Real estate investing startup grows revenue by 400% in 2022

Nectar CEO Derrick Barker
Nectar

By Zach Armstrong - Tech and Innovation Reporter
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As a Harvard-educated native of Southwest Atlanta, Derrick Barker was an entrepreneur of several real-estate businesses while working as a fixed-income trader at The Goldman Sachs Group Inc. in New York City.

Following the 2008 financial crisis, Barker returned to Atlanta to buy and renovate run-down apartment complexes around the area he was raised in. Once the Covid-19 pandemic hit, the finances he relied on from equity investors dried up.

Despite the pullback, Barker and his wife and business partner Brittany Mosely still had 125 short-term rental properties in metro Atlanta. From that, the idea was born to package cash from short-term rental portfolios into a security to sell to investors. They began focusing on the idea full-time and named the company Nectar.

Founded in April 2021, Nectar is a platform that gives real estate entrepreneurs capital to grow their businesses through investors in exchange for a portion of cash flow they generate.

The company has gone through Atlanta-based accelerators including the Techstars Atlanta and Endeavor Atlanta. It was recognized by the Atlanta Business Chronicle earlier this year in Startups to Watch.

Growth in 2022

Just over a year after its launch, the company has grown to a staff of 10 and experienced revenue growth of approximately 400% in 2022. In the first quarter, the startup managed around $300,000 through its platform, compared with $1.3 million in the second quarter.

The growth comes after the startup raised $3 million in the Spring. Atlanta-based Collab Capital, Alpaca VC, J4 Capital LLC and Maveron participated in the round.

For Barker, Nectar is attractive because it provides a win-win option for both sides. Entrepreneurs would rather keep ownership by selling cash flow rather than giving up equity in properties. Investors are attracted to real estate because it's a great place to get passive income, he said.

“There's a generation of entrepreneurs who are buying and building rental businesses and looking for a way to grow their portfolio without having to give up equity in their properties,” said Barker. “Because we're able to take just the cash flow from real estate, we provide higher yields that are diversified, stabilized and truly passive.”

Nectar's growth since its inception also correlates with that of the broader market for short-term rentals. Demand for short-term rentals in 2021 grew by 22.4%, according to short-term rental data analytics firm AirDNA. The firm expects demand for the industry to grow another 14.1% in 2022.

Coming off its recent growth, the company is set to launch its second fund that provides a 16% annual dividend to accredited investors. Barker says that cash is backed by some of the top short-term real estate entrepreneurs in the country, but declined to identify them.

Due to its small team, the startup maintains a focus on short-term rentals but intends to expand to long-term rentals such as retail, laundromats, billboards, solar panels and parking garages in the future.

Recessionary climate

As fears of a recession loom, Barker says his startup is able to sustain momentum because it focuses on people who have low-leveraged portfolios, meaning their mortgages are low compared to the amount of equity in the property, and requires entrepreneurs to have a certain amount of cash reserves in case of hard times.

Inflation and rising interest rates could also make the startup’s services more attractive and accelerate its growth, said Barker. Rates for short-term rentals can change on a daily-basis which would provide returns faster, whereas long-term rental rates often change annually.

For Barker, the biggest challenge for his business is having a roughly even rate of both real estate entrepreneurs and investors onto its platform. If it attracts unequally more entrepreneurs, it has to find ways to produce cash while too many investors will make it harder to find investment opportunities.

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