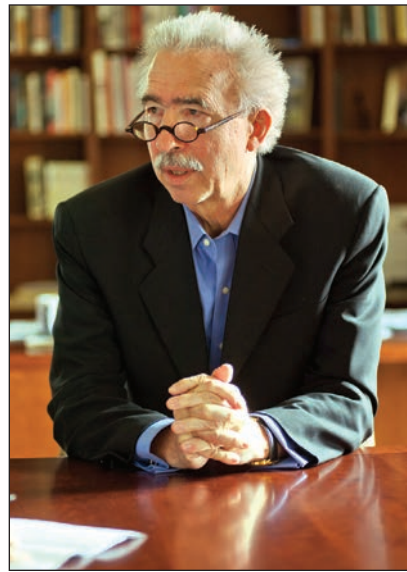


SAN FRANCISCO Business Times

SAN FRANCISCO
OAKLAND
EAST BAY
PENINSULA
NORTH BAY

Breaking news daily @ SanFranciscoBusinessTimes.com



Bay Area biotechs are eager to crack window

Lengthy funding drought likely to end with sprinkling of IPOs. **PAGE 12**

UC Berkeley chancellor is ready for new test

Nicholas Dirks wrestles rising costs, shift to online education. **PAGE 23**

First National eyes up new shopping spree

Bank sets aside money in preparation for another acquisition. **PAGE 10**

Vol. 28, No. 2

August 9-15, 2013

\$2.00

COVER STORY

Real estate's new aptitude

The real estate world can seem notoriously tech-averse, with many transactions concluded on paper and tools such as fax machines and spreadsheets still mainstays. Tech entrepreneurs including Blake Pierson of Lovely aim to change all that.

By Blanca Torres · PAGES 4-5



BICYCLE LIGHTING FIRM READY TO PEDDLE **PAGE 20**



BERNSHTEYN AND COUPA FOLLOW THE MONEY **PAGE 6**



HERNANDEZ'S LEGACY AT S.F. FOUNDATION **PAGE 36**

SPENCER BROWN

sanfranciscobusinesstimes.com
Breaking business news daily



San Francisco Business Times

275 Battery St.
Suite 940
San Francisco, CA 94111

Phone: (415) 989-2522
Fax: (415) 398-2494

Email: sanfrancisco@bizjournals.com



Breaking business news online

www.sanfranciscobusinesstimes.com



Like us on Facebook

/SFBusinessTimes



Follow us on Twitter

@SFBusinessTimes

COVER STORY

Rebooting real estate

Tech entrepreneurs see an industry that's ripe for transition into the digital age. From new tools linking buyers, sellers and agents to closing deals online, everything's subject to change

By Blanca Torres

San Francisco Business Times

Jonathan Aizen's path to becoming a real estate technology entrepreneur started last year, when he and his wife were buying their first home. They did most of their research into houses and neighborhoods online, and went into contract on a home in San Francisco's Noe Valley.

Then came the closing process and everything shifted to paper — lots of paper — much of which they had to sign and then fax back.

"Who has a fax machine?" Aizen recalls asking himself. "Why is this industry 15 years behind where we all are as individuals in our lives?"

Aizen, a serial entrepreneur, nine months ago launched San Francisco-based Closing Time, an online tool that manages all the paperwork and tasks involved in closing a real estate deal.

He is one of more than a dozen Bay Area entrepreneurs now injecting technology into different aspects of the real estate industry, with the goal of "fixing" its almost legendary resistance to it.

"We are in the early stages in terms of a lot of entrepreneurs coming out," said Drew Uher, founder of San Francisco-based HomeLight, a site that matches homebuyers with agents. "The next five or 10 years will be a really great time."

The emergence of these companies comes when real estate market demand is soaring, technology has advanced and there's growing interest from venture capitalists in funding startups.

"The challenge historically is that real estate has been a technology-laggard industry, slower to adapt, and less focused on infrastructure investment," said Jim Andelman, a partner with Rincon Venture Partners, which is currently backing San Francisco-based Rentlytics, a startup that makes software for landlords of large apartment portfolios. "There is now a scale of market, rapid adoption, and venture capitalists are having good exits in this category, so they're more likely to invest again."

Urgency to adapt

The success of a previous generation of real estate technology firms including Emeryville-based ZipRealty, Seattle-based Zillow and San Francisco-based Trulia, which held an initial public offering last year, has allowed some firms to become big players with clout on the stock market.

ZipRealty, founded in 1999 as an online residential brokerage, raked in \$73 million in 2012 and saw its stock price soar 128 percent during the past year.

The company created its own technology platform to manage the home-selling process from buyer inquiries to closing deals that it is now licensing to other brokerage firms.

In the past, real estate agents considered themselves to be the best tool for sales, marketing and market knowledge. Many saw technology for sharing this information as a threat rather than a resource.

"Really good real estate agents haven't felt the urgency of adopting technology until recently. The urgency is coming from consumers who were starting to demand that," said ZipRealty CEO Lanny Baker. "The average agent who's not using technology is just looking backward. It will take some time, but they will ultimately shake out of the industry."

In the meantime, more Bay Area companies are jumping in, hoping to bring the laggards up to speed.

Transparency wanted

Apartment search tool Lovely aims to dethrone Craigslist as the obvious place to search for apartments by giving tenants and landlords tools to vet each other before even making contact.

The company was founded in 2009 by Blake

Pierson and Doug Wormhoudt after the two moved to San Francisco from the East Coast and had nightmarish experiences trying to find apartments. They launched their site in 2011.

Using Lovely, a tenant can send a landlord a renter card with information such as their credit score and LinkedIn profile. The site's listings also show how many people have viewed and applied for a particular apartment. Renters can set up alerts on their cell phone each time a relevant listing comes online.

Real estate clients, whether they are tenants, buyers or landlords, demand more transparency from the process, Pierson said.

"The real estate industry in general is gigantic,

SEE REALLY DIGITAL, PAGE 5



Nav Athwal's Realty Shares is bringing crowdfunding to real estate investment, allowing investors with stakes as small as \$5,000 to participate in deals.

REALLY DIGITAL, CONTINUED FROM PAGE 4

and some market sectors are already dominated by extremely well capitalized players," said Walter Kortschak, a venture capital and private equity investor with Summit Partners and WMAS Management Group, who invested in Lovely. "The question is: Where are the sub-segments where a startup can really gain traction?"

Sexy or necessary?

Most brokers still push thick stacks of paper, agreed Aman Daro, director of marketing for Red Oak Realty. Red Oak isn't among them; the East Bay residential real estate firm went completely digital a few years ago. Even so, he understands the resistance of many brokerage firms to technological change, which usually requires either tech-savvy management pushing it, or the promise of a new revenue stream to justify the costs.

"It's really easy to get caught up in the sexiness of new technology, but is it really going to be effective and provide return on investment?" Daro said. "Another challenge is that brokers want everything exactly the way they want it and to pay almost nothing for it."

Other firms focused on residential real estate include HomeLight, Happy Inspector, an online management tool for home inspectors, and San Francisco-based Reesio, a tool for agents to manage their deals. Reesio launched last fall and it has so far raised about \$200,000 in funding.

"Agents are using very fragmented technology over a variety of products and have to pay for each product. We can centralize all these fragments," said Mark Thomas, co-founder of Reesio. "Real estate has been webified, but now it's optimizing for what people want and giving them a process that is much more fluid and seamless."

Deals are built on the personal connection, something technology cannot replace, but can

make easier, said Uher of HomeLight.

His firm helps homebuyers find an agent versus trying to find a way around using an agent.

"We saw a golden opportunity to create a great consumer product that helps consumers find the best real estate agent for them and also be valuable to agents because it brought them new clients," Uher said.

Startups such as Rentlytics and Rofo, a listing site for commercial properties, are tackling the commercial real estate market. Rofo started five years ago specializing in listing smaller properties that brokers tended to ignore and has since expanded to properties of all sizes nationwide.

Rentlytics co-founder Justin Alanis started the company in January with partner Phil Plante. Alanis came up with the concept after spending years working for a private equity firm that invested in multi-family properties. He found that most large landlords were still using Excel spreadsheets to manage thousands of units and couldn't easily analyze data.

Rentlytics has raised about \$1 million from investors including Trinity Ventures, Rincon Venture Partners, Loopnet and Icon Ventures.

"Our goal is to make sure our clients are not missing anything relevant to their operations and thus, return on investment," Alanis said. "The ultimate goal is to save time and increase returns."

Fixing broken models

Providing ways to save time has surfaced as a major competitive advantage for startups.

"What's changing is people's appetite for information," said Alan Bernier, co-founder of Rofo. "There's an expectation of being able to find information immediately."

Another firm, San Francisco-based Realty Shares, intends to go beyond what co-founder Nav Athwal calls the "country club" model for sourcing capital to buy investment properties, which keeps many would-be investors out of deals.

The company created a crowdfunding platform where investors with as little as \$5,000 can invest in a property. It officially launched in June and has raised \$50,000 in funding so far.

"Principals want a new way to raise money and gain exposure for their properties," Athwal said. "We make their life much easier for raising capital than the offline world does."

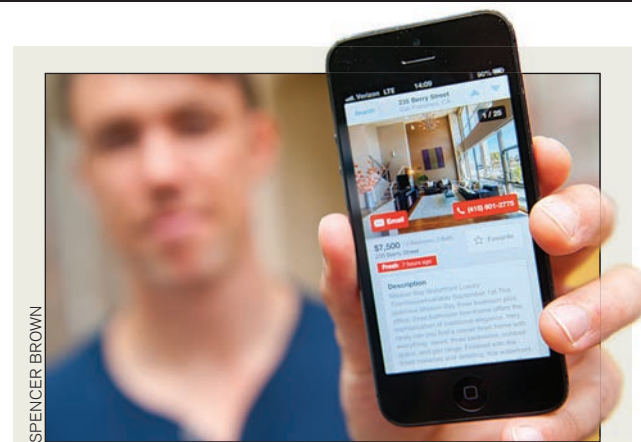
Primarq, another new San Francisco firm, created an online marketplace for investors to buy and sell equity in residential homes and provide another source of capital for homebuyers. The way it works is that an investor puts down money that will go into a homebuyer's down payment and can later sell that share of the home. If the value of the house goes up, so does the value of the investment.

"The entire housing financing system uses debt, and the recent mortgage crisis showed that that is a broken model," said CEO Steven Cinelli.

The new startups are taking their own narrow slices of the real estate pie, said Alanis of Rentlytics, which so far has enabled an "everybody knows everybody" community of entrepreneurs.

"Not everyone is going to survive," Alanis said. "But this industry is so devoid on the technology, business-facing side. What comforts me is that we're competing with really archaic systems."

btorres@bizjournals.com / (415) 288-4960 ■



SPENCER BROWN

Lovely's Blake Pierson with apartment app. Renters want information at their fingertips.

REAL ESTATE TECH STARTUPS

These San Francisco-based technology startups are all trying to grab a piece of the real estate industry pie.

Closing Time

An online tool that manages the home buying process after a buyer goes into contract. It was founded by Jonathan Aizen and Paul Kneigten of Amitree Inc., a company that also started a website called Fixing Real Estate.

Reesio

A tool for residential real estate agents to manage their transactions. Founded by Mark Thomas, Uyen Tran and Jonathan Mui. Thomas and Tran both come with years of experience as real estate brokers.

Realty Shares

This company bills itself as "crowdfunding" for investment properties. It was started by two Berkeley grads: Nav Athwal, who earned a law degree, and Trey Clark, who earned a master's in business administration.

Lovely

An apartment search tool with a smartphone application that allows tenants and landlords to share more information up front. The site was founded by Blake Pierson and Doug Wormhoudt.

Rentlytics

A software maker for apartment landlords with large portfolios. The software allows landlords to access and analyze data in real time. The company was launched in January by co-founders Justin Alanis and Phil Plante.

Rofo

A rental and for sale listing site for commercial properties. It started out specializing in listing smaller properties that brokers tended to ignore, but caters to properties of all sizes. It is run by co-founder Alan Bernier.

42 Floors

An online search engine for the office rental market that also connects tenants with furniture dealers and interior designers. It is led by co-founder Jason Freeman.

HomeLight

A site that matches prospective homebuyers with agents. It was co-founded by Drew Uher after he and his wife set out to buy their first home and had a hard time finding the right agent.

Primarq

A market for investors to buy and sell equity in single-family homes. The equity goes into a homebuyer's down payment and increases or decreases in value along with the home's value. Primarq was founded by real estate veteran Steven Cinelli.

Happy Inspector

A maker of software allows home inspectors to take traditional pen-and-paper-based inspections and make them digital. It is led by CEO Jindou Lee, who co-founded Mighty Kingdom, a mobile app maker.

Zumper

An apartment search tool launched in 2012 with \$1.7 million in venture backing from investors including Kleiner Perkins, Andreessen Horowitz, Greylock, CrunchFund and Dawn Capital. The company's CEO, Anthemos Georgiades, comes from a real estate family, worked for the Boston Consulting Group, and received his MBA from Harvard Business School.

— Blanca Torres ■