



■ ERIK VAN EETEN, COFOUNDER AND CFO OF REALTY AFRICA

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Erik van Eeten, cofounder and CFO of Realty Africa



Crowdfunding: cashing in on property investor and developer returns

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■ PATRICK CHELLA, COFOUNDER AND CEO OF REALTY AFRICA

“Realty Africa is currently looking for projects in three countries: Zimbabwe, Botswana and SA, and it intends taking the concept into other southern African countries”

Patrick Chella, cofounder and CEO of Realty Africa

It hasn't made great strides into Africa yet, but some companies are taking tentative steps. Property crowdfunding, in which developers attempt to cash in on the potential of 'the crowd' to raise money for developments, is starting to attract global attention

Property crowdfunding is one way for smaller developers and investors to access the tough property development market. Their individual investments are modest but the total sum is large, and they then enjoy a split of the revenue generated through rental or sale.

For developers, it presents a great opportunity to market a property on a new type of platform, and to obtain sufficient capital for the development to proceed.

The potential investor "crowd" differs widely. Some crowdfunding platforms in the UK target young people who can't raise the funds for a deposit on their own home, but who still want to invest in fractional ownership of buy-to-let properties. At the other end of the scale is the more typical developer model, where investors put money into a development and then enjoy the returns.

SPREADING THE WORD

Realty Africa is the second type of crowdfunding platform, providing investors with investment opportunities in property developments

in southern Africa, and providing developers with a platform to showcase their plans and attract new investment. It is believed to be the first platform of its kind in the region.

“We see it as part of our mission to spread the word on property crowdfunding and how this can be a tool for business owners to develop their project, as well as a tool for them to market themselves globally and build a track record,” says Erik van Eeten, cofounder and CFO of Realty Africa. “At the same time, it can be a tool for people globally to see that southern Africa holds many opportunities to invest, and that investing in this beautiful continent doesn't have to be as scary as some might think.”

Most people have heard of

crowdfunding as applied to creative endeavours such as music artists who fund their albums through platforms like Kickstarter.

Property crowdfunding differs slightly. “There are different types of crowdfunding: donation-based, rewards-based, lending-based and equity-based. On rewards-based crowdfunding platforms, you are not allowed to offer monetary rewards.

Property crowdfunding, on the other hand, is all about investors investing directly into projects for developing property or other types of infrastructure developments, and getting a monetary return,” says Van Eeten.

Realty Africa ran a campaign on crowdfunding website Indiegogo to build

global awareness and to attract some funding for its start-up company. It didn't reach its target, but Van Eeten believes that, from a marketing perspective, they were successful. “We knew in advance that we wouldn't reach our funding target because Indiegogo would not allow us to offer shares in the company as a perk. We chose Indiegogo because of its global reach – not many platforms out there have that yet. In parallel, we used alternative ways to attract funding for our company.”

CROWDFUNDING CHECKLIST

With its crowdfunding projects now up and running, Realty Africa facilitates the investment process in numerous ways. A thorough checklist means investors have the opportunity to invest in projects that have passed a rigorous due diligence process. “Investors on our platform are not investing in Realty Africa as a company, or in an investment fund. Instead they are investing directly into a project. They can choose from any of the projects available on the website at any time,” says Van Eeten.

The time frames of Realty Africa investment projects vary, spanning one year for a build-and-sell project to 10 years for a hotel or eco-lodge development, and will then operate for a number of years. Realty Africa is also attempting to source projects

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