REAL ESTATE CROWDFUNDING

March 20, 2018
WHO IS ARBORCROWD?

ArborCrowd breaks down the barrier of entry into real estate investing by providing people with an entirely new way to invest.

We give everyone the opportunity to co-invest with industry veterans in quality deals that were previously exclusive to institutional investors.
SYNERGIES OF THE ARBOR FAMILY

ArborCrowd is part of the Arbor family of companies that includes Arbor Realty Trust, Arbor Commercial Mortgage and AMAC.

The family of companies was established in order to build expertise in every part of a commercial real estate ecosystem.

ArborCrowd leverages the ecosystem to curate high-quality real estate deals for investors.
THE START OF CROWDFUNDING

In 1885 the Statue of Liberty sat unassembled due to a lack of funding for the massive granite pedestal, which had an estimated cost of $250,000 ($64,000,000 in 2016 dollars).

To raise funds, publisher Joseph Pulitzer turned to the crowd through his paper, The New York World.

Within five months, 160,000 donations were secured. The majority were less than a dollar, but every donor was rewarded with their name in print.
COMMERCIAL REAL ESTATE CROWDFUNDING VOLUME PROJECTION OPPORTUNITY

2008 FINANCIAL CRISIS
Led to a shift in asset allocation.

JOBS ACT
Eliminated the prohibition against general solicitation.

FINTECH
Technology merging with financial services makes investing easy.

Total US commercial real estate market is $7 trillion...
CROWDFUNDING MAKES UP ONLY $2.5B.
THE OLD VS. THE NEW

THE OLD
506(b) Offering

- Companies cannot advertise
- Accredited investors and up to 35 "sophisticated" non-accredited investors
- Self-certification via a questionnaire
- No offering size limit
- Proof of prior relationship is required

THE NEW
506(C) OFFERING

- General advertising is allowed
- Accredited investors only
- Sponsors must take reasonable steps to verify accredited investor status
- No offering size limit
- Proof of prior relationship not required

Regulation A+

- **Tier 1**: securities offerings up to $20 million in a 12-month timeframe, with not more than $6 million worth of offers from affiliates of the issuer that are selling security-holders.
- **Tier 2**: securities offerings up to $50 million in a 12-month timeframe, with not more than $15 million worth of offers from affiliates of the issuer that are selling security-holders.
DEBT VS. EQUITY

Why should crowdfunding companies offer equity versus debt?

You don’t need to be a financial expert

Following the dollars is easy

Everyone’s interests are aligned
KNOW YOUR INVESTMENT OPTIONS

6 Key Ways to Invest in Commercial Real Estate

**CROWDFUNDED EQUITY INVESTMENT**
Low to medium barrier to entry. Can select individual property investments.

**DIRECT OWNERSHIP**
High barriers to entry. Smaller properties are likely to require hands-on management.

**PRIVATE EQUITY FUNDS**
High barrier to entry. Cannot invest in individual properties.

**ONLINE REIT**
Low barrier to entry. Semi liquid (can withdraw funds each quarter ONLY with high penalties). Cannot select individual properties.

**PRIVATE REITs**
Medium barrier to entry. More insulated from market volatility. Cannot invest in a specific property.

**PUBLIC REITs**
Low barrier to entry. Dividend income, but share value will fluctuate with the market. Liquid investment.
SELECT THE RIGHT PARTNER

TRUSTED IN THE INDUSTRY

Sponsors are selected through a trusted network that the arbor family of companies have spent years cultivating.

TRACK RECORD

Sponsors must have a long history of success.

SKIN IN THE GAME

Sponsors are required to have more than 50% of their money in on the deal. That means their interests align with investor’s interests.
EVALUATING CROWDFUNDING DEALS

LOCAL MARKET TRENDS
Real estate is about location, location, location. How is the job market? Is it diversified? Are rents increasing?

INTERNAL RATE OF RETURN
This is one of the most common metrics used in real estate crowdfunding. The IRR is the annual rate of earnings on an investment

EQUITY MULTIPLE
Also known as the Realization Multiple, the Equity Multiple is simply a ratio of your returns to paid-in capital. Typically expressed as a range, i.e. 1.50x-2.00x

NET CASH FLOW
Equity investment crowdfunding relies on positive cash flow to distribute returns. Cash flow can come from income or refinancing/sale proceeds. Consult the business plan’s pro forma.

HOLD PERIOD
Typically ranges between 2 to 5 years. Pick a hold period that aligns with your needs.
SELECT THE RIGHT DEAL
Elements of a good investment

There are key elements of a good investment. A good investor will evaluate each carefully.

01 CASH FLOW

02 OVERALL RETURNS

03 DUE DILIGENCE

04 EXPERIENCE
SPONSORS CHOOSE ARBORCROWD

Partnerships are two-way streets. The most successful partners value what the other brings so that everyone works toward a common goal.

Here’s why sponsors want to partner with ArborCrowd:

01 EASE OF RAISING EQUITY

02 MINIMAL RISK

03 PARTNER WITH LEADERS
A LOOK AT RECENTLY FUNDED TRANSACTIONS

**FUNDED**
1413 York Avenue  
New York, NY | Multifamily  
A six-story, mixed-use apartment building located in Manhattan’s Upper East Side.

Property Acquired | April 2015  
Deal Size | $10.3M  
Funded | July 29, 2016  
Projected IRR | 12-15%  
Projected Hold | 3-5 years  
Sponsors | AMAC and SSP

**FUNDED**
Clinton Hill Multifamily Portfolio  
Brooklyn, NY | Multifamily  
A 79-unit, 3-building prewar portfolio.

Property Acquired | September 2016  
Deal Size | $36.9M  
Funded | January 9, 2017  
Projected IRR | 12-15%  
Projected Hold | 4-5 years  
Sponsors | AMAC and SSP

**FUNDED**
Southern States Multifamily Portfolio  
New York, NY | Multifamily  
Southern States Multifamily Portfolio is a three-property, 607-unit multifamily portfolio located in Huntsville, AL and Robinsonville, MS.

Property Acquired | November 2016  
Deal Size | $22.4M  
Projected IRR | 16-19%  
Projected Hold | 2-3 years  
Sponsor | Varden Capital Properties, LLC
THE ARBORCROWD DIFFERENCE

- Quality deals with experienced sponsors
- ArborCrowd takes on the risk
- No hidden fees
- Investor education
ARBORCROWD

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