



KBW PropTech Pulse

Market Intelligence on the Intersection of Real Estate and Technology

Sep. 2021

KBW's quarterly PropTech Pulse analyzes evolving trends in the real estate technology sector including: public company operating results and valuations; venture capital activity; mergers and acquisitions (M&A); SPAC (special purpose acquisition company) activity; and key corporate developments. Below, we summarize the most recent quarterly edition of KBW's PropTech Pulse, which includes a 50+ slide presentation overviewing the above trends.

For more information, individual investors should contact Stifel's Research Marketing team at ResearchMarketing@stifel.com. Institutional investors should contact the author at the email at the end of this piece.

Real estate technology is challenging the industry status quo. Over the last decade, billions of dollars of capital have flowed into the sector, fueling the emergence of disruptive "proptech" startups and other trends that are digitally infusing every aspect of the real estate value chain. Private investment in the sector has surged in recent years while M&A activity has increased significantly. Despite this, we believe the sector remains in its infancy.

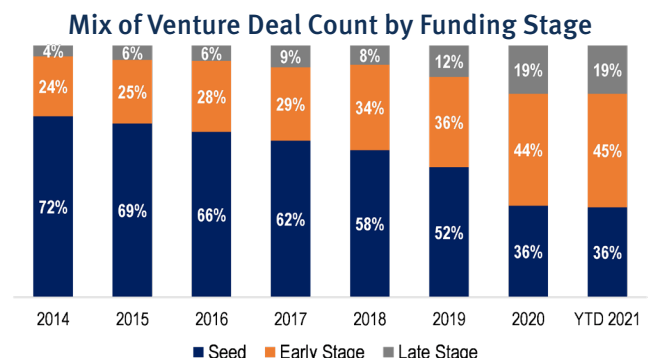
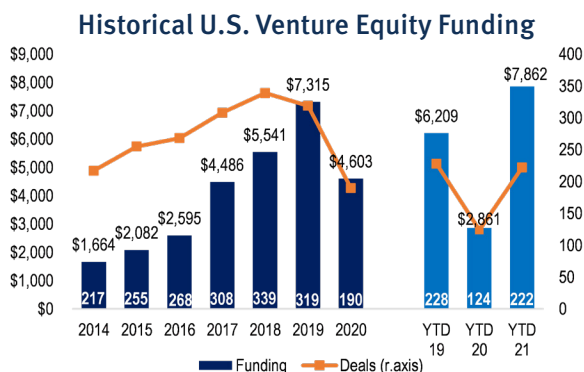
In the midst of a volatile environment for property markets over the 18 months, real estate technology has proven resilient as the global pandemic accelerated (and necessitated) trends in digitization. While investors continue to assess what the new normal will look like across sectors, we believe real estate technology will be a key area to watch in coming years considering several ongoing developments, including growing adoption of technology across the industry; increasing investor interest in the sector; accelerating M&A activity; a growing landscape of public players; and a private company landscape that remains very active.

Public Sector Continues to Grow with New Entrants, Doubling Over the Last Year

- **We count 20 new public sector entrants over the last year** including initial public offerings (IPOs) and SPAC merger announcements. We expect the fast pace of new entrants to continue, including through additional IPOs, SPAC activity, and proptech "unicorns" garnering significant valuations.
- **PropTech SPAC activity:** Sixteen proptech "de-SPACs" (in which a public SPAC acquires a private company, resulting in a new, publicly traded entity) have been announced over the last 18 months with a combined value of \$48 billion (including 13 so far in 2021). Additional proptech SPAC transactions are likely given our estimate of 21 SPACs still seeking targets with an exclusive or partial focus on proptech.

PropTech Venture Investment Activity is Running at a Record Pace in 2021

- **Through early September, year-to-date U.S. venture equity investment for proptech totals \$7.9 billion.** This represents growth of +175% versus the same period in 2020, which was negatively impacted by COVID-19 caution. However, 2021's year-to-date pace is also 27% above the same period in 2019, which was the highest year on record for proptech venture capital investment.
- **Q21 U.S. proptech venture funding was the second highest quarterly total on record** (behind 1Q21) at \$2.7bn, up 72% Y/Y versus 2Q20 (+105% versus 2Q19).

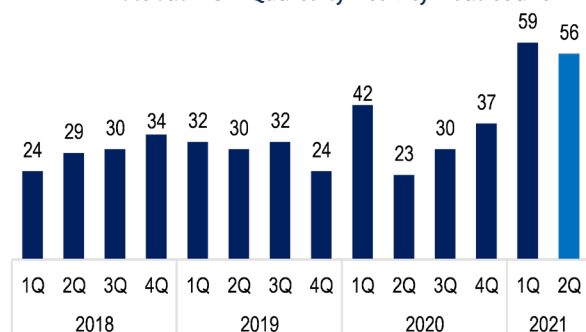


Note: YTD funding through September 7, 2021; Source: Company press releases, Crunchbase, PitchBook, and KBW Research.

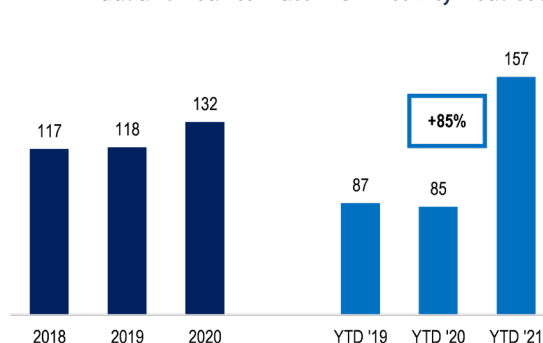
M&A activity has Accelerated, Setting New Records in 2021, as the Proptech Sector Matures & Consolidates

- **Robust 2021 M&A activity continues at a record pace with 155 deals year-to-date globally through August**, up 78-82% from 85-87 deals during the same periods in 2019 and 2020.
- **2Q21 M&A activity was the second strongest quarter on record (only behind 1Q21)**: 56 deals, up 143% Y/Y from 2Q20 and up 87% from 2Q19.
- **Recent M&A activity has been marked by** increasingly acquisitive private players who aim to increase scale and grow their product offering, platform-expanding deals by public real estate tech players, and technology-enhancing deals by traditional real estate incumbents.

Global M&A Quarterly Activity Deal Count



Annual and Year-to-Date M&A Activity Deal Count



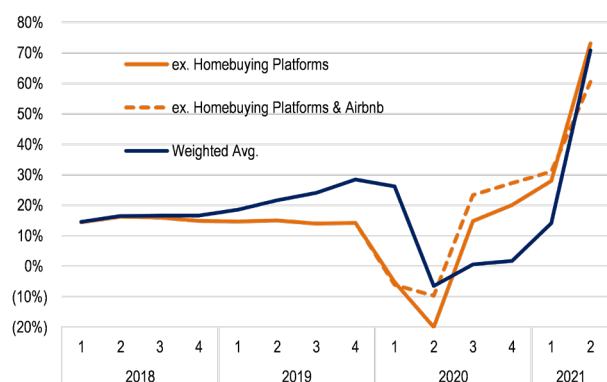
Note: YTD M&A activity through August 31, 2021; Source: Company press releases, Crunchbase, PitchBook, and KBW Research.

Public Company 2Q21 Operating Results Show Sharp Acceleration in Revenue Growth

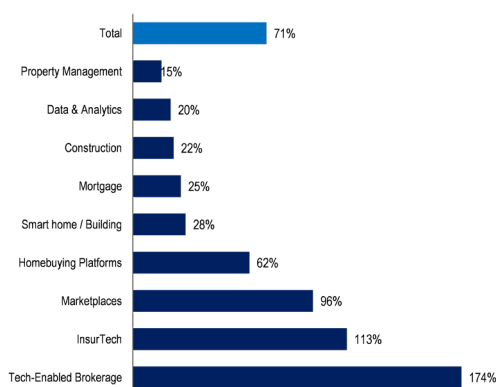
We estimate that 2Q21 revenues for the public real estate technology sector totaled \$13.5 billion, representing 71% Y/Y growth and an acceleration from 14.1% in 1Q21 (partly on an easier Y/Y comparable from COVID-19 disruptions). Relative to 2Q19, this represented growth of 61%.

- Excluding homebuying platforms and Airbnb, revenue growth totaled 61% Y/Y and 63% relative to 2Q19.
- Notably, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) surged 126% Y/Y and 30% Q/Q, while margins improved nearly 400 bps to 16%. Excluding homebuying platforms and Airbnb, adjusted EBITDA increased 34% Y/Y and 10% Q/Q.

Historical Year-Over-Year Revenue Growth



2Q21 Revenues – Year-Over-Year by Sub-Sector



Source: FactSet, company reports, and KBW Research.