



## Catella: Proptech business models – a paradigm shift for the real estate sector?

The property sector is currently witnessing the rise of a new kind of company - proptechs. Their aim is to bring about disruptive change in the sector and trigger a digital transformation similar to the one happening in the financial sector with fintechs. At present, the main focus of proptechs is crowdfunding and property brokerage platforms.

In its latest Market Tracker, Catella investigates the booming market for proptechs, defined as new companies whose business models link innovative technological opportunities with the real estate sector.

Looking at the current situation in the property sector, Dr. Thomas Beyerle, Head of Group Research at Catella, says, "This issue is still in its infancy in continental Europe. The reason lies in the pronounced discrepancies between different European countries and along the entire value chain when it comes to the willingness to tackle the necessary workload associated with digitalisation."

Last year alone, some USD 1.5 billion was invested in the development of proptech companies, and Catella believes this sum will increase to USD 2.3 billion by the end of 2016. However, the US and China will account for no less than 75 % of this investment, and the European countries combined will account for only 5 %.

The specific factors shaping the real estate sector need to be taken into account when analysing the scene. At present, the main focus of proptechs is on two sub-segments: crowdfunding (ultimately another form of finance) and property brokerage platforms. These are the first real offers to make an appearance on the competitive radar. Ranging from classic brokerage activities (marketing platforms) to planning tools such as building information modelling (BIM), and from crowdfunding models to the software-supported mapping of interiors, developers have very high hopes for quick market growth, according to Catella's analysts.

"But there is still a long way to go before we see a substantive change in the market. Most proptech firms simply do not have access to the industry. They are also hampered by a structural drawback, with a lack of data. Then there is the real estate sector's own internal capacity for development, which should not be underestimated," says Beyerle. "For example, some signs are already pointing the way towards a 'pay per use' model for floor space. This is the first thing that service providers should prepare themselves for," he concludes.

The Catella Market Tracker, May 2016 is now available at [www.catella.com/research](http://www.catella.com/research).

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