

2022

# Investor Benchmark Survey

How Individual Investors Are  
Approaching Real Estate Investing



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# Executive Summary

At CrowdStreet, we're committed to giving individual investors direct access to institutional-quality real estate investment opportunities across the U.S. A confluence of factors help us to determine which deals merit inclusion on our Marketplace, one of which is *what* our investors are looking to invest in.

**For the second year in a row, we sent our Investor Benchmark Survey to our investor base to gain insight into:**



Their appetite for real estate investing in 2022



How they evaluate potential real estate investment opportunities



Asset classes, risk profiles, and regions of interest

Analyzing the data from this survey helps guide us as we strive to bring more deals to the Marketplace that serve the interests of our investors. With just over 1,100 individual investors, this year's survey had almost the same response rate as 2021 (1,240), providing us with the unique opportunity to see how investors' opinions and attitudes have changed over the year. Perhaps not so surprisingly, given the ongoing implications of COVID-19, there weren't substantial differences year-over-year. To us, this steady demand for private equity real estate demonstrates how many investors value alternative investments in uncertain times.

The majority of our respondents are not new to real estate investing. Of the 1,111 investors, two-thirds indicated that they had at least one year of investing experience, while a quarter had five or more years of experience. A plurality of these investors have made at least one investment in commercial real estate (CRE) projects. An impressive three-quarters of those who self-identified as experienced investors have made seven or more. Knowing the personal nature of all investment decisions, it's not surprising that our investors had various reasons for adding CRE to their portfolios.

**When it comes to building their portfolios in 2022, our respondents indicated:**

**98%**

plan to make at least one CRE investment in 2022

**66%**

intend to allocate more of their personal portfolios to CRE

**32%**

plan to make 4+ CRE investments in 2022

## The top three reasons our investor are adding CRE to their portfolios are:



Portfolio diversification



Passive income



Earn above-market returns

While no two investment opportunities are the same, investors often apply their own objective criteria when reviewing deals. When asked about their approach to evaluating investment opportunities for their personal portfolios, respondents who self-identified as experienced investors placed noticeably more emphasis on the importance of sponsor experience (15% compared to 7%) and the overall business plan (11% compared to 5%) than those who self-identified as brand new to investing.

***“My preference is to invest with experienced sponsors that have lived through market cycles and downturns.”***

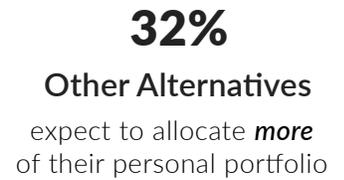
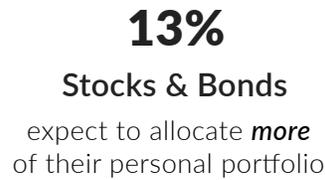
*- Survey Respondent*

As we look ahead to 2022, we are encouraged by our survey respondents' continued interest in real estate. We look forward to using the insights gleaned from this year's survey to help curate a Marketplace that gives our investors access to more real estate projects that could be a good fit for their personal investing strategies.

# 66% of investors plan to allocate more of their portfolio to CRE

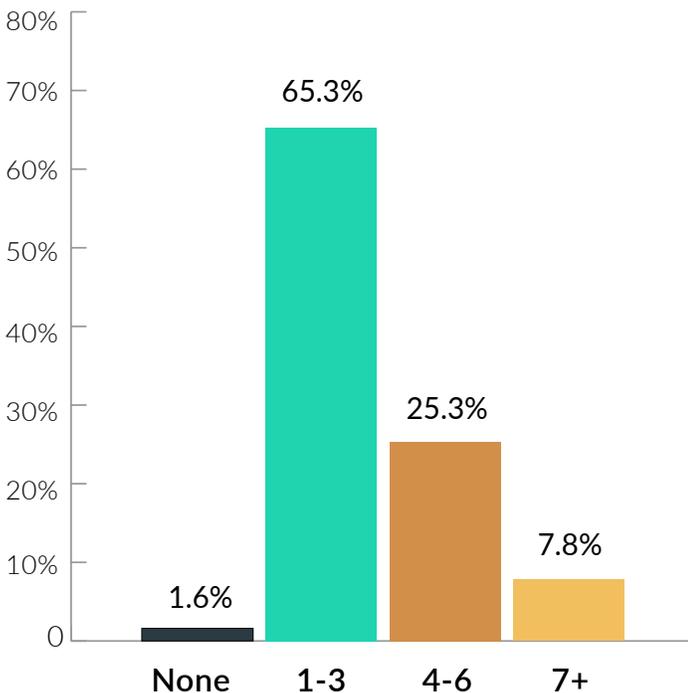
Investors indicated their strong appetite for real estate in 2022

Compared to 2021, in 2022 do you expect to allocate more or less of your personal portfolio to:



While most investors reported that CRE accounted for only 1-10% of their total investment portfolio at the end of 2021, two-thirds said they plan to allocate *more* of their personal portfolio to CRE in the year ahead. Investors also indicated that they intend to temper their exposure to the stock market, with 65% planning to invest *less* in stocks and bonds.

Provided you find a deal suitable for you, how many CRE investments would you make in 2022?

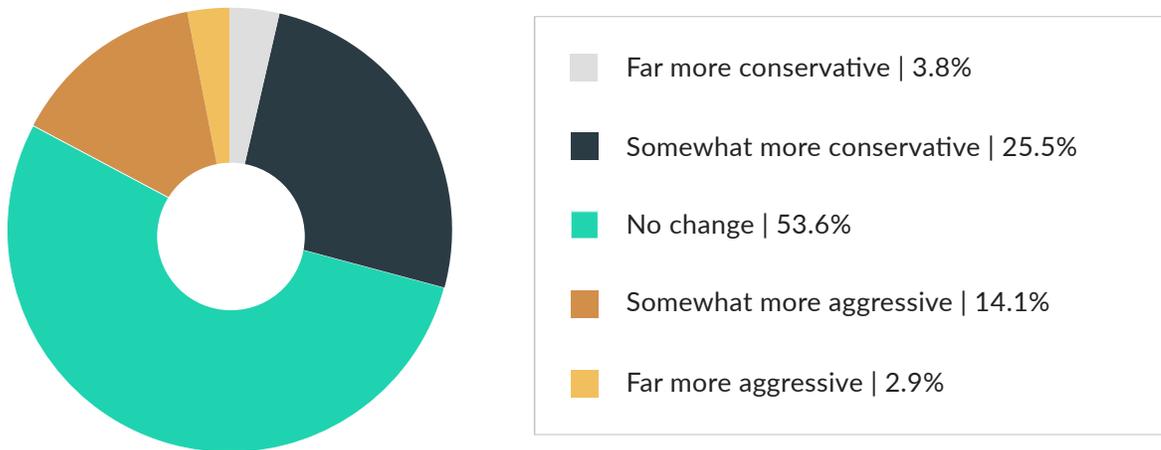


While most of our respondents said they are looking to make 1-3 additional CRE investments, 43% of experienced investors have their eyes on adding four or more.

Provided they find the right deals for their personal investing strategy and goals in 2022, a little over a quarter of respondents indicated they would like to invest at least \$200K into CRE. An overwhelming majority (82%) shared they are interested in investing at least \$50K.

*"Investing more into CRE will require some of my current investments to liquidate, assuming they do, and it proves to be a way to grow wealth beyond stock returns - I will invest more."*  
 - Survey Respondent

Compared to 2021, rate your personal investing strategy in 2022.



Despite the unknown, long-term implications of COVID creating some volatility across the public markets, most of our investors indicated that they are staying the course with their investing strategy in 2022.

*“Concerned that rising interest could impact property values.”*

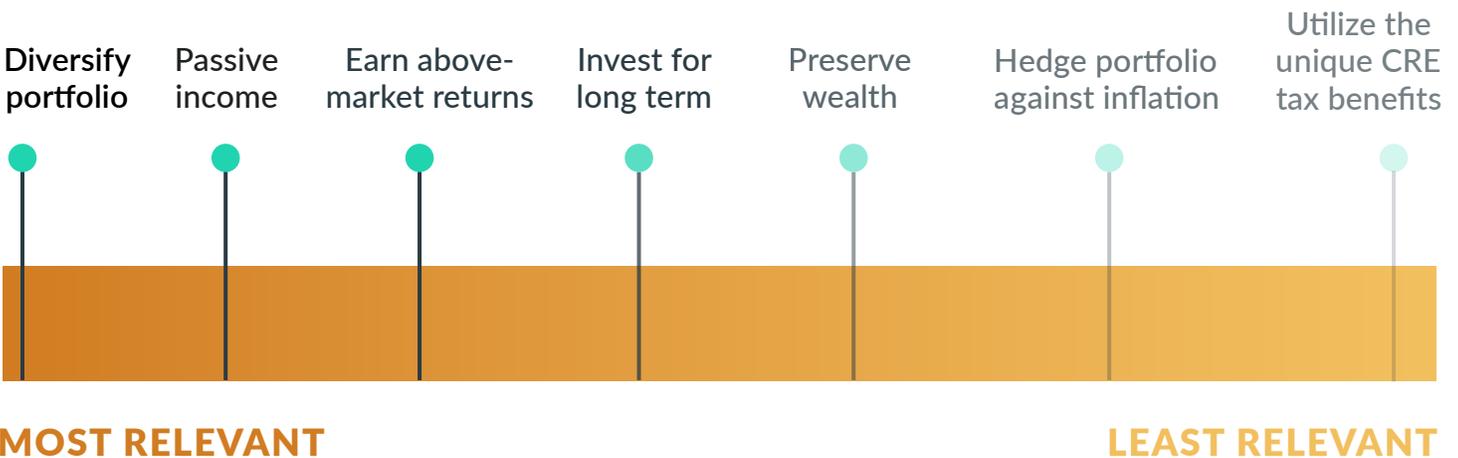
- Survey Respondent

However, a quarter of respondents shared that they intend to adopt a somewhat more conservative investing strategy. This preference for a more conservative approach may be a response to environmental factors such as the ongoing pandemic, inflation concerns, and apprehensions around upcoming midterm elections.

## What do investors value about real estate investing?

Portfolio diversification, earning passive income, and trying to earn above-market returns are the top three reasons for investing in real estate, according to respondents.

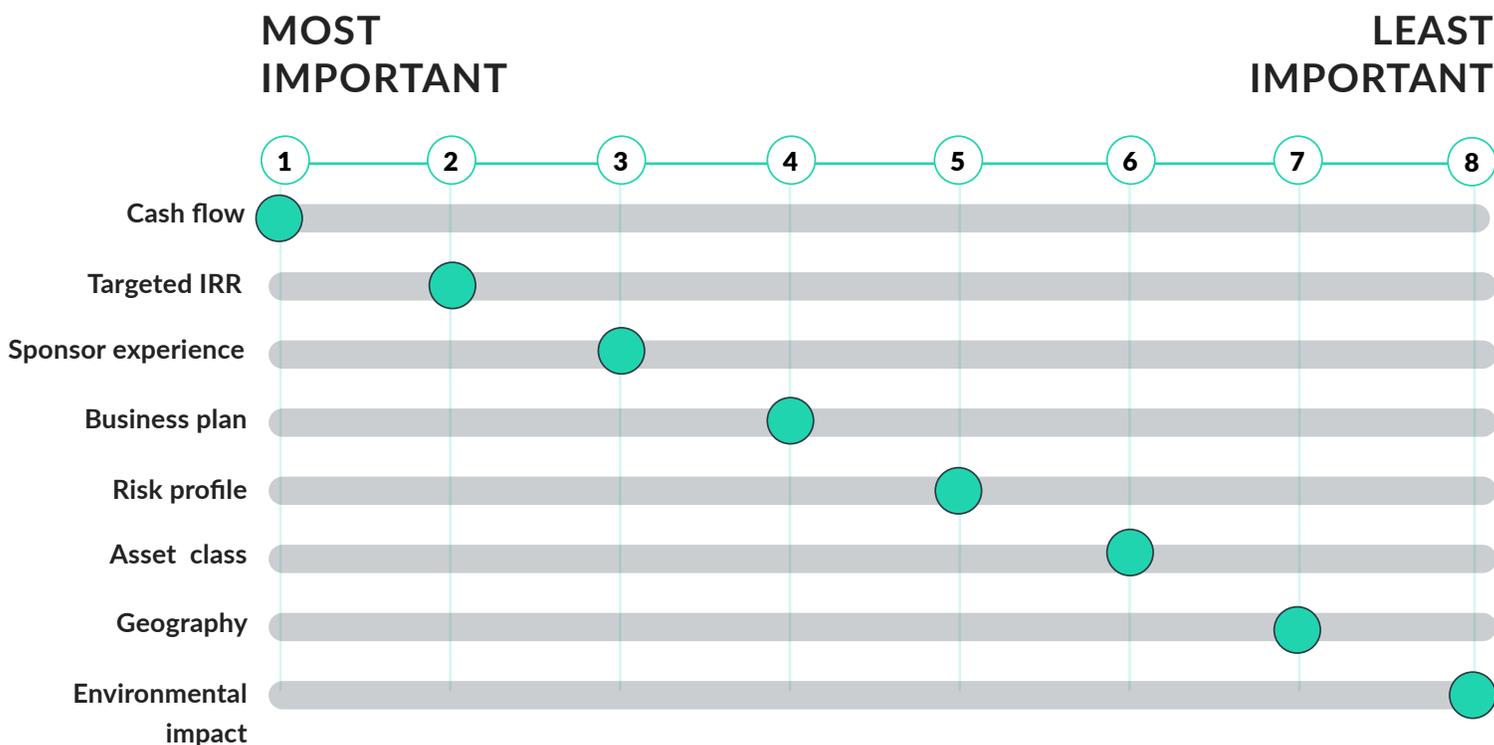
From most relevant to least relevant, rank the reasons you invest in CRE:



As we saw with earlier questions, investors are looking to temper their exposure to the stock market this year by allocating more of their portfolio to alternative investments, including real estate. With this in mind, it's not surprising that 35% of respondents ranked portfolio diversification as first among the reasons they invest in CRE.

## Investors indicate that potential cash flow is the most important thing when reviewing investment opportunities.

From most important (1) to least important (8), rank how important the following factors are to you when evaluating a CRE investment opportunity.



It's no surprise that most people invest with the hopes of making money, which easily explains why potential cash flow (24%) and target IRR (~20%) are number one and two on the list overall.

But while potential cash flow was the top factor for both experienced and brand new investors when evaluating deals, experienced investors placed a stronger emphasis on sponsor experience, ranking it their second most important factor. Newer investors, meanwhile, ranked it 6th.

*“Sponsor fees and waterfall are also important considerations.”*  
- Survey Respondent

# What types of deals are investors looking for?

In 2022, how likely are you to invest in the following asset classes?



**Multifamily | 93%**

**Industrial | 84%**

**Build-to-Rent | 72%**

**Medical Office | 71%**

**Life Sciences | 68%**

**Self-Storage | 65%**

**Senior Housing | 60%**

**Hospitality | 53%**

**Manufactured Housing | 45%**

**Office | 44%**

**Retail | 37%**

\*Percentages are the total of "somewhat" or "very likely" to invest

Interest in multifamily ranked the highest amongst investors last year, and this year is no different. Nearly 93% of respondents are somewhat likely or very likely to invest in multifamily in 2022, an asset class that we also believe has a positive outlook in the year ahead.

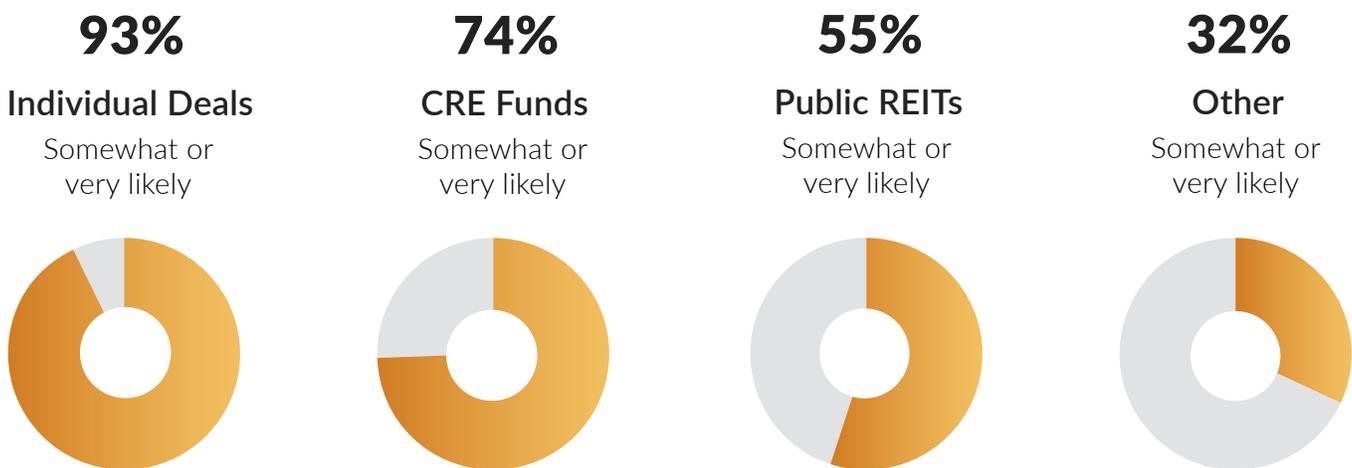
In [last year's survey](#), it was clear that the effects of the pandemic had influenced investors' opinions on asset classes. Three-quarters of respondents showed little to no interest in retail, one of the hardest-hit industries given social distancing protocols and the mandatory shutdown of non-essential businesses. The ongoing pandemic and discovery of new COVID variants in 2021 seem to have continued the apprehension around and disinterest in this asset class, though slightly less so with just a little under two-thirds of respondents indicating no plans to invest in retail in 2022.

*"My goal is to invest in deals that bring me longer-term income along with appreciation. Number one on my list is to add multifamily build or buy/improve/hold to operate."*  
- Survey Respondent

But just because people aren't shopping in person, that doesn't mean they aren't shopping. With e-commerce sales [up 61%<sup>1</sup>](#) since 2019, interest in industrial properties such as last-mile distribution centers and warehouses (the critical infrastructure that allows an online retailer to get their goods to your front door) shows no signs of slowing. This likely contributed to why over 80% of investors are somewhat or very likely to invest in this asset class in the year ahead.

This year, gauging investors' interest in life sciences real estate is new to the survey. This industry focuses on pharmaceutical research and development, biotechnology, and other medical fields. After witnessing the [accelerated growth<sup>2</sup>](#) of this industry in response to the pandemic, we suspected it was more likely to be on investors' radar in 2022. The survey confirmed that suspicion, with more than 85% of respondents indicating some level of interest.

### In 2022, how likely are you to invest in:



Regarding how our investors are looking to invest in real estate this year, most interest (93%) seems to be for individual deals. At the same time, about three-quarters of respondents indicated they are somewhat or very likely to invest in CRE funds. Compared to last year, when 65% told us they were somewhat or very likely to invest in public REITs, interest in this investment vehicle has gone down slightly to 55%.

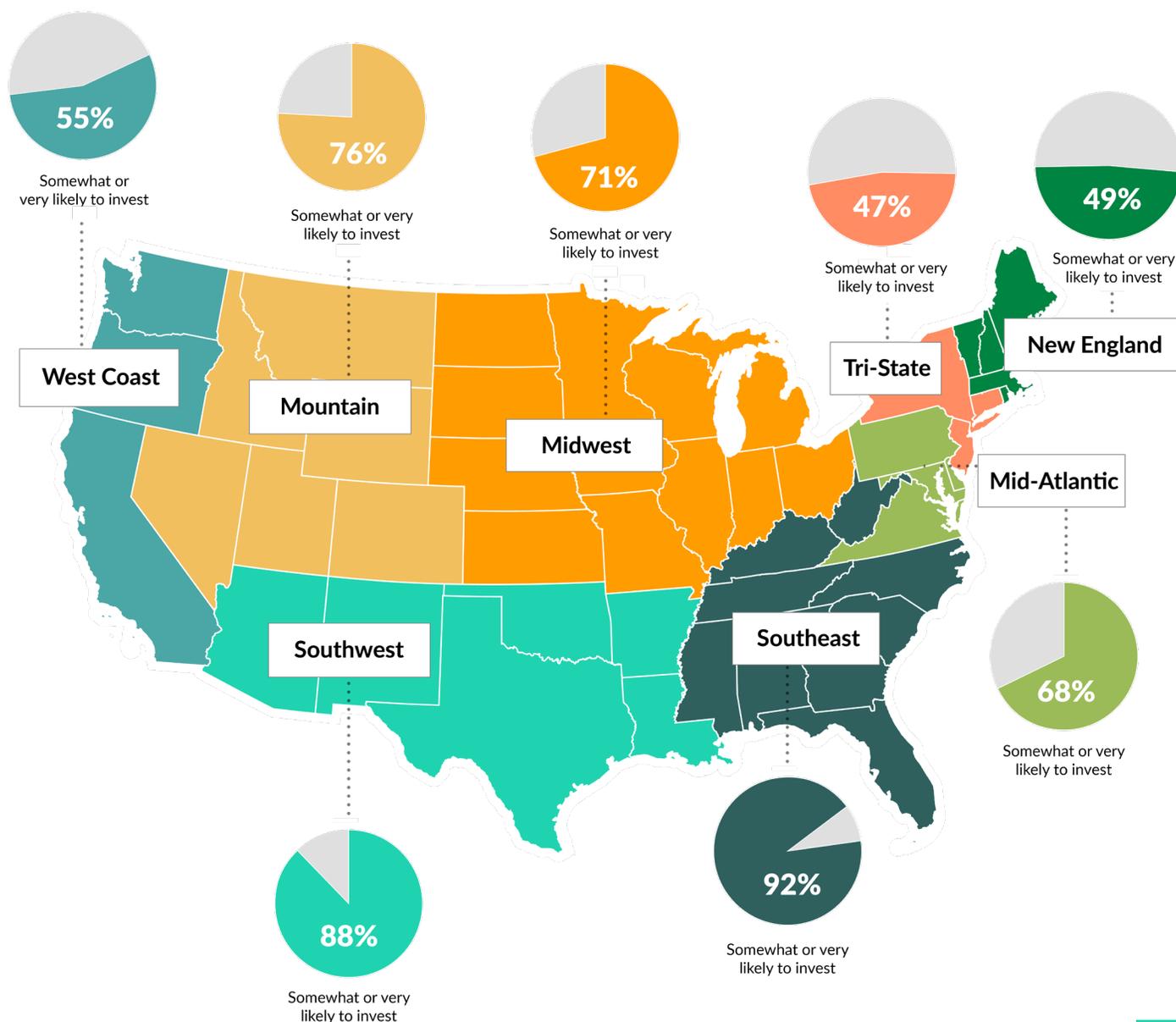
Experienced investors showed the most significant preference for individual deals (~93% said somewhat or very likely) compared to brand new investors (78%). At the same time, the two cohorts expressed a similar level of interest in CRE funds. When it came to public REITs, over half of the experienced investors indicated they were not at all interested, while only a third of brand new investors felt the same way.

This declining interest in public REITs aligns with an earlier question about investing in publicly traded commodities such as stocks and bonds. Investors appear to be looking to diversify away from public market investments and into private equity, potentially to ride out market shifts.

## Where are investors looking to invest?

A staggering 90% of investors indicated they are likely to invest in the Southeast and/or Southwest regions.

In 2022, how likely are you to invest in the following regions?



Investors clearly preferred investing in the Southeast (92% said somewhat or very likely) and Southwest (89%) in 2022. This is in line with where we expect to see opportunity in 2022, as reflected in the top 20 markets nationwide in our [Best Places to Invest in 2022 report](#).

In recent years, as the Millennial population has matured into home buying and starting families, and real estate prices continued to soar, Americans became increasingly less interested in cities like San Francisco and New York. The pandemic seems to have accelerated this trend, bringing to an end a [decade-long growth](#)<sup>3</sup> trend for big cities. Sometimes referred to as the “[Pandemic Migration](#)<sup>4</sup>,” there are many reasons behind the shift away from 24-hour city living and into more minor, but growing, markets.

### Americans are on the move:

- Between [July 2020-July 2021](#)<sup>4</sup>, New York’s out-migration doubled, and California’s net outflow surged 75%, compared to the same period from 2018-2019.
- Conversely, states in the Southwest and Southeast regions saw increased in-migration. Texas’ inflow increased by 40%, and Florida’s inflow swelled by more than half.
- High-earners had increased flexibility with remote work and began to seek out low-tax environments, especially Texas and Florida.
- Individuals and families sought less-dense and more-affordable areas with increased space, especially as remote work opened up the possibility of working from anywhere.
- Population growth is a driver of demand across many CRE asset classes. As states in the Southeast and Southwest continue to see in-migration, we expect investment opportunities to follow.

*“Love mid-sized markets, southwest geography, and in-fill locations in strong areas.”*

*- Survey Respondent*

# Final Thoughts

Even as the public markets rode the ebbs and flows of vaccines and variants, demand for real estate on the CrowdStreet Marketplace remained strong. In 2021, CrowdStreet investors funded 114 deals, investing \$1.2 billion.\* With an impressive 98% of survey respondents planning to make at least one CRE investment in 2022, we look forward to growing these numbers in the year ahead.

We believe the U.S. to be in the early phase of a rapidly expanding growth cycle. While this recovery is not taking hold at the same pace in every asset class or market, we see more reasons to be optimistic than not. Survey respondents seem to be in alignment with us on this. Even though investors told us they are not yet ready to become more aggressive in their strategies, they also don't seem to be skewing towards a more conservative approach. As part of staying the course with their investing strategy, investors said they are more likely to invest away from the stock market, which continues to ebb and flow amid pandemic variants and inflation concerns, and into CRE (66%) and other alternatives (35%).

Investor interest continues to be strong in many of the asset classes we'd anticipate, including multifamily properties and industrial spaces that are essential to supporting the nation's growing dependency on e-commerce. Similarly, there is a lack of interest in the asset classes we'd expect, including retail and office, both of which took a hit amid pandemic stay-at-home orders. As the world continues to evolve in response to the often termed "new normal," both working from home and e-commerce have grown in popularity, changing the dynamics of office and retail space dramatically.

In terms of where investors have their eyes on investing, the Southeast and the Southwest are unsurprisingly popular. Both areas have seen a recent influx in in-migration, especially as the Millennial population has come of age and sought out more affordable spaces, and factors from the pandemic have led to an exodus from coastal cities.

Having been named the Best Overall Real Estate Crowdfunding Site from [Investopedia](#) for the second year in a row, there is much to look forward to for our CrowdStreet community in 2022. To everyone that responded to this survey, thank you for helping us learn more about your plans for the future, so that we can continue to source deals from well-respected sponsors that meet your investment criteria. We look forward to not only expanding our individual deal flow, but also bringing more CrowdStreet sponsored funds to our Marketplace to help you build your real estate portfolio in 2022.

\*The information in this communication, including information regarding amounts funded and deals closed, was provided by CrowdStreet as of Jan 20, 2022.

# About CrowdStreet

**580+**

Deals funded\*\*

**\$2.8B**

Dollars invested\*\*

**\$464M**

Distributions to investors\*\*

CrowdStreet is the nation’s largest online real estate crowdfunding platform\*, focused on bringing institutional-quality real estate investments directly to individual investors. To date, we’ve launched over 580\*\* deals, including both individual assets and funds. Some of the nation’s largest sponsors have turned to CrowdStreet to raise capital. Since 2014, our investor community has committed more than \$2.8\*\* billion in investments and earned more than \$415\*\* million in distributions.

Guided by our [Investment Thesis](#), we’re committed to giving individual investors direct access to institutional-quality investment opportunities. Through our [Marketplace](#), investors can compare and review dozens of deals across different asset classes and risk profiles, allowing them to choose the right investment opportunity for themselves and their portfolio. Our deal flow enables investors to build real estate portfolios with some of the nation’s most sought-after projects, backed by some of the nation’s most trusted sponsors. Each deal, and the sponsor behind them, undergo our [objective review process](#) for inclusion on the Marketplace. We share much of the information we gather with investors to make more informed investing decisions. Visit [www.crowdstreet.com](http://www.crowdstreet.com) to learn more.



\*As reported by Dr. Adam Gower in Real Estate Crowdfunding - UNLEASHED, published 2021, based on dollars raised.

\*\*The information in this communication, including information regarding amounts funded and deals closed, was provided by CrowdStreet as of Jan 28, 2022.

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The anonymous quotes throughout were pulled from the Investor Survey. The individuals quoted are aware that the results of this survey would be shared. The quoted individuals were not compensated in any way for use of these quotes.

CrowdStreet is not a registered broker-dealer or investment adviser. We recommend that you consult with a financial advisor, attorney, accountant, and any other professional that can help you to understand and assess the risks associated with any investment opportunity.

All results are collected from the CrowdStreet Investor Benchmark Survey, which accepted submissions from individual investors from December 6th to December 21st, 2021.

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