

BrickX

Fractional investing in real estate

BrickX has been established to address the accessibility constraints, illiquidity or lumpiness inherent in residential property, which is the largest asset class in Australia with a value of about four times the ASX. It operates a platform that addresses the housing affordability issue, especially for millennials, by allowing investors to invest from under \$100 by purchasing a single brick in a single property that is divided into 10,000 "Bricks". Investors are able to build their own real estate portfolio through fractional ownership of many properties. BrickX currently has 11,000 customers about half of who are under 35 years of age. The average portfolio is about \$2,000 and there is about \$14m in equity currently held on the platform.

Background

The business was launched in 2016 as Australia's first stock exchange for residential property.

Business Model

BrickX purchases properties and divides the cost into 10,000 shares or "Bricks". Investors chose the properties that they wish to invest in and purchase one or more "Bricks". Data is available on-line to assist the investor with his investment decision. Expected net rental returns and capital gains history for the area are available on the BrickX website. Investors receive monthly distributions of net rental and properties are revalued semi-annually. The price of the "Bricks" is established by the market, that is the buying and selling that occurs on the BrickX platform. BrickX charges a 1.75% transaction fee for buying and selling bricks and charges a 6% of rental income for property management services. Properties are held in individual trusts and investors are limited to 5% ownership of a single property. All properties are 100% equity funded.

BrickX is different from a real estate investment trust where the fund manager (an expert) selects the properties and the investor invests in a portfolio of properties. BrickX investors select the individual properties, determine how much of each property they will own and build their own portfolios.

BrickX is expanding its product lines looking to provide investors with the opportunity to "rent to buy". This model offers secure tenancy and offers the potential for the investor to purchase more 'Bricks' with a view to purchasing the entire property. Those with large amounts of equity tied up in a property could free up some of this equity buy selling "Bricks" as an alternative to taking out a reverse mortgage.

Share details

Angel round	\$1M
Seed round	\$2.5M
Series A (Dec 2017)	\$9M

Market size

Australian property market valued at \$7.5 trillion.

Upside Case

- Management with track records established in investment banking, technology and e-commerce and well-credentialed Adviser Panel of senior property professionals
- Fractional ownership of properties allows investors to purchase small affordable parcels as a way of diversifying their investment portfolios
- First to market, currently limited competition

Downside Case

- Impacted by property cycle
- Earnings dependent on turnover
- Buying, selling and management fees need to be competitive with industry, therefore little room for increases

Company contacts

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