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The AMF warns the public against certain platforms proposing investments in real estate as "royalties"

A growing number of platforms are proposing to retail investors, often very young, the opportunity to build up a real estate asset and/or receive a rental income by participating in online fundraising to finance the acquisition of assets, in particular real estate. The AMF is urging investors to be vigilant given the risks involved.

These fundraising transactions enable companies to purchase buildings. These companies promise to pay the investor a portion of the income generated by the rental of the property, and in some cases payment of a share of the capital gain on the sale of the property, calculated in proportion to the funds contributed. All of these revenues are also called royalties. This activity corresponds to a financing activity that takes place through a sharing of future incomes.

The AMF would like to warn investors against the sales pitch, which could be sometimes misleading, made by the initiators of these offers, and the risks associated with these investments. While marketing materials often highlight an investment in real estate, the investors do not become owners of the property in any way. The investors are simply creditors of a company set up specifically for this purpose, often poorly capitalized. They have contributed their money to this company to purchase a building of which the company is the sole owner.

Consequently, the investors bear a variety of risks. In addition to the risks usually associated with a real estate investment (for instance, income may vary according to changes in rents, rental vacancies, the insolvency of tenants or the realization of a capital loss when the property is resold), the investors bear a risk attached to their status as creditors of the company that owns the property. This exposes them to an additional risk of losing the capital they have invested. The initiators of these offers generally put forward overly optimistic or even unrealistic financial returns.

The AMF also notes that some platforms do not comply with the regulations in force, which aim to protect investors through the quality of the information provided, the handling of complaints, or access to the AMF Ombudsman.

The AMF is therefore calling on investors to be extremely vigilant when faced with proposals to invest in financing activities based on the sharing of future incomes, often referred to as royalties.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information.

The AMF also supervises the orderly operations of markets. Visit our website

<https://www.amf-france.org> URL = [<https://www.amf-france.org>]

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Activity of future revenue sharing platforms (royalties): legal qualifications and applicable regulations (in French only)

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