



University of
South Australia

Business
School



Property crowdfunding

AUSTRALIAN INVESTOR PERSPECTIVES 2016/17

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Property Crowdfunding: Australian Investor Perspectives 2016/17

1. Introduction

Property crowdfunding is a rapidly growing industry. Although the concept of crowdfunding is not new, crowdfunding within the property sector has not been extensively researched, especially not in an Australian context.

This research projects' aim is to investigate investor perceptions of property crowdfunding as a property investment vehicle. The research methodology was survey-based and questions regarding demographics, information and knowledge, risk, return and ownership expectations were designed and distributed online to investors who registered an online profile on the property crowdfunding platform. The research was conducted by academics from the University of South Australia in partnership with Domacom, one of the largest property crowdfunding platforms in Australia. The results are summarised in sections 2 to 4 below.

2. Investor Demographics

It is clear that the largest number of investors within the sample group is male (68.4%), with female investors being 31.6% of the respondent cohort (figure 1). As far as the age distribution is concerned the majority of respondents are between the ages of 55 and 74 (figure 2). This age group represents 60% of the total sample group. Of interest is the fact that only 3.79% of the respondents are younger than 35, showing an appetite in older investors for this type of investment vehicle.

As far as combined household income is concerned, 87% of the respondents have a combined annual household income of less than \$200 000 per annum, with the other 13% of respondents indicating a household income higher than \$200 000 per annum. Furthermore, responses show that 29% of respondents' highest qualification is secondary school completion, 30% have a diploma or certificate, and 19% have an undergraduate qualification or degree, with the remaining 22% having a postgraduate qualification (figure 3).

A graphic representation of investor demographics based on the responses for the survey indicates:

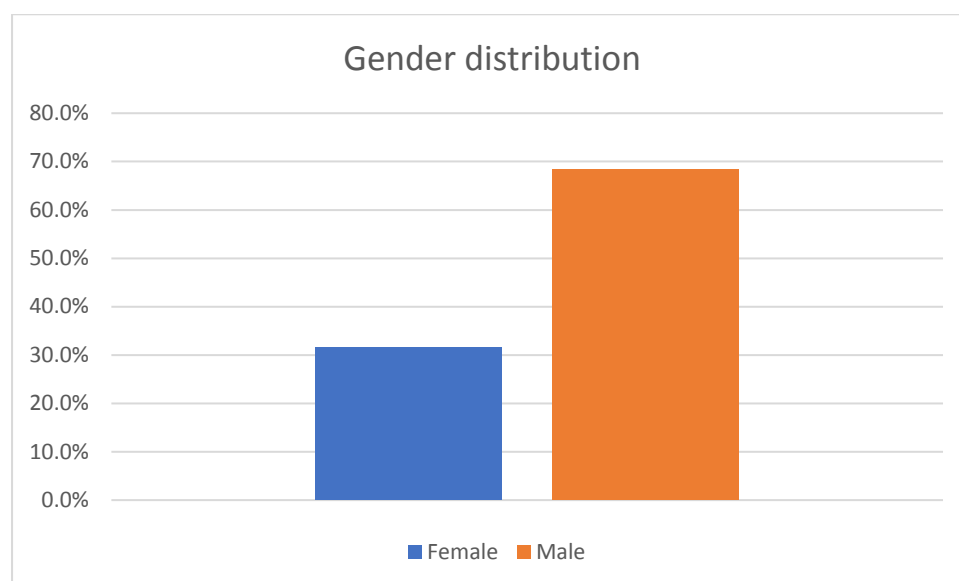


Figure 1: Gender distribution

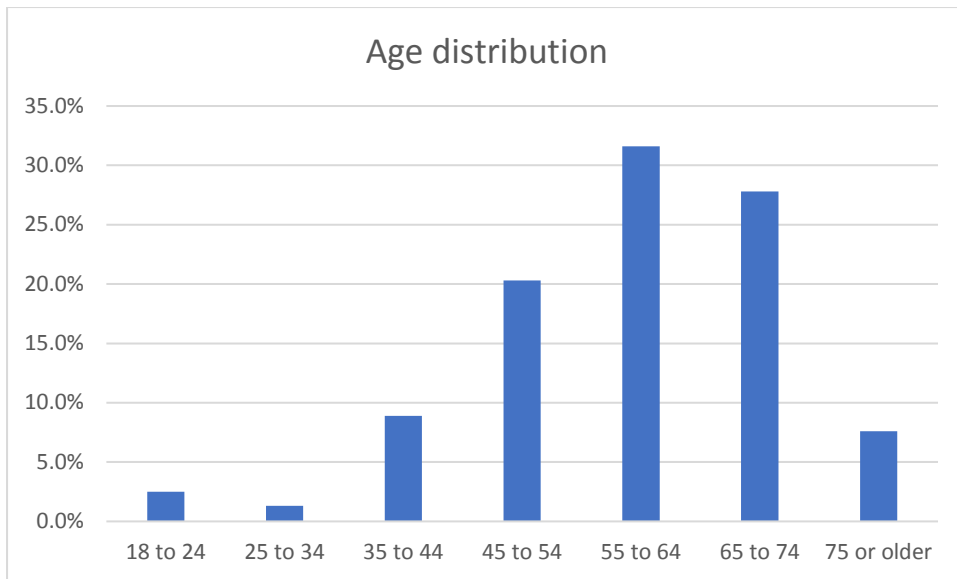


Figure 2: Age distribution

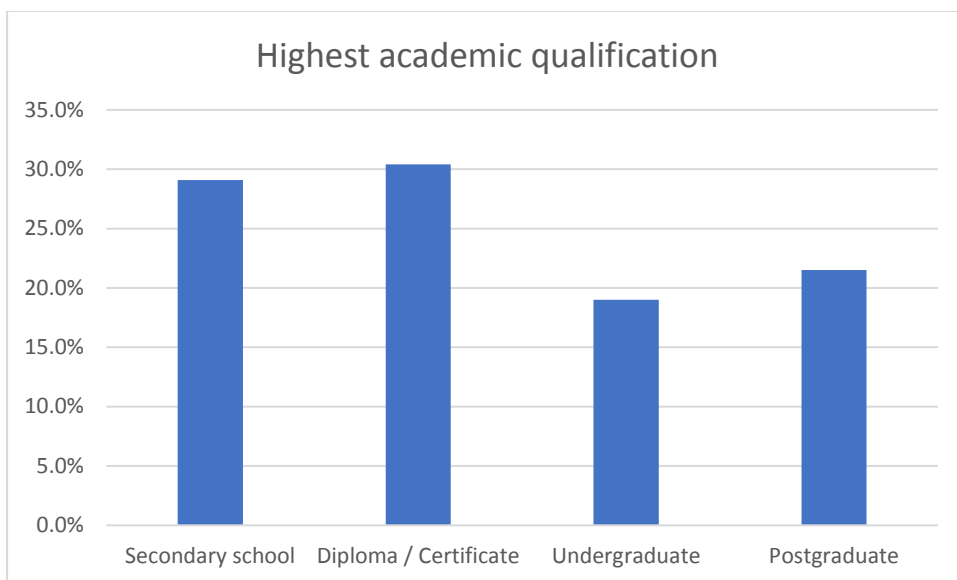


Figure 3: Highest academic qualification

3. Information and knowledge

The survey included questions on investors' level of knowledge of property crowdfunding as an investment option, as well as the information investors have received from the crowdfunding platform. More than 90% of respondents indicated they have some idea about property crowdfunding, or that they are well informed about it. It is interesting to note that none of the respondents indicated they are experts as far as property crowdfunding is concerned (figure 5).

Almost 75% of investors indicated that the ease of investing through a property crowdfunding platform was an important factor in their decision to invest in property crowdfunding (figure 6). As far as tax implications are concerned, 61% of respondents indicated that they are aware and know what the tax implications will be for an investment using a property crowdfunding platform, with the remainder of respondents (39%) indicating they were not sure about tax implications. Furthermore, investors indicated that they became aware about property crowdfunding via the internet (34%) or

the media, such as newspapers, magazines, the radio or television (43.5%). The remaining 22.5% of respondents obtained their information through financial professionals, friends and family, or other sources (figure 7). In terms of providing information to investors, 77.5% of investors received a prospectus from the property crowdfunding platform (figure 8).

A graphic representation of the knowledge level of investors as well as their main sources of information is set out below:

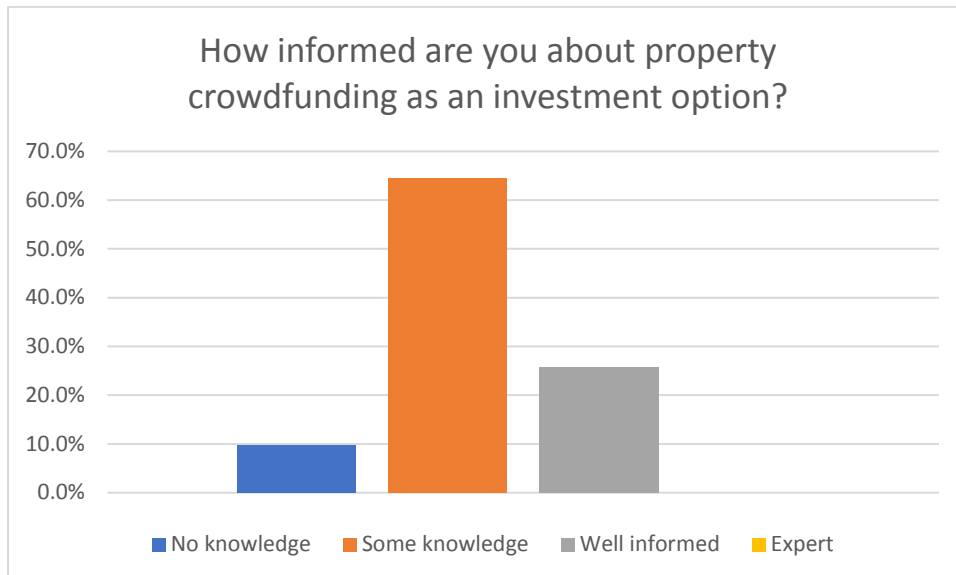


Figure 5: In your opinion, how informed are you about property crowdfunding as an investment option?

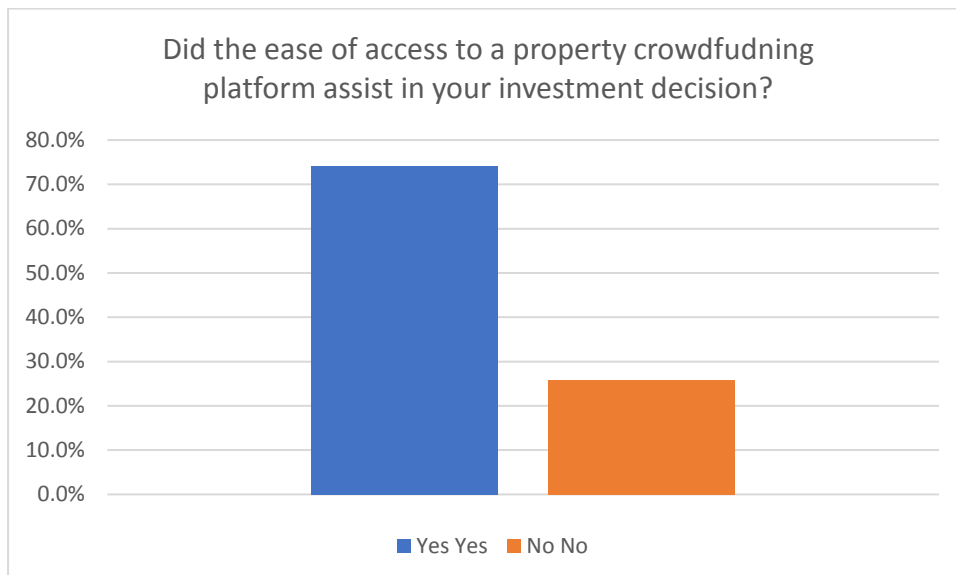


Figure 6: Importance of ease of access to property crowdfunding platform to assist in investment decision

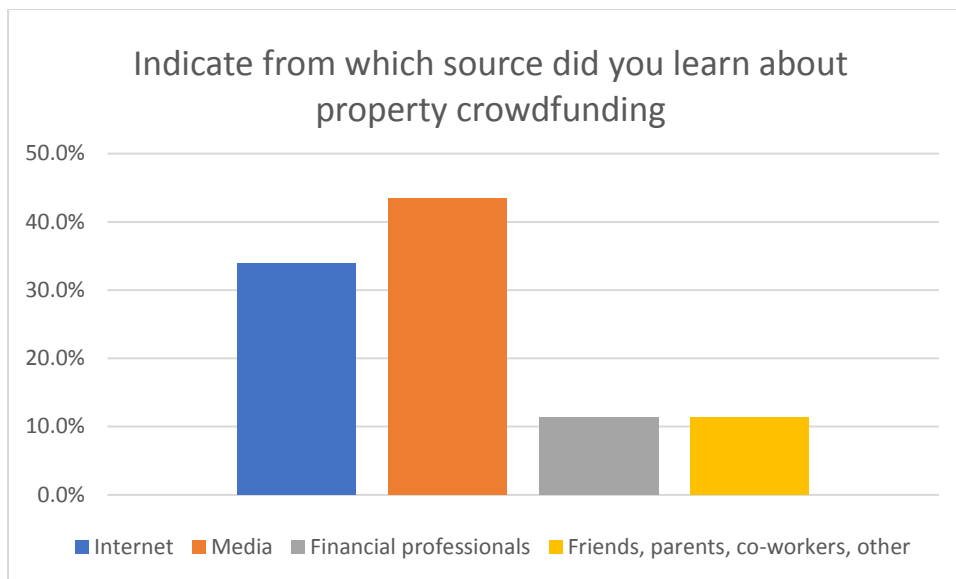


Figure 7: Please indicate from which source did you learn about property crowdfunding?

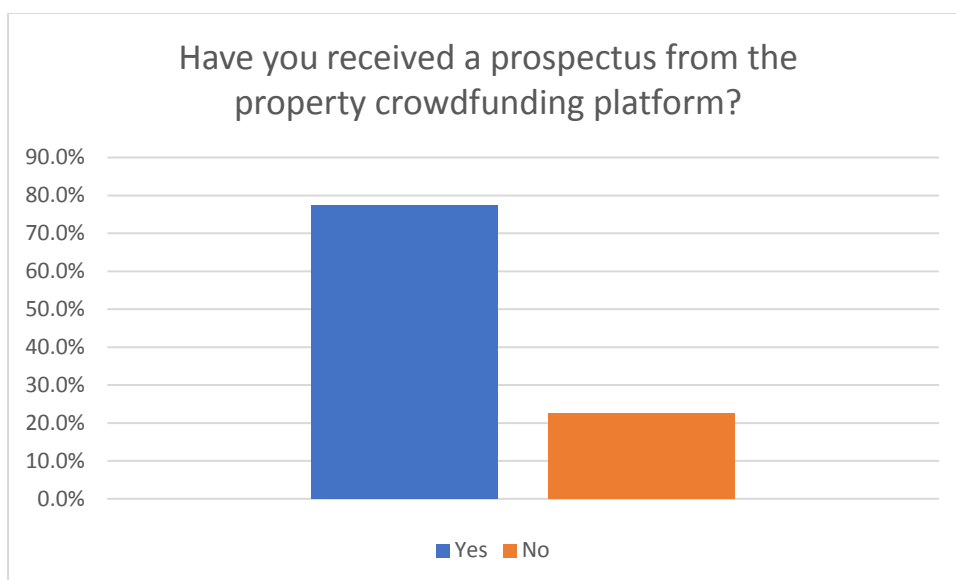


Figure 8: Have you received a prospectus from the real state crowdfunding platform about their property investment portfolio?

4. Risk, return & ownership expectations

The average amount of funds invested in a property crowdfunding platform was AUD \$14,263, with most investors (75%) investing AUD \$10,000 or less in property crowdfunding. Investors who completed the survey indicated that they invest on average 20.78% of their total portfolio in property crowdfunding. When exploring representation of asset classes, on average, cash comprises 29% of investment portfolios, bonds 3%, and stocks 35%. Interestingly, other asset classes represent 33% in investor portfolios which could be an indication of the growing interest in alternative investment classes, such as property crowdfunding. It also highlights the importance of alternative investments within investment portfolios (figure 9).

As far as ownership expectations were concerned the clear majority of investors have a long-term view when investing in property through property crowdfunding platforms, with 77% of respondents indicating that their ownership expectations is future ownership with expected returns based on both capital growth as well as rental income returns. Only 1.6% of respondents indicate that their main aim is short term speculation with no long-term ownership expectations (figure 10). Investors also have a long-term investment horizon - 73% of investors indicate that their investment horizon for property crowdfunding is longer than five years, with only 3% of investors indicating a time horizon of less than two years when investing using property crowdfunding platforms. Expectations around returns were conservative, with 90.3% of respondents indicating that their expected annual returns are below 11% (figure 11). In line with the return expectations, the level of financial risk perceived by investors is low, with 75% of respondents indicating that the risk associated with property crowdfunding as an investment vehicle is below average or average (figure 12).

A graphic display of selected indicators as discussed above is as follow:

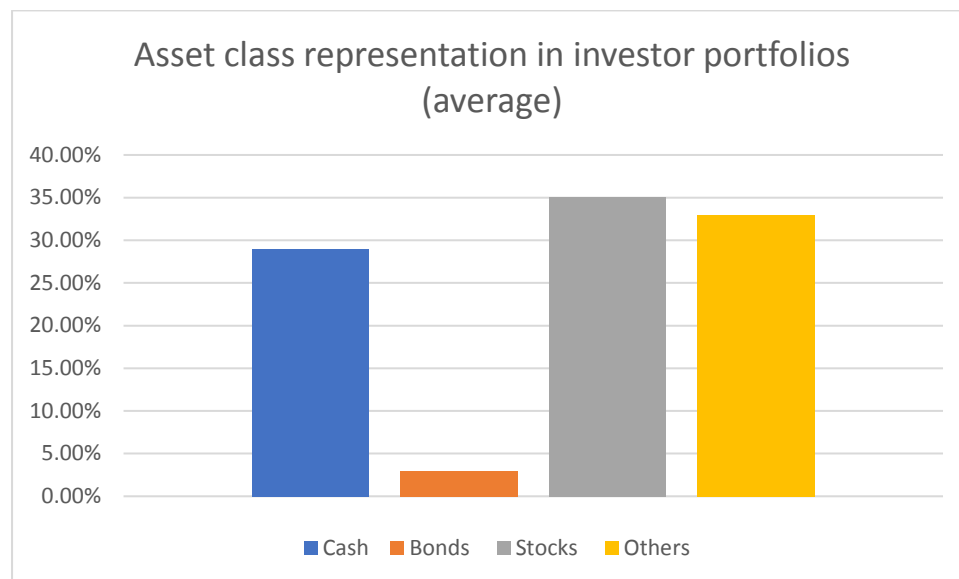


Figure 9: Asset class representation within respondent's portfolios



Figure 10: Ownership expectations

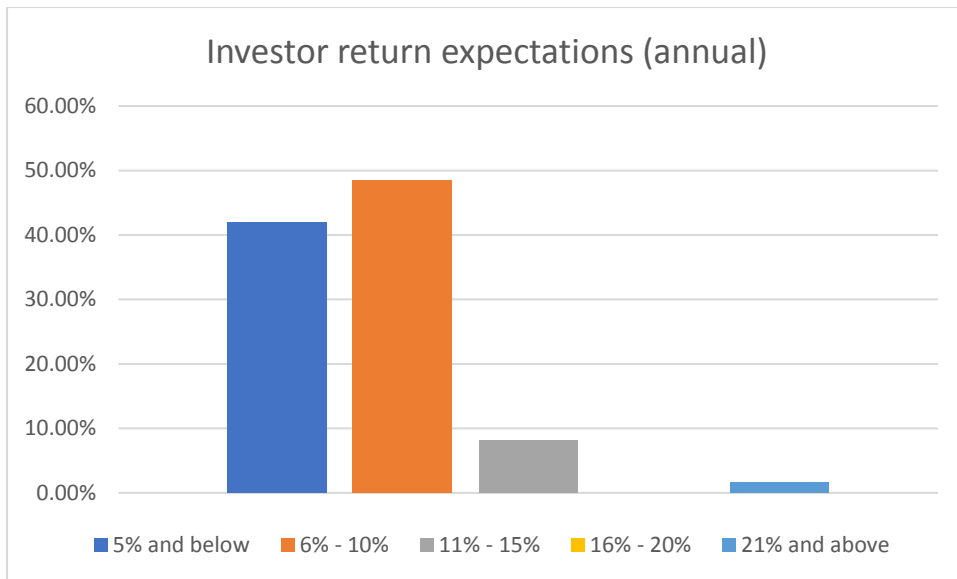


Figure 11: Annual return expectations

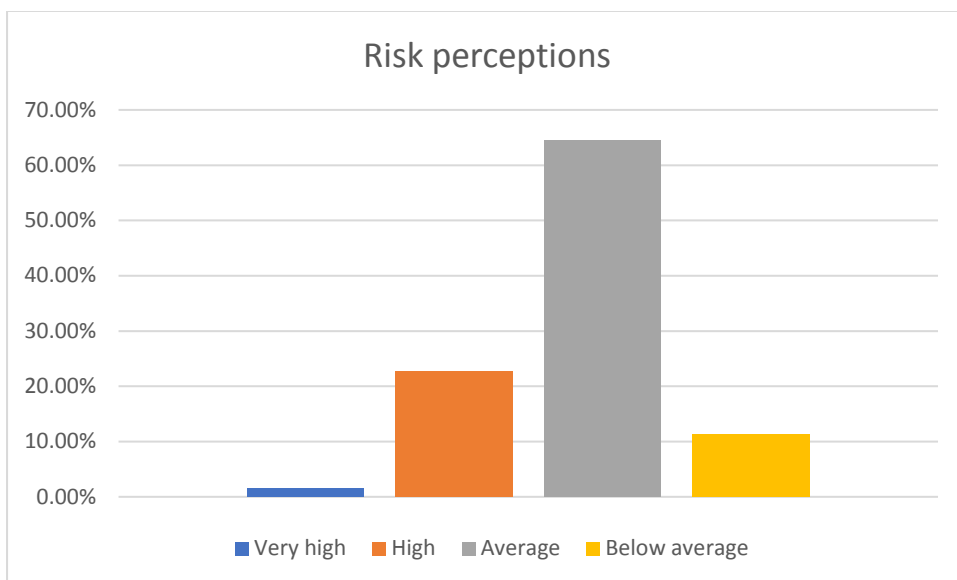


Figure 12: Risk perceptions of property crowdfunding as investment vehicle.

5. Further investor perspectives

Respondents also answered questions about their portfolios invested on a global basis versus the percentage of their portfolio that is invested within Australia. As would be expected, all the respondents hold investments within Australia, with an average of 95% of portfolios held within Australia. Surprisingly, only 9.8% of respondents hold investments in Asia, 8.2% in the United States of America, 6.6% in Europe and 4.9% hold investments in the rest of the world. Based on the sample group, this is a clear indication that investment portfolios are heavily focussed on investments within Australia.

The type of property crowdfunded projects that investors are most interested in are rural projects (77.4%), followed by commercial (27.4%) and then residential (25.8%). Industrial (12.9%) and mixed-use (12.9%) projects are also indicated as investment options, but to a lesser extent (figure 13). It is

important to note that investors could indicate more than one type of project in which they are interested for investment purposes. It is also important to note that the results may be skewed based on the construction of the sample group.

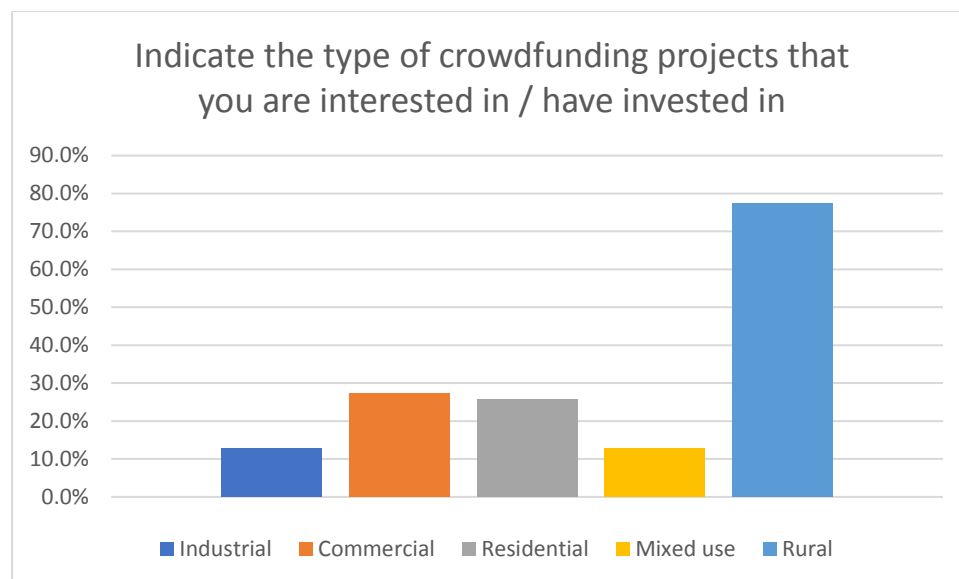


Figure 13: Type of crowdfunding projects that you are interested in / have invested in

6. Conclusion

The research conducted shows that a broad indicator of the demographic profile of investors within the Australian property crowdfunding investment environment, as based on the sample group, consist mainly of men between the age of 55 and 74, with an average annual income of less than \$200 000 per annum holding a diploma or certificate as academic qualification.

Furthermore, Australian investors perceive property crowdfunding as a low to medium risk investment vehicle that yields low to medium annual returns over a medium to long-term investment time horizon. It attracts a mix of investors who find it easy to invest small amounts of money. Investors have a reasonable degree of financial knowledge but are more uncertain when it comes to making investment decisions.

Based on international trends crowdfunding is a rapidly growing field of investment, and this is also true within the property crowdfunding environment. Australia is still in its infancy as far as regulation and legislation, as well as academic and other sources of information, around property crowdfunding. This research project will therefore contribute greatly towards the literature, but also the general knowledge currently available within Australia to form a better picture of the industry, investors as well as perceptions of investors using property crowdfunding as an investment vehicle.