Investment risks

All investments are subject to risks. The risk usually refers to the probability of occurrence of adverse events, which may result in not achieving the planned investment goals.

Each investor should pay attention to various types of risks and their probability of occurrence as they might affect investment returns. Investment activities may result in both profits and losses, and the preservation of principal or returns is not guaranteed. The investment's value may vary significantly over time. Past performance of any investment or asset class does not guarantee similar results in the future.

Any investment may result in both profits and losses, and returns on investment may not be guaranteed.

The risks and losses connected to the Investment activities are borne by the investor. Therefore, each investor should make sure that the risk profile of a particular investment opportunity is acceptable to him/her, taking into account, inter alia, his financial situation. Each investor should carefully analyze and evaluate the risks associated with investment activities and consider their potential impact and consequences. We recommend that you consult with a specialist before making an investment decision.

We have compiled a list of main investment risks as well as their descriptions. This list is not perfect and some risks may accumulate and converge.

General Investment Risks

Market risk

Market risk is the chance that the value of an investment may change due to the unfavourable market events, such as the macro-economic reasons, political or social instability, due to the behaviour of investors etc. Such events may lead to changes in real estate prices and volatility. Diversifying the investment portfolio into various asset classes, industries and regions of the economy, can reduce the market risk.

Liquidity risk

Liquidity risk refers to the adverse situation at the time of the liquidation of investment. For example, there might be not enough buyers of real estate at the exiting time or at the price level expected by the seller. Liquidity risk may lead to the extended exit period.

However, if the investor is forced to exit the investment, it could lead to the reduction in expected returns as well as to occurrence of direct loss.

Such an event might also lead to unexpected additional costs, such as extraordinary real estate evaluations, additional sales costs etc.

The realisation of liquidity risk may lead to significantly longer exit time unless investor is willing to sell its investment at considerably lower price.

Currency risk

When investing in another country or in another currency, there is a risk that investor may suffer losses due to unfavourable changes in currency exchange rates. Currency risk can easily be hedged using various risk management methods and instruments.

Inflation risk
Inflation risk is a situation where the inflation rate reduces the real rate of return or real value of the investment.

Legal risk
Legal or regulatory risk arises from the fact that the legislative acts regulating the asset, investment activities or taxation of earned income may change during the investment period. For example, the government may change the tax laws that govern the taxation of income earned by the investor.

Political risk
Political risk or country risk is the chance of investment value changing due to the political changes or instability in the country. Radical changes in economic or legal environment (such as nationalisation), internal political affairs or social crisis situations (such as civil unrest) are all examples of political risk.

Interest rate risk
Changes in interest rates may significantly affect the value of real estate investments. High interest rates have generally adverse effect on real estate prices, and vice versa.

Concentration risk
Concentration risk can occur in a situation where investor's investment portfolio focused on just one asset class (for example, shares) or economic region (such as Greece. The concentration risk can be avoided by reasonable diversification.

Specific risks related to real estate investments
Vacancy risk
Vacancy refers to the situation where the real estate property has no tenant. The realisation of vacancy risk leads to the loss of rental income and the decrease of investment returns. Vacancy risk can be managed by keeping the lease terms on the market level, professional property maintenance, using proper and legally binding lease agreements etc.

Tenant risk
Bad tenants refusing to pay rent or leave the property can significantly reduce the value of the real estate investment. Disputes with tenants may take long time and incur significant expenses. The lack of rental income might lead to temporary losses in times where ownership expenses exceed current income.

Tenant risk can be controlled by background research, lease collaterals (such as deposits and prepayments) and proper lease agreements.

Technical risks

Technical risk describes a situation where real estate investment’s covert technical defects can cause a decrease in rental income or adversely affect the property's sales price. Technical risks may lead to the need for unplanned repair costs and renovation. Technical risks can be managed and reduced through a thorough due diligence review and the subsequent maintenance process.

Location risk

Location risk refers to the situation where the property’s location might become less favourable over time, which might lead to the reduction in rental income or potential sale price, thus having a adverse effect on investment’s overall profitability.

Oversupply risk

Occasional oversupply might arise occasionally in certain regions or market segments, causing fierce competition resulting in difficulties in achieving planned rental prices.

Operational risk

Operational risk realises in a situation where Crowdestate is not able to continue its business and the company would be liquidated. Liquidation reasons may be financial (lack of liquidity, bankruptcy), legal (changes in the legal environment), management (inability to run the business as planned), operational (loss of key personnel) etc.

We have introduced measures to reduce operating risks and ensure Crowdestate’s long-term operations. Crowdestate’s team has decades of business management, corporate restructuring and growth experience.

Should Crowdestate's operations be closed down, this would lead to the activation of predefined process, where Crowdestate’s members’ investments are sold, transferred over to another similar operator or ultimately transferred directly over to investors.

Crowdestate's members’ assets are kept strictly separated from the Crowdestate’s own assets and investments. Therefore the potential ceasing of Crowdestate’s operations does not have any effect on members’ investments.

Risk management activities

All investment opportunities pass Crowdestate’s thorough due diligence process to to ensure that the information on investment opportunity’s legal, technical, marketing, legal aspects, etc. is accurate and sufficient form making a prudent investment decision.