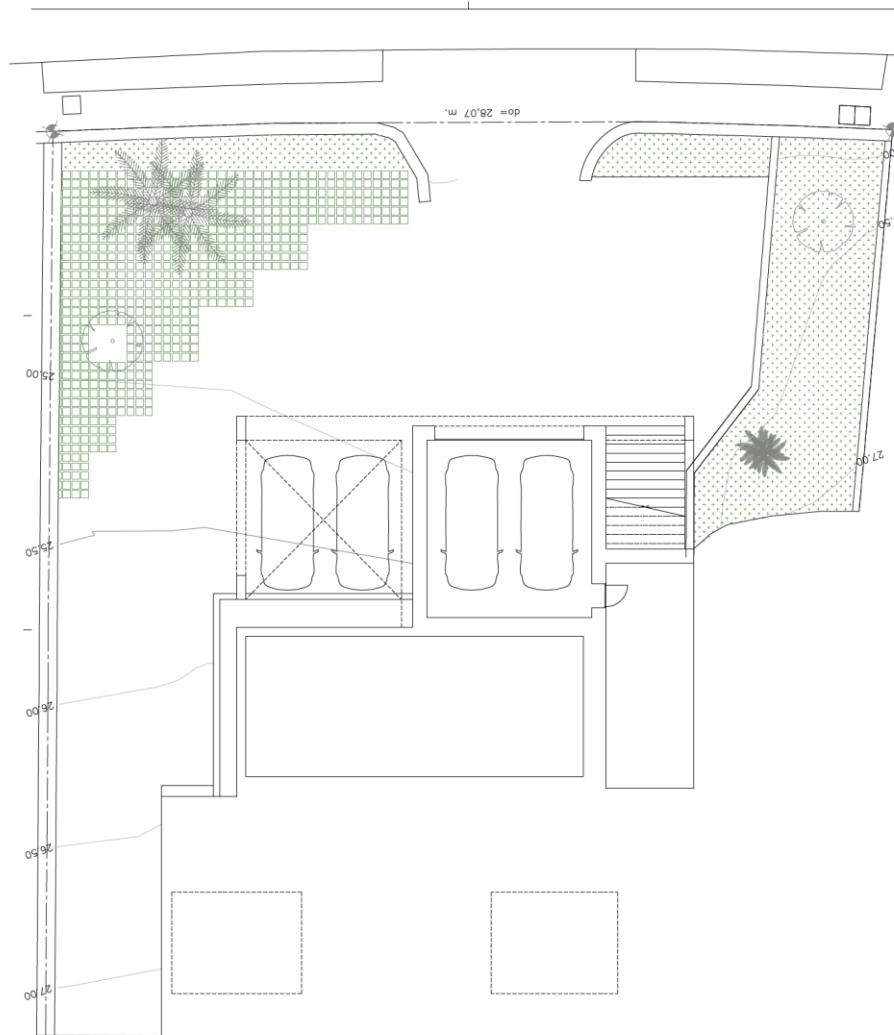
Marke Gaggenau gehört ebenso zu dieser Traumimmobilie wie eine intelligente Haussteuerung. Zu den Highlights der Villa gehören darüber hinaus die Hauptterrasse mit BBQ und einem weiteren Jacuzzi, eine Lounge sowie der gut 70 m<sup>2</sup> große Infinity Pool mit Wasserfall und Meerblick.

Die Umbaumaßnahmen werden von der Bau-firma Balzola S.A. mit Sitz in Bilbao zu einem Festpreis realisiert. Dadurch wird eine hohe Kostensicherheit gewährleistet. Eines der eindrucksvollsten Projekte der Firma Balzola S.A. stellt der Bau des Guggenheim-Museum Bilbao dar.

Die Immobilie wird nach ihrer Fertigstellung durch ein international renommiertes Unternehmen für die Vermittlung von Immobilien sowie die lokal erfolgreich etablierten Maklerbüros Minkner und First Class Estate vermarktet. Des Weiteren erfolgt die Vermarktung mit Außenwerbung und Microsite auch direkt über Firmen von Herrn Dr. Peter Dreher. Der Verkaufspreis der Immobilie wird EUR 4,5 Mio. betragen.

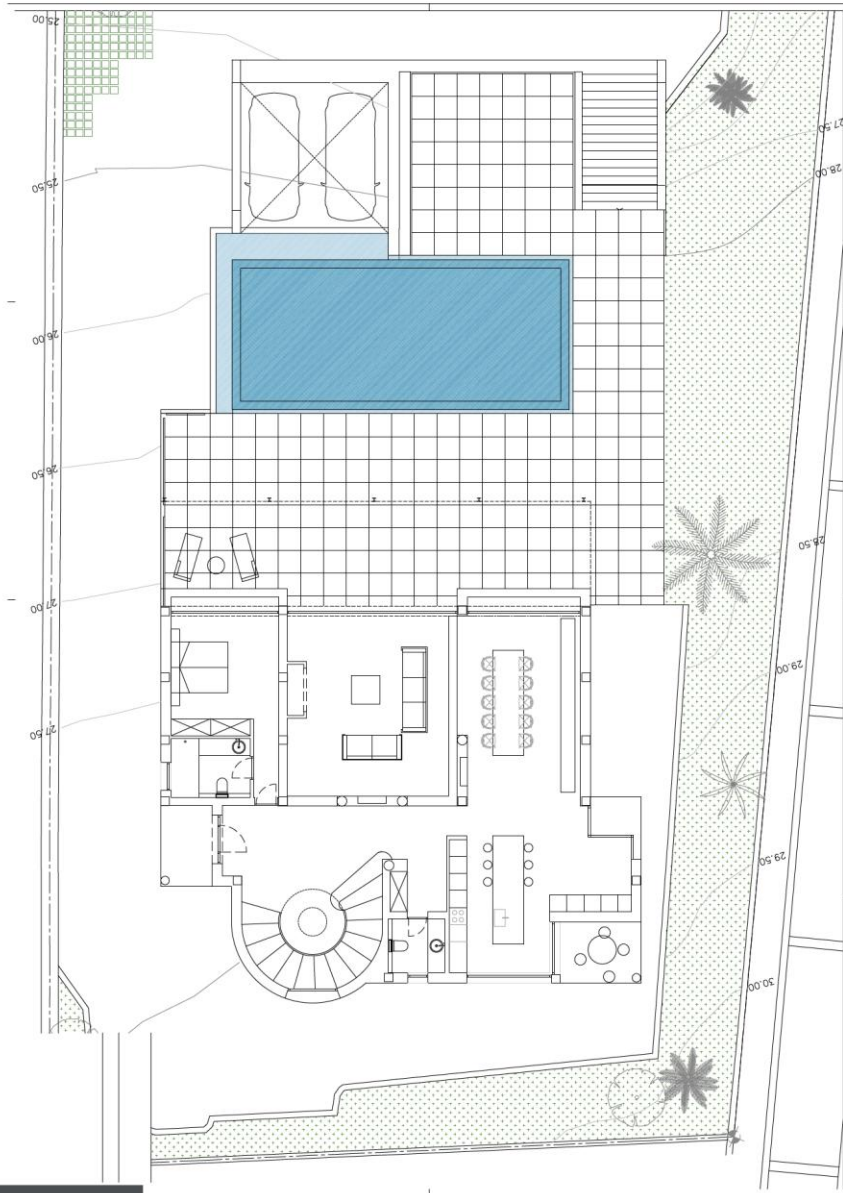
Das Projekt

## 2. Grundrisse



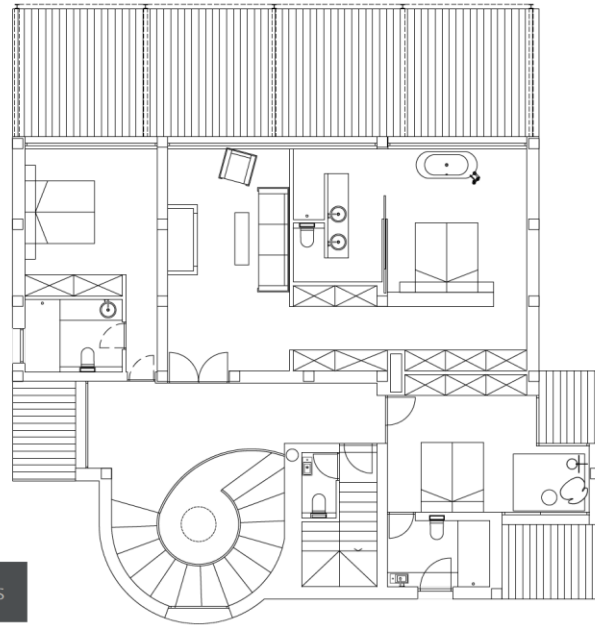
Untergeschoss

Das Projekt

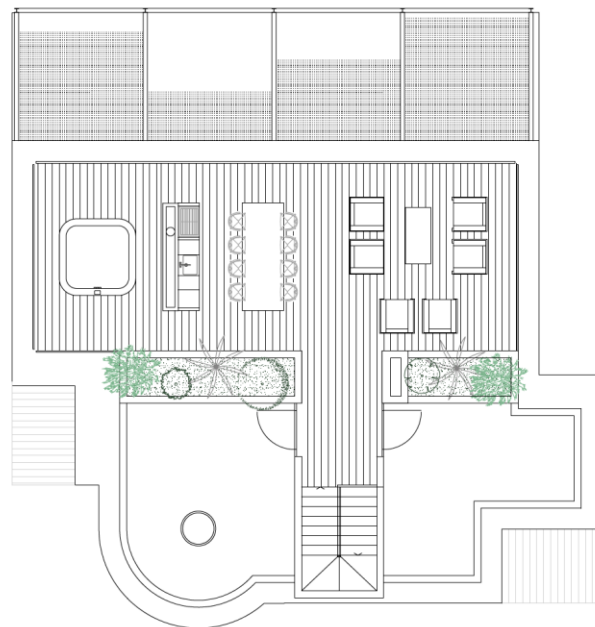


Erdgeschoss

Das Projekt



1. Obergeschoss



Dachterasse

### 3. Versicherung

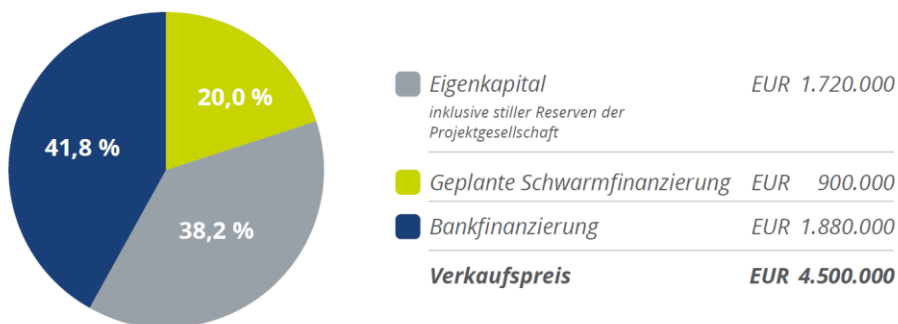
Es liegt zunächst eine Gebäudeversicherung vor, die bei der AXA abgeschlossen wird. Mit Baubeginn wird diese von einer TRC (Trust Risk Control) Police abgelöst.

### 4. Gutachten

Es liegt ein topografischer Plan sowie eine urbanistische Analyse des Architekten vor. Im Rahmen der Gutachten konnten keine negativen Befunde für das geplante Bauvorhaben festgestellt werden.

### 5. Finanzierung

Die Projektsumme wird wie folgt finanziert:



Das Bauvorhaben "Soleada 35" ist durch eine erstrangige Bankfinanzierung der spanischen Bank Bankia S.A. in Höhe von insgesamt EUR 1.880.000 finanziert. Die Finanzierung setzt sich aus zwei Darlehen zusammen, die jeweils mit 1,20 % p.a. verzinst werden und, nach Ablauf zweier tilgungsfreier Jahre, über 20 Jahre getilgt werden. Es ist zudem vorgesehen, ein Darlehen über BERGFÜRST i.H.v. mindestens EUR 900.000 bis, im Falle der Überzeichnung, max. EUR 1.000.000 aufzunehmen, welches grundbuchlich im Rang nach der Bank besichert wird.

Die Tilgung dieses Darlehens erfolgt durch den Verkauf der Immobilie. Für den Fall, dass die geplante Schwarmfinanzierungs-Summe nicht in der vollen Höhe eingesammelt werden kann, ist die Einbringung von weiterem Eigenkapital vorgesehen.

### 6. Mittelverwendung

Die im Rahmen der Schwarmfinanzierung eingesammelten Mittel werden zum Umbau der Immobilie und zur Neugestaltung der Außenanlagen verwendet.

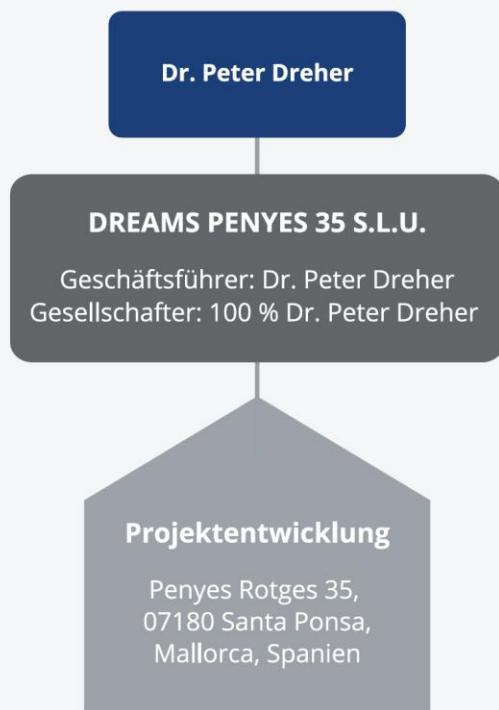


## 03 GESELLSCHAFTSSTRUKTUR UND GESCHÄFTSFÜHRUNG

### 1. Gesellschaftsstruktur

Bei der Emittentin DREAMS PENYES 35 S.L.U. handelt es sich um eine Objektgesellschaft, welche über ein Haftungskapital i.H.v. EUR 6.000 verfügt. Die Geschäftsführung erfolgt durch Herrn Dr. Peter Dreher, der zugleich alleiniger Gesellschafter ist. Die spanische

Sociedad limitada unipersonal (S.L.U.) entspricht im Wesentlichen der in Deutschland verwendeten Gesellschaftsform der Gesellschaft mit beschränkter Haftung (GmbH), mit dem Unterschied, dass es lediglich einen Gesellschafter geben kann.



## 2. Die Geschäftsführung



Die Geschäftsführung der Objektgesellschaft DREAMS PENYES 35 S.L.U. hat Herr Dr. Peter Dreher inne, der am Bauingenieur-Lehrstuhl der Technischen Universität München promoviert hat. Im Laufe seiner Karriere übernahm er leitende Management-Positionen bei international renommierten Unternehmen wie der Daimler Chrysler AG, Gemini Consulting und der Volkswagen AG. Herr Dr. Peter Dreher verfügt über eine umfangreiche Berufserfahrung, insbesondere im Bezug auf internationale Prozesse und deren Potential für Optimierungen. Seine Kompetenz als Projektentwickler konnte Herr Dr. Peter Dreher

in der Vergangenheit wiederholt unter Beweis stellen. Insgesamt wurden in den letzten zehn Jahren 18 Projekte durch Herrn Dr. Peter Dreher erfolgreich realisiert. Im Rahmen dieser Vorhaben konnte er fundierte Erfahrungen im Bereich Planung, Sanierung, Neu- und Umbau sammeln. Die Summe der Verkehrswerte bzw. der Projektvolumen der genannten Projekte beläuft sich auf ca. EUR 263 Mio. Zudem kann Herr Dr. Peter Dreher auf einen umfangreichen Erfahrungsschatz bezüglich der Chancen und Risiken des Immobilienmarktes auf Mallorca zurückgreifen, den er durch den Bau eines luxuriösen Mehrfamilienhauses und zahlreicher Villen, erlangt hat. Herr Dr. Peter Dreher realisierte außerdem erfolgreich internationale Projektentwicklungen in der Schweiz, Türkei, Rumänien und Bulgarien.



Geplantes Projekt (Illustration)

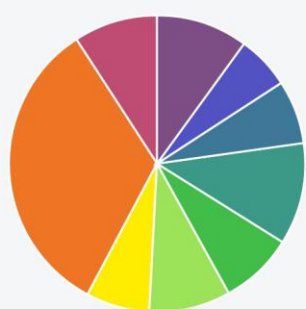
## 04 MARKT

Zentral für Mallorcas Wirtschaft ist der Dienstleistungssektor, der 75 % ausmacht. Die Tourismusbranche macht den größten Teil dieses Sektors aus und ist die Haupteinkommensquelle der Mallorquiner. Sie verzeichnete 2015, mit 11,5 Mio. Besuchern, ein Rekordjahr. Der internationale Flughafen von Palma wies mit einer Passagierzahl von 26.171.978 im Jahr 2016 ein Rekordergebnis auf. Laut Hotelverband (FEHM) wurden auf der gesamten Insel im letzten Jahr EUR 750 Mio. in 300 Hotels investiert, darunter EUR 250 Mio. für Renovierungsmaßnahmen, um die Sterne Klassifizierung der Hotels zu optimieren. Weitere wichtige Wirtschaftszweige sind mit rund 10 % die Bauindustrie und mit 2,5 % die Landwirtschaft. Andere Wirtschaftsbereiche sind die

Leichtindustrie (Leder, Keramik, Imitationsperlen, Glas), die Fischerei, sowie der Bergbau, der sich insbesondere auf den Abbau von Marmor fokussiert. Insgesamt liegt das Durchschnittseinkommen der Mallorquiner leicht über dem landesweiten Durchschnitt.

Auf dem Wohn- bzw. Ferienimmobilienmarkt Mallorca standen Anfang 2016 rund 4.800 Objekte unterschiedlicher Kategorien zum Verkauf. Mehr als die Hälfte des Angebots konzentriert sich auf die Top-Regionen "Palma", "Nord" und "Südwest". Der Südwesten, in dem sich auch das hier vorgestellte Objekt befindet, sticht hier besonders heraus, denn in dieser Region allein wurden rund ein Drittel der Objekte angeboten.

### Marktangebot nach Regionen 2016



<span style="color: purple;">■</span> Nord	10 %
<span style="color: blue;">■</span> Nordost	6 %
<span style="color: teal;">■</span> Nordwest	7 %
<span style="color: green;">■</span> Palma	11 %
<span style="color: lightgreen;">■</span> Palma Umland	8 %
<span style="color: limegreen;">■</span> Süd	9 %
<span style="color: yellow;">■</span> Südost	7 %
<span style="color: orange;">■</span> Südwest	33 %
<span style="color: magenta;">■</span> Zentrum	9 %

Quelle: CRES Discussions Paper No. 9: Marktstudie Ferienimmobilienmarkt Mallorca

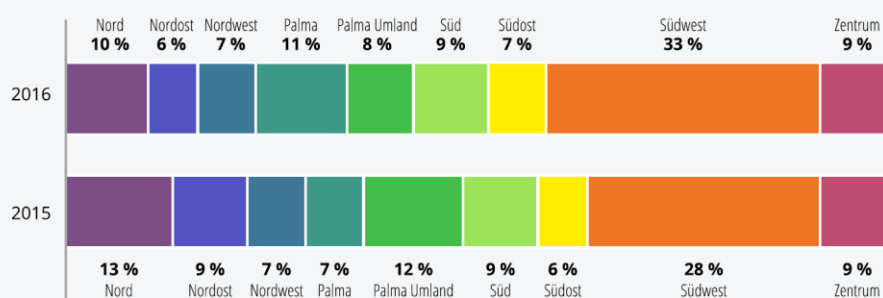
3) <http://www.aena.es/>

Markt

Das Angebot im Südwesten hat im Jahr 2016 gegenüber dem Vorjahr um 5 % zugenommen. Die Zunahme ist auf die stetig wachsende Nachfrage nach Ferienimmobilien in dieser Region zurückzuführen. Der Käufermarkt auf Mallorca setzt sich überwiegend aus der

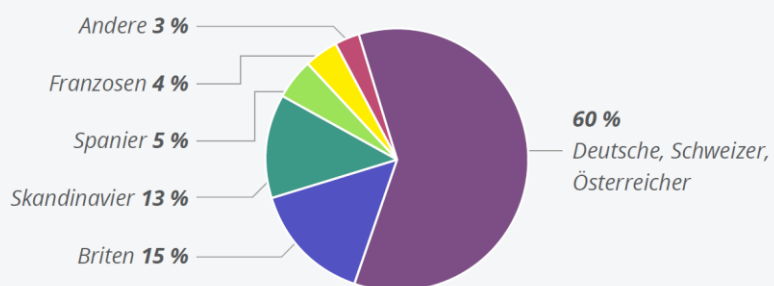
DACH-Region (rund 60 %) zusammen, neben den Briten mit 15 % und Skandinaviern mit 13 %. Jedoch auch die Spanier und Franzosen sind in den vergangenen Jahren vermehrt in den Immobilienmarkt auf Mallorca eingestiegen<sup>4</sup>.

Vergleich Marktangebot nach Regionen 2015 / 2016



Quelle: CRES Discussions Paper No. 9: Marktstudie Ferienimmobilienmarkt Mallorca

Zusammensetzung Käufermarkt Mallorca



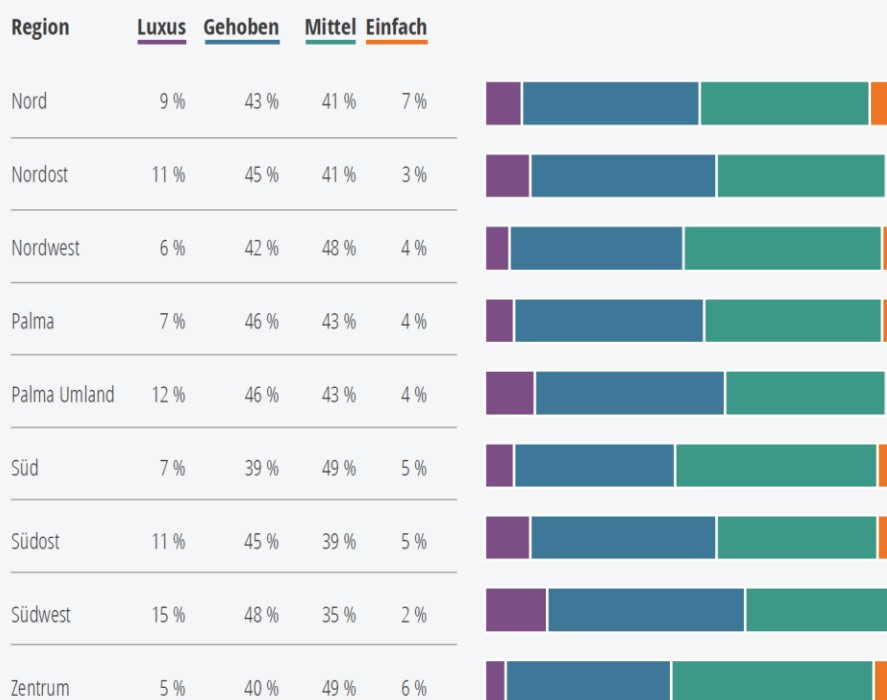
4) Engel & Völkers: Marktbericht Mallorca 2015 / 2016

## Markt

Das Marktangebot wird besonders durch die Ausstattungsmerkmale bestimmt, vor allem von Immobilien der gehobenen bzw. luxuriösen Objektklasse. Insgesamt liegen 12 % der angebotenen Objekte im Luxussegment

und der gehobene Objektbereich macht mit 41 % mehr als ein Drittel des gesamten Marktangebots aus. Das Marktangebot nach Ausstattungsstandard pro Region teilt sich wie folgt auf:

## Marktangebot nach Ausstattungsbedarf pro Region 2016



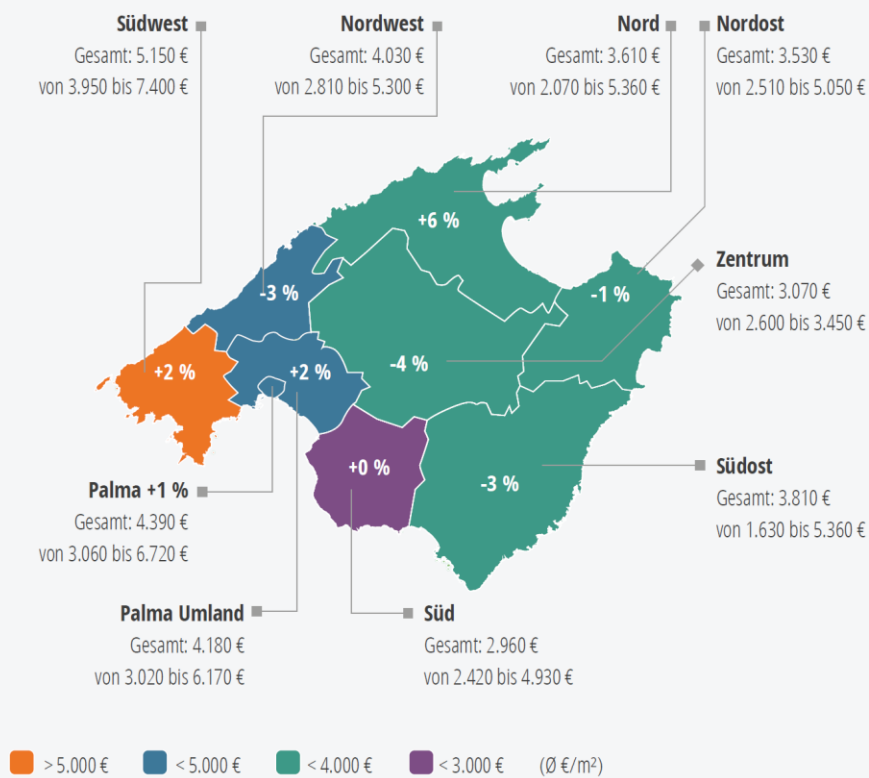
Quelle: CRES Discussions Paper No. 9: Marktstudie Ferienimmobilienmarkt Mallorca

Markt

Nach den Quadratmeterpreisen ergibt sich ein eindeutiger Trend im Südwesten hin zum Hochpreissegment. Die Immobilien liegen im

Durchschnitt bei rund 5.150 EUR pro Quadratmeter und befinden sich somit im Luxus-Sektor der Insel.

### Immobilien-Preisbereich nach Regionen 2016



In Prozent: Preisveränderungen zum Vorjahr

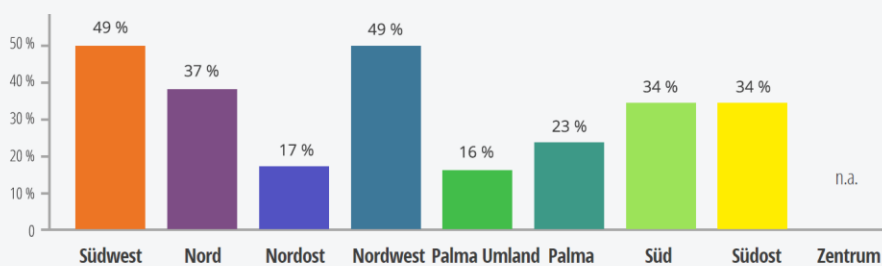
Quelle: CRES Discussions Paper No. 9: Marktstudie Ferienimmobilienmarkt Mallorca

Markt

Neben der Ausstattung beeinflusst ein weiteres Kriterium die Verkaufspreise auf Mallorca: Der Meerblick! Eine Immobilie mit einem unverbaubarem Blick aufs Meer ist langfristig die bessere Investition als ein baugleiches

Pendant, ohne Meerblick. Da die Aussicht einer Immobilie auf Mallorca ein wertsteigerndes Qualitätsmerkmal darstellt, wird in der nachfolgenden Darstellung der Preisaufschlag für den Meerblick erläutert.

### Preisaufschlag für Meerblick 2016



Quelle: CRES Discussions Paper No. 9: Marktstudie Ferienimmobilienmarkt Mallorca

Im Vergleich der Jahre 2016 und 2015 ist der Aufschlag für den Meerblick in der Region Südwest um 12 % gestiegen. Des Weiteren sind die Grundstücke in Santa Ponsa und der Region Südwest mittlerweile begrenzt, was in den nächsten Jahren einen weiteren Preisanstieg für Immobilien in Santa Ponsa erwarten

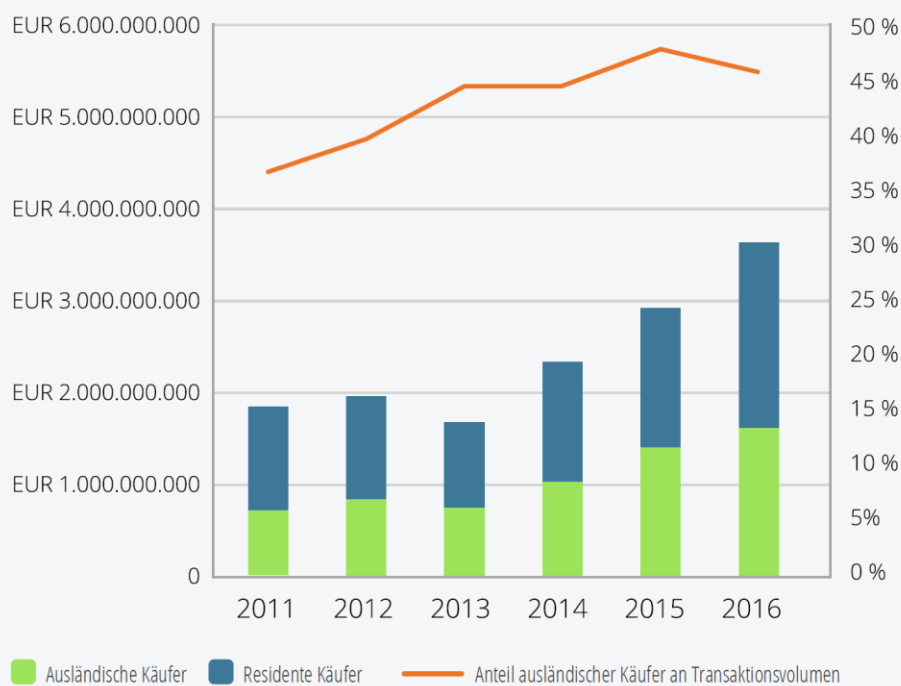
lässt. Dennoch bietet die Preisgestaltung im Luxussegment Mallorcas noch deutliches Potential nach oben. Zu dieser Erkenntnis gelangt man, wenn man sich das deutlich höhere Preisniveau weiterer, in Europa und auch weltweit ähnlich beliebter Feriendestinationen, mit dem Mallorcas vergleicht.

Markt

Dies ist auch einer der Gründe für das stetige Wachstum der Transaktionsvolumen im mallorquinischen Immobiliensektor. Sowohl Residenten als auch ausländische Käufer erhöhen die Nachfrage kontinuierlich und sorgen somit für eine andauernde Steigerung des

Preisniveaus. Die hier angebotene Immobilie weist somit sehr gute Voraussetzungen auf und ist mit der gehobenen bis luxuriösen Ausstattung inklusive Meerblick ein spannendes Investment.

### Immobilientransaktionsvolumen





## 05 INVESTMENTANGEBOT

### 1. Investmentangebot

Die DREAMS PENYES 35 S.L.U. begibt ein festverzinsliches Darlehen mit einer Laufzeit bis zum 31.12.2018.

### 2. Feste Verzinsung

Das Darlehen wird mit 7,00 % jährlich fest verzinst.

Die Zinsen sind halbjährlich zum 30.06. und 31.12. eines jeden Jahres und am Laufzeitende zahlbar.

### 3. Laufzeitende und -beginn

Das Laufzeitende des Darlehens ist der 31.12.2018. Der Laufzeitbeginn erfolgt individuell abhängig vom Zeichnungszeitpunkt, nach Ablauf der vierzehntägigen Widerrufsfrist und Zahlungseingang in Höhe der Zeichnung.

### 4. Sicherheit

Zugunsten der Investoren der Vermögensanlage wird eine zweitrangige Grundschuld auf das Objekt in Santa Ponsa nach der erstrangig finanzierenden Bank bestellt und eingetragen. Diese beinhaltet ein abstraktes notarielles Schuldanerkenntnis mit Zwangsvollstreckungsunterwerfung der DREAMS PENYES 35 S.L.U.

### 5. Abwicklung

Die Investitionsbeträge werden von den Investoren direkt auf ein separates Emissionskonto von BERGFÜRST eingezahlt. Nach Ablauf der jeweiligen Widerrufsfristen der einzelnen Investoren wird das eingezahlte Kapital für den Anleger verzinst.

### 6. Zeichnung

Es können Darlehensbeträge bis zu einer Gesamtsumme von EUR 900.000, im Falle der Überzeichnung bis zu EUR 1.000.000 in Abschnitten von EUR 10 gezeichnet werden.

Das Mindestzeichnungsvolumen pro Darlehensgeber beträgt EUR 10.

Die Zeichnung des Darlehens ist nur über die Plattform der BERGFÜRST AG möglich.

Der Angebotszeitraum, in welchem Darlehen gezeichnet werden können, beträgt 60 Tage.

Der Angebotszeitraum kann verlängert werden.

Beginn und Ende des Angebotszeitraums werden auf der Plattform der BERGFÜRST AG veröffentlicht. Nach Ablauf der Widerrufsfrist und Einzahlung des Investitionsbetrags, wird das von dem Investor gezeichnete Darlehen in der persönlichen Übersicht des Investors auf der BERGFÜRST-Plattform eingebucht und angezeigt.

### 7. Handel

Nach Beendigung des Angebotszeitraums ist es dem Investor möglich, dieses Investment im Rahmen von Angebot und Nachfrage auf dem von BERGFÜRST angebotenen Handelsplatz zu handeln.

### 8. Rückzahlung

Zum Laufzeitende wird der Rückzahlungsbetrag zzgl. Zinsen an die Investoren der Emittentin ausbezahlt.

Die Emittentin ist berechtigt, das Darlehen erstmalig ab dem 31.03.2018 ganz bzw. teilweise, zurückzuzahlen. Eine vorzeitige

Kündigung muss durch die Emittentin mindestens 30 Tage vorher angekündigt werden. Die Emittentin entrichtet im Fall der vorzeitigen Kündigung keine Vorfälligkeitsentschädigung. Die vollständige Rückführung des Darlehens erfolgt spätestens zum Laufzeitende.

### 9. Die BERGFÜRST AG

Die BERGFÜRST AG betreibt die Plattform [www.bergfuerst.com](http://www.bergfuerst.com), bei der sich private und professionelle Investoren an einzelnen Immobilien finanziell beteiligen können. Die Finanzierung erfolgt durch den Zusammenschluss vieler Investoren – ist also eine sogenannte Schwarm-Finanzierung im Englischen auch Crowdfunding genannt. Diese steht für das

Zusammenführen altbewährter Konzepte und Finanzierungsinstrumente mit den Möglichkeiten moderner Online-Technik und Kommunikationsmedien. Durch schlanke Strukturen via Internet bietet die BERGFÜRST AG selbstbestimmten Investoren Investitionsmöglichkeiten, die dem Zeitgeist entsprechen: Extrem kostengünstig, schnell, und bequem vom Smartphone aus.

Die Beteiligungen sind ebenfalls auf dem von BERGFÜRST angebotenen Handelsplatz im Rahmen von Angebot und Nachfrage handelbar. Gegründet wurde die BERGFÜRST AG von Dr. Guido Sandler (Gründer der Berliner Effektenbank AG und der E\*Trade Bank AG) und Dennis Bemann (Gründer von studIVZ).



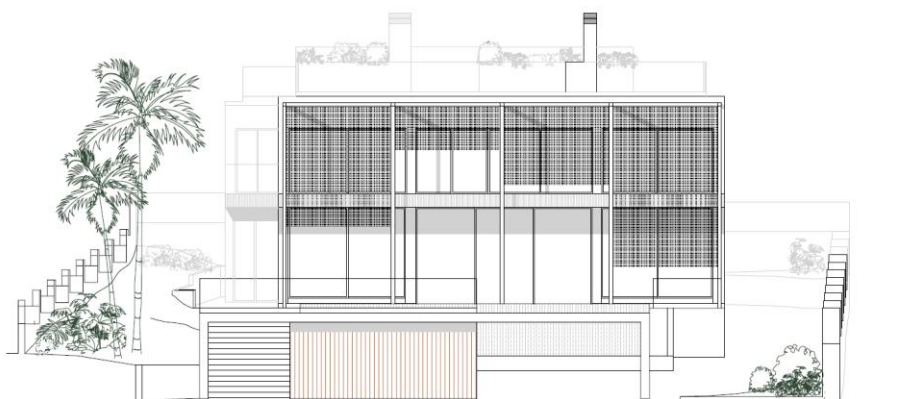
## 06 ECKDATEN DER PROJEKTFINANZIERUNG

### KONDITIONEN

<b>Volumen</b>	EUR 900.000
<b>Laufzeitende</b>	31.12.2018
<b>Verzinsung p.a.</b>	7,00 %

### FINANZIERUNGSSTRUKTUR

<b>Eigenkapital</b> (inklusive stiller Reserven der Projektgesellschaft)	EUR 1.720.000
<b>Fremdkapital</b> 1.) Bankia S.A. 2.) BERGFÜRST	1. EUR 1.880.000 2. EUR 900.000
<b>Verkaufserlös</b>	EUR 4.500.000



## 07 CHANCEN UND RISIKEN

### 1. Chancen

- Festverzinsung von 7,00 % p.a. (halbjährlich zahlbar)
- Das Darlehen ist durch eine zweitrangige Grundschuld besichert
- Dieses Darlehen ist **nicht** qualifiziert nachrangig.
- Der hochpreisige Immobilienmarkt in Mallorca ist stabil, die Nachfrage nach Ferienimmobilien wächst stetig.
- Herr Dr. Peter Dreher hat bereits zahlreiche ähnliche Projekte auf Mallorca realisiert.
- Es fallen keinerlei Nebenkosten für die Investoren an - weder Agio noch laufende Verwaltungskosten.
- Es besteht keine Nachschusspflicht für die Investoren.
- Das Darlehen ist auf der Plattform der BERGFÜRST AG im Rahmen von Angebot und Nachfrage handelbar.

### 2. Risiken

- Eine infrastrukturelle Verschlechterung der Anbindung durch Wegfall oder erhebliche Preissteigerungen von Flug- oder Fährverbindungen der Insel Mallorca kann sich negativ auf die Nachfrage nach Immobilien auswirken.
- Der Verkauf der Ferienimmobilie kann stagnieren.
- Durch eine Erhöhung der Kosten oder durch den Nichtverkauf der Ferienimmobilie kann die Rückzahlung des hier eingeworbenen Darlehens ganz oder teilweise gefährdet sein.
- Falls die Kosten den eingehenden Kaufpreis übersteigen, kann das eingeworbene Darlehen ggf. nicht zurückgezahlt werden. Die dann verbleibende Forderung gegen die Gesellschaft könnte in diesem Fall möglicherweise nicht (vollständig) realisiert werden.

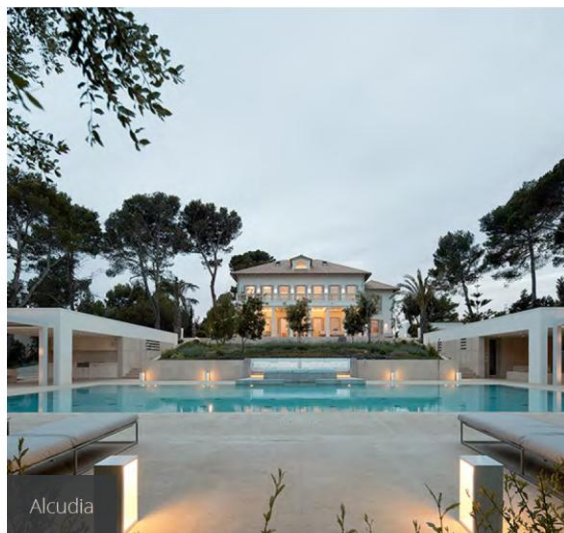


# 08 GALERIE

Referenzimmobilien



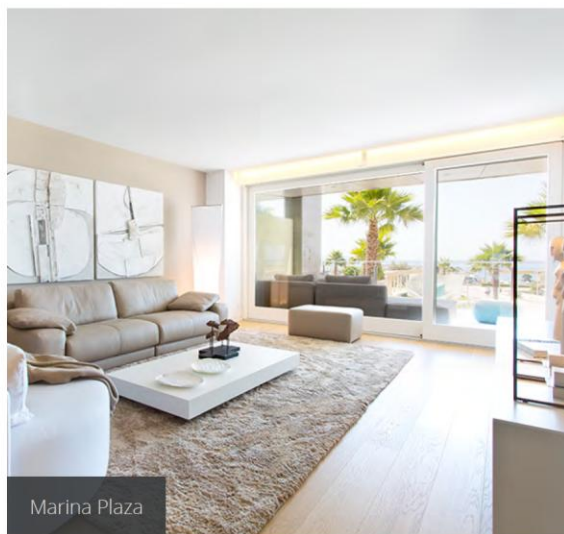
Santa Ponsa



Alcudia



Andratx



Marina Plaza

Galerie

Referenzimmobilien



## Appendix F

### Risk disclaimer from the platform Bergfürst, project *Soleada 35 Mallorca*

<b>Vermögensanlageninformationsblatt (VIB) gemäß § 13 Vermögensanlagengesetz (VermAnlG)</b> <b>zum Forderungskauf als sonstige Vermögensanlage der DREAMS PENYES 35 S.L.U.</b> Stand: 11.05.2017 / Aktualisierung: 0	
<b>1</b>	<b>Warnhinweis:</b> <b>Der Erwerb dieser Vermögensanlage ist mit erheblichen Risiken verbunden und kann zum vollständigen Verlust des eingesetzten Vermögens führen.</b>
<b>2</b>	<b>Bezeichnung der Vermögensanlage</b> Forderungskauf eines Bankdarlehens als sonstige Vermögensanlage gemäß § 1 Abs. 2 Nr. 7, welches der Objektgesellschaft DREAMS PENYES 35 S.L.U. als Darlehensnehmerin gewährt wird.
<b>3</b>	<b>Emittentin und Darlehensnehmerin der Vermögensanlage</b> Objektgesellschaft DREAMS PENYES 35 S.L.U., Gran Via de Penyes Rotges 35, 07180 Santa Ponsa - Calvia, Spanien, eingetragen beim Handelsregister Calvia unter der N.I.F. B16521205
<b>4</b>	<b>Anbieter der Vermögensanlage</b> BERGFURST Handel UG (haftungsbeschränkt), Schumannstraße 18, 10117 Berlin, Telefon: 030 609 895 220 Register: Amtsgericht Berlin Charlottenburg, HRB 181783 B
<b>5</b>	<b>Internet-Dienstleistungsplattform</b> BERGFURST AG, Schumannstraße 18, 10117 Berlin, Telefon: 030 609 895 220, E-Mail: service@bergfuerst.com Register: Amtsgericht Berlin Charlottenburg, HRB 139567 B; Eingetragener Finanzanlagevermittler nach § 34f Abs. 1 S. 1 GewO, Registernummer: D-F-107-9DDG-20.
<b>6</b>	<b>Anlageform und Beschreibung der Vermögensanlage</b> Der Investor (Gläubiger) erwirbt eine Forderung gegen die Emittentin (Darlehensnehmerin) aus dem von einer Bank begebenen Darlehen. Diese Vermögensanlage stellt also einen Forderungskauf dar und ist gemäß § 1 Abs. 2 Nr. 7 VermAnlG eine sonstige Vermögensanlage. Diese Vermögensanlage begründet keine Gesellschafterrechte und beinhaltet insbesondere keine Teilnahme-, Mitwirkungs- und Stimmrechte oder sonstigen Kontrollrechte in den Gesellschafterversammlungen der Emittentin.
<b>Art und Gesamtbetrag der angebotenen Vermögensanlage</b>	Der Art nach handelt es sich bei der angebotenen Vermögensanlage um Teilbeträge aus einer Darlehensforderung, welche ein Kreditinstitut der Emittentin gewährt. Diese Finanzierungsmittel dienen zur Deckung ihres Finanzierungsbedarfes im Gesamtnennbetrag zunächst von insgesamt bis zu EUR 900.000,- , im Falle der Überzeichnung aber maximal bis zu EUR 1.000.000,-. Der Mindestzeichnungsbetrag pro Investor beträgt 10,00 EUR.
<b>Verzinsung</b>	Die Vermögensanlage wird bezogen auf den vom Anleger investierten Betrag mit <b>7,00 % p.a.</b> verzinst. Die Zinszusage ist nicht erfolgsabhängig. Der Zinslauf beginnt nach Zahlungseingang des Investitionsbetrages auf dem benannten Konto und nach Ablauf der Widerrufsfrist des Investors von 14 Tagen. Die Berechnungsperiode der Zinsen beträgt ein Jahr. Die Zahlung der Zinsen erfolgt halbjährlich anteilig zum 30.06. und 31.12. eines Jahres. Zinsen, die auf einen Zeitraum von weniger als sechs Monaten zu berechnen sind, werden taggenau berechnet. Die Berechnung erfolgt auf Grundlage der tatsächlich verstrichenen Tage einer Berechnungsperiode, geteilt durch die tatsächliche Anzahl der Tage eines Zinsjahres (Act/Act).
<b>Laufzeit</b>	Die Laufzeit beginnt nach Zahlungseingang des Investitionsbetrages auf dem benannten Konto und nach Ablauf der Widerrufsfrist des Investors von 14 Tagen. Vorbehaltlich der Bestimmungen über das nachfolgend beschriebene Recht der Emittentin zur vorzeitigen Rückzahlung und zu den Kündigungsbeschränkungen ist die Laufzeit der Vermögensanlage bis zum 31.12.2018 befristet. Zum Laufzeitende werden die Vermögensanlagen zum Nennbetrag zurückgezahlt.
<b>Sondertilgungsrecht der Emittentin</b>	Ab dem 31.03.2018 ist die Emittentin berechtigt (aber nicht verpflichtet), die Vermögensanlage jeweils zum Quartalsende ganz oder teilweise zurückzuzahlen. Ein Anspruch der Investoren (Gläubiger) auf Zahlung einer Vorfälligkeitsentschädigung besteht nicht.
<b>Kündigungsrechte</b>	Anleger können ihre Vermögensanlage nach Ablauf der Widerrufsfrist von 14 Tagen gemäß § 2d VermAnlG nicht mehr zurückgeben. Die Emittentin darf die Vermögensanlage ganz oder in Teilen nur kündigen, wenn nach der Begebung aufgrund einer Gesetzesänderung die zu zahlenden Zinsen auf die Vermögensanlage nicht mehr für die Zwecke der deutschen Ertragssteuern voll abzugsfähig sind. Die Kündigung erfolgt unter Einhaltung einer Frist von mindestens 30 Tagen durch Bekanntmachung an die Gläubiger der Vermögensanlage gemäß den Anlagebedingungen. Daneben besteht kein ordentliches Kündigungsrecht der Emittentin. Die Investoren (Gläubiger) können ihre Kündigungsrechte nur gemeinsam mit anderen Investoren gemäß den Anlagebedingungen ausüben. Das Recht zur Kündigung aus wichtigem Grund bleibt unberührt. Eine vorzeitige ordentliche Kündigung der Vermögensanlage ist ausgeschlossen.
<b>7</b>	<b>Verfügbarkeit/Übertragbarkeit/Sekundärhandel</b> Die <b>Handelbarkeit</b> der Vermögensanlage bzw. deren Übertragbarkeit an Dritte ist <b>eingeschränkt</b> . Die Abtretung der Rechte aus der Vermögensanlage ist nur mit Zustimmung der Emittentin zulässig (Abtretungsverbot mit Zustimmungsvorbehalt). Die Emittentin hat die Zustimmung der Veräußerung und Abtretung erteilt, wenn dieser Sekundärhandel geordnet unter Einschaltung der Plattform bergfuerst.com erfolgt. Ein Sekundärhandel ist erst nach Abschluss der Emission auf www.bergfuerst.com zulässig. Eine weitere Zustimmung wird auf Antrag nur im Ausnahmefall und nur schriftlich erteilt, wenn dem keine berechtigten Interessen der Emittentin entgegenstehen. Die Emittentin weist darauf hin, dass aufgrund der geringen Handelsvolumina nicht sichergestellt ist, dass ein Verkauf immer gelingt. <b>Ein mit einer Wertpapierbörse vergleichbarer liquider Handelsplatz existiert für diese Vermögensanlagen nicht.</b>

	<b>Änderungen der Anlagebedingungen Stimmrechtspooling/Gläubigerbeschluss</b>	Die Bestimmungen der Bedingungen der Vermögensanlage können während der Laufzeit durch gleichlautenden Vertrag mit sämtlichen Investoren (Gläubigern) geändert werden (kollektive Bindung). Eine Verpflichtung zur Leistung kann für die Investoren durch Mehrheitsbeschluss nicht begründet werden. Das Verfahren ergibt sich aus den Anlagebedingungen.
8	<b>Anlageobjekt</b>	Anlageobjekt ist die Emittentin mit dem Objekt in der Gran Via de Penyes Rotges 35, 07180 Santa Ponsa - Calvia, Mallorca, Spanien.
	<b>Anlageziel</b>	Anlageziel der Emittentin ist die Erzielung eines möglichst hohen Verkaufspreises durch die Veräußerung der Immobilie zur Abdeckung von Zins und Tilgung, auch des durch diese Vermögensanlage aufgenommenen Fremdkapitals (Kapitaldienstfähigkeit) und Erwirtschaftung eines Gewinns in der Gesellschaft.
	<b>Anlagestrategie der Emittentin</b>	Die Anlagestrategie der Emittentin ist es, die Immobilie zu optimieren und zu veräußern.
	<b>Anlagepolitik der Emittentin</b>	Die Anlagepolitik der Emittentin besteht darin, durch Verfolgung ihrer Anlagestrategie das Anlageziel zu erreichen.
	<b>Finanzierung/ Fremdfinanzierung</b>	Die Emittentin finanziert sich aus Eigenkapital und Fremdkapital. Die Emittentin wird durch ein Bankdarlehen der Bankia S.A. in Höhe von EUR 1.880.000,- finanziert. Die Angabe eines Verschuldungsgrades ist aufgrund der Neugründung der Gesellschaft in 2017 und des noch nicht aufgestellten Jahresabschlusses nicht möglich. Die Aufnahme von weiterem Eigen- und/oder -Fremdkapital zur Deckung weiteren Finanzierungsbedarfes während der Laufzeit der Vermögensanlage ist nicht ausgeschlossen.
9	<b>Wesentliche Risiken der Vermögensanlage</b>	Der Anleger geht mit der Zeichnung dieser Vermögensanlage eine Verpflichtung mit langfristiger Kapitalbindung ein. Er sollte daher alle in Betracht kommenden Risiken in seine Anlageentscheidung einbeziehen. Nachfolgend können nicht sämtliche mit der Anlage verbundenen Risiken ausgeführt werden. Auch die nachstehend genannten Risiken können hier nicht abschließend erläutert werden. Eine ausführliche Darstellung der Risiken erhalten die Anleger durch die Emittentin in dem Investment-Memorandum.
	<b>Maximalrisiko</b>	Eine Gefährdung des Privatvermögens des Anlegers über den <b>Totalverlust</b> seiner Vermögensanlage hinaus bis hin zu einer <b>Privatinsolvenz</b> (sogenanntes anlegergefährdendes Risiko) kann sich aus einer etwaigen Fremdfinanzierung für den Erwerb dieser Vermögensanlage ergeben und stellt das Maximalrisiko dar.
	<b>Geschäftsrisiko</b>	Der wirtschaftliche Erfolg der Emittentin und damit auch der Erfolg der Vermögensanlage kann nicht mit Sicherheit vorhergesehen werden. Die Emittentin kann nicht garantieren, dass die geschuldeten Zins- und Tilgungsleistungen zu den vorgesehenen Zeitpunkten oder überhaupt erbracht werden. Der wirtschaftliche Erfolg der Emittentin ist von mehreren Einflussfaktoren abhängig. Es ist insbesondere die Entwicklung des Immobilienmarkts ausschlaggebend. Ebenso können sich rechtliche und steuerliche Rahmenbedingungen verändern und Auswirkungen auf die Emittentin haben. <b>Ein negativer wirtschaftlicher Verlauf kann dann zum Totalverlust des vom Anleger eingesetzten Kapitals führen.</b>
	<b>Ausfallrisiko der Emittentin (Emittentenrisiko)</b>	Die Emittentin kann zahlungsunfähig werden oder in Überschuldung geraten. Dies kann der Fall sein, wenn die Emittentin geringere Einnahmen und/oder höhere Ausgaben als erwartet zu verzeichnen hat. Die daraus folgende Insolvenz der Emittentin kann zum <b>Verlust des Investitionsbetrages und der Zinszahlungen</b> des Anlegers führen, da die Emittentin keinem Einlagensicherungssystem angehört.
	<b>Zinsänderungsrisiko /Wiederanlage- risiko</b>	Das <b>Zinsänderungsrisiko</b> ist eines der zentralen Risiken einer festverzinslichen Vermögensanlage. Schwankungen im Zinsniveau sind am Geldmarkt (kurz- bis mittelfristig) und Kapitalmarkt (langfristig) an der Tagesordnung und können den Wert der Vermögensanlage am Sekundärmarkt stark beeinflussen. Das Zinsänderungsrisiko ergibt sich aus der Ungewissheit über die zukünftigen Veränderungen des Marktzinseaus. Der Anleger einer verzinslichen Vermögensanlage ist einem Zinsänderungsrisiko in Form eines Kursverlustes ausgesetzt, wenn das Marktzinseaus steigt. Dieses Risiko wirkt sich grundsätzlich umso stärker aus, je deutlicher der Marktzinssatz ansteigt, je länger die Restlaufzeit der Vermögensanlage ist und je niedriger die vereinbarte Nominalverzinsung ist. Befinden sich die Marktzinsen am Rückzahlungstag auf einem niedrigen Niveau, können die Anleger den Rückzahlungsbetrag u. U. nur zu ungünstigen Bedingungen wieder neu anlegen ( <b>Wiederanlagerisiko</b> ).
	<b>Nachrangigkeit</b>	Die von dem Anleger erworbene Forderung aus Bankdarlehen ist <b>nicht</b> qualifiziert nachrangig. Die Ansprüche können also entsprechend der vertraglichen Regelungen und nach Fälligkeit bei der Emittentin geltend gemacht werden.
	<b>Haftung und Nachschusspflicht</b>	Im Verhältnis zur Emittentin haften die Anleger auf Zahlung in Höhe der von ihnen gezeichneten und nicht widerrufenen Vermögensanlage. Diese Haftung erlischt mit vollständiger Einzahlung der gezeichneten Summe. Zinszahlungen und Tilgung der Vermögensanlage führen nicht zum Wiederaufleben der Haftung gegenüber der Emittentin. Im Insolvenzfall können unter bestimmten Umständen bereits geleistete Auszahlungen vom Insolvenzverwalter zurückgefordert werden. Weitergehende Umstände, aus denen der Erwerber der Vermögensanlage verpflichtet ist, weitere Leistungen zu erbringen, bestehen nicht. <b>Insbesondere besteht keine Pflicht, Nachschüsse zu leisten.</b>
	<b>Sicherheiten</b>	Zur Sicherung der Darlehensforderungen wird mittels Treuhänder eine zweitrangige Grundschuld auf dem Objekt in der Gran Via de Penyes Rotges 35, 07180 Santa Ponsa - Calvia, Spanien in Darlehenshöhe bestellt.
10	<b>Aussichten für die Kapitalrückzahlung</b>	Prognostiziert sind die folgenden Auszahlungen, die bei ungünstiger Entwicklung der Vermögensanlage geringer oder vollständig ausfallen können.
	<b>Gesamtauszahlungen (Prognose)</b>	Die erworbenen Forderungen werden mit einem Zins von 7,00 % p.a. verzinst. Die Zinsberechnung und Zinszahlungen erfolgen zweimal jährlich, jeweils spätestens 14 Tage nach dem 30.06. und 31.12. eines jeden Jahres. Hierbei werden die Zinsen taggenau berechnet. Die Berechnung erfolgt auf Grundlage der tatsächlich verstrichenen Tage einer Berechnungsperiode, geteilt durch die tatsächliche Anzahl der Tage einer Berechnungsperiode (Act/Act). Dies gilt auch für die erste Zinszahlung die den Zeitraum von Beginn des Zinslaufes bis zum ersten Zinszahlungstermin



		verzinst. Die letzte Zinszahlung, die den Zeitraum zwischen dem vorletzten Zinszahlungstermin und dem Laufzeitende des Darlehens verzinst, sowie die Rückzahlung des Nominalbetrages erfolgt spätestens 7 Bankarbeitstage nach dem Laufzeitende dieses Darlehens.
11	<b>Kosten und Provisionen</b>	<p>a) <i>In der Emissionsphase / Am Laufzeitende</i></p> <p>1. Über den Anlagebetrag hinaus werden für die Zeichnung der Vermögensanlage keine Kosten erhoben.</p> <p>2. Die Emittentin zahlt für die Abwicklung der Emission aus den Erlösen der Emission dieser Vermögensanlage eine Erfolgsprovision in Höhe von 4,0 % des in der Emission gezeichneten Kapitals, zzgl. MwSt.</p> <p>b) <i>In der Bestandsphase</i></p> <p>Die Emittentin zahlt eine jährliche Verwaltungsgebühr in Höhe von 1,5 % + EUR 500,- zzgl. MwSt. auf das gezeichnete Kapital. Die Emittentin zahlt zum Laufzeitende eine Erfolgsprovision i.H.v. 1,0 % zzgl. MwSt. auf den Emissionsbetrag.</p>
	<b>Mögliche weitere Kosten beim Anleger</b>	<p>Einzelfallbedingt können dem Anleger individuelle Kosten entstehen, z.B. durch die Inseratsgebühr (in Höhe von derzeit 10,00 EUR) bei Veräußerung der Vermögensanlage. Leistet ein Anleger den Erwerbspreis nach Ablauf der Widerrufsfrist verspätet, kann die Emittentin Verzugszinsen in Höhe von 5 Prozentpunkten über dem jeweils gültigen Basiszinssatz p.a. (§ 288 Abs. 1 BGB) verlangen. Hinzukommen können weitergehende Ansprüche der Emittentin, insbesondere auf Schadensersatz. Daneben kann sie den ausstehenden Betrag klageweise geltend machen und die Zeichnung auf den gezahlten Betrag oder einen Teil davon herabsetzen. Falls die Vermögensanlage fremdfinanziert wird, trägt der Anleger die anfallenden Zinsen, Gebühren, etwaige Vorfälligkeitsentschädigungen und andere vergleichbare Vergütungen. Im Zusammenhang mit der Vermögensanlage können beim Anleger weitere Kosten entstehen, wie Bankgebühren, Telefongebühren, Porto oder Steuerberatungskosten, die der jeweilige Anleger ebenfalls selbst zu tragen hat. Soweit die Höhe der genannten Kosten nicht angegeben ist, können diese nicht genau quantifiziert werden.</p> <p>Über die vorstehend genannten Kosten hinaus entstehen dem Anleger keine weiteren Kosten, insbesondere keine solchen Kosten, die mit dem Erwerb, der Verwaltung und der Veräußerung der Vermögensanlage verbunden sind.</p>
12	<b>Besteuerung</b>	<p>Der Anleger erzielt mit den Zinszahlungen Einkünfte aus Kapitalvermögen gemäß § 20 Abs. 1 Ziffer 7 EStG, die der Abgeltungsteuer, dem Solidaritätszuschlag und ggf. der Kirchensteuer unterliegen, sofern er als natürliche Person steuerpflichtig ist und seine Vermögensanlage im Privatvermögen hält. Die Rückzahlung der Zeichnungssumme (Nominalbetrag der Vermögensanlage) bzw. von Teilen hiervon unterliegt hingegen nicht der Einkommensteuer. Sollte sich ein Anleger mittels einer Kapitalgesellschaft beteiligen, werden für Gewinne Körperschaftsteuer und Gewerbesteuer fällig. Nähere Erläuterungen der steuerlichen Rahmenbedingungen sind in dem entsprechenden Kapitel des Investment Memorandums, Steuerliche Grundlagen, dargestellt. Im Übrigen hängt die steuerliche Behandlung von den persönlichen Verhältnissen des jeweiligen Anlegers ab und kann künftig Änderungen unterworfen sein. <b>Zur Klärung individueller steuerlicher Fragen sollte der Anleger einen steuerlichen Berater einschalten.</b></p>
13	<b>Durch die Vermögensanlage angesprochener Anlegerkreis</b>	<p>Das Angebot der Emittentin richtet sich an natürliche und juristische Personen, die <b>über Kenntnisse und Erfahrungen mit der Anlageform Vermögensanlagen nach dem VermAnlG</b> insbesondere mit verzinslichen Finanzinstrumenten verfügen und sich <b>über das Risiko einer solchen Anlage bewusst sind.</b></p>
14	<b>Vermittlungsexklusivität</b>	<p>Diese Vermögensanlage kann ausschließlich elektronisch über die Internetplattform unter <a href="http://www.bergfuerst.com">www.bergfuerst.com</a> erworben werden. Im Rahmen der Vermittlung über die Onlineplattform erfolgt eine Angemessenheitsprüfung gemäß § 2 a Abs.3 VermAnlG und § 16 Abs. 2 FinVermV.</p>
15	<b>Hinweise</b>	<p>Dieses Vermögensanlagen-Informationsblatt unterliegt nicht der Prüfung durch die Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).</p> <p>Für diese Vermögensanlage wurde kein von der Bundesanstalt gebilligter Verkaufsprospekt erstellt. Weitergehende Informationen erhält der Anleger unmittelbar vom Anbieter oder Emittenten der Vermögensanlage. Die Emittentin stellt Informationen des Weiteren auf der Internetseite der BERGFÜRST AG unter <a href="http://www.bergfuerst.com">www.bergfuerst.com</a> zur Verfügung.</p> <p>Dieses VIB stellt kein öffentliches Angebot und keine Aufforderung zur Zeichnung der Vermögensanlage dar. Insbesondere wird in keiner Weise die ausführliche Beratung auf Basis der Anlagebedingungen und den weiteren Informationen der Emittentin ersetzt.</p> <p>Die vollständigen Angaben zu diesem Produkt, insbesondere die Bedingungen, Chancen und Risiken sowie die zugrunde liegenden Verträge sind dem Investmentmemorandum und den Anlagebedingungen zu entnehmen. Die Emittentin wurde am 08.04.2017 gegründet. Ein Jahresabschluss wurde bisher noch nicht aufgestellt. Künftige Jahresabschlüsse der Gesellschaft werden in dem elektronischen Postfach des Anlegers bei der Plattform BERGFÜRST zur Einsicht hinterlegt.</p> <p>Das Vermögensanlageninformationsblatt ist für registrierte Nutzer von BERGFÜRST als Download unter <a href="https://de.bergfuerst.com/static/target/soleada/dokumente/soleada-vermoegensanlageninformationsblatt.pdf">https://de.bergfuerst.com/static/target/soleada/dokumente/soleada-vermoegensanlageninformationsblatt.pdf</a> abrufbar. Ansprüche auf der Grundlage einer in diesem Vermögensanlageninformationsblatt (VIB) enthaltenen Angabe können nur dann bestehen, wenn die Angabe irreführend oder unrichtig ist und wenn die Vermögensanlage während der Dauer des öffentlichen Angebots, spätestens jedoch innerhalb von zwei Jahren nach dem ersten öffentlichen Angebot der Vermögensanlagen im Inland, erworben wird.</p>
16	<b>Kenntnisnahme des Warnhinweises</b>	<p>Die Bestätigung der Kenntnisnahme des Warnhinweises nach § 13 Abs. 6 des Vermögensanlagengesetzes erfolgt elektronisch gemäß § 15 Abs. 4 des Vermögensanlagengesetzes.</p>

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