17. Reflection

This chapter reflects upon the research method and to which extent the research topics and variables could adequately be measured. It scrutinises the relevance of the research within the wider social context, the adopted research method, processing of the results and gathering data.

17.1 The Relevance of Crowdfunding Real Estate

As elaborated upon in the problem analysis and research problem, this research is focused on exploring an alternative finance tool within a sometimes difficult and rapidly changing environment. The practical relevance can be found in the subject’s addition to contemporary finance parties, the empirical data underwrite that crowdfunding offers an alternative to the troubled real estate finance market (in the Netherlands). Similarly, crowdfunding real estate is socially relevant as it involves (especially in the Netherlands) social and communal goals. Therefore, democratizing crowdfunding and allowing all inhabitants (as has happened in the Netherlands and is about to happen in the United States) to participate is socially responsible and adds value to community. Also this is empirically underwritten and supported. Part I elaborates further on the relevance of this research.

17.2 Research Approach and Potential Methods

Selecting a qualitative research approach is based on the nature of crowdfunding real estate. It is a novel market, separated from regular crowdfunding markets. In finding an answer to how this market functions and whether this relates to the explosive growth in the United States versus the minor importance of crowdfunding real estate in the Netherlands asks for qualitative research. The study requires extensive conceptualisation of the situation in both nations. It requires local experts to describe their perception of certain aspects, increasing the chances for biases. Together with the document analysis it is attempted to mitigate this potential hazard of biases. Reflecting upon this approach, it would be highly unlikely due to the vast amount of qualitative data and interpreting to have chosen a different approach.

During the research process various potential research methods have been discussed. First, a quantitative data analysis on the crowd could offer insight in the crowd’s decision-making process and reasoning why to participate in crowdfunding. Yet, this approach is primarily concerned with finding answers to the crowd’s motives, which is very difficult if the crowd of participating individuals is relatively small, as is in the Netherlands. As a result, this study abandoned the potential method of data analyses on the crowd.

Secondly, in an early stage of the research the potential method of data analysing successful projects was discussed. Dropping this method was based on similar reasons as the first potential method: there are far from sufficient projects in the Netherlands that include financing real estate through the crowd.

Third, and last, considered method featured a financial model which would assess the financial feasibility and potentially describe the optimal (financial) conditions for crowdfunding to flourish. Aspects such as investment horizon, return on investment, interest levels and such were to be adjusted for optimising the WACC. Eventually also this method was abandoned since it did not sufficiently relate to the institutional character of crowdfunding real estate.

17.3 Adopted Methods

The explorative character of this research fits perfectly with the qualitative approach, adopted models and data gathering. An extensive literature study provided the theoretical models that were needed to measure the variables.

Gathering data is primarily executed through studying policy documents, institutional documents, regulative documents and semi-structured interviews with American professionals and Dutch professionals. Interviews are executed among market actors and experts, related to some knowledge institute or university, to preserve diversity and objectivity when interpreting the data. Other actors within the crowdfunding real estate process are unfortunately not included in this research.
The literature review holds three different aspects, namely the new institutional economics, crowdfunding and real estate finance theory. Literature on new institutional economics and real estate finance is widely available. Crowdfunding however is a relatively recent developed tool that is not as extensively studied as the other two fields of expertise. Sufficient literature was found on the overall concept of crowdfunding, yet hardly any literature is available that links crowdfunding to real estate. This is difficult when researching crowdfunding real estate markets, yet this has been partly bypassed by focusing on real estate markets rather than on individual projects.

17.5 Data Gathering

Gathering policy, law and regulative documents caused relatively little obstructions, yet it was time-consuming. Many documents are easily accessible through governmental or public websites, often widely announced through (online) media. Most documents offered a clear notion on what was aimed to achieve and how this was meant to reach. This resulted in a thorough document analysis providing ample information to assist in shaping the institutional economics of crowdfunding real estate markets.

Conducting interviews turned out to be a significantly more problematic method of gathering data. Interviewing Dutch parties had the advantage of physical meetings, offering more flexibility and easier conversations. Yet, only a few crowdfunding platforms focusing on real estate exist in the Netherlands. The study was successful in interviewing most important platforms and some experts. However, a broad range of interviews with substantially differing platforms is far from possible.

In the United States a much larger number of platforms are engaged with crowdfunding real estate, facilitating a fairly broader scope of potential interviewees. Yet, the study encountered great difficulties in reaching these parties. First, ordinary skype-interviews hindered communication and therefore might have reduced the interview’s quality. But even more impacting was the difficulty of reaching the American interviewee. Many parties seemed willing but did not respond to the invitations which were sent to a great many parties. And even if they did respond, communication could cease without any notice or further response. This raised barriers for this research since only a few platforms eventually participated. Eventually, the conducted interviews provided extensive and in-depth results offering profound knowledge on the institutional economics of crowdfunding real estate.

17.6 Process

A transparent process emerged during the preparations and execution of this study. Both mentors monitored the initial cause and purpose of the study without interfering in the soft process of data gathering, interpretation and concluding. They improved the study by guiding it into the right direction without executing it themselves.