

Brickfloor guarantees home sale price to build property fund



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ANZ Banking Group and Flight Centre co-founder Geoff Harris have backed a \$50 million capital raising by start-up Brickfloor as it builds a fund for institutional investors chasing yield in the low interest rate environment.

Mr Harris has also joined Brickfloor's high-powered advisory board, alongside Matthew Quinn, the former CEO of Stockland, and former chief economist of ANZ, Saul Eslake. Gersh facilitated a debt raising for the company, which was founded by Dean Fraser, a former investment banker at Greenhill Calburn.



Housing guarantee: Brickfloor investor and adviser Geoff Harris with founder and CEO Dean Fraser, in Melbourne on Thursday. **Eamon Gallagher**

Brickfloor has a unique model which provides sellers of residential property in Melbourne and Sydney a guarantee it will buy their homes at an agreed price if a seller can't find a better offer. The seller pays a fee of 2 per cent of the price agreed to with Brickfloor, which is paid whether it's Brickfloor or another party that buys the property.

After five months of operation in Melbourne and two months in Sydney, the company has already made \$50 million in offers to buy homes. It will not disclose how many properties have actually been acquired or any other performance metrics.

ANZ declined to comment on the 'proptech' investment, which has been made from its new ANZi venture fund that [recently invested in digital docket provider, Slyp](#). It is understood ANZ considers Brickfloor as a way of improving relationships with mortgage customers.

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Brickfloor is developing relationships with agent groups to refer property sellers to it.

Amid higher auction clearance rates and [improving sentiment in housing markets](#), Mr Fraser said Brickfloor can provide existing home owners with the confidence to up-size before they have sold their existing home, and could be used as leverage to extract a higher offer from another bidder.

He said agents may be willing to refer sellers to the product to accelerate listings. It is currently available for homes valued between \$350,000 and \$2.5 million which are within 50 kilometres from the CBDs of Sydney and Melbourne. The company has developed proprietary algorithms to determine the right offer price based on sales in the area and other metrics.

Mr Fraser said he is seeking to offer better returns than commercial real estate funds, which can average around 5 per cent to 6 per cent, via a combination of the underwriting fee and rental yields. Capital appreciation would come on top of that, and be expected to exceed commercial property. The fund will target investors seeking diversification from equities or commercial property.

"We would love to attract more super money into residential property," he said. "There is growing demand for alternative assets with a strong yield, especially in the low interest rate environment."

Brickfloor also has debt funding in place, and Mr Fraser said he was confident of raising additional capital as required. He said offers will not be made to buy properties without sufficient capital being available to make the purchases.

Twenty per cent of the fund will be allocated to support affordable housing initiatives by offering tenants rental discounts

Mr Harris said he was not aware of the guarantee model being used as a method of acquiring properties to build a fund in any other market. He said Harris Capital was attracted to it because "at the front end, it is offering certainty on the most stressful transaction in the life of many people, and at the back end, it will stockpile assets in the largest asset class in Australia".

He added that the model is "eminently scalable overseas, if it works here."



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Correction: A previous version of this article said Gersh was advising Brickfloor. Gersh advised a provider of debt to Brickfloor.

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