

Livingstone

PropTech Screener

INVESTMENT ACTIVITY IN GERMANY

2021

Even though real estate is by far the largest asset class worldwide, it is lagging behind many other industries in adopting technological change and digital transformation – a field known as PropTech. This however is unlikely to continue opening substantial opportunities for strategic and financial investors.

Historical Funding Development

PROPTECH ON THE RISE

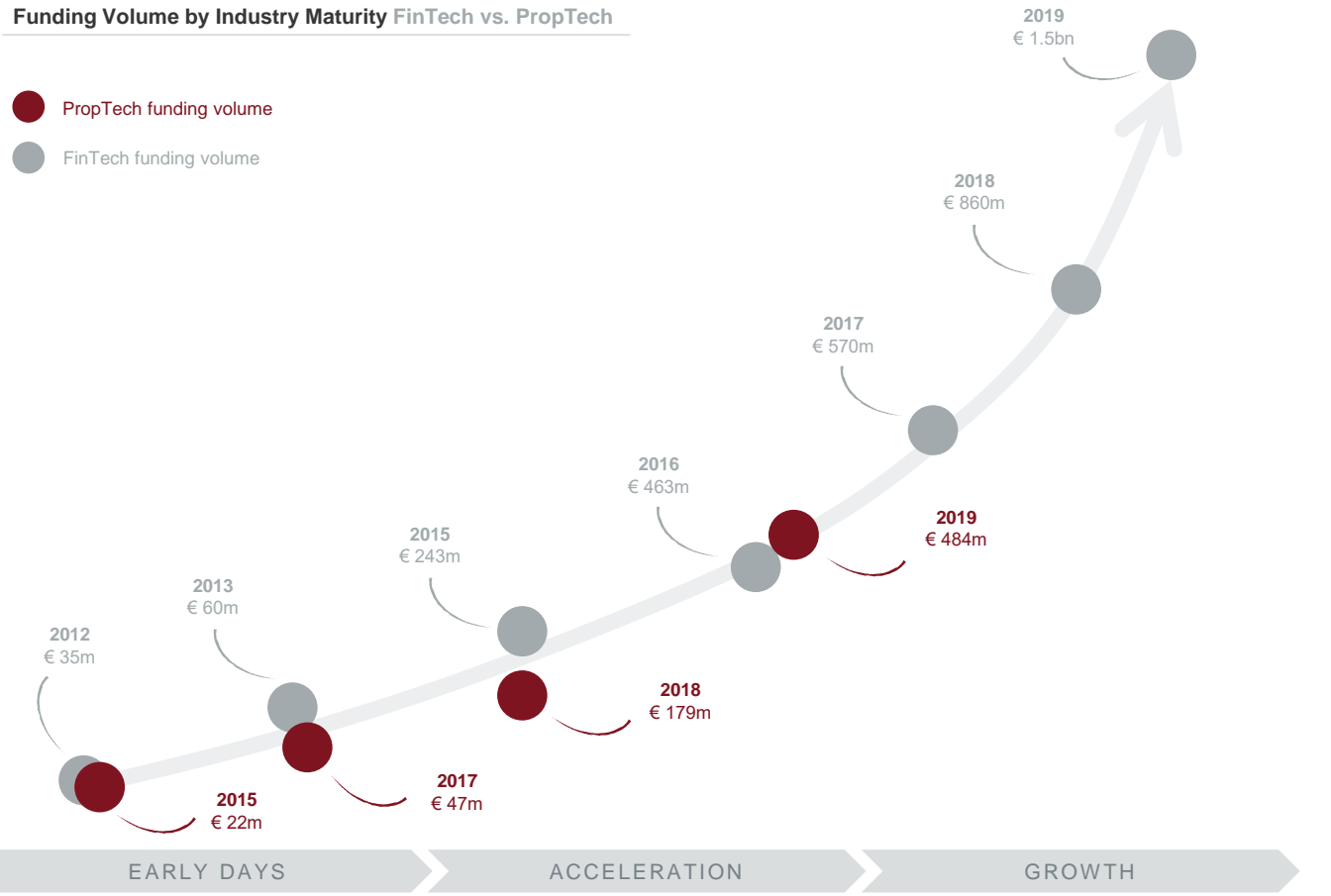
While FinTech has been receiving more attention (and capital) over the last years, PropTech in many areas inhibits similar disruption potential. To a certain degree innovators can even benefit from building on existing business models and technological frameworks already developed by fellow FinTech entrepreneurs.

As a result, more and more PropTech companies are being founded and funded in Germany, since also investors believe technologies will eventually replace inefficient traditional processes and unnecessary transaction costs. This positive current funding trend strikingly resembles the development FinTech went through a few years ago and indicates further growth to come.

While overall PropTech funding has been skyrocketing until 2019, COVID19 caused a temporary dip in 2020, mainly due to delayed decision making. However, by no means does this development signal the failure of PropTech, but rather the urgent need for accelerated digitization along the real estate value chain (such as virtual real estate tours or contactless building management).

Hence, we expect a substantial rebound in the form of increased investment and funding activity for 2021 and particularly 2022 going forward.

Funding Volume by Industry Maturity FinTech vs. PropTech



PropTech universe divided into several segments such as transaction facilitators (such as marketplaces or brokerages), data specialists, construction tech, smart building solutions, or property management digitization, which to date have been targeted by investors to varying degrees.

Transaction Facilitation

MARKETPLACES AT THE FOREFRONT

Particularly transaction-related segments (brokerages and marketplaces) as well as co-living / co-working specialists have attracted investors' interest and were among the top funding rounds in Germany historically.

This does not come as a surprise, since those companies satisfy typical investment criteria of capital providers building on digital and asset-light business models, matching demand and supply in a highly non-transparent market environment and offering attractive margin profiles.

The fast-growing evolution of funding volumes for transaction-related PropTech startups already yields rapid market traction and leads to a significant increase in consolidation activity over the coming years.

With marketplaces and brokerage solutions being the frontrunners in PropTech market consolidation, several other segments are keeping up and will play a major role in shaping the industry going forward as highlighted on the following pages.

Funding

McMakler

McMakler is a full-service real estate service provider active in Germany and Austria. It combines modern, digital analysis, marketing and communication technologies along with personal consulting by local brokers.

Total Funding Disclosed

€140m

Selected Investors

WARBURG PINCUS
Balderton. IGP frog
capital

Funding

HOMEDAY

Online brokerage firm for buying/selling of real estate properties leveraging a data-based algorithm for the online valuation of real estate properties. Homeday also advertises the properties of real estate portals.

Total Funding Disclosed

€60m

Selected Investors

PURPLE BRICKS Project A
axel springer

Consolidation

HABYT:

Habyt is a provider of managed co-living spaces. The company offers furnished spaces with amenities such as community manager, online rental payments, WiFi, housekeeping services, and more.

Buy-and-Build Strategy

“Four acquisitions in the past 12 months and a Series B round continuing its buy-and-build strategy to consolidate the European co-living market.

Jun-21

homefully

Acquisition of Frankfurt-based co-living startup

Mar-21

QUARTERS
medici
LIVING

Habyt acquires Quarters / Medici Living reaching 4,000 units in 13 cities and 5 countries.

Feb-21

ROOM

Leader of Madrid's co-living sector, with over 270 units right in the city center.

Jul-20

GOLIVING

Strategic merger by consolidating GoLiving's Team and expertise within Habyt's established international presence.

The construction industry is fragmented, highly manual, and not fully applying digital building approaches resulting in stagnant productivity. This makes the sector an attractive target for companies aiming to transform sub-sectors like planning, design, construction and building commissioning.

Construction Tech

RIPE FOR TECHNOLOGICAL DISRUPTION

Germany – usually famous for highest quality engineering capabilities – did not exactly cover itself in glory in recent years when flagship construction projects such as Berlin Brandenburg Airport or Elbe Philharmonic Hall (“Elbphilharmonie”) suffered from cost and schedule overruns. Hence, digital construction even became part of the German governmental coalition agreement by increasingly incorporating so called Building Information Modeling (BIM).

BIM digitally records and consolidates objectives and data from all stakeholders regarding design, quality, scheduling and commercial aspects. This yields a virtual 3D building model, which in turn reduces project risks, improves timelines and cost savings resulting in overall improved project outcomes.

More and more customers request such digital capabilities from their contractors. Even if digitization is by no means new to the construction industry and many players already use individual tech solutions, a fully integrated, end-to-end solutions that are actually used on construction sites will be needed across the construction sector value chain. From lead generation to material procurement (e.g. funding of Schüttfließ and bobbie) – already observable in rising funding and consolidation activity.

Funding



CAPMO is a cloud-based Software-as-a-Service (SaaS) solutions that help digitalize the operational management of construction projects with a focus on documentation and defect management.

Total Funding Disclosed

€7m

Selected Investors



Comparable Transactions in Construction Project Management



Cloud-based cross-enterprise collaboration including BIM viewer targeted at construction projects has been acquired by EQT valuing the company > €700m.



RIB Software provides project management software to the construction industry such as a 5D BIM collaboration tool has been acquired by Schneider Electric for ~5.0x sales.

Funding



Online lead generation platform on SaaS basis for construction sales for contractors. The platform is a database of construction projects and provides sales leads to contractors with the help of AI.

Total Funding Disclosed

€7.5m

Selected Investors



Comparable Transactions in Project Lead Generation



Provider of buildings and construction project information to construction stakeholders to help with lead generation has been acquired by US-based CoStar Group.



US-based provider of intelligence for construction industry has been acquired by private equity firm STG as a platform investment to follow a buy-and-build strategy.

As Smart Cities like Toyota's Woven City or Tencent's plan for a sustainable and hyper-modern city in Shenzhen are rapidly becoming reality, buildings are undergoing rapid change and become interconnected.

Smart Building

FROM HARDWARE TO CONNECTIVITY

By using embedded applications and IoT-enabled devices, owners and tenants can control key building functions such as illumination, ventilation, or temperature, and track metrics in real time.

Those technologies do not only improve residential tenant's well-being, but particularly ensure the measurement and optimization of the building's "performance" values - thereby also following the GreenTech megatrend.

As sustainability becomes more mainstream and public pressure defines new market rules, agile market participants are developing ideas and business models, which are economically attractive while at the same time generating ecological returns.

Since this evolution inevitably requires compatible hardware and infrastructure that needs to be "turned smart", many strategic players coming from this side of market are increasingly aware of smart solutions.

While some of those players develop digital capabilities in-house, most others are acquiring digital talent via M&A - often getting minority investments to get a foot in the door followed by a subsequent takeover - offering attractive exit scenarios for founders and venture capitalists.

Funding



Cuculus provides a platform for smart metering both as in-house installations or as cloud services with a focus on utilities and energy suppliers, grid operators, metering companies, energy service providers.

Total Funding Disclosed

€10m

Selected Investors



Funding



Kiwigrig develops and runs an open communication and control platform for energy management connectivity of producers, consumers, storage, and e-mobility within the Smart Grid.

Total Funding Disclosed

n.a.

Selected Investors



Notable Transaction



smartB provides sensor-based smart building energy monitoring and optimizing solutions provider for commercial buildings. It has been acquired by industrial automation specialist and former minority investor Phoenix Contact.

Date

Apr-20

Enterprise Value

n.a.

TTM Sales Multiple

n.a.

NTM Sales Multiple

n.a.

Notable Transaction



Wobutler is a smart home hub that allows the user to manage and control connected devices has been acquired by heating and AC specialist Viessmann. The hub can connect to several smart devices.

Date

May-18

Enterprise Value

n.a.

TTM Sales Multiple

n.a.

NTM Sales Multiple

n.a.

Despite wide-spread availability of property management solutions, the property management sector is still far away from being fully digitized and manual processing remains best practice.

Digitization of Property Management

A PAPER AND PEN ENVIRONMENT

The first steps of property management digitization have already been taken several years ago, when specialized software solutions were introduced and slowly replaced specific analogue tasks such as the preparation of utility bills.

Yet, the entire property management sector is still far away from being fully digitalized and a high degree of manual processing remains best practice.

An increasing number of startups realized this untapped potential and intend to automate relatively standardized workflows using modern technologies such as AI or chat bots.

Such solutions will never replace property managers entirely, but rather support them through process efficiency gains and ultimately reduce cost pressure as well as compensate shortage of qualified employees.

Apart from purely digitizing information with individual and separate software solutions, we expect a continuous trend to more digitalized interaction between all stakeholders from craftsmen to tenants on a fully integrated platform for all internal and external business transactions in the long run.

Funding

ZENHOMES

Zenhomes is a provider of the cloud-based property management platform. The company offers "vermietet.de" - which enables property owners/managers to create communication profiles for their units and tenants.

Total Funding Disclosed

€18m

Selected Investors



Acquired by



With the acquisition of Vermietet.de, Scout24 further expands its market network. Landlords who advertise on ImmoScout24 can now combine additional services from Vermietet.de

Date

Enterprise Value

TTM Sales Multiple

NTM Sales Multiple

May-21

n.a.

n.a.

n.a.

Funding



casavi is a customer communication and service portal solution for property management companies and housing cooperatives connecting tenants and property managers utilizing a mix of digital channels.

Total Funding Disclosed

n.a.

Selected Investors



Notable Transaction



SaaS-based platform RealPage providing property management, lease management, resident services, and financial analysis for builders and owners has been acquired by private equity investor Thoma Bravo.

Date

Enterprise Value

TTM Sales Multiple

NTM Sales Multiple

Dec-20

€7.8bn

8.8x

8.1x

Many financial investors and strategic acquirers are already scanning the PropTech market thoroughly across all verticals. As they are ready to invest at promising valuation levels, owners should be well prepared on how to react to inbound interest and consolidation approaches.

In a Nutshell

POISED FOR GROWTH

The German PropTech startup market has experienced exponential growth over the last years with numerous technologies ready to challenge existing market structures and continue the path of digitalizing an age-old conservative industry. Yet, the market is still in its infancy, highly fragmented and many business models need to be proven while seeking critical mass adoption. Thus, it is worth taking a look across the Atlantic Ocean where the PropTech industry is many steps ahead and consolidation activities have been increasing significantly in recent years.

Particularly the phenomenon of SPACs ("Special Purpose Acquisition Companies") has driven real estate technology transactions in the US. Popular examples include CBRE Acquisition Holdings or OboTech Acquisition in Germany. Several real estate tech companies went public via this method, often at lofty valuation levels emphasizing premiums investors are currently placing on PropTech.

This will bring more PropTech firms to public markets sooner and increase visibility of real estate technology - also in Europe. Subsequently, the transformation of the real estate industry might cause a redistribution of wealth from old and traditional systems to agile players recognizing change as opportunity.

Also potential strategic buyers such as Airbnb, RealPage, Yardi, Zillow, Appfolio, CoStar, Redfin and Amazon, the latter of which entered the property management space in 2020 with "Alexa for Residential", will be lining up to consolidate the market.

This consolidation will take place around the winners and - due to those scale advantages - they will deliver the real benefits from rapidly maturing PropTech solutions connecting tenants, clients, services and capital.

Selected PropTech SPACs



Trading Comps by PropTech Vertical NTM Sales Multiple



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