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Talking Tall: Rodrigo Niño

The Power of the Crowd Rises

Rodrigo Niño

The 67-story, 240-meter BD Bacatá skyscraper in Bogotá architecturally topped out in September 2015, and is on track to become the city's tallest building. Most remarkable, however, is the way it was financed – BD Bacatá is the world's first "crowdfunded" skyscraper. Through an Internet platform called Prodigy Network, more than 3,500 Colombian individual investors hold shares in the project, and some have already seen returns of more than 40%. The founder of Prodigy Network, Colombian native Rodrigo Niño, spoke to CTBUH Journal Editor Daniel Safarik about the inspiration and future plans for the New York-based real-estate crowdfunding platform.

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Rodrigo Niño
Rodrigo Niño, CEO and founder of Prodigy Network, is helping to revolutionize the commercial real estate industry through crowd-investing. Niño, a Colombian native and a Manhattan resident, has proven Prodigy Network's crowdfunding model as an efficient and secure mechanism that enables smaller investors to invest in specific projects that were previously solely accessible to the very wealthy.

With this model, Niño has raised more than US$330 million from 6,200 investors located across the globe, in 22 countries. Currently he is developing four commercial real estate projects in Bogota and four in Manhattan with a projected value of more than US$950 million. Major money center banks like Deutsche Bank, CIBC, and Bank of America have provided traditional financing for Prodigy's Manhattan projects, giving further validation to Niño's model.

Beyond commercial real estate, Niño believes the crowd can finance the solution of many of its own urban needs in cities for a profit. As a proponent of the "crowd economy" as the main tool against inequality, Niño has spoken at worldwide conferences and was a noteworthy guest at NYU, MIT, Yale, Harvard University, and the AEDES gallery in Berlin. Niño is often featured in leading publications, including The Wall Street Journal, Businessweek, Forbes, The Economist, The New York Times, and Fast Company, among others.

How did the idea of Prodigy Network and crowdfounded real estate development come about? Why was this considered to be an unmet market need?

Our inspiration for crowdfunding real estate came from our desire to give people access to investments that only the very wealthy had access to before. For nearly 100 years, regulations precluded the majority of people from investing in private real estate developments, leading to an industry that is now controlled by a very select group of individuals and institutions. In recent years, a monumental shift has started to take place thanks to regulations and financial technology, and now people can invest in institutional quality commercial real estate projects that were historically dominated by only a few.

We believe that this transformational shift will ultimately improve wealth distribution by leveling the playing field between institutional investors and the masses. This is the reason we crowdfund and believe that the industry will be successful as long as people focus on delivering quality real estate to investors.

How do you develop confidence in the market that this type of pooled investment is effective or superior to conventional vehicles?

It's a much different type of investment than most people are used to, but we've found success by focusing on institutional-quality assets in major markets and by partnering with experienced developers/operators. Most investors should have 5% to 20% of their portfolio invested in real estate, according to investment advisors, and our platform provides a great way for people to do just that. It gives people the chance to invest in a specific project that they can understand, and we've found that the simplicity of the investment helps build confidence.

Can you walk us through a typical funding round for Prodigy Network, and how that looks different from a conventionally funded project?

The funding process varies from deal to deal, and as I mentioned before, we're very focused on large-scale investments in major markets, as we believe these are the best investment opportunities and have outperformed other markets historically. Many deals are coming through our platform that we analyze each week, as well as the ones that come through our relationships.

Generally speaking, we do a preliminary analysis of each opportunity before doing our full due diligence. If we like a deal, we'll underwrite it more thoroughly, and often

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have a third party work with us in order to get an additional assessment. After underwriting the deal we'll go to contract and tie it up so we can then crowdfund the equity for closing. Meanwhile we'll secure debt for the closing. We have historically closed within 90 days to six months after securing the contract, depending on how much equity we need to raise. I would say the main difference between crowdfunding and a more conventional deal is the timing of the closing – we've needed to negotiate long closings in the past in order to raise the amount of capital we need to close – often in excess of US$50 million.

How many individual shareholders do you tend to have in a real estate project? How does this compare to comparable projects that are conventionally funded? How do things like voting rights work, and how does this affect decisions like program mix, and the design brief?

For our projects in the United States, I would say we have approximately 100 to 400 investors per project with an average investment of US$50,000 to US$100,000 per investor. This is much different than a conventionally funded project, as most projects of that scale would have only a handful of institutional investors. While the number and size of investors is much different, our deals are structured very similarly to more conventional deals, and our partners/lenders have become very comfortable with how we structure our projects.

Our clients are making passive investments in our projects, and they like the fact that they have a clear understanding of the business plan before making an investment. That being said, we define each investment in the beginning, and investors only have consent rights in the event we dramatically change the business plan – this hasn't happened yet. This structure has worked well for us, and gives our partners and lenders confidence, as a large investor base with voting/consent rights would most likely be a show-stopper for most lenders and partners.

You're most well known for having funded a skyscraper in Bogotá, the BD Bacatá (see Figure 1). Why was this site and project chosen? What were some of the challenges in terms of financing, approvals, project management and construction?

In Bogotá, traffic jams and mobility problems cause discomfort and desperation amongst its citizens. Every day, getting from one place to another gets more and more difficult – even the existing modes of transportation, such as taxis, are impractical. Needless to say, the real physical problems the people of Bogotá are facing today give them no time to think about pollution, and the lack of safety is something they've just come to accept.

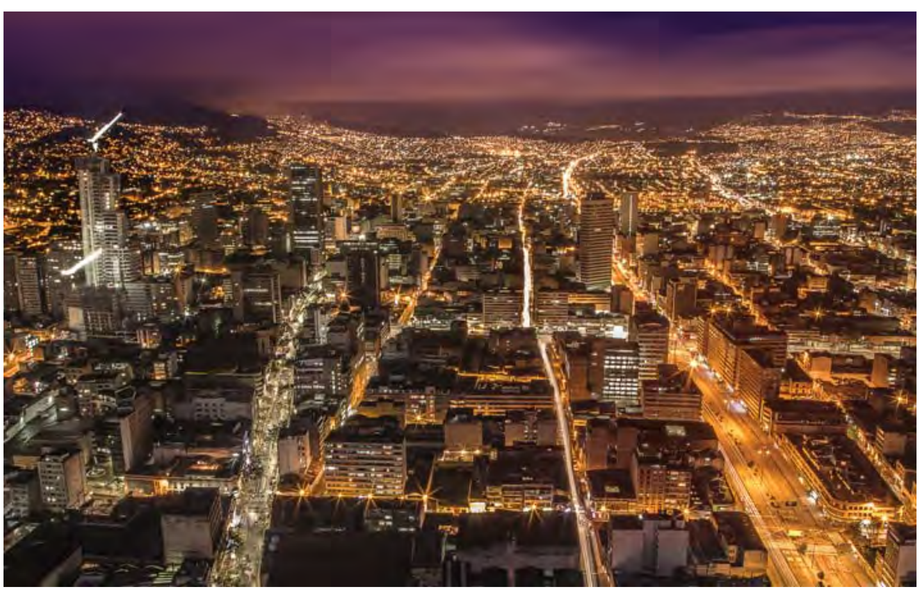
Figure 2. Downtown Bogotá at night.

Figure 1. BD Bacatá in July 2015. © Peter Angritt

The challenges mentioned above highlight the main reasons we did BD Bacatá – it presented an opportunity to fix many of these problems through a simple solution: reduce the distance you travel to work. Basically, make your commute shorter.

If a family can walk to work, to school, to the movies, to their favorite restaurant, and to the supermarket, there will be fewer cars polluting and congesting the streets. They will need fewer police, and they will be surrounded by a safer, more walkable environment. Life would be better this way.

Downtown Bogotá has 1.7 million commuters each day that leave the area at night, leaving it desolate (see Figure 2). If these 1.7 million people that congest the city during their "home-work-home" commute could live in downtown Bogotá, the story would be different. The quality of life of all the citizens would improve.

While the aforementioned solution seems simple, it was actually a challenge in Bogotá due to the absence of political consensus

Figure 3. Downtown Bogotá in 2012. © **Biusch**

and of financing. Currency risk and political uncertainty in Bogotá have resulted in a superfluously high interest rate environment that has precluded the development of skyscrapers in Bogotá for the past 35 years (see Figure 3). All of this has continued to take place despite the overwhelming demand for housing in downtown Bogotá. Skyscrapers, and hence, vertical densification and urban development, are not financeable through traditional means in Bogotá (i.e. bank financing). This is the reason crowdfunding was the only way to make the project happen in an effort to improve the city.

As seen with BD Bacatá, Prodigy Network brought more than 3,500 investors who invested more than US$220 million to enable the largest construction project in the history of Colombia. This project exemplifies the power of crowdfunding and its ability to finance profitable large-scale projects that have a positive impact on the local community, all without relying on banks.

You're a Colombian with a Swiss economics degree living and working in New York, the seat of global finance. Latin America has perhaps some of the strongest leftist movements in the world. We have seen an unfinished skyscraper in Caracas actually appropriated by the poor, in the form of Torre David. How did your background influence your choice of crowdfunding in Colombia? Do you see crowdfunding as a form of collective ownership, or a way to circumvent the trends of wealth accumulation and mass capital that dominates the world right now?

Our belief is that crowdfunding has two main benefits: it gives investors access to institutional quality real estate investments in developed markets like New York, and it enables projects that wouldn't have otherwise been possible in emerging markets like Colombia. I believe that crowdfunding can greatly improve wealth distribution around the world and can influence what projects and/or ideas get funding, and that's why we're doing it.

I would have to say I view crowdfunding as collective ownership that enables people to participate in investments that they didn't have access to before. These new investments will redefine the way people invest and the reasons they make investments, which is transformational in many ways.

Are the returns better than other vehicles that individual investors would otherwise make? If the minimum is US$10,000, that's a lot less than it would take to make a down payment on high-rise condos, which are gravitating towards a 50% down model after the crash of 2008–2009. Is the idea to reach that segment of the market?

We leverage our experience and relationships to identify the best opportunities in the market. Based on where we are today, I would say that our anticipated returns are much better than most other options in the market at that price point. I believe that long-term ownership of real estate in cities like New York is one of the best investments in the world, and investors can now take part in them after analyzing each opportunity to see if they'd like to invest.

What's next? What other markets interest you? What are your constituents calling for?

We're continuing our focus on core markets and will likely expand into other major cities in the near future. New York has a lot of great opportunities, and given our location, it makes a lot of sense for us right now. ■