

An emerging model for emerging markets: Crowdfunded real estate



By [Nivin Xavier](#)

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For global-minded investors, the economic growth of emerging markets commands attention. The property markets in particular of a number of developing countries are demonstrating highly impressive growth.

The House Price Index for Emerging Markets, published recently by the IMF, portrays steady gains in property prices across 30 developing nations; indeed, for nine consecutive quarters since 2012, real estate values in these countries have [increased four times as fast](#) as those in more established economies. Statistics such as these are making investors around the world, especially those who are dissatisfied with their gains in the US or Europe, sit up and take note.

The most dominant of the developing nations - namely India, China, and Brazil - are projected to be [three of the four largest economies in the world by 2050](#). And in fewer than 10 years from now, the combined middle classes of these three countries is expected to top an astounding 800 million. It is precisely this burgeoning of the middle class that is driving the growth of real estate in emerging markets.



As the middle class swells, so do cities. Vividly illustrating this principle is India, which is home to [six of the 10 fastest growing cities in Asia](#). Urban centres such as Bangalore have experienced rapid white-collar job growth, which in turn has spurred demand for flats, houses, office buildings, hotels, and retail space. Not only are the cities becoming more densely populated, but they are expanding geographically. The outskirts of major cities are becoming increasingly popular as sites for new IT parks and residential communities, a trend that is expected to continue. Rising vehicle ownership and advances in road infrastructure in the years ahead are expected to drive the sustained growth of suburban areas.

Clearly, real estate in emerging markets, especially in booming cities, can be a solid opportunity for individual investors. But until now, conventional barriers to purchasing real estate from overseas have been insurmountable for all but the most doggedly determined. An innovative model is beginning to change all that.

Crowd-investing, also commonly referred to as crowdfunding, is a novel pathway for investors who wish to take part in the growth of developing economies. Whereas before, when many investors interested in distant markets were limited to stocks or mutual funds, the crowdfunding approach now allows individuals to make safe, convenient, flexible investments in overseas property.

Being a new phenomenon, real estate crowdfunding does not have a single, universal *modus operandi*. One viable example is that of [SmartOwner](#), which specifically caters to members of the Indian diaspora. In this particular service, Indian residents and non-residents alike are eligible to invest as little as \$3,000 into new housing developments in fast-growing cities and suburbs. Vikram Chari, the company's founder and CEO, explains, "Our clients are based in Africa, the UK, the US, and other parts of the world, but they are aware of the enormous potential of real estate in cities such as Bangalore. We help them take part in that growth." In the SmartOwner approach, clients buy into a specific early-stage project at a deep discount, then hold onto that investment for 12 to 36 months. When the property appreciates to a certain point - typically around 20 percent - the company helps the client exit the investment. Every step of the process can be executed online.

This example illustrates the underlying appeal of crowd-investing: a way to gain from real estate without the need to commit the funds for an entire unit, travel to inspect the property, or manage it from overseas. Of critical importance, however, is the quality of the service provider. Investors must look only for companies with a sterling reputation and strong leadership. In the example of SmartOwner, this means having the deep experience needed to scout out the most lucrative opportunities and partnering with top law firms to perform rigorous due diligence on the client's behalf. The financial soundness of the crowdfunding service provider is also critical; investors should also make sure that the company is well-capitalised. After-sale service is also key, as the investor will want a smooth experience during the holding period as well as when it is time to cash in.

By taking a little time to understand and feel comfortable with the property crowdfunding model, an investor begins to access a world of opportunity. Those who can imagine what the future will look like when emerging markets become the dominant global players will want to take part in that growth story. With real estate crowdfunding, individual investors across the globe now have a new, safe, and convenient way to make the successes of distant countries part of their personal portfolios.

ABOUT NIVIN XAVIER

Nivin Xavier is an entrepreneur and marketer from his eighth grade. Failures and success seasoned digital marketer exploring the relationship between business, humans, data, and technology for refined human experiences. Nivin has helped numerous brands and corporations to achieve their revenue, customer engagement goals. He stands in empathy with SMEs, startups and brings over twenty years of entrepreneurial and marketing experience- both offline and online.

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