LEND ACADEMY

Podcast Transcription Session 66 : NAV ATHWAL

Welcome to the Lend Academy Podcast, Episode No. 66. This is your host Peter Renton, Founder of Lend Academy.

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Peter Renton: Today on the show, we are talking real estate. We've got the CEO and Founder of RealtyShares, Nav Athwal on the program today. Now Nav started RealtyShares over three years ago and in that time he has built it up into one of the leading online marketplaces for real estate, sometimes known as real estate crowdfunding. So I wanted to get Nav on the show to talk about the kinds of deals that they do at RealtyShares, talk about the kinds of investors they have. We delve in some detail into how they source the deals, we talk about underwriting and we also even mention the Lending Club saga and see what effect that has had on his business. I hope you enjoy the show!

Welcome to the podcast, Nav.

Nav Athwal: Thanks for having me.

Peter: Okay, so let's get started. Just give the listeners a little bit of background about yourself and what you've done in your career up to your founding of RealtyShares.

Nav: Great, so I'm the Founder and CEO of RealtyShares and prior to founding the company, spent about a decade in the real estate industry. I started my career as a real estate broker, I was brokering deals in the Bay area as well as Sacramento and then transitioned into real estate law, spent about three and a half years prior to founding the company at about a 200 person law firm here in San Francisco where I represented mostly institutional clients, public and private REITs, Equity Residential was a client, Related Companies was a client so very large real estate players helping them purchase and sell real estate, helping them get entitlements to construct new buildings so really interesting work in that capacity. My first exposure to startups was when I helped Airbnb and Pinterest get entitlements for their headquarters buildings in San Francisco so a really fun time. Had a quite a bit of exposure to real estate, it's something I'm very passionate about as my career sort of speaks to.

Peter: Right, right. So then when and how did the idea for RealtyShares come about?

Nav: Yeah, so the idea first sparked actually after I graduated from law school. I started buying real estate properties, it was great time to buy. As you know, properties were at historically low values coming out of the great recession so really good properties to be found and purchased. The hardest part about getting a deal done in that part of the market was capital, availability of capital, both debt and equity, so spending countless hours trying to circle up capital to acquire otherwise really good investment opportunities sparked the idea that efficiency of capital is sort of non-existent in the sub-institutional real estate market deals that don't qualify for an institutional check. A marketplace to provide that efficiency was something that was definitely needed and that's when crowdfunding and the concept of crowdfunding was really catching on in the donation and rewards based realm and was starting to take shape in the equity and debt base worlds. So it was something that was just a natural evolution from some of pain points I experienced in trying to circle capital for my own deals.

Peter: Sure, that makes sense. So when did you found the company, when did you sort of write your first deal?

Nav: Yeah so that didn't happen until a few years later. I first spent some time playing lawyer so it wasn't until late 2013 when we launched our first deal on the platform. That was in the summer of 2013 actually so that's when we really kicked things off and it was obviously humble beginnings and really kicked the platform into high gear in 2014. So 2013 summer was when we kicked our first deal on to the platform.

Peter: Let's just talk about what kinds of deals you have, what areas of the market you focus on; commercial, residential, fix & flip, what's your sort of core business?

Nav: Yeah, so when we first started the company...again, the focus was where is capital markets for real estate most inefficient because that's really where we want to play. Where are banks not providing capital, where is private money capital very expensive or very fragmented. When we first launched, we launched with two types of products.

One product was the fix & flip loan products so that's something that hard money lenders would typically have provided before the creation of platforms like RealtyShares. Banks don't provide it because it's very short term and it's not something that they can securitize so that was one product we kicked things off with because of unavailability of that product type in the market as it existed then. So that's the debt product we launched with.

The equity product we launched with was for commercial assets. So if you think about availability of capital markets, debt for commercial real estate is readily available. I think there's inefficiencies obviously in that market that can be fixed, but access to capital and access to cheap capital is definitely something that's already there, but access to equity capital for commercial real estate and for the size of deal that we focus on which is typically deals that are $40 million in total size or less. Historically, this comes from friends and family capital. So this is raising capital from 10 to 20 LPs that are in your immediate network which is a very inefficient process and doesn't really scale with the operations. So that was the other product we launched with.

So to go back to your question, we do have probably one of the more broader product offerings out of any other player in our space in that we do offer both residential and commercial as well as debt and equity for both borrowers and investors. You know we have plans to expand that product suite as we develop sticky borrowers that like our platform, love the experience…we find that there's always opportunities to add additional products for those same borrowers to help them do their business better.

Peter: Yeah, makes sense. So then let's just talk about some of the...like just talk us through a couple of typical deals you've done recently just to get an idea of what sort of properties you're talking about.

Nav: Sure, so on the residential side it's a little simpler. So for example, we recently did a transaction in the South Bay where a flipper was looking to buy a property for a couple hundred thousand dollars, was looking to put about $50,000 to rehab the property, improve it, needed a loan for about 12 months. We charged that borrower about 9% in interest and were able to raise capital and close the deal for that borrower in about ten days. The loan was both for the purchase of the property as well as the rehab portion.

We lend on both elements of the project. The rehab portion was held back, it was drawn down by the borrower as work was completed and what we expect to happen on that deal, which has happened on various other deals that have exited is once that rehab is completed, that borrower will then list the property on the market and look for an owner/occupier to buy it with conventional financing. So that's a very typical transactional we'll see on the residential debt side of our marketplace and we've done those deals all across the country in markets like Florida, Texas, California, Chicago, etc.

On the commercial side, a good sort of sample transaction is a retail building we did in Las Vegas. This was about a 10-tenant building in Las Vegas, one of the main tenants was a Chipotle...the operator was local to Las Vegas, was looking to buy the building for about $6 million, it was bank-owned. Access to capital for that operator typically was coming from his immediate family members and he was looking to expand the level of deal flow that he was going to do in that year and so was looking to supplement that capital source. We were able to come in and raise about a million dollars of equity for that deal. That took us about three days to raise and help supplement the capital that he already had. On the equity side, we can be a part of the equity capital, we can be the major LP, we're very flexible, but that's a very typical transaction that we would do on the equity side.

Peter: Okay, so then...I'm just curious about the investors then. You're doing a residential fix & flip debt offering… it is very different to a commercial equity offering. Do you find that certain investors have appetite really for one kind of deal or are they trying to diversify across all kinds of different deals, what are you seeing on the people that are funding these deals?

Nav: Yeah, it's all over the board, I mean we do have a following of investors that really want to just play in the debt space so we have both institutional and individual investors using the platform. Most of the institutions that use our platform are interested in buying only debt, they want fixed income, they want shorter maturities. These are hedge funds etc. and so they are playing only on the debt side.

When it comes to the individual investors, all those investors today are accredited so we're not catering to the retail, non-accredited investor base yet although it's something in the future that we are entertaining. So those investors...again, they have various preferences. Some just like the short term, high yield debt product because they like the fact that there's the maturity date that they know is going to result in them getting their principal back rather than a more flexible maturity date as with equity and equity also can be longer, it can be three to five years and debt is typically 12 to 18 months.

We have others that like the equity upside. You know, as a lender you get your interest rate, you're going to get your principal back, but if the property outperforms you're not going to participate in that upside, whereas with equity you will. So a lot of investors like to take a bit more risk in terms of capital stack exposure playing in the equity side of the deal but getting that upside. Others love the diversification. I think one thing that is unique about our marketplace is that an investor can come on the platform and build a portfolio of properties that are in different markets, different operators, different product types and different capital stack exposure. So we do have a pretty large percentage of our investors that love investing in both because of the different characteristics of debt versus equity, commercial versus residential.

Peter: Right, right, makes sense. So let's talk about the deals themselves, where are you getting these deals? I imagine you're getting them...I mean, a residential fix & flip is going to be a very different source as far as finding those people than a $10 million commercial building. What are the avenues, what are the sources of deal flow for you guys?

Nav: Yeah, I mean the customers, depending on if they're residential or commercial are very different in terms of how we're getting to them. A large part of our operators/borrowers are coming actually from word of mouth. I think one of the most powerful things in real estate is despite it being a massive market, there's a tremendous network effects because the community itself is very small.

As you grow your base of investors and borrowers, you do have the benefits of them referring other borrowers and other operators to you so we do get a large portion of our borrowers and sponsors from word of mouth, whether it be from word of mouth of other sponsors or from brokers or other stakeholders in the deal. The rest of our borrowers and sponsors come from digital marketing as well as conferences so on the residential side I think we do very well with just direct response marketing, things like SEM, social, even some direct mail.

On the commercial side, it's a little harder to get to those operators using SEM and social so there we do have more of an outbound sales effort that we employ as well as conferences because, you know a lot of the real estate conferences, the largest conferences out there, typically cater to a broad set of these commercial operators and we feel that getting to them in those conference scenarios is easier than getting to them through a Google Adwords campaign or a popup ad on Zillow for example.

Peter: Right, that makes sense. So are you using brokers on the commercial side then? Is that part of the mix?

Nav: Yeah, we actually use brokers on both sides. It's sort of still early stage for us in terms of integrating with brokers, it's something we're going to make a much bigger push towards in Q3, but we have started reaching out to brokers. Every deal we do...I would say 90% of deals we've done has a broker on the deal so it just naturally makes sense for us to form relationships with those brokers. We're not competing against them, we're raising the capital, they're closing the transaction so if we can help them do their job more easily and help their clients get capital to close the deal it makes sense for us to cooperate and work with brokers so that is something we're going to make a much bigger push towards in Q3 and are developing a strategy to do so, but even today we have used brokers on a handful of our deals.

Peter: Sure, so I just want to talk about the real estate market or the crowdfunding real estate market I guess. It didn't exist really five years ago and today I hear people say 75, 100 different platforms. Clearly, there's many of those that are small, barely operating and you guys are one of the leaders. I'm curious to see how you differentiate yourself from the other platforms, why the deals come to you, why do investors work with you? What do you think is your differentiator?

Nav: Yeah, I mean you're right, there's a lot of buzz around there being a 100+ platforms. I think if you really look closely there's probably five to ten that are actually operating and really are actually doing deals, but even amongst the ten, like how are we different. I think really one of the ways in which we differentiate ourselves is again that variety of product offerings. I know a lot of our competitors and the players in the real estate space are focused exclusively on debt products and I think that's fine, but debt is a relatively competitive product and although there's gaps in the market where banks aren't providing efficient capital and where hard money is very expensive, generally debt is pretty efficient for commercial real estate.

So we really again, want to provide a product that is going to eradicate a tremendous amount of inefficiencies. So by providing that equity product for commercial, I think we have probably one of the most captive base of sponsors because it's something they can't get elsewhere. Banks don't provide equity capital, that's a very fragmented source of capital through friends and family, but at the same time we are also catering to debt. We really see ourselves as a full stack capital marketplace where a borrower can both get debt and equity and an investor can get exposure to both parts of the capital stack. I think we're very unique in that way and I think there's only a few others that actually are thinking about real estate crowdfunding with a similar lens. So that's one way in which we differentiate ourselves.

I think another way is just through the technology and product. I think we have probably one of the most high powered engineering teams led by our chief technology officer. He's been in the industry for 30 years and I think ultimately, the way to scale this business is to use data to really build more efficient underwriting and that's really where you start building margin as well. So one of the things we're highly focused on is technology, technology improvement both to make our job underwriting deals more efficient, but also to provide a better experience for our borrowers and investors.

Finally, I think one of the things that we've seen with some of the larger marketplace lenders...I think Lending Club, despite its recent troubles did very well, is capital market diversification so thinking about the capital markets and on-boarding investors that come from various industries. I think Lending Club, up until recently still had 50% of their investors coming from retail. We think the individual investors are very important to what we're doing, but we also see the benefit of institutional capital and we have started working with institutional capital.

So I think those are some of the ways in which we differentiate ourselves in addition to just the high caliber team we've been able to hire for the company.

Peter: Right, so I want to talk about Lending Club in a little bit, but I want to get back to underwriting because you've got this picture on your homepage that's a funnel that basically shows that you go basically down to 5% of the deals being approved and listed on your platform. Can you just walk us through a bit about your underwriting process and how and why you're filtering all of the deals that don't meet your criteria.

Nav: Yeah, so I think one thing that's been thrown around in fintech is this concept of proprietary underwriting. I'm going to be the first to say our underwriting is not proprietary. I mean, we're not trying to reinvent the wheel here, we're trying to utilize the same basic principles that have been used for real estate and real estate underwriting for a century and looking to create efficiency in how those systems and processes work. So our underwriting is no different than sort of the underwriting process of BlackRock or a Colony would do in evaluating a real estate asset. It just happens that a lot of our investments team and the leadership in our investments team comes from institutional real estate, companies like BlackRock, like NorthMark, etc. so we're using the same strategies and the same structures as some of the larger institutional players in the industry.

So the first thing we really look at when we're evaluating an asset, and this is even more important on the commercial side is track record. Unlike in consumer where you're really looking at the ability to pay back the loan, the FICO, etc. The track record is very important in real estate, especially in non-owner occupied real estate, because the ability to execute successfully on the strategy depends on the sponsor's previous experience executing a similar strategy. So we want to know how many deals has that operator done, how relevant is this current deal to deals they've done in the past, have they had financial success, have they made money for their investors so that's really where we first start because despite how good the deal may be, if the operator isn't quality, we're not going to do the deal. Then we really dig into the deal.

So on the equity side, it really starts with looking at a whole host of data points so we start with an appraisal, an environmental report, we also get a financial model that we will plug in assumptions into and determine if the returns that the sponsors are projecting are actually reasonable. We use both our internal data as well as external data tools to plug in our own assumptions so we really get pretty granular into the deal through both our technology as well as our investments team that looks at each deal and underwrites each deal.

I think one benefit we do have is most deals in real estate where we're providing equity do have a commercial lender, usually a bank, and so we're able to actually piggyback off a lot of the third party reports that the bank is requiring, so a bank will require an appraisal, a bank will require a Phase 1. So we're able to look at the same pieces of information when we're underwriting the deal for the equity component. So it really involves diving deep into the sponsor's track record, their potential for success as well as the data points around the deal and the returns that can be generated for that specific property.

Peter: So are you finding the deals are coming to you…is it mainly the 95% that get rejected, is it mainly the sponsor that is the cause or is it the actual deal they're bringing you?

Nav: I would say a majority of those deals are rejected as a result of the sponsor because even a trickier complex deal with the right sponsor could be very financially successful so a lot of our deals are rejected due to sponsor quality. So if we think the sponsor just can't carry out the strategy, doesn't have the requisite track record or experience, we're going to reject that deal outright. So a large portion of the deals or leads are rejected as a result of sponsor quality, but then you know, we also have quality sponsors bringing us deals that we reject because the deal itself doesn't have the return requirements we look for or from a risk and returns perspective isn't worth us doing and worth us listing on the platform, but I would say a majority of leads are rejected due to sponsor quality rather than property quality.

Peter: Okay, okay, makes sense. So now like you've been around...2014 you said you really started to get traction. Particularly on the debt side of your business you must have developed a track record for delivering returns, many of these loans should have been paid back. Can you tell us something about the loans that you've had. Have you had any loans go bad, where's your loan book at today?

Nav: Yeah, so the loans by volume have been about 50% of our portfolio, we've had really good success with our loan products. I think one of the differentiators with real estate and real estate lending is you actually have a secured position with respect to the asset. We only lend up to a certain percentage typically on an ARV basis, 65% of ARV. We only advance a portion of the cap stack on day one, the borrower has to put their own money in the deal and then you have a first lien. If things start going south and we haven't seen that happen at RealtyShares where things start going south from inability of the borrower to pay or meet their debt obligation, you do have the remedy of foreclosure. So I think that does provide a large disincentive for borrowers not to pay the loan as compared to unsecured consumer credit where you are just relying on the borrower's ability to pay.

So I think we've seen good success, but we've also been in a relatively stable part of the real estate market or actually part of the real estate market has actually been appreciating so when there is a correction, I think underwriting quality will really be tested and that's really when the rubber will meet the road. But I think we're still taking caution in underwriting deals and still building enough equity cushion on our debt product where even if there was a downturn and property values drop, we'd still have enough cushion to at least avoid loss of principal and I think that's one of the benefits of secured real estate lending and investing.

Peter: Right, that is certainly a huge benefit compared to small business or consumer investing. So it's fair to say then you haven't had to foreclose on any properties, you have had no loans that have gone south on you?

Nav: We've had less than 1% of our loan portfolio where some sort of default foreclosure remedy was required so I won't say it's never happened, but it's been very, very rare and in those cases no loss of principal occurred. So, again even in the worst case scenario where there is a default remedy that is required for us to take action on, there's been principal preservation.

Peter: Right, okay that's great. So then just give us an idea...I don't know how much you're willing to share, but can you tell us some kind of idea of your volume, where you're at today?

Nav: Yeah, so we are around that $15 to $18 million of capital through the platform a month and that's kind of what we're seeing on a monthly basis. You know, a year ago, we were barely hitting 7 to 8 so we've seen our platform double to more than double over the last year. I think there's a lot of things we're doing in terms of diversification of capital and technology product that will allow us to continue to grow that volume, but that's approximately where we're at on a monthly basis.

Peter: And is the debt and equity growing roughly at the same rate or are you skewing one way or another?

Nav: We are seeing both product types grow. I think the equity, given it's commercial just tends to be larger in terms of a per deal basis so we're seeing our equity check per deal exceed a million whereas our debt…on single family, you're not going to see it go above a certain threshold amount so it's almost a third to a quarter of the size of the equity. You just have to do a lot more units, but it's also a much more sort of commoditized product so you can do more units, through technology, etc. than on equity where each deal is a little different. So I think there's pros and cons to both product types in terms of scale and scalability, but we're seeing both of them ramp up.

Peter: Right, right, okay, so let's just talk about investors for a little bit. You mentioned you have institutional investors, you've also got individual, can you run us through the mix. I mean, what are the kinds of institutional investors that you've got and also for the individuals. Talk about the kind of people that are coming to your platform.

Nav: Yeah, so let's start with the individuals because that's the investor base we have catered to since the very beginning and it's really core to our business model. Again as I mentioned, all of these investors are accredited so for those listening that don't know what that means, that means that they have to have a certain income or net worth. The net worth has to be a million or more and the income has to be $200,000 or more. It's an either-or, not a both requirement.

So these are accredited investors, they're individuals mostly that are pretty much across the entire country, the largest representation come from some of the bigger states like California and New York. We have a pretty broad...in terms of background there, it's pretty broad so we have professionals like doctors and lawyers, we have people in the finance industry, we have entrepreneurs, we have tech people so it's very broad because ultimately, they're investors and they're looking for exposure to real estate and to generate returns off of real estate so we're getting the same sorts of investors that would invest in the stock market or invest using a Scottrade account, obviously that's a broad base of investors.

Peter: Right.

Nav: And you know, the average check from an investor through our platform on a per deal basis from the individual side is in that $13,000 to $14,000 range so our minimum is $5,000, but most investors are investing above that minimum. So it's a very broad base of investors, mostly individuals using the platform directly that are accredited due to just regulatory requirements and limitations.

On the institutional side, most of our capital on the institutional side is hedge fund capital. I think if you look at the history of most platforms that's kind of where they get their start and then eventually evolve into more sticky institutional capital. That's also our goal, but that's where most of our capital is coming from on the institutional side as well as on the equity side. Some of it is coming from family offices and small funds so that's sort of the distribution of investors on the platform today.

Peter: Right, so I'm curious about...I wanted to talk about Lending Club real quick. You mentioned it earlier but...it's been pretty widely reported about, certain investors have pulled back from the space, I mean, particularly on the institutional side, I'm just curious whether you....are you benefitting from that or are you seeing...because as you say, secured real estate is a little bit less risky than unsecured consumer loans and so I'm just curious to know, is this helping you or have you not noticed much difference in the last three or four weeks?

Nav: I don't see how one of the pioneers of this space going through such turmoil would help really any platform.

Peter: (laughs) Right.

Nav: I think some platforms may say it's helping them, I think they probably are not big enough to feel the...I think large platforms that rely on heavy amounts of capital to fund origination growth are going to be outsizely impacted by Lending Club because they are likely heavily reliant on institutional capital, but smaller platforms and platforms that aren't heavily reliant on institutional capital...yeah, I would qualify our platform is one of those platforms, I just don't think you're going to see the impact being as great because the way institutional capital behaves and individual capital behaves and that's why I think it's important to have both is very different.

So I think we are probably unaffected if you kind of look at all the data points, we're probably unaffected. We've seen good growth with our individual base of investors, we haven't seen any of our institutional capital shy away and I think one of the reasons is it's real estate, it's secured, there's a tangible asset, there's third party verifiable valuations through an appraisal so all those things help with this asset class as compared to consumer where basically as an institution you're allocating to very small loan sizes and relying heavily on the platform's underwriting so if anything starts going in the wrong direction you're going to start questioning that underwriting without really an ability to verify yourself.

So I think real estate does benefit from that, but I think generally, Lending Club obviously was the pioneer of this industry, I think they've done amazing things. I don't see how the things happening at Lending Club have made it easier for any other platform to really grow and continue to exceed expectations because I think it's a hit to the entire industry. But I do think real estate and real estate marketplace businesses like RealtyShares have a unique asset that is very different than the unsecured consumer product that do give it a leg up in terms of investor appetite as well as an ability to ease some of the concerns that unsecured consumer products may be creating as a result of some of the things happening with Prosper and Lending Club.

Peter: Right, right, sure. So before I let you go, I got to ask a question about interest rates because I was having my lunch today and catching up on my reading and I saw an article that you wrote for Forbes about interest rates so I'd like to just get your perspective about interest rates potentially rising later this year. We've already had one increase, we may get one later this month, we don't know, but regardless, I wanted to get your perspective on what you think a rising interest rate environment, what impact it's going to have on you guys?

Nav: Yeah, when I was writing that piece, June being the time for another rate hike seemed more plausible just based on some of the commentary, but you probably saw the jobs number was missed and I doubt it will happen in June. So I think the piece...what I was really trying to cover in the piece is what happens to the marketplace lenders. There's been a lot of talk from skeptics that marketplace lenders will lose some of their competitive advantage and some of that competitive advantage for platforms like Lending Club and Prosper is cost savings to the borrower as compared to credit card rates, etc., but I think what those skeptics miss is the fact that when the Fed funds rate goes up, the credit cards rate will also correspondingly go up. And so by Lending Club or Prosper moving their rates up as a result of the Fed funds rate increasing…

It's not really going to destroy or eliminate their competitive advantage from a cost standpoint. I think when rates do go up it also means the economy...again, as we saw that the Fed will likely not raise rates this month because the job number was missed. If the job number had been exceeded, I think we probably would be looking at a June rate hike, but that would also mean that the economy is healthier and that means the borrowers' ability to pay, income levels, etc. all are probably also going up so I don't think that necessarily also means there's going to be higher defaults just because the rates are higher because as the rate hikes take into account the health of the economy and I think the health of the economy also impacts default rates etc.

So I do think the skeptics in terms of the competitive advantage being destroyed due to a rate hike or defaults going up due to a rate hike are over blowing the scenario because they think those things will keep...a rate hike will not necessarily destroy the competitive advantage because rates for credit cards will also go up and defaults will not go up because the economy will be healthier. That's kind of my main point there in the article you read during lunch.

Peter: Right, okay, sounds good. Last question, what's up next for RealtyShares? What are you looking to do next 6,12 months into next year?

Nav: Yeah, our focus is really...there are three main parts of the business we're highly focused on. One is capital markets diversification, continue to add a broad base of investors to the platform. That's one strategy we're employing, we're even starting to look at foreign capital markets because there's a lot of foreign appetite in the domestic US real estate so that's one thing. I think the reason we focus on that so strongly is one, you don't want to be susceptible to just one part of the capital markets as we've seen with some of the larger platforms and with some of the investors pulling out.

Two is as you broaden your base of investors, you're also able to provide varying products to your borrowers so I think it helps fund a broader set of deals as you diversify that capital. So in line with diversifying capital, we also plan to roll out additional products. To date, we've mostly just done that single family debt product and commercial equity and I think there is a lot of potential to roll out a small balance commercial debt product that we haven't really rolled out yet as well as additional products from the single family side including a term product. So that is another focus of ours...and then continue to really focus on credit and underwriting as we've seen with some of the stories as of recent. Credit and underwriting...deal volume and ability to deploy capital is what gets investors to the platform but performance and how deals end up doing is what keeps them on the platform.

So I think really continuing to evolve our underwriting to make sure it's taken into account where we are in the cycle. To minimize defaults and issues is really what is going to make our platform healthy over time and is going to make investors want to use our platform, not just the investors that we have today, but also a broader base investors that may be looking at the platform but aren't ready to take a dive into it just yet.

Peter: Right, okay great. On that note I'll have to let you go. I really appreciate chatting today, Nav, thanks for your time.

Nav: Thanks a lot, Peter, this was a pleasure.

Peter: Okay, see you.

Nav: See you.

Peter: So for my investment portfolio, I have certainly got a decent amount of holdings in the unsecured consumer credit space, I've got some in the small business space, but I really haven't had much in the real estate space and that's changing this year. I think from my perspective and while don't consider this investment advice because I don't know your particular situation, but from my perspective I think it's a good idea to diversify into real estate. I own my own home and I've got a second property, but what I don't have is diversification among many different geographies and different kinds of deals and this is what the real estate platforms provide today. The fact that a lot of these platforms are doing loans with fairly low LTVs where you can protect your principal at least to some extent, I think it's a very compelling offering today and I think something that I'm going to be diversifying into in the near future.

On that note, I will sign off. I very much appreciate you listening, I'll catch you next time. Bye.

(closing music)