Online Real Estate Worth Investing in or Not:
A case study on reAlpha Company

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ABSTRACT
This paper discusses whether the current development of real estate companies is worth investing in. In this study, the company "reAlpha" is used as an example to study whether more advanced technology can help the modern real estate industry get more investment prices. First, the discussion of this paper introduces the company's grasp of the stock market and the analysis of the situation from a new calculation method of "AI programming" used by the company. Then we use the POCD framework to analyze the company. The research finds that "reAlpha," the real estate company is a long-term and future investment-worthy project. The significance of this study is finding still that real estate has the value of sufficient investment.

Keywords: AI programing, POCD Analysis, reAlpha, Real estate

1. INTRODUCTION

Real estate is a piece of glittering gold that everyone wants to taste. No one wants to have a good piece of land and lie at home then wait for the money to get to their wallet by itself. Therefore, many companies try to make a form like help those rich people find the best real estate and but the land for those rich people. However, even those companies can only get 1% of their profit, and they can still make as much money as they want.

More and more companies use this kind of form to startup. One of the most famous company is Airbnb. Since its establishment in 2008, the company has connected more than 25 million guests with managed properties in 34000 cities in 190 countries [1]. However, not all companies can do their best. They must understand the trend of real estate at that time, historical real estate changes, and have the experience of purchasing real estate.

Nevertheless, more and more companies use the same mode to startup. If there are no powerful employees, there is no way to make a profit. At the same time, it takes much time for a person to understand real estate fully and can buy good real estate. Therefore, even if there are many such companies and many talents, it is not enough to succeed.

As time in technology rise, some companies see new business opportunities. They find the method called A.I. calculation. With the calculation of computers developing, the power of machines increases. Compared with the manual calculation of the real estate trend, it is better to let the invincible computer replace the workers. Many startup companies use AI calculation to start their company. However, because the current technology is not mature, many companies are only in the wait-and-see stage.

There is a company that has enough ambition, and it stands out among other competitors. This company names: reAlpha.

There are many real estate companies with various forms simultaneously, but the purpose of this study is whether the real estate industry has investment potential. Because no matter how popular AI's electronic equipment, TV entertainment or sports and fitness industries have the opportunity to exchange low costs for high profits. However, like investing in the real estate industry, we first need many funds, and then we need to find someone familiar with the industry and experienced in managing the investment. In other words, the investment risk of the real estate industry is too high.

However, the company like reAlpha is different, and such companies use an AI programming algorithm to

carry out real estate projects suitable for customers. Research shows that "Algorithm is suitable for finding not only the shortest route but also better routes. The efficiency and the property of these algorithms are discussed through experiments applying them to an actual road network [2]." It is this unfinished and very advanced technology that investors need, which is the future.

As for why this study chose reAlpha, it is precisely because this real estate project with only a small number of people and a great investment that can get more benefits in the future under the growth of companies.

Referring to the special points of the reAlpha company, it is different from the common real estate company. First, it is a startup company. At the beginning of the company, they completed the production of the application. Second, the software is concise and clear. Even people who do not know the real estate industry can complete the operation. "The reAlpha app simplifies the real estate investing process. In the app, you can check out our most current property selection" [3]. They have successfully simplified the cumbersome process of real estate. At the same time, AI programming has the information to match customers well and find the most suitable investment object. The steps are replaced by artificial intelligence, with high fault tolerance and no possible errors like manual operation.

In this paper, we use the POCD framework to study how reAlpha is qualified to invest more. Among them, we use three aspects of POC to study the future trend of real estate. Part C most prominently proves that companies with special algorithms such as reAlpha can deal with more emergencies and verify their growth.

2. INTRODUCTION OF REALPHA

The ReAlpha is a very creative name and distinctive name. This company is included AI programming and real estate. So, this name can not only attract customers and achieve goals. Furthermore, the reAlpha is exactly doing better than their competitors. Now their company's goal is that short-term leasing is no longer purely transaction and occupancy driven. They are rethinking the entire end-to-end customer experience. Realphahouse is the ultimate on-demand rental property of reAlpha. They use various technologies, including smart locks, voice-controlled electronic devices, home automation systems, and innovative furniture to create an unparalleled guest experience. Because when guests enjoy special status, the landlord will get the maximum profit.

Also, the group of people running this company is all high prestige and ability. The CEO is Giri Devanur, who entrepreneur with Nasdaq IPO experience and EY Entrepreneur of the Year. He masters at Columbia

University. The COO is Monaz Karkaria, who seasoned real estate executive and real Estate Coach & Mentor; she is also a buy Rehab Rent Refinance (BRRRR) strategist. Other members are highly educated and qualified. They can complete the current achievements even when there is less personnel. Their ability is very strong.

Just recently, reAlpha is seeking to spend up to $1.5 billion (including debt) to buy short-term leases on an unprecedented scale. CEO Giri Devanur said in an interview that the money was enough to buy about 5000 houses. Enough to see the company's great potential.

3. POCD ANALYSIS

After the basic introduction about the company, based on the POCD framework, we evaluate the strengths and weaknesses of reAlpha through the perspective of People, Opportunity, and Context. We can understand how reAlpha is ready for its supporters and customers through the POCD analysis. Also, we analyse the influence of Covid-19 to prove how the reAlpha will do better than other competitors in real estate.

3.1 People

For the people, there are about three points to be considered. The first is the evidence to prove that they can execute the KCFs (Key Success Factors), and there are some from the online website. For instance, we have known that some cutting-edge companies are already on board and are willing to cooperate with reAlpha, which can offer much help. Besides, the motivation that the reAlpha is going to spend 1.5 billion dollars buying short-term rental properties in five years, including 1,5000 Airbnb rentals.

The second one is about the intelligence, integrity, and drive of the reAlpha. As for intelligence, most of the members are from top universities like Columbia University, Kelley School of Business or MBA from the University of Connecticut, MBA from the American Graduate School of International Management. Since most of them come from top schools and have abundant experiences in their industries, we believe in their integrity. For drive, we can see it from their recent plan in 5 years and actions of buying 1,5000 Airbnb short-term rentals.

The third one is to judge whether they have industry experience or whether they know how to run a business and raise money. Some have already been working in the real estate industry for years, like their COO Monaz Karkaria, a seasoned real estate executive. Moreover, their board director, Brent Crawford, is the Center for Real Estate OSU president. Not to mention that their CEO Giri Devanur, an entrepreneur with Nasdaq IPO

experience and the EY entrepreneur of the year. Besides, the CMO, Christie Currie, an experienced B2C healthcare entrepreneur, also can run a business. As for raising money, they already have three rounds of raising experiences. They recently announced the closing of a $6 million seed round by Crawford Hoying, a $1.3 billion in development in Columbus. Ohio and Is are preparing to launch a Reg A+ equity crowdfunding round (mini-IPO) in which 7.5 million shares, sold at $10 each, will be offered to the public.

3.2 Opportunity

As for the opportunity, it will be divided into mainly three parts: Customers, Cost, and the time

Customers Explain the operation mode with the traditional stock method. Then, match with some like-minded investors to form a consortium that can jointly pay the down payment. As a clear application, they could give the customers the best feel for the reAlpha.

Costs are about how much money should be paid as an investment. For example, investment real estate usually requires a 25% down payment, but due to our relationship with the lender, the down payment of reAlpha is 10%. reAlpha is also part of each consortium and retains 51% ownership of each property.

Competition is compared the differences between the competitors. As for a company like reAlpha, if someone wants to surpass competitors, the best thing to do is find enough partners, more operations acceptable to customers, compelling websites [4].

Figure 1. Global Real House Price Index

Source: Bank for International Settlements, European Central Bank, Federal Reserve Bank of Dallas, Savills, and national sources

As we can see from the Figure 1, from 2009 to 2020, the global housing markets has been steadily climbing up, which means the market is becoming larger and larger for company or investments to come in [5].

Figure 2. US housing market blooms again

Source: S&P/Case-Shiller, Bloomberg

As we can see from Figure 2, from 2001 to 2020, the home price index is increasing at a stable and fast speed in most of the years of America, the especially recent year it has already reached 15%, the highest rate in America history, which means that the US housing came [6].

Time is especially important as a part of opportunities. To its bloom again. It is most important to appear at the right time: When technology is developed enough, and people have enough time for technology; real estate problems caused by population growth; cumbersome to buy real estate [7].

Table 1. Short-term Rental Industry Size

Short term rentals properties Globally	Short term rentals in the United States	Projected reAlpha properties by 2025
7.4 million	1.8 million	1799
The global short-term rental market	United States short-term rental market	Projected reAlpha 2025 annual revenue
$1.2 trillion	$933 billion	$434 million

Projected reAlpha properties and Annual Revenue by 2025 will be 1799 and $434M. Then Short-term rental properties and rental market in the United States will be 1.8M and $$933B. Finally, the global short-term rental properties and the market will be 7.4M and $1.2T [8].

Even the reAlpha is still in the startup part, and they are also waiting for more customers to join them. However, their goal is feasible because they use Meme shares and cryptocurrencies. Arash Aloosh from Neoma Business School wrote an essay to prove the recent epic surge in share price: "investors, regulators, and policymakers are currently very concerned about the potentially destabilizing impact on the economy that this social movement of retail investors may have [9]." These commodities have one thing in common: extreme volatility. Those incredible GME returns have always been that its value began to soar until it did not. Other traditional slow growth options, such as REIT or the S&P 500 index, do not fully excite reAlpha. They prefer to invest in assets with tangible value. Real estate is an asset with historically low volatility because people always need housing. Now, coupled with a 70% higher short-term rental return, customers can get the highest return.

3.3 Context

The detailed context will be divided into three parts based on the Covid-19: before, during, and after Covid-19.

3.3.1 Before Covid-19

First, before the COVID-19, the short-term rental industry kept developing and getting more and more mature.

The short-term rental has already become a trend in the current situation. At that time, the USA was experiencing an already-scorching housing market. Housing prices skyrocket year after year, pushing homes further out of reach for Americans. Therefore, people had to rent for a living, especially in some hot cities. Moreover, the strategy – buying homes to rent on Airbnb at scale in the short-term vacation rental sector has been proven by. a herd of entrepreneurs.

Moreover, as is reported by US travel agencies before 2020 [10], the market size of the travel industry has grown yearly, predicting a continued surge of interest in travel. So, there is much potential for short-term vacation rentals. Despite the travellers, the USA takes in mass immigrants every year, and their population is projected to reach 78.2 million by 2065 [11]. Urbanization, sprawl of large corporations also triggers migration, generating greater demand for rentals.

Short-term rental is of high return and revenue. Still in investing market, other traditional slow growth options such as REITs or the S&P 500 do not exactly have the kind of performance that gets us excited. Short-term rentals are far more attractive, so it attracted more and more people to come in and make the industry more mature.,

As the industry matures, large-scale investors are joining the pool, hoping to get their slice of the short-term rental pie. Compared with reAlpha $1.5 billion investment, large-scale investors such as Blackstone and Invitation Homes have been snapping up homes by $50 billion across the country to rent out for a profit. reAlpha must grab part of pies from those fierce, giant, and even dominant competitors.

So how could reAlpha compete with these large companies? Firstly, the development of Airbnb and AI technology gave reAlpha a hand to promote its business. Before Covid-19, ReAlpha had scooped up $1.5 billion in short-term rental properties. It initially targeted Austin, Dallas, and Miami homes, all hot housing markets with rapid development. Thanks to AI algorithm reAlphaBRAIN, which can evaluate listings in a minute, the company could grab hundreds of foreclosed homes from other competitors following a

federal foreclosure moratorium ends. Various hundreds of real estate's help to share risks.

3.3.2 During the Covid-19

The COVID-19 pandemic covers the world, which has resulted in revenue for the tourism industry to fall 53.2% in 2020 [12]. The world is experiencing the devastation of the travel industry. However, according to the National Association of Realtors, the median home price ballooned to $350,300, up 23.6% from 2020 to 2021 for pandemic-inspired mass migration and the rise of remote work. Few short-term rental homes on the market cannot satisfy the jumping needs. Besides, the number of houses stopped increasing due to epidemic downtime, only leaving a shortage of housing inventory. With the shrinking economy, bankrupts, and record-low stock rates, reAlpha can be stimulated by the Covid-19.

3.3.3 After Covid-19

What will happen after Covid-19? For the optimistic aspects, short-term rental industry size is promising as predicted by reAlpha. There will be 7.4 million short-term rental properties worth $1.2 trillion globally, and for the U.S., there will be 1.8 million short-term rental properties worth $ 933 billion [13]. The U.S. Congress also set a goal of welcoming 116 million international visitors by 2028, ease the travel restrictions and recover schools [14].

On the other hand, what will reAlpha meet after the Covid-19 recession, like the 2008 crisis? Thanks to the versatility of short-term rentals, the properties can keep renting, waiting for the best-selling time. The University of Wisconsin indicates that U.S. housing prices fluctuate based on a line, so waiting is the best choice. Furthermore, the ratio of rental prices to housing prices proves that they have an opposite relationship. If housing prices go high, then the rental price comes down. Even if the total housing market collapses, it will provide AI algorithm services to customers as a semi-technology company.

Even that reAlpha could be the best of their competitor, but the changes are always taken by surprise. No matter what kind of change, it will become good and bad are all depend on their company. For those couple of years, the biggest change is the Covid-19. Because Covid has affected too many industries, most offline industries have been greatly hit, and online industries are like fish get water. Real estate institutional investors also face a challenging environment. Under the influence of the Covid-19, the resistance around the 2020 U.S. presidential election, the potential threat of trade tariffs, the flattening of the yield curve, and the global economic slowdown are also increasing. To meet these possible challenges, investors are looking for new ways to improve efficiency and effectiveness.
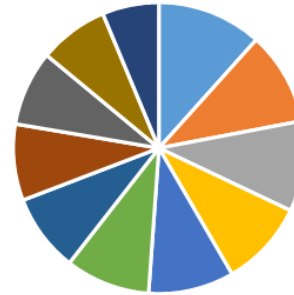

- Geographic market risk —348
- Tenant risk (including industry concentration—309
- Financing/interest rate risk—300
- Portfolio investment risk—286
- Compliance risk—284
- Regulatory risk—281
- Climate change risk—258
- Lack of availability of quality data to make timely decisions—253
- Risk of global operations and sourcing—249
- Geopolitical risk—230
- Leasing risk—188

Figure 3. Geographic, tenant, and financing risks are the top-three risks most CRE investors face

Under the influence of various modern situations, several factors seem to limit the growth and profitability of real estate institutional investors. In the report "FTSE NAREIT U.S. real estate index" released by NAREIT, it can be found that facing higher risks and competition. The average annual return of commercial real estate (CRE) investors in 2018 was negative, with the data being global (- 5.6%) and the United States (- 4.1%). During 2014-2017, the average annual returns were 6.4% and 6.9%, respectively, compared with the global and the United States [15]. Deloitte's 2018 global real estate institutional investor survey of 500 global institutional investors seem to show that respondents still regard CRE as an asset category: 97% of respondents plan to increase their capital commitment by 2019. However, their investment decisions may be challenged by geographic markets, tenants, and financing/interest rate risks (see Figure 3) [16]. Around the 2020 U.S. presidential election, the potential threat of trade tariffs, the flattening yield curve and the global economic slowdown are increasing. To these possible challenges, the reAlpha looks ready for it.

4. CONCLUSION

Real estate has always been an abyss because no one knows whether it is a bottomless hole or full of treasures. Let alone all kinds of special situations, such as Covid-19. However, reAlpha can use AI programming to solve the problems of the current situation. This article confirms whether such a company is worth investing in. We first study the company's structure and information and then use the three aspects of the people, the opportunity. Finally, the context in the POCD framework to understand the company's value.

From the context in the POCD framework, the most important thing is to appear at the right time. The time that reAlpha chooses to go public is in the current era when technology is successfully developed, and people are full of science and technology. At the same time, now is the time for real estate caused by population growth; In short, buying real estate is troublesome now. So, the goal of reAlpha in the future is to project the reAlpha's properties, and the Annual Revenue by 2025 will be 1799 and $434M. The result is that the company is worth investing in. Even with the growth of information technology, such a company model will be further imitated by more companies because the operation mode of the reAlpha company is advanced, whether in real estate or other aspects.

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