

# CROWDFUNDING

Crowdfunding is a straightforward, quick and easy way to fund property projects and with more companies emerging in this sector, this type of finance shouldn't be known as 'alternative' any longer.

This month we went straight to the Top Dog from CrowdProperty, **Mike Bristow**, to find out just how simple it is. Could you use crowdfunding on your next project? Let's see...

Words **Heidi Moment**

## THE FACTS

WITH  
**MIKE  
BRISTOW**



# BORROWING

CROWDPROPERTY  
together we build

## WHAT IS CROWDFUNDING?

Crowdfunding, also known as peer-to-peer lending, is a different way to fund your property projects in an environment where traditional lending is not adequately supporting SME investors and developers.

Individuals or organisations lend money to property professionals in return for a set interest rate after an agreed period of time. It's a regulated platform, which ensures FCA compliance. It's simple, fast and certain, so it's no wonder it is quickly becoming the norm for property professionals and businesses alike.

## COLLECTIVE LENDING

Depending on the size of the project you might have anywhere between 50 and 500 people collectively investing in your project. It's a bit like working with several private investors all at once, but without all the

schmoozing and relationship building that goes with it. This not only makes it quicker and easier to get your project over the line, but it frees up your time to go out and do what you do best, which is find more deals.

Raising funds through a crowdfunding platform also enables you to access larger pots of money than you may currently have access to. Let's be honest we don't all have a millionaire best friend, waiting to fund every single deal we come across, and finding one can be a real struggle. But with crowdfunding you don't need to. Your investors are already there, ready and waiting to fund your deal, and some platforms have investors funding projects in just minutes.

So, maybe you **can** do that deal you've been dreaming of after all?

## WHO ARE CROWDPROPERTY AND HOW CAN THEY HELP YOU?

CrowdProperty are property experts who deeply understand your need for speed, ease and certainty.

They do every single type of short-term finance, from bridging finance, right through to new build development and everything in between, offering loans from £100,000 to upwards of £5million.

The company is made up of, in Mike's words, "a load of property geeks." They're all property professionals with a boatload of experience and they're ready to help you get your deal over the line.

"Expertise-led rigorous due diligence"



## THE HUMAN ELEMENT

Unlike lending through the bank, when you're dealing with CrowdProperty you're speaking to actual property people who are experts in property finance. Not bank administrators doing property funding. There are no tick boxes and you won't hear "the computer says no" like you do with banks. They look at both the quantitative and qualitative factors, including vision, experience, architectural integrity, condition, micro-locational factors and planning potential in order to make a balanced and expert judgment.

Throughout the process you can pick up the phone and have a really good discussion with the experts about your project and the best way to deliver your vision – if there are challenges with it you can talk them through together.

They love projects, both big and small and they're experts at analysing deals and cracking complex problems, often cracking an issue in 20 seconds that the traditional finance players have spent months to-ing and fro-ing on.

## 3 REASONS WHY CROWDFUNDING COULD BE FOR YOU:

### SPEED

- Get a decision within 24 hours
- Drawdowns are very fast and easy

### EASE

- Applying takes just five minutes online
- Borrowers have direct access to expert decision makers to help them through the process

### CERTAINTY

- No hidden fees, complexity nor profit share
- No last-minute changes
- Get a better deal with an offer of funding in place as you negotiate with vendors

Mike and his 30-strong team intimately understand the needs (and pains) faced by SME property professionals raising finance for good property projects. The founding team have over 100 years of property investing and development experience and have felt the same pains themselves. They have built a tech-enabled proposition to deliver brilliantly against your needs and as a result, funding can be arranged with game-changing speed, ease and certainty, leaving you more time to grow your property business faster. What's more, there's real opportunity to grow your property brand with many investors through the marketing support that CrowdProperty provides.

"Working directly in partnership with borrowers to ensure the project is a success"

## THE RISKS

The risks are the same as any type of borrowing. CrowdProperty own a first charge, so, ultimately, if the project goes wrong, they can repossess it, which is the same for any first-charge funding.

The difference is CrowdProperty want your project to be a success so they work with you to help you make sure that happens. So far they've paid back 100% of the capital and interest paid in, so the risks are low - provided your deal stacks up, that is.

"100% payback track record"

## THE CRITERIA

They offer loans of up to 70% LTV on the initial purchase and then 100% development costs, which could be up to 100% of costs, depending on the project, For bridging loans, they'll go to 75% LTV.

## THE PROCESS

### HOW DO I GET FUNDING?



#### APPLY ONLINE

Fill in our simple 12 box form in less than 5 minutes



#### SPEAK TO OUR EXPERTS

Discuss your project with a decision maker



#### WE APPROVE YOUR PROJECT

We'll give you a formal offer if it meets our requirements



#### THE CROWD PLEDGES MONEY

Members of the public fund your project



#### WE WORK ALONGSIDE YOU

Our experts are on hand to assist throughout

TOGETHER WE BUILD YOUR VISION





## THE APPLICATION

The application is really straightforward and you do it in stages. First, you answer just twelve simple questions, such as 'type of loan, planning permission status, exit strategy', amongst others. Once this has been submitted it is reviewed and you'll receive a call from one of the experts within hours to delve a bit deeper, and if necessary look at the spec, drawings and costings and provide illustrative terms.

A lot of research went into designing this process, as a move away from the tedious 20-page document and months of to-ing and fro-ing you might be more familiar with. This is designed to be more of a team effort where you get to discuss your project in depth with a professional, made efficient by the tech they have behind the form to complete an amazing amount of analysis instantaneously.

The initial application only takes five minutes and they do everything they can to make it extremely easy for you at every stage. It presents a unique opportunity to leverage their data, analytics and expertise to sense-check your deal, so **why wouldn't you** fill in that form for every project you're working on?

## HOW LONG DOES IT TAKE?

It's very, very fast. From listing the property on the website it can literally take minutes to get the funding in place. There's no shortage of lender funds as a result of over five years of perfect track record. Everything's very popular and all projects in 2019 have been funded in under seven minutes. The record at the moment is £456,000 in 47 seconds, which is phenomenal.

In comparison to working with a broker, they could secure you funding before your broker even rings you back. It really is that fast.

## THE LISTING PROCESS

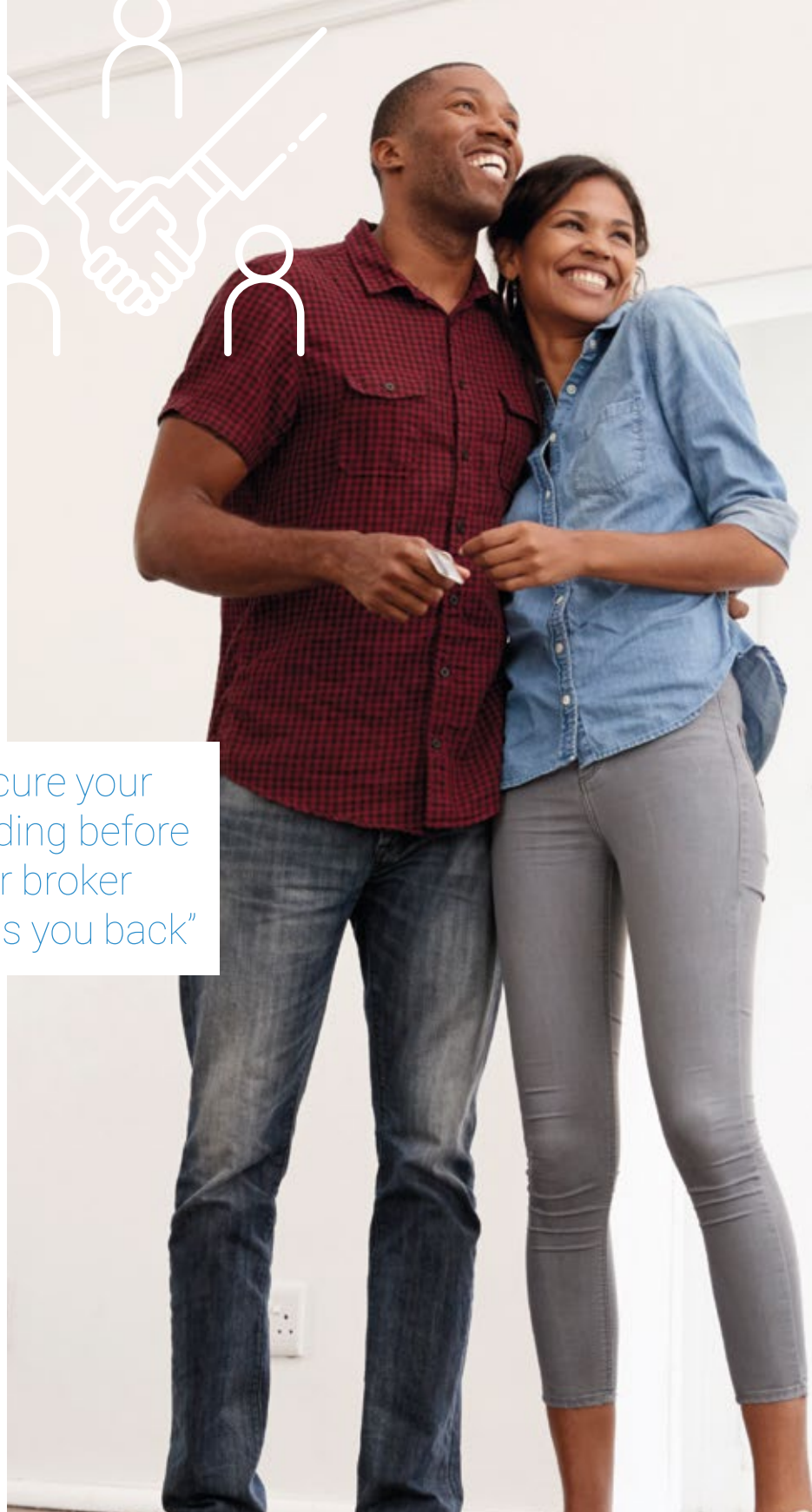
CrowdProperty launch new projects at 10am on weekdays. They release the information about the project 24 hours in advance, so investors can do their due diligence. This commitment to their regulator, FCA, helps to make sure people have time to understand what they're investing in. Then on the day it goes live investors can lend any amount upwards of £500.

On the project that went in 47 seconds there were 371 investors making up the whole amount. And it was all done within 47 seconds.

## REASONS FOR A 'NO'

There are many instances when funding can't be provided; projects disappear, the vendor decides not to sell, the buyer can't sell, the buyer loses their equity, planning permission doesn't get granted etc. This is just how it goes in property and CrowdProperty know that.

In some cases the projects aren't good enough for them to fund, and they pride themselves on offering constructive feedback to help the developer out as much as possible, so their next deal might get through. If it's a "no", they make sure it's a helpful "no" – either pointing you in the right direction of someone who can help or by highlighting areas of concern so that you can decide whether to spend more time on the deal. Their expertise is helpful and insightful – you definitely wouldn't get that with a bank or a private investor.



"Secure your funding before your broker rings you back"

## BUYING AT AUCTION

When you're buying at auction and you've only got 28 days to complete, the clock can tick loudly. If you haven't already got your funds in place at that time, or someone lets you down for one reason or another this can be a very stressful time.

In this situation CrowdProperty can appraise your project within hours and if it stacks up for them, they can give you a formal offer within the same day and your project can be listed on the platform within days. It's as simple as that. In some examples, they've completed transactions in just a few days. Now, wouldn't that save a lot of stress and panic?

# INVESTING

## WANT TO INVEST? WHAT'S THE PROCESS?

To lend money is equally as straightforward. All you have to do is register as a lender on the website. When project information goes live you get a notification so you can then have 24 hours to review it and you can also attend a pre-launch webinar to ask further questions. There is plenty of information to do your own due diligence (with the reassurance of thorough expertise-led due diligence by their team prior to you seeing it) and if you decide you want to invest, you log back in the next morning at 10am and click 'pledge to this project'. You then type in the amount you want to invest and submit. Yes, it really is as simple as that. You just need to be quick when it comes to pledging, or use their AutoInvest functionality to easily spread your investment across many loans.

Within three to ten days CrowdProperty will be in touch to call funds and that's when you transfer the money. The transaction completes and the money goes over to the borrower when all legals are completed by CrowdProperty. Easy peasy.

## 100% PAYBACK TRACK RECORD

As a lender your capital is at risk, as it is with any investment. It's not a savings account and it's not covered by the Financial Services Compensation Scheme. If anything goes wrong on the project the house can be repossessed through the first charge which CrowdProperty hold on all properties.

Over years they've become experts at selecting projects to back. They also monitor and manage the projects throughout the build to help out the developer and to make doubly sure everything is on track for success. It's good to know you're in safe hands.

## 8% INTEREST RATE

Projects on CrowdProperty generally offer a return of 8%, but it is project dependent. It's also dependent on the level of security. If the project has very strong security cover, and the loan to gross development value (GDV) is around 40%, this makes it much less risky, so in instances like this, lenders may be offered a lower rate, such as 7%, but the norm is 8%.

The beauty about crowdfunding is that you can diversify your investment across many projects, spreading the risk of earning 8% first charge secured returns. The cherry on top is that you can lend tax free via the CrowdProperty ISA or from your SSAS pension – that's a big benefit at those rates of return.

## TIMESCALES

Projects tend to range from six to 24 months in length. There are projects to suit all kinds of lenders, from shorter projects of nine or ten months to longer ones of 21 to 24 months. The average is 14 months, and your investment is tied up for that period with all monies and interest given back at the end.



## HIGH QUALITY

While Mike and his team are property experts, they are not regulated to offer advice, so they can't advise you which deal to go for. But they do work relentlessly to maintain their 100% capital and interest track record with expertise-led, rigorous due diligence. They firmly believe if a project is on their site they are very confident it's a good project and has a high likelihood to succeed.

## CONTACT

Get started by filling in the online form:

[www.crowdproperty.com/projects/propose](http://www.crowdproperty.com/projects/propose)

Or find out more here:

[www.crowdproperty.com](http://www.crowdproperty.com)

*"This is the new era of property project finance"*

