



# THINK REALTY

THE MAGAZINE FOR REAL ESTATE INVESTORS

SEPT/OCT 2016

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PAIR'S VARIED SKILL SETS  
ARE KEY TO COMPANY'S GROWTH

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A NEW AVENUE FOR  
REAL ESTATE LOAN INVESTING

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# A New Avenue for Real Estate Loan Investing

BREW JOHNSON AND BRETT CROSBY HAVE PEERSTREET ON A ONE-WAY COURSE: FORWARD.

by Susan Thomas Springer

**I**n only its first few years, PeerStreet has demonstrated that its combination of real estate expertise, big data and tech leadership can create an innovative opportunity for investors. This online real estate marketplace, based in Manhattan Beach, California, has funded more than \$75 million in loan volume and exceeded \$25 million returned to investors. CEO Brew Johnson and COO Brett Crosby founded PeerStreet in 2013 to give investors easy access to high-yielding loans collateralized with real estate.

Think Realty Magazine recently named the company “Innovator of the Year/Lending” for 2016. Here Johnson and Crosby share the unique approach they and their multidisciplinary team have taken to build their innovative company. As told to Susan Thomas Springer, edited for brevity.

## THINK REALTY MAGAZINE

How are you delivering on your pledge to provide “an innovative way for investors to access real estate loans”?

**BREW JOHNSON** The asset class we’re dealing in is private money, nonbank real estate loans. Really, nobody’s been able to access them

directly before. For us, it’s really important to open up things and not have it be dominated by institutions. Someday, we’d like any investor to be able to access them, but regulatory-wise and legally, we’re only allowed credit investors to invest, so we’re limited for individuals.

Who are your customers?

**BREW JOHNSON** It ranges. We have everything from hedge fund managers to very successful real estate investors, private equity investors and tech people. It’s a fairly broad investor base, but generally professionals.

**BRETT CROSBY** One of the things we’ve done that’s new and innovative is allowed people to diversify—across loans, lenders and geographies—in ways that no one’s been able to do before.

How do you minimize risk and maximize return?

**BREW JOHNSON** Debt is the safest part of real estate, and we think for an online platform it’s by far the best place for the vast majority of investors to be. We want to focus on the best risk-adjusted returns for investors.



**BRETT CROSBY** We try to cast as wide a funnel as possible and then curate from there what we think are the highest quality deals and then bring only those to market. Also, we've established a relatively conservative credit box, meaning we're very selective about the deals that come through. We've intentionally tried to minimize exposure to riskier deals. And, as anyone who's trying to be responsible with introducing a new asset class should do, we've modeled out risk and looked at worst-case scenarios until we feel very comfortable about how those models turn out in regard to the principle of being safe.

**How will your team handle a down market?**

**BREW JOHNSON** We have a lot of people involved with this business who have gone through cycles, and at least on the last cycle, were early to identify problems

in the market. We have other investors who were also on the right side of the previous cycles, including Michael Burry, who is the main focus of the book, "The Big Short," who's played by Christian Bale in the recent movie.

We've structured this business intentionally from a more conservative place, meaning that we have more conservative underwriting guidelines than generally exist out there in this asset class.

**Your team members have impressive backgrounds—MIT computer science, NYU law, MBAs, and Wall Street. How has this diverse experience enabled you to create a successful company?**

**BREW JOHNSON** We've been able to attract an incredible amount of talent in technology, real estate, finance and law, which is exciting because they're very smart, capable people who are trying to build something that is, collectively,

bigger than the individuals.

I was a real estate attorney back in the previous cycle and understood the issues with the mortgage industry in the securitization market that led to the downfall. Then I got in the tech world and built a tech platform to Expedia. Brett's background is as founder of Google Analytics, the largest Web analytics platform on earth. We know building a successful technology platform is all about creating value for others.

**BRETT CROSBY** It's humbling to be around these people who have decided to join us in this crazy journey. And it makes coming to work just that much better because they are self-starters, they're motivated, they're athletes and they're professionals—it's truly inspiring.

**How would you explain the advantage of your technology platform to a non-techie?**

**BREW JOHNSON** We provide tools to lenders who are making loans to borrowers, which make them more efficient and better underwriters and better lenders. Then we internally use tools to analyze loans in a unique way, so you have a combination of a local lender making loans in its geography.

PeerStreet provides data analytics—I mean extreme data. There's a huge amount of data science behind the scenes that goes into analyzing markets where properties are located, what the trend is in those markets, and then what the worst-case scenario is if we repeat it in a financial crisis.

From the investors' side of the platform, the real efficiency of the technology is being able to log into a platform as if you're trading stocks, like



## ABOUT PEERSTREET

Founded by real estate attorney Brew Johnson and former Google executive Brett Crosby, PeerStreet has created an intuitive, secure interface that allows investors a way to easily access high-yield real estate loans that were historically very difficult to obtain.

**PHONE:** 844-722-8898

**WEB:** [www.PeerStreet.com](http://www.PeerStreet.com)



**BREW JOHNSON**  
CEO & Co-Founder



**BRETT CROSBY**  
COO & Co-Founder

 PeerStreet

on E\*Trade or your Charles Schwab account, and look at these high-quality loan investments. So whether somebody invests in one loan or 100 loans, it's as easy as buying stock. Investors can invest in this brand new way where they can diversify across loans very easily and reinvest interest payments into new loans.

**BRETT CROSBY** Our goal is to make all of the technology disappear into the background and make the experience as easy as possible. You can even turn on automated investing, which is the “set it and forget it” model, where they can fund their account and then designate the parameters of the deals they're looking for.

We have a robust underwriting engine, which has a huge amount of data science, so we can see into each of the submarkets down to the ZIP code level and sometimes even more granular

than that. It allows us to stress-test the loans and look at forecasts. Also, we're starting to push out a lot of our technology that we've built onto our lending partners—and that has proven to be very powerful for them, so they can outperform in their local markets.

**What are smart investors doing to have the capital they need to invest in this space?**

**BREW JOHNSON** A lot of the equity investors are trying to find new access to capital because with volatility in the market and the traditional banking channels, a lot of people are anticipating that access to capital could be more difficult in the coming years.

Local private lenders provide a really good service by lending in markets the banks don't lend in, and also lending a lot more efficiently than banks, like closing loans much quicker. So we think

with us providing capital to these local lenders to be able to make more loans to real estate investors, it provides a lot of value in that market.

As long as markets stay relatively healthy, we want to be able to find capital for lenders to make loans in their communities. We don't actually make loans directly, but we'll connect borrowers to one of our local lenders, who can make the loan, and then investors can invest their loans through PeerStreet.

**Last words?**

**BREW JOHNSON** **BRETT CROSBY**

We appreciate being chosen for the award—we're extremely excited about it! •

*Susan Thomas Springer is a regular freelance contributor to Think Realty Magazine. Contact her at [susan@susantspringer.com](mailto:susan@susantspringer.com).*



Total Investment:	\$59,500
Sale Price:	\$97,500
Gross Profit:	\$38,000

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