

Bryan Hancock of RealStarter

This is the Investor Connect Podcast Program, I'm Hall T Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, and many other investors for early-stage and growth companies. I hope you enjoy this episode.

[00:00:24] **Hall Martin:** Hello, this is Hall Martin with Investor Connect. Today, I'm here with Bryan Hancock, Chairman and cofounder of RealStarter. Based in Austin, Texas RealStarter is a real estate crowdfunding platform focused on Texas based projects but open to investors all over the US. Bryan, thank you for joining us.

[00:00:39] **Bryan Hancock:** Thanks for having me Hall.

[00:00:41] **Hall Martin:** Great. So what was your background before joining RealStarter, what did you do before this?

[00:00:45] **Bryan Hancock:** So I'm a recovering electrical engineer, I went to UC'S Engineering School and finished my MBA at TCU, but mostly been involved in real estate projects as a sponsor in and around the Austin Metroplex. We've done a bunch of urban infill deals there and ran a coaching program for a couple years, owned and operated apartment complexes and just different things like that. And that kind of led me into the crowdfunding space – we were trying to raise more money for our projects and the walls got changed and figured out that that was probably a pretty good thing to _____ never really hoping to run a crowdfunding _____ just trying to raise money for my deals and kind of took a little different path.

[00:01:27] **Hall Martin:** That's great. Well, so you see a lot of deals out there. What's your advice for people investing in the space?

[00:01:33] **Bryan Hancock:** Well, I mean, crowdfunding doesn't make anything any different than just regular vetting of deals. You got to have a good sponsor, making sure that _____ thoughtful with checking out the sponsor, asking all the questions you need to ask, reviewing all the materials, seeing do their projections make sense, are they defensible, is there some sort of margin of safety built into them. So that's one definite big thing to check out. And then also trying to invest smaller amounts to start out with, while you grow your relationship with the sponsor, make sure they say they're going to do, and after that, that's the beauty of real estate deals is there's always going to be another one. So maybe up your investment on the next one or after the money cycles out, you can put that money back in with the same sponsor on a different deal and maybe up your investment _____ as well. And that's how relationships are grown, so it's really no different crowdfunding than it is just traditional 506 B type investing. It's just now there's a little bit more efficient way for sponsors and investors to get together than there was before.

[00:02:39] **Hall Martin:** Well, so how do you see the industry evolving these days?

[00:02:42] **Bryan Hancock:** Well, a big part of the recent evolvement of the industry is the recent sort of rulings by the SEC that _____ limits are supposed to be raised to \$5 million. So I

would anticipate that a lot more, especially, real estate sponsors who previously couldn't do hardly anything with a million dollars on projects, \$5 million moves the needle quite a bit. So I would anticipate seeing a lot more non-accredited investors investing in real estate projects through that exemption through license portals. And also, the finder rules have been revised recently _____ my understanding. So you'll probably start to see more people referring their investor friends over legally now. There has been a lot of that done just historically sort of with the finer agreements and things like that, it's questionable whether or not some of those things were legal. But I guess, some of the recent rulings, you'll probably see a lot more of that. And just, in general, I see a lot more robust marketing ecosystems out there too for being able to attract investors, and the industry was in a far different place five years ago than it is today, and a lot of the marketing systems are getting quite a bit more sophisticated, the front end trying to attract investors for sponsors. So I think you'll see more of that curve over the next three to five years as well. And hopefully, it will help both sponsors and investors get projects that they're both interested in.

[00:04:12] **Hall Martin:** And so what kind of growth rate are we seeing for the sector here doing online marketing for real estate?

[00:04:18] **Bryan Hancock:** I honestly would be lying if I told you. It's just anecdotal evidence for me, based on all the companies I see popping up around, and really don't have any stats to back it at all, just know what I see in the forums I post on and sort of how I see people trying to form their capital. It seems like the ecosystem is getting more built out and robust, but I can't cite any statistics to tell you the growth rates.

[00:04:43] **Hall Martin:** And how many companies are engaged in it or what kind of companies are working in this space?

[00:04:49] **Bryan Hancock:** I see a lot of companies that will help you stand up a website or they'll help you with just the marketing piece. So there's a large handful of them for sure. What I don't see, and one of the things we're hoping to help with as RealStarter as a startup is somebody that's really doing all of the end to end. So all the way from front end advertising to making sure the conversions are right, all the way to our back end ecosystem and transacting an entire project flow. The marketplaces themselves have done a pretty good job with a lot of that venture backing and things like that, but nobody's really catering much to individual sponsors in the industry, and being able to let them have their own branding and design their own marketing ecosystem, and then [00:05:42] with the entire flow all the way from an investor sees it, what the package look like, how do I make sure that the clicks are optimized, how do I get somebody all the way through the process on the back, how do I work with investors on the phone, people definitely need coaching on that. So that's something we're hoping to help our sponsored clients with.

[00:06:01] **Hall Martin:** So what are the challenges in starting a business in this sector if, of course, it was easy, everybody would do it, but what do you see as the issues there?

[00:06:09] **Bryan Hancock:** Well, I think none of the individual pieces are revolutionary, but there's a lot to it, there's a lot of moving parts, there's a lot of compliance aspects to it, we have a securities attorney partner as part of our concern. So it's really the sort of like the confluence or the intersection of securities law and technology and the marketing because of that

technology. And I just think that's a lot to ask for any one team to put together, and I think that's really why nobody's done a great job with it so far. A lot of the companies out there tend to be very focused on one of those three pillars, so they're really good at the tech, but they don't really know the sponsor industry that well, they don't really know what investors want that well, or they're really good at marketing, and they don't know the tech angle, or there's a lot of law firms out there that are advertising, and they know the compliance and the legal aspects really well, but they don't know the other two pieces. So trying to put all of that together is quite a bit, and I think that's just a large part of the reason that nothing's really taken off to the way I'd like to see it take off to help some of the smaller sponsors, get their capital form better and get their operations.

[00:07:19] **Hall Martin:** So how does RealStarter fit into the landscape, and what exactly are you offering?

[00:07:23] **Bryan Hancock:** So we're a white label service like others. So the thing that's really missing in the space is white label service plus the marketing aspects to go with it. So that's to my – in my estimation, now, a lot of what I've seen so far, if it was, I would have just consumed it as a sponsor, and we'd be off on our merry way. Like I mentioned, I never really was trying to get into the crowdfunding space proper as an operator of the space. I'm really a sponsor by DNA, and we were just looking to raise money for our own deals. So had somebody solved that problem, we wouldn't be trying to solve it right now on our own. So that's really what we're hoping to fill in the space. Had some life events happened in the last three years, so we're a little bit _____ like to be, but we've since re-architected all of our software, and we're setting it up to really be able to cater to individual sponsors as a white label solution, but fully integrated with the marketing services to go with it.

[00:08:21] **Hall Martin:** Sounds great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

[00:08:25] **Bryan Hancock:** I think that crowdfunding to me is kind of a misnomer. So I guess I'm trying to understand what we do, we can maybe reframe it, reframe the conversation a little bit and label it something different. I know a lot of _____ crowdfunding, but some of the recent changes in the laws, it'll be interesting to see kind of what crowdfunding ends up meaning long term. But to me, it's really just an online platform for investors and sponsors getting together, and hopefully, transacting some good deals. So I think we may be covered that already, I'm not sure what else. But I'm just hopeful that it answers itself really well, and nobody really messes this up for the mainstream folks that are really trying to do the right thing.

[00:09:12] **Hall Martin:** Well, we recently went through pandemic, what impact do you think that's had on this space?

[00:09:17] **Bryan Hancock:** I think in general, it's probably no different than any other, I guess, what used to be called panic in the market. People are just having a flight to safety. So investors are probably rightfully more cautious now than they were before. A lot of people lost a lot of money in the market too for a while, but the market since has come back quite a bit. So I think overall, especially with the elections next year, people have just been rightfully a little bit more conservative with their investments. But that's not going to last forever, so I think that rolling

into next year, I'm very hopeful that things will kind of be getting back to the new normal one and not the new abnormal that we've had of late.

[00:09:58] **Hall Martin:** Great. So how best for listeners to get back in touch with you?

[00:10:01] **Bryan Hancock:** Just check out our website, realstarter.io. We're in the process of launching an alpha program right now for early sponsors, a lot of – I got about 10 clients who are ready to sign up, really looking for sponsors who want to kind of be in things for the long haul, and not the quick fad diets but the real diet and exercise diets in terms of trying to get through your investor flow going, and really looking for people to come in and help us out, and make sure the software is stood up the right way and is doing all the things you need it to do. So happy to chat with you.

[00:10:37] **Hall Martin:** Great. I want to thank you for joining us today and hope to have you back for a follow-up soon.

[00:10:42] **Bryan Hancock:** Yeah, thanks _____.

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