



KBW PropTech Pulse

Market Intelligence on the Intersection of Real Estate and Technology

May 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 last year, 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 2021 and beyond 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.

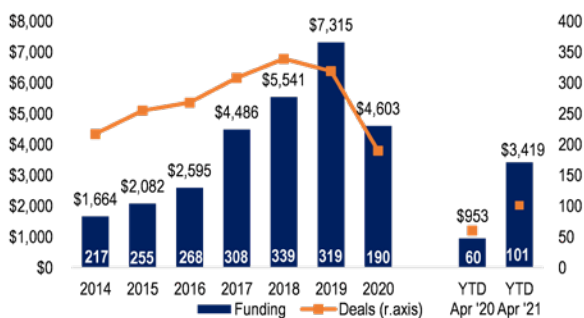
Public Sector Continues to Grow with New Entrants, Nearly Doubling Over the Last Year

- **We count 15 new companies entered the public sector 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:** Eleven 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 nine months with a combined value of \$34 billion (including eight so far in 2021). Additional PropTech-focused SPAC transactions are likely given our estimate of 36 SPACs still seeking targets with an exclusive or partial focus on PropTech (21 priced IPOs and another 15 S-1 filings).

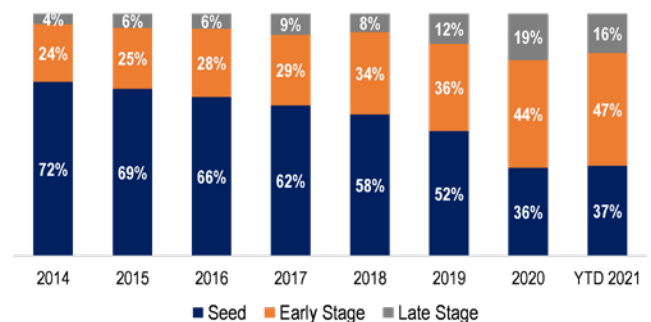
PropTech Venture Investment Activity Is Off to a Record Start in 2021 Following 2020's Decline

- **In 2020, venture capital equity investment in U.S. PropTech declined 37% Y/Y to \$4.6 billion, as interest shifted away from early stage funding to mid- and late-stage funding.** Seed and early-stage (A-B) rounds declined 47% in 2020 (by deal count), while mid- (C-D) and late-stage rounds (E+) declined a more modest 6%.
- **However, 2021 activity is off to a record start:** Through April, year-to-date U.S. venture equity funding in PropTech totals \$3.4 billion, up 259% Y/Y. Funding activity in the first quarter of 2021 was the highest on record at \$2.8 billion (+297% Y/Y).

Historical U.S. Venture Equity Funding



Mix of Venture Deal Count by Funding Stage



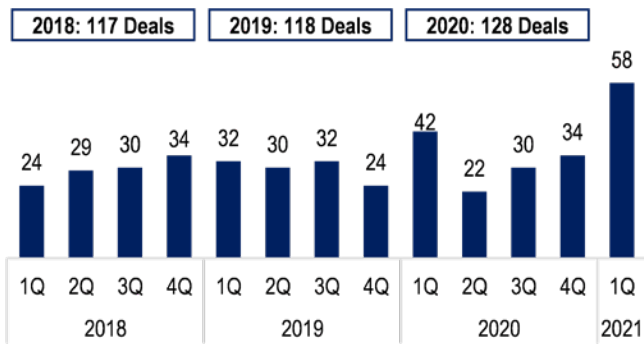
Note: YTD funding through the end of April. Source: Company press releases, Crunchbase, PitchBook, and KBW Research.



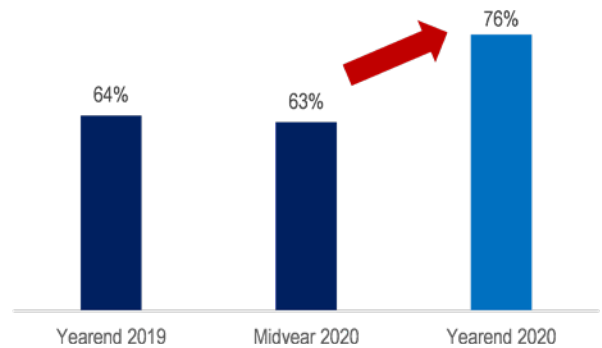
M&A Activity Remains Robust as PropTech Sector Matures & Consolidates

- **2020 M&A activity was marked by** several large, platform-expanding deals by public real estate tech players, technology-enhancing deals by traditional real estate incumbents, and accelerating activity between private players who aim to increase scale and grow their product offering. We estimate global PropTech M&A activity in 2020 totaled 128 deals, up 9% Y/Y.
- **M&A activity in 2021 is off to a record start** with 73 deals through April, up 44% Y/Y. Deal activity in the first quarter of 2021 was the strongest quarter on record since our survey began in 2018 with a total of 58 deals, up 38% Y/Y.

Global M&A Quarterly Activity Deal Count



Share of Investors Expecting More M&A Over Next 12 Months



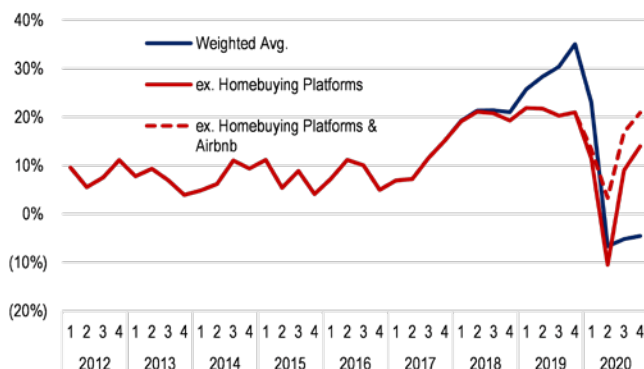
Source: Company press releases, Crunchbase, PitchBook, and KBW Research.

Public Company Fourth Quarter 2020 (4Q20) Operating Results Show Continued Recovery

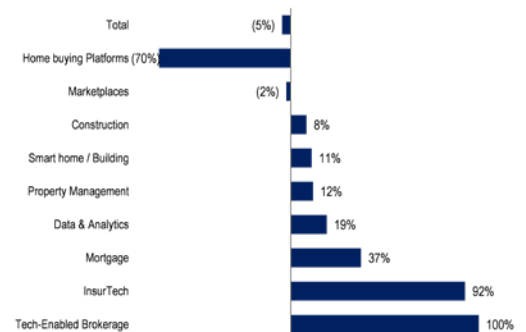
We estimate that 4Q20 revenues for the public real estate technology sector totaled **\$8.4 billion**. Excluding volume-sensitive home-buying platforms, this equated to weighted average growth of +14% compared to the fourth quarter of 2019 and +9% sequential growth from the third quarter of 2020.

- Excluding Airbnb, revenue growth was a strong 21% over last year, representing a return to the low-20% growth the sector was achieving prior to the pandemic. Including home-buying platforms and Airbnb, revenues declined 5% year over year.
- Notably, earnings before interest, taxes, depreciation and amortization (EBITDA) surged a weighted average 73% year over year, representing companies' success at cost containment and their maturing profitability.

Historical Year-Over-Year Revenue Growth



4Q20 Revenues - Year-Over-Year by Sub-Sector



Source: FactSet, company reports, and KBW Research.

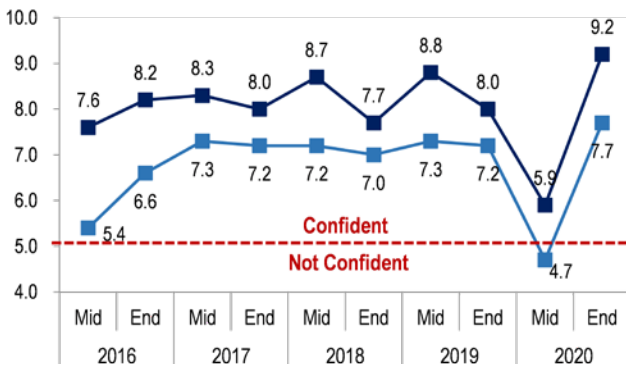


MetaProp Global PropTech Confidence Index Indicates Positive Sector Backdrop

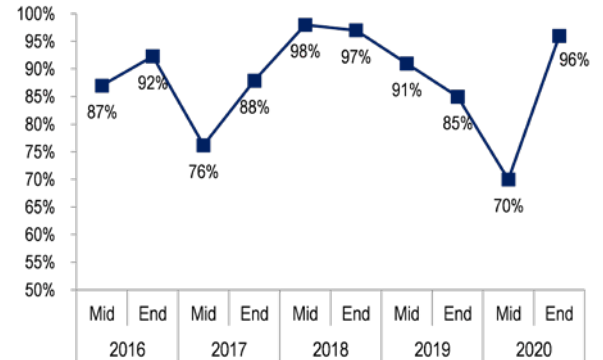
Industry confidence rebounds to all-time highs. Industry confidence increased with an index reading of 7.7 and 9.2 for PropTech firms and investors, respectively, up from mid-year 2020 readings of 4.7 and 5.9 (note: an index reading >5 indicates confidence).

- **COVID-19 is accelerating PropTech adoption.** Ninety-four percent of investors and 92% of startups believe COVID-19 will accelerate adoption of PropTech.
- **M&A activity likely to increase.** Seventy-six percent of investors expect more M&A over the next 12 months. In addition, 48% of PropTech companies believe it is likely or very likely that their company will be acquired, go public, or have a major liquidity event in the next three years.
- **Investor appetite is very strong.** Ninety-six percent of investors expect to invest the same or more over the next 12 months.
- **PropTech performance is rebounding.** Eighty-seven percent of investors believe PropTech companies are performing in-line with (54%) or above expectations (33%), up from 59% at mid-year 2020 and from 86% a year ago.

PropTech Founder & Investor Confidence Index Scale 1-10



Investors: Expecting Same or More PropTech Investment



Source: MetaProp and KBW Research.

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